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Party Competition and Industrial Structure in the 2012 Elections:

Who's Really Driving the Taxi to the Dark Side?

Working Paper by
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ABSTRACT

This paper analyzes patterns of industrial structure and party competition in the 2012 presidential election. The analysis rests on a new and more comprehensive campaign finance database that catches far more of the myriad ways businesses and major investors make political contributions than previous studies. By drawing on this unified database, the paper is able to show that both major parties depend on very large donors to a greater extent than past studies have estimated. The paper outlines the firm and sectoral bases of support for the major party nominees, as well as for Republican candidates who competed for the GOP presidential nomination. The paper shows that President Obama's support within big business was broader than hitherto recognized. A central conclusion is that many major companies in the sectors most involved in the recent controversies over surveillance were among the president's strongest supporters. The paper also analyzes patterns of business support for the Tea Party in Congress, showing that certain parts of business are more supportive of Tea Party candidates than others. The role of climate change, financial regulation, and other issues in the election is discussed at length.

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KEY FINDINGS

- Existing data sources used for studies of campaign finance have a variety of serious flaws.
- As a result, the degree to which major parties' presidential candidates depend on very large donors has been underestimated and the role small donors play exaggerated.
- The relation between the money split between the parties and the proportion of votes received by their candidates in House and Senate races appears to be quite straightforward.
- Firms and executives in industries strongly affected by proposed regulations limiting greenhouse gas emissions heavily backed Mitt Romney. So did much, but not all, of finance.
- President Obama's support within big business was broader than hitherto recognized. His level of support from firms in telecommunications and software was very strong indeed, sometimes equaling or exceeding Romney's. Many firms and sectors most involved in the recent controversies over surveillance were among the President's strongest supporters.
- Republican candidates showed sharply different levels of contributions from small donors; President Obama's campaign, while heavily dependent on large donors, attracted more support from small donors than did his Republican opponent.
- Big business support for Tea Party candidates for Congress was substantial, but well below levels for more mainstream Republicans. Many of the same sectors that strongly supported Romney also backed Tea Party candidates. Backing for Tea Party candidates by Too Big To Fail banks ran above the average of business as a whole by every measure.

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> The opinion by Judge Eagan...noted that no telecommunications company had invoked its legal right to object to turning over its customers' calling records to the government. "To date, no holder of records who has received an order to produce bulk telephony metadata has challenged the legality of such an order," she wrote.
>
> *The New York Times*, September 17, 2013

Attempts to decipher the meaning of elections while the sound and fury are still dying away are almost always problematic. But the 2012 election is peculiarly treacherous. All through the campaign itself and for some time after it ended, the storyline seemed clear, for all the deeply conflicting emotions it evoked.

The narrative centered on partisan conflict. From the moment President Barack Obama took office, wrangling between Democrats and Republicans threatened to stalemate policymaking. After the gigantic Democratic losses in the 2010 congressional elections, the political system locked up. Spurred on by the bourgeoning Tea Party Caucus in the House and a smaller coterie of like-minded senators, Republicans blocked virtually all the president's policy initiatives and many nominees to key federal agencies. Save for a handful of libertarians, GOP leaders also steadily attacked his foreign policy as limp and inconsistent. Mocking the president for "leading from behind," they strongly defended the national security practices identified with the Bush administration. They opposed closing down the prison at Guantanamo, defended expansive domestic surveillance, torture, and broad presidential powers, while recurrently pushed for more and bigger military interventions abroad, along with higher levels of military spending. [1]

The Republicans did more than posture. They waged vigorous campaigns to roll back every vestige of New Deal programs and regulations at state and national levels. At times they even threatened to default on the national debt as a tool to force deep cuts in domestic spending; they always tried to rein in or paralyze key federal agencies such as the Environmental Protection Agency, the National Labor Relations Board, the Securities and Exchange Commission, and the Commodity Futures Trading Commission. In many states, GOP governors led campaigns to end collective bargaining, cut budgets, and roll back regulations that had been on the books for decades.

As the presidential election kicked into high gear, the economy was barely crawling along. Unemployment remained well over eight percent, with vast numbers of people working much less than full time or dropping out of the workforce in despair. GOP leaders and prospective candidates could hardly disguise their confidence that 2012 would be the party's year of destiny. In the end, despite private doubts, the prospect of retaking the White House convinced most conservatives to rally behind Mitt Romney after his gigantic money machine emulsified the rest of the field in the primaries.[2] When the former Bain & Company private equity partner's general election campaign fell just short, disappointment was profound, though the GOP's strong showing in House elections and enhanced position in the Senate tempered the grief.

For Democrats, by contrast, Obama's reelection signaled that the worst had been averted. Many stalwarts came out of the campaign convinced that the structural composition of the electorate was moving slowly in their favor and that the gravest threats to their domestic priorities might even be receding as the short run federal budget position gradually improved. Everyone on all sides believed that prospects for big new foreign interventions were fading, while Democrats took comfort from the conviction that efforts to undermine the Bill of Rights and the Constitution via the doctrine of the "unitary executive" associated with the Bush-Cheney administration appeared firmly contained.

But the 2012 election was, in fact, a post-modern thriller, in which the main characters everyone thought they knew abruptly turned into their opposites and the plot thickened just when you thought it was over. In early June 2013, the *Guardian*, with an assist from journalists at *The Washington Post* who soon came under attack within their own establishment, electrified the world. Drawing on documents and testimony from Edward Snowden, an employee of Booz Allen Hamilton working under contract with the National Security Agency, who had fled the country, the journalists broke the story that the U.S. government had been collecting vast amounts of information on not only foreigners, but also American citizens.[3] And it had been doing this for years with the cooperation of virtually all the leading firms in telecommunications, software, and high tech electronics, including Google, Apple, Microsoft, Verizon, and Facebook.[4]

As this essay goes to press, the firestorm triggered by these revelations has set off alarms across the globe. Clumsy U.S. threats to countries weighing offers of asylum to Snowden have stoked further indignation, as have heavy handed efforts to intercept him, including some that contravene long standing conventions of international law.[5] Tortured legal arguments about why the programs are consistent with the Fourth Amendment's insistence on "probable cause" in searches and the realization that top national security policymakers appear to have deliberately misled Congress and may have used secrecy laws to criminalize whistleblowers for revealing official misconduct trouble many.[6] So do revelations that violations of NSA guidelines, such as using the system to track one's romantic partners, occur frequently enough to generate a special bureaucratic taxonomy.[7] The sense of outrage is particularly high in Germany, which Snowden revealed to be of special concern to U.S. intelligence, but the news has powerfully affected perceptions of the U.S. in many countries.

For the companies, the fallout from the revelations has been no less heavy. The realization that Google's banal "don't be evil" sloganeering and Silicon Valley's breathless exaltation of consumer choice, freedom, and even libertarian values cloaked the most far reaching surveillance program in history has clearly dismayed many citizens in and out of the U.S. Together with the revelation that the U.S. government pays companies to change their technologies to its specifications and indications that in fact the firms have been sharing "sensitive information" with government agencies and "in return receiving benefits that include access to classified intelligence," the news has tarnished the companies' carefully cultivated images as near-stateless engines of consumer desires.[8] Many Americans are becoming vividly aware that national states and giant corporations exist in reciprocal dependence after all.

The companies are frantically backpedaling and trying to blow smoke about details of their cooperation with the programs.[9] But despite an unending litany of attacks by officials and most of the media on Snowden's character and motives, polls show that many Americans see him as a whistleblower, not a traitor.[10] Even the Congress, where leaders of both parties initially formed a phalanx in support of the NSA, is wavering, with an amendment which would have cut off funding for the program failing only narrowly in the House of Representatives. A former judge on Foreign Intelligence Surveillance Court, the secret tribunal that passes on requests for court orders, has sharply criticized the process, while former President Jimmy Carter attacked the program in a closed-door meeting in Atlanta.[11]

For an essay focused, as this one is, on understanding the dynamics of the 2012 election, the still cascading revelations pose a stiff challenge. Everyone's interpretative frames inevitably carry a lot of baggage from the past. There were a whole series of warning signs, including Obama's rapid fire decision to step up the war in Afghanistan right after he took office, the alacrity and severity with which his administration prosecuted national security whistleblowers after promising greater transparency, and the administration's sweeping claims about the government's right to hold citizens without trial for indefinite periods. But there was also the Justice Department's insistence that killing American citizens without any kind of court hearing is lawful, the efforts to prosecute journalists for simply posting links to leaked documents, the overkill that attended official responses to the Occupy movement and protests at the national party conventions, and the White House claims that press freedoms enshrined in the Bill of Rights do not cover bloggers in an era in which everyone, including *The New York Times*, now uses that form.[12] But the suggestion that the Obama administration embodies a distinctively new form of extensively privatized National Security State organically linked with the famously contentious Bush-Cheney structures takes some getting used to.[13] In particular, many readers are likely to wonder what a bitter, partisan stalemate can possibly mean in a situation where Big Brother and big money are working hand in hand through it all.

This essay attempts to unravel some of these perplexities. As the storm over surveillance broke, we were completing a statistical analysis of campaign contributions in 2012. Because we are broadly familiar with the history of government investment in high tech and electronics, we never credited free market accounts of the sources of innovation in those industries or the conduct of their businesses – the success of these companies owed a great deal to earlier public investment.[14] But we acknowledge some surprise at the size and scale of the cooperation between Silicon Valley and the Obama administration, as well as details of the vast, secret judicial processes used to rationalize it.

In light of what has transpired, our quantitative analysis of presidential election funding invites closer scrutiny, particularly on the finding that we had antecedently settled upon as perhaps most important: in sharp contrast to endlessly repeated claims that big business was deeply suspicious of the president, our statistical results show that a large and powerful bloc of "industries of the future" – telecommunications, high tech, computers, and software, as discussed below – showed essentially equal or higher percentages of support for the president in 2012 than for Romney.

Though documenting the claim would take us far beyond this paper, we believe that the emergence of these new industries is a key factor in transforming the old National Security State into its new, even more sinister twenty-first century model. These new sectors form a part – albeit a particularly important one, because they are so big and so directly involved with the rapidly evolving technologies propelling the Digital Age – of the political economy of America's new model national security state. They are not the only important influence – obviously, these would include not only 9/11, but the tumescent growth of the rest of the homeland security "industry," including private prison companies and many other non-obvious players focused on data collection in particular domains; the vast infrastructure built out to service and support U.S. interventions in Iraq and Afghanistan; and macroeconomic austerity itself, which made privatization of the old National Security State so seductively attractive to policymakers under pressure to cut government expenditures. But the point that this paper documents is perhaps most instructive of all: Many of the firms and industries at the heart of this Orwellian creation have strong ties to the Democrats. George W. Bush and Dick Cheney may have invented it, but national Democratic leaders are full-fledged players in this twenty-first century National Security State and the interest group pressures that now help to sustain its defenders in Washington work just as powerfully on Democrats as on Republicans.[15]

It should be obvious, however, that our discussion cannot rest here. Comprehending the 2012 election requires tackling a broader range of questions thrown up either by the logic of the situation or other election analysts. Among these are the roles played by small donations in presidential campaigns, relations between big business and the Tea Party, and exactly what kinds of industries and firms support "no new taxes" and fiscal austerity in the GOP. At the heart of everything, though, is the issue that has shadowed all discussions of American politics for more than a decade: How to make sense of the steadily intensifying partisanship that recurrently paralyzes so much domestic policymaking and shapes so much public rhetoric.

IN A NUTSHELL

Part of our answer to this question rests on earlier work, which we have space only to summarize. Most of the myriad factors advanced as causes of this polarization by commentators in both the mass media and the academy plainly cannot be the real drivers. Congressional redistricting, growing partisan divisions within the electorate, the persisting legacy of the Civil War or, more precisely, the persistence of a uniquely reactionary South – all are pretty flimsy, at best adding an epicycle or two. For example, redistricting, that favorite chestnut of editorial writers, surely happens but cannot be anywhere near the whole story: the Senate is not that different from the House in partisanship and no one has messed with state boundaries.[16] And public opinion surveys are conclusive: By enormous majorities, the American population rejects the Ryan Budget and notions of cutting Social Security or even Medicare. On those issues, the bulk of the electorate is not divided; it's united to a rare degree.[17] Studies of public opinion trends over the long run reinforce this skepticism: changes in mass ideology over time are too small and inconsistent to produce effects on the scale required. Indeed, a number of shifts go in a liberal direction, as recent publicity about changes in attitudes toward gay rights and immigration attest.[18]

In our view, the primary explanation for the accelerating polarization of American politics is not complicated. It's political money, or more precisely, changes in the way major investors think and act in politics, and the responses of Congress and the two major political parties to those changes. Essentially, as earlier work by one of us argued in detail, the Republican Party's trajectory from Nixon through Reagan to Gingrich and George W. Bush was driven by a vast, constantly growing corps of ever more extreme business blocs determined to roll back the New Deal as a whole.[19] The mantras of these groups – note that mantras scarcely exhaust real behavior – are precisely the watchwords of Beltway discourse in the last generation: deregulation, cuts in top bracket taxes, free enterprise, anti-unionism, and gigantic levels of "defense" spending. Concerns about either privacy or the growth of the National Security State were not on their radar screen; indeed, the favorite defense spokespersons of this bloc, notably Dick Cheney and Donald Rumsfeld, championed sweeping views of presidential power.

With unions in precipitate decline and big money directly propelling more and more of political life, the Democrats responded to these Republican shifts by chasing money, too.[20] They redoubled their traditional appeals to preeminently capital intensive, free-trade-oriented businesses, especially in finance, telecommunications, electronics, and defense. These sectors were open to defending federal initiatives, especially those they benefitted from, and were prepared to temper deregulation, tax cuts (which they, too, favored), and bigger defense outlays with a leavening of social welfare expenditures. What they were not prepared to do was to assert the protection of privacy, which for many would have meant forgoing vast revenues derived from data sales of information about their customers. Both parties, not just the Republicans, were essentially transformed into business parties, and national party leaders increasingly mounted campaigns by striking deals with blocs of major investors for enormous sums of money that fund highly stylized appeals on a few hot button issues that promise to mobilize subsets of increasingly turned off voters.[21]

Public focus on the inflammatory "wedge" issues convinces unsophisticated observers that the steady shift to the right must result from some inchoate ideological change. In fact, however, since the collapse of the seniority system, congressional party leadership slots and major committee chairs and places are sold like so many pig futures, with the Democrats sometimes actually compiling Sears catalogs of prices. Requirements that aspirants for committees raise large sums for national party campaign committees feed this nationalization and centralization of political finance and put ever more power in the hands of national party leaders, who control those committees.[22]

Among Republicans, the pattern is more complex. The gale force winds remorselessly propelling the whole political system rightward sweep through the GOP virtually unchecked, for the simple reason that it has no mass constituency in a position to offer any effective resistance to such shifts. As a result, the GOP resembles one of those giant storm fronts that sometimes form over the hot, flat landscapes of the American Great Plains and Midwest that throws off one gigantic cyclone after another: The changing world economy spurs the formation of ever more extreme investor blocs, which then subsidize challengers to more "mainstream" incumbents, pushing the whole party further rightward. In the nineteen eighties, such forces conjured Gingrich; in the nineties, Armey, DeLay, and others; as shown below, the Tea Party rides the latest whirlwind of insurgent money.

METHODS

For reasons of space, we must focus almost entirely on our empirical findings. But, obviously, our results depend crucially on the tools we have fashioned. Though we cannot detail these either, they require brief explanation.

In our view, studies of money and politics have for some time been stuck on a plateau, despite some notable individual accomplishments. We consider most of the literature in political science excessively preoccupied with formal-legal considerations. It is easy to understand why: a generation of court decisions, Federal Election Commission rulings, and legislation has erected an exhausting maze of different kinds of political money, with often jarringly inconsistent rules regarding allowable amounts, uses, and reporting requirements. It goes without saying that most legal scholarship only accentuates this tendency to lose track of the forest in the trees.

A few political scientists and economists do try to test hypotheses, but their efforts are almost entirely defeated by data problems, and they only occasionally touch on core issues of political power. In many instances, they use theoretical frameworks that make it difficult to recognize the effects of money in politics, because they only try to model deviations from some illusory median voter norm, despite the mounting evidence that when the preferences of the affluent are controlled for, policy preferences of the poor and middle income Americans typically count for little or nothing.[23]

The major sources of data on political money are the Federal Election Commission (FEC) and the U.S. Internal Revenue Service (IRS) (the latter is responsible for compiling data on so-called "527" committees that have become prodigious sources of funds). Partly for understandable reasons, neither agency makes any serious effort to standardize names or addresses of people on their rosters. For less comprehensible reasons, though, both agencies routinely accept seriously incomplete reports and obviously inaccurate or misleading entries. For example, they let many business executives who are still active on the boards of large concerns get away with claiming to be "retired." The two agencies also present their data in different formats that make record linkage difficult. And, as we discovered, and the FEC acknowledged, it sometimes deletes important data from its records without notice.[24]

Into this breach have stepped the Center for Responsive Politics, a handful of related organizations such as the Sunlight Foundation, and a few private for profit subscription services. Everyone concerned with political money owes the Center and Sunlight a great debt for the efforts they make to translate the forbiddingly complex FEC and IRS data into usable form. Their data (most of it originating from the Center for Responsive Politics) has nourished a generation of journalists and a few scholars.

But the data's shortcomings have long been apparent. The biggest problem is fragmentary presentation. Every source compiles different subsets of data; none integrate them, with the result that a single file of clean, research quality data that reflects true totals is unavailable. Coupled with some occasionally mystifying gaps in coverage and the rolling disappearance of records for many past elections from the Center's website, the deeply engrained habit of serving up data like slices of salami makes it virtually impossible to test broad hypotheses. It also tempts scholars to rely overmuch on data subseries that are easiest to use – such as PAC contributions – and neglect the far less tractable, but more revealing, data on individual contributions, independent expenditures, and 527 donations. When the woefully incomplete easy sources are tapped by social scientists to construct indices of the political orientations of contributors and politicians, confusion is compounded; at times we wonder if a kind of Gresham's Law of bad data driving out good operates in parts of the social sciences.

What might be termed "flow of funds" inconsistencies in the FEC data (after the Federal Reserve's well known summary of financial sources and uses of funds) pose further obstacles. Much political funding resembles the inter-bank market for loans before the Lehman bankruptcy in 2008. Donor A gives to Organization B, which shuffles it over to Conveyer Organization C, which hands it off to Final Recipient D to finally spend it. In theory, all these transactions are traceable via Federal Election Commission (FEC) records. In practice, they often fail to add up, including, often, the separate reports of PACs and candidate committees. We isolate original PAC donations by sorting through reports from both and take extreme pains to avoid double counting.

Perhaps the greatest data stumbling block, though, is the complexity of the contribution rosters. Investors who make multiple contributions rarely use exactly the same form of their name. Many maintain several different offices and residences in different parts of the country. When reporting contributions, they list first one and then the other in no consistent fashion. "Mr." and "Mrs.," and "Senior" and "Jr." also flit back and forth like the Cheshire Cat. Hyphenated names bounce people into entirely different parts of the alphabet, depending on whether they use the hyphen or not. And so on. The toxic combination of wild diversity and incompleteness also characterizes the reported names of corporations, regardless of whether they are referenced merely to indicate the affiliations of individual contributors or record direct expenditures out of their treasuries to Super PACs, 527s, and similar vehicles. Large concerns, especially big banks, have vast numbers of subsidiaries and sub-units; often those names rather than the parent are reported. In 2012, we even found contributions from one Too Big To Fail bank reported as coming from financial institutions that it had absorbed at the height of the 2008 crisis.

These problems are at least dimly recognized and the object of all kinds of expedients. But the bottom line is that existing data management tools that try to match up the data commonly fail to recognize multitudes of contributions coming from the very same sources. Our experience is that total contributions from particular individuals routinely run far larger than suggested in accounts by either journalists or scholars, and the true scale of contributions originating from many corporations often is invisible. It is no accident that even scholarly studies rarely try to summarize the latter. Journalistic conventions, such as focusing on contributions to formal presidential campaign committees or Super PACs alone further obscure matters.

This veil of ignorance, of course, has weighty consequences: It nourishes illusions that small donors play bigger roles in campaigns than they really do and hides the reality of just how concentrated American political finance really is. Or, in other words, it encourages the notion that while wealth and income in America are fabulously concentrated, somehow political money isn't. The incompleteness of individual records also masks important structure in the data, especially where data on firms and occupations are incomplete or misleading.

The data we use for this paper come from our "Political Money Project," which tries to remedy these shortcomings and others that we lack space to discuss here. Starting from the original FEC and IRS data, we have intensively applied modern database management methods to sort out name problems. Our methods are certainly not foolproof, but they represent substantial improvements over anything else we have seen. Resolving the identities of individual contributors and corporations has the collateral benefit of substantially raising the percentage of contributions whose sources we can identify, since one correct identification sometime allows completion of many partially missing entries. Sifting flows of funds also identifies many previously lost or doubtful contributions. In 2008, for example, these methods allowed us to identify some $110 million of additional contributions; in 2012, $73 million.[25]

For this paper we have gone a step further. We have created unified data sets that attempt to group together all the disparate sources of funds – from individuals, political action committees, Super PACs, 527s, "independent" expenditures, etc. – that flowed into 2012 races, and identify them by their final origins under single "investing unit IDs." Do not be put off by the cumbrous terminology: Think "firm," where that term is stretched to include major investors listed in the Forbes 400. Provided that one recalls the cautions appropriate for results of procedures that involve scoring systems and cutoff points applied to literally millions of individual cases (we still do enormous amounts of real time checking), this approach permits analyses of the behavior of individual firms and major investors in more detail than any other method.[26] Suddenly, in place of myriads of apparently unrelated individuals and disconnected corporations, the behemoths appear as they are, often towering over the rest of the landscape.

We are the first to acknowledge that our compilations of total contributions by individual firms still remain incomplete. Even more importantly, they fill out only a portion of the full spectrum of politically significant money. [27] But they come substantially closer to recreating the landscape that confronts candidates as they scramble for funds. The resulting change in scale is dramatic, as will become obvious below, when we compare size breakdowns of individual contributions (perhaps the most common type of analysis in studies of presidential election funding) with "firm" contributions analyzed in our terms.

Our data set also tries to overcome what we consider the Achilles' heel of most efforts to study political money: They don't include enough economic data to reveal many important patterns. We have made a determined effort to integrate economic data about firms and individuals (including Standard Industrial Classification (SIC) codes for members of the Forbes 400) that we believe are vital for finding the golden needles that are scattered all through the hay stacks of big data on money in politics.[28] Because we think major firms and investors in many respects live in a different political universe than most other political contributors, we also separately break out donations from "big business" from our larger sample.

Money's Role in Elections: The Value of a Comprehensive Approach

The utility of a comprehensive approach along these lines becomes clear as soon as one considers the controversies about political money engendered by the 2012 election. In our view, few elections have so vividly shown the decisive importance of big money as last year's record-breaking slugfest. Considering the Super PACs and the way Mitt Romney kept entering one primary after another trailing in the polls, only to open his mighty bankroll, and then win or sharply close the gap, one might suspect that what sounded like the voice of the people often was mostly money talking.

Nevertheless, within hours after the polls closed on Election Day, a wave of commentary began downplaying the role of big money. Even a study by the Sunlight Foundation, which has a lively awareness of how money distorts American democracy, investigated "the emerging post-campaign narratives" according to which "all the outside money (more than $1.3 billion) that poured into the 2012 election didn't buy much in the way of victories." It concluded that "the story holds up: we can find no statistically observable relationship between the outside spending and the likelihood of victory."[29]

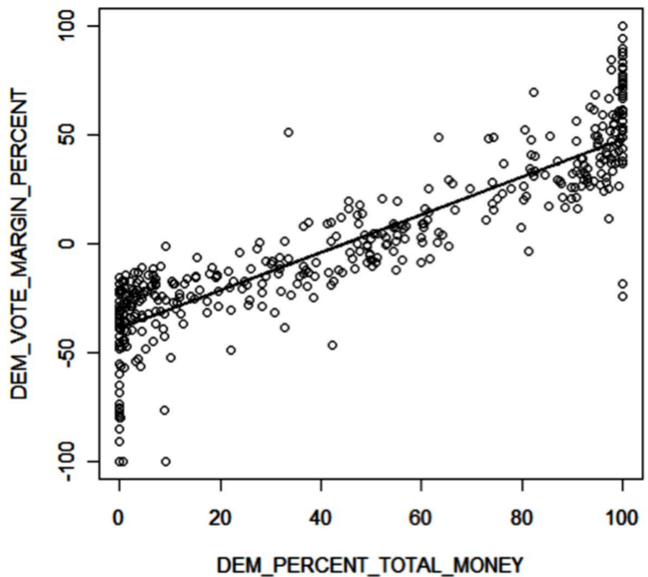
Our data set allows us to brush past artificial efforts at separating "outside" from "inside" spending, where the latter simply refers to expenditures by candidates' formal campaign committees. We can therefore look at total spending by or on behalf of candidates and then ascertain whether *relative*, not absolute, differences in total outlays were related to vote differentials. The result is shown in our Figure 1. This shows a strongly linear relationship between Democratic candidates' shares of total spending in House elections and the percentage of votes they won. (At the bottom left Democrats spend no money and get no votes; at the top right, they spend all the money and garner all the ballots, calculated as proportions of totals for both major parties.)

We were surprised when we first noticed this result. The pattern struck us as uncomfortably close to a paranoid version of an investment approach to political party competition. We simply did not believe that other variables were not also important. Thus in our first presentation, we took pains to recite the litany of qualifications customary whenever anyone approaches the subject of money in politics, especially the admonition that correlation does not necessarily imply causation. On a more technical plane, as fast as we could locate a spatial

Figure I

Spatial Regressions for House Elections

2012



Spatial Regression; Pseudo R^2 = .80

Source: See Text

matrix for House districts in 2012, we also tested to see if spatial autocorrelation might affect our results. (House districts occupy distinct areas is space – which can make statistical correlations appear weaker or stronger than they really are. Though curiously few political science papers actually test for such effects, we have found through experience that spatial effects are ubiquitous in such data.) Our Moran tests showed that spatial autocorrelation was indeed present, but that the relationship remained strong. (The graph displayed in Figure 1 takes account of spatial dependence.) [30]

Fairly soon, however, we began having cautious second thoughts. As one scholar commented to us, the approximately linear relationship was far more interesting than any of the qualifications. We thus ventured to examine some other elections. We looked first at the earliest one for which we had the requisite data, the House elections of 1980, and then for an election at the midpoint of the interval between 1980 and 2012, 1996. Both showed essentially the same linear pattern despite the quite different numbers of marginal districts involved in close elections.

The next query was whether the pattern holds for Senate elections. Many fewer senators run for reelection than House members, so we knew that results for a single year would likely be less reliable. Yet our study of 2012 showed basically the same pattern with more scatter, just as one might expect. Not long after we published our study of 2012 House elections, Nate Silver, then of *The New York Times*, published a graph for Senate elections between 1990 and 2010. This used exactly the same proportional approach we took to analyze relations between Democratic spending and vote shares except that Silver used total receipts, presumably of senatorial campaign committees, rather than total spending *per se*. He arrived at similar linear results.[31]

Our own study of 2012 Senate races, which includes not only formal campaign committees but outside expenditures by parties and interest groups on behalf of candidates, shows that spatial autocorrelation is present, suggesting that it is likely to be present in Silver's sample, too. But all these results point clearly in the same direction. Quite possibly a broadly linear approach to spending in both House and Senate races is a sensible working hypothesis. Claims that money didn't matter in the 2012 elections are not consistent with this evidence, even if it can still be queried. [32]

These stark findings also raise a question about how Senate, House, and presidential elections compare. Our hypothesis is that the relationship between money and outcomes is somewhat different in each, for institutional reasons. The fit between money and House elections appears to be substantially tighter than in Senate contests, where correlations evidently run lower. Because presidential elections are one-offs, they do not easily permit comparisons with elections for either legislative chamber. But to the extent the comparison makes any sense, the fit between money and direct voting appears to be even looser in presidential races. Our conjecture is that these differences reflect, in part, substantial differences in press attention, which we believe is greater for the Senate and even great for presidential elections.[33]

BIG MONEY AND THE PRESIDENTIAL ELECTION OF 2012

Regardless of precisely how the presidential election of 2012 compares with elections for Congress, our data throw a great deal of light on the real political forces that shaped that race. We begin with a fundamental point: the relative importance of large vs. small contributors. Here our unified data set makes a much more precise diagnosis possible and points to several striking conclusions. Analysts of political money have known for a long time that comparatively few Americans contribute any money at all to campaigns. More or less clearly, they also recognize that the number of Americans contributing any substantial amounts – say, donations of $250 or more – is even smaller. Yet in virtually every election, candidates attempt to portray themselves as champions of ordinary Americans and convey the impression that the money fueling their campaigns comes mostly from those ordinary Americans. In some cases, the press plays along. Journalists and political scientists excitedly talk up the importance of "small donations" in propelling one or another candidate's campaign.

In 2008, for example, the Obama campaign trumpeted its support from small donors. Many in the press indulged the claim. Eventually, however, reports circulated that the campaign was nourishing this illusion by encouraging big contributors to break their donations into smaller subventions and emphasizing the number of contributors rather than proportions of total contributions. Some analysts began to become suspicious. They started questioning the claims and looking harder at the evidence. But after pondering the question, many continued treating such reports respectfully. [34]

In 2012, the president's campaign once again touted its support from the grassroots.[35] Some analysts puffed up these claims by sliding past the fact the president's formal campaign, like the GOP's, used its national party committee, with its much higher limits, as an auxiliary piggy bank for large donors to make substantial supplementary contributions. They reported only results for the candidate's principal campaign committees, where even the richest Americans could not contribute more than the relatively low legal limits.

Some Republican candidates made similar appeals. Recalling the famous moment in the Republican debates when all eight candidates on stage pledged to reject a budget package raising even a single dollar in new revenues for every ten dollars in spending, we are wary of ordering the Republican field in strict left/right terms.[36] But we think it fair to say that essentially all of Romney's opponents save Jon Huntsman Jr. ran to the right of the former Massachusetts governor, in many cases with an eye toward attracting Tea Party support. Rep. Michelle Bachmann (R-MN), for example, was a certified member of the House Republican Tea Party Caucus and appealed regularly to communicants. Newt Gingrich and Rick Santorum, but especially Gingrich, memorably portrayed themselves as champions of Main Street in contrast to what they implied was the vulture capitalism associated with Wall Street and Romney. To the extent that he offered any appeal beyond the number nine repeated three times ("nine-nine-nine" – said to be a tax "plan"), Herman Cain came from this wing of the party, too. Ron Paul's appeal transcended the Tea Party, but it also certainly embraced that movement and, with its sharp critique of the Federal Reserve and interventionist foreign policies, definitely distinguished itself from the gigantic naval build up and muscular foreign policy Romney championed.

Our analysis of data for 2008 led us to a skeptical view of Obama's small donations. Campaigns are required to itemize contributions totaling more than $200 from donors. Below that level, no information about contributors is required. The Obama campaign did collect about $276 million in unitemized contributions below that limit; those are reported as lump sums and no further analysis is possible.[37] But with our data management programs, we can analyze all itemized contributions by individuals in detail. Our best estimate is that less than 10 percent of the (then) record breaking sums the campaign raised in individual itemized contributions came from donors contributing less than $250 in the aggregate. By contrast, we found that fully 61 percent of the campaign's money coming from individual itemized contributions came from donations totaling above $500, with 38 percent coming from donations of $1,000 or more. For comparison, in that election, 40 percent of John McCain's money represented donations totaling at least $1,000, while contributions over $500 made up 63 percent of his totals.

This analysis takes us only so far, however, because the figures come with major qualifications: They include donations to each candidate's national party committees once each clinched the nomination, but they do not include the enormous amounts spent on both sides by so-called "527" committees and other "independent" campaign vehicles. These donors were mostly far more concentrated, as will be evident in our discussion of 2012. Even these incomplete figures, though, make it is obvious that both candidates were more reliant on big money than many observers acknowledged, though our tabulations may exclude some unitemized funds flowing into the campaigns from smaller campaign tributaries.

TABLE 1

Size Breakdown of All Itemized Contributions, Grouped by "Firms"
Percentages of Total Amounts Counting
Super PACs, Independent Expenditures and Other Forms of Big Money
(Rounding Makes 0 Mean Less Than A Half of One Percent of Total Money)

Total Money	Obama	Romney
< $200 (Unitemized)	37	18
≤ $250	2	1
$ 250-500	2	1
$500 – 1,000	3	3
$1,000 – 10,000	15	17
$10,000 –100,000	21	23
>$ 100,000	20	36

Money	Santorum	Perry	Paul	Huntsman	Gingrich	Cain	Bachmann
< $200 (UnIt)	38	4	48	4	29	57	73
≤ $250	4	1	4	1	3	6	3
$ 250 – 500	5	2	4	1	2	7	4
$500 – 1,000	6	6	6	4	4	9	4
$1,000 – 10,000	16	57	2	16	13	15	14
$10,000 – 100,000	3	10	4	5	1	1	0
>$ 100,000	29	20	11	67	47	5	0

Source: Calculated From FEC and IRS Data, See Text
Because of Rounding, Columns May Not Sum to 100%

For 2012, we have tried to piece together the whole picture, or as much of it as current reporting requirements permit. This time, our figures include not only the regular presidential campaign committees, but also the 527s, Super PACs, and other forms of independent expenditures that supported those campaigns. We also combed the reports of these latter for unitemized contributions. We include these in Table 1, too, which displays the outcome of our research.

The new figures throw important light on many hotly discussed features of American politics. If campaigns truly represent a groundswell of the sentiments of ordinary Americans, then the profile of campaign donations by size should be shaped rather like a pyramid – with most money streaming in from small contributors. Over that wide base might then rise ever smaller layers of bigger contributions. If, by contrast, candidates reflect preeminently the interest of a handful of larger donors, we should expect to find the reverse – a structure resembling the Seattle Space Needle or even perhaps an upside down pyramid. An interesting halfway situation might be a barbell, in which blocs of giant contributors perch at the top of a distribution reflecting serious input from many smaller contributors. A shape of this sort would inevitably raise suspicions that the campaign really functions like publicly owned corporations in the stock market, where masses of smaller shareowners are typically dominated by blocs of deep-pocketed donors owning enough shares to maintain effective control.

On the other hand, important differences may exist either between the parties or within, each in regard to situation of small donors. A venerable tradition, for example, argues that Democrats differ from Republicans in the roles afforded labor and groups representing ordinary voters. But similar claims have been pressed within the Republican Party by champions of the Tea Party.

Judgments about whether political candidacies embody the spirit of the people thus reasonably begin with an assessment of the unitemized contributions. Table 1 pins down the facts. Look first at figures for the major parties' final candidates. Small donations were almost twice as important in percentage terms to the President's campaign as they were to Romney's. This is important and, on its face, appears to support claims advanced by the president's campaign.

But there is more to the picture. The second take is different. When one takes account of all contributions in the presidential campaign from whatever source, including corporations, and groups them by their final sources in individual "investing units" (again, think "firms" in the special sense earlier explained, which includes individual investor contributions too), the extent to which both campaigns depend on big donations emerges. For both parties, contributions of $10,000 or more bulk larger than unitemized donations.

Many discussions of political finance brush off donations of $250 as though nothing could be more natural for Americans. We disagree sharply; we continue to believe that contributions on that scale, particularly if they are not one-offs, represent a lot of money for most households. But for the sake of argument, let us set that issue aside. We think it is safe to conclude that relatively few American households earning less than about $500,000 make many political contributions of $500 or more.

Estimates of who qualifies as a member of the now-famous one percent of top income earners vary, not least because of the staggering inequalities at the top of the pyramid. Citing a Congressional Budget Office study, *The Economist* suggested in 2012 on the basis of figures for 2007 that the cutoff might be as low as $347,000; other, perhaps less careful, estimates put the threshold higher – at somewhat over a half a million dollars.[38] In any case, we think it is reasonable to treat contributions over $500 as coming largely from the one percent. This leads to a significant conclusion: that both major party campaigns float their campaigns on the basis of appeals to the one percent – fully 59 percent of the president's campaign funding came from that quarter (56 percent, if one applies the higher threshold of $1,000 contributions) while 79 percent of the funds mobilized by Romney's campaign originated there.

If one reckons – as we suspect many politicians and campaign fundraisers do in practice – simply in terms of the itemized figures (because those are so much easier and cheaper to chase in campaigns[39]), the major party candidates' dependence on the one percent becomes breathtaking: Almost two thirds of the itemized financing for the president's campaign came from donors contributing more than $10,000, while over 70 percent of the Romney campaign's itemized financing came from donors of that scale (not shown in the table). By that metric, both major party presidential hopefuls then rely on donors giving $1,000 or more for about 90 percent of their funding.

This is what the inability to frame true totals embracing both corporate and individual money has been hiding. What both major investors and candidates have long known intuitively, that a relatively small number of giant sources provide most of the funding for successful major party candidates, is true. The relatively thin stream of small contributions simply does not suffice to float (conventionally managed) national campaigns, and all insiders know it.[40]

At the same time, we would caution that the two major (presidential) parties are not identical in their reliance on small donations. More than a dime's worth of difference still separates them – smaller donations appear to be almost twice as important to the Democrats. Direct financial contributions to the presidential race by labor unions are relatively low – our figures indicate about $47 million in 2012.[41] If one assumes that the unitemized funds come mostly from unorganized average Americans, then something recognizably like a second generation model of the old New Deal party system still appears to function in the twenty-first century party system: The one percent largely fund both parties, but average Americans continue to have a more substantial toehold among the Democrats.[42]

Perhaps unsurprisingly, in the general election the two major party presidential campaigns resembled each other in another way as well – contrary to what we at one time expected, they ended up fairly close together in total spending. The wide range of other committees that also spend for ostensibly different reasons during presidential campaigns makes a single estimate treacherous and double counting an occupational hazard. But a reasonable summary that takes a wider view of total receipts than we do here suggests that the differences between the campaigns in the end may have amounted to as little as $6 million out of nearly $3 billion spent between them.[43]

The dependence on the one percent immediately raises questions about the precise nature of each campaign's "base." Before we take up that puzzle, it is necessary to resolve the question of the differences within the Republican Party, in particular whether Romney's opponents, especially the Tea Party candidates, represented a popular upsurge from below or were in whole or part cat's paws of major investors, big business, or some other segment of the one percent.

The statistics in Table 1 provide the answer, which is somewhat surprising. Bachmann, Cain, and Paul attracted truly significant percentages of unitemized funds – essentially half or more of all their funds. Though we suspect Republican donors are likely to be somewhat wealthier than most Democratic donors, we do not doubt that most of this money streamed in from people reasonably described as "average Americans" too. Gingrich and Santorum also attracted significant amounts from this quarter. By contrast, Huntsman's and Texas Governor Rick Perry's contributions of this type were plainly derisory.[44]

When one reckons in the other, typically much larger, eddies of money that float real presidential campaigns, as Table 1 does, the impression of an upsurge from below for Bachmann and Cain remains. Both campaigns lived mostly off smaller donations. There was, however, a fatal catch to their "populism": The sums raised were not nearly enough to keep them competitive – possibly a warning about the fate of such candidacies in the Republican Party – while their attraction to the legions of the party's heavy hitters remained miniscule. Their thin support made them vulnerable to even slight reverses, with Cain being forced from the race before a single primary by a series of revelations suggesting possible problems with, let us say, certain of the Ten Commandments, not long after Ralph Reed proclaimed him and Bachmann the choices of the religious right.[45]

The campaigns of Gingrich and Santorum were different. Both attracted some substantial support from small donors. But in financial terms both campaigns were clearly barbells, with very large contributions pouring in from super-rich donors. Ron Paul also attracted some substantial support from donors contributing more than $100,000. PayPal cofounder Peter Thiel and other large contributors backed several Super PACs that waged vigorous campaigns on the Texan's behalf.[46] This suggests to us that the stereotype of libertarians representing an affluent strand of anti-mainstream thinking (that is strongly anti-union) is true, but it is equally clear that Paul's main support came from smaller donors.

By contrast, Perry's and Huntsman's campaigns look like inverted pyramids. Neither attracted small contributors. Huntsman embodies the stereotype of GOP moderates – they are few, far between, and rich. His campaign was top-heavy with donations from a handful of supporters almost as wealthy as his family, which operates a major chemical company and holds a place on the Forbes 400 list. The table's suggestion about Perry's campaign is interesting. Though some press reports suggested the opposite, his campaign did not succeed in attracting large numbers of really big contributions; evidently the Olympians had reservations about the Texas governor's attacks on the Fed or, perhaps, his problems with short term memory in the debates.

LOOKING DEEPER: SECTORAL BREAKDOWNS

The evidence thus far indicates that far right Republicans tapped into real veins of support from ordinary Americans. But that support was thin. Calling it a revolt of ordinary Americans is perhaps a bit of a stretch. The two strongest challengers to Romney, in the sense that for brief moments each injected at least some suspense into the race – namely, Gingrich and Santorum – come close to caricaturing an investment theory of party competition, in that politically extreme one percenters and other, almost equally affluent Americans were clearly furnishing funds for political appeals that mostly disguised their origins. But the discussion is perhaps not dispositive, since we have not yet considered evidence about Congress.

Before we take up that topic, we consider the obvious question raised by the evidence of the top heavy character of the two major party campaigns – one that conventional electoral analyses of elections cannot shed any light on at all: To what extent do their affluent political bases differ?

This is a topic whose surface we can only scratch here. Many methods can potentially shed light on this question, including comparisons of geographic origins and analyses involving both amounts and sheer numbers of contributions. This paper has to cut to essentials and present only key results obtained from what we consider the most robust and generally revealing of all the methods.

Here we analyze contributions by investing units – "firms," where, to repeat, that term embraces not only business executives, but their enterprises themselves, when they write checks directly to what are hilariously described as "independent" committees. The executives and the firms' direct contributions are lumped together under a single rubric; it is important for statistical reasons not to multiply contributors artificially and to be sure that they are not counted twice. Independent private investors with no other controlling firm affiliations are also treated as "firms" in this sense. [47]

Focusing on percentages of firms making contributions to candidates rather than the percentage split of total reported money between them is a method that is robust to many common pitfalls afflicting campaign finance analysis. But in an era of big data, older objections to comparing totals do not carry quite the weight they did when donations by corporate executives had to be tracked down one by one. We present results for both, though we caution that these warnings about totals still have great force.[48] We first break out average levels of contributions for each candidate in Table 2. Then, in Table 3, we compare percentages of financial support for

TABLE 2

Support for Candidates
Full Sample and Big Business Only
Percentage of Firms Contributing

Candidate	% All	% Big Bus
Obama	24	56
Romney	41	76
Bachmann	2	14
Cain	3	16
Gingrich	3	18
Huntsman	2	10
Paul	5	30
Perry	4	18
Santorum	3	21
Pawlenty	2	12
	N=25,306	N=776

various candidates across sectors. In both we report (some) results for two different data sets: One for the whole sample of firms and another limited to big business, where that is defined as the top 350 concerns in the *Fortune* listing for 2011 along with firms of equivalent size listed in *Forbes*' roster of privately held firms for the same year, along with the *Forbes* 400 wealthiest Americans.[49] This second data set, obviously, amounts to a direct cross-section of Olympus itself and, for reasons spelled out elsewhere, we think it is uniquely useful for understanding politics and policy, though this paper cannot pick up that thread in its own right.[50] Depending on exactly what question is being asked, the number of firms varies, because we do not have complete information on every entry in the larger sample and the information required for various analyses differs.[51]

In Table 2, as one might expect, support levels for President Obama and Governor Romney tower over the rest of the field. We are particularly impressed by two facts the table discloses. Firstly, Romney does splendidly across many sectors; in that sense, the cliché that the Republicans are the party of business comports with the facts. But we are also struck by how well the president did within big business even though the customary pattern of patchier Democratic strength across business as a whole holds this time as well. Nothing in all the commentary about the antipathy between "business" and the Obama administration really prepares one for these results or the evidence that some major sectors actually preferred Obama to Romney. Though the evidence is less than perfect, we suspect that the president probably enjoyed substantially higher levels of support within big business than most other modern Democratic presidential candidates, even those running for reelection.[52]

When one examines differences between the two candidates in specific sectors, the picture becomes more subtle and interesting. Here we have far more evidence than we have space to present, though we also need to caution that the smaller numbers of big businesses often leave more room for statistical uncertainties. Table 3 breaks out three sets of sectors that we think are particularly important to understand. Firstly, support for Romney is extremely high in a bloc of industries that have been heavily engaged in battles over climate change, alternative energy, and regulatory policy, including oil (where the Romney advantage in both big business and the sample as a whole approaches Himalayan dimensions), mining, including many coal companies, chemicals, paper, and utilities.[53] (Note that the table shows only Obama's percentage of the money split, because the Romney percentage is simply the president's percentage subtracted from 100 percent. The statistical tests the table reports are for differences in the rate of firms contributing to the candidates in each sector, not the money split; where no significance level is reported, the difference is not statistically significant.)

Our statistics allow us to pin down an answer to a question that intrigued many from the moment Romney emerged as the president's prime challenger: exactly how much did the financial sector and Wall Street support each candidate? The former Bain Capital executive's appeal to finance was obvious, but many analysts also pointed to repeated interventions by the administration that strongly favored Wall Street and Too Big To Fail banks.[54] To treat this issue with the precision that its importance merits, we coded firms in the financial sector very carefully. We separated, as far as possible, private equity and similar enterprises from general investment

TABLE 3

Industry Differences in Major Party Candidate Support 2012
Percentage of Firms Contributing to Each and Percentage Split of Total Money
BB only = Only Firms in Big Business in the Industry Just Above
(Romney % of Money is 100% - Obama % of $)

Industry (N-Size)	**Obama % of Firms**	**Obama % of Money**	**Romney % of Firms**
Mining (41)	20	14	68**
Coal Mining (227)	11	3	48**
BB Only (6)	33	4	83 (.18)
Paper (48)	42	16	73**
BB Only (6)	83	35	83
Chemicals (140)	42	37	65**
BB Only (15)	69	33	88 (.08)
Oil (4057)	23	24	40**
BB Only (67)	48	7	85**
Utilities (159)	48	40	58* (.03)
BB Only (31)	90	29	100
Insurance (4072)	13	24	29**
BB Only (32)	75	34	88 (.10)
Private Equity (181)	38	18	61**
BB Only (47)	19	19	57**
Invest. Bank & Hedge Funds (5253)	26	33	48**
BB Only (53)	38	48	60 (.07)
Commercial Banking (2902)	16	28	35**
BB Only (20)	75	27	95 (.05)
Health (245)	55	42	65**
BB Only (20)	68	89	68
Health Insurance (49)	88	70	84
BB Only (9)	100	49	100
Pharmaceuticals (574)	47	46	41 (.04)
BB Only (15)	73	55	93 (.08)
Defense & Air Craft (54)	56	50	67 (.20)
BB Only (9)	100	49	78
Electronics (176)	64	37	61
BB Only (11)	91	28	91
Telecommunications (202)	60	74	59
BB Only (59)	59	62	56
Software & Web (271)	69	53	58**
BB Only (28)	57	51	54
Computers (76)	63	68	59
BB Only (20)	65	28	65
Manufacturers for Web (67)	64	41	60

Source: See Text
** = Differences between percentages of support from firms for Romney and Obama are significant at .01 level using McNemar Test and Repeated Logistic Model.
Note: The statistical tests do not refer to the money split between the two candidates.

banks and hedge funds; we believe the distinction is important because the former actively manage companies and thus routinely engage on a wide range of labor issues.[55]

As Table 3 shows, the former Massachusetts governor's advantage among private equity firms was huge. It narrowed among hedge funds and investment houses, but only modestly, when one counts by firms. But the president did attract very substantial amounts of money from the smaller group of investment banks and hedge funds that rallied to him. The result stands in some contrast to 2008 and many previous elections, where major financiers disproportionately supported Democratic candidates.[56] Among commercial banks in the big business sample, however, there is a fascinating wrinkle. In the sample as a whole, banks were less supportive of the president than other businesses and they backed Romney strongly. Banks in the "big business" sample – which for sure includes all the Too Big to Fail banks – however, show vastly higher levels of support for the president than most other sectors of big business, when reckoned by the percentage of firms that contributed. On the other hand, by the same measure their enthusiasm for Romney was even greater and the split in contributions greatly favored the latter. Indeed, it hardly differed from that of banks in the full sample. Since this pattern is unique to banking, conjectures that the large banks were somehow simply trying to hedge their bets can be dismissed. Our conclusion is nuanced: Romney was the clear favorite of high finance in 2012, but the president did garner strong support from a minority on Wall Street and almost everywhere among the Too Big To Fail banks at least some support was forthcoming for the man who promoted Tim Geithner from president of the New York Federal Reserve Bank to Secretary of the Treasury and reappointed Ben Bernanke.[57]

The pattern of presidential choice within various parts of the health care industry is interesting. Romney did very well within the pharmaceutical industry, but Obama did even better, especially in comparison to his general level of support across business as a whole. Evidently, the famous deal that eased passage of the president's health care legislation left a legacy. By contrast, Romney led the president in most other parts of the health industry, with his margin widening among the smaller firms that more heavily populate the full sample. The health insurance industry is known to have played a particularly devious game; leaked documents indicate that the industry made a substantial effort to appear cooperative with the administration, while in fact pumping up opposition to the health care bill. Our statistics for that sector and probably for the big business end of the health industry itself probably do not fully reflect the real focus of these industries' election efforts.[58]

Results for the final set of industries we consider here are extremely suggestive about the future of American politics and, alas, the issues of surveillance and cooperation with the government that this paper opened with. We are fairly confident that the behavior of these industries in 2012 differed from their conduct in earlier elections, though the evidence is less than ideal. Both candidates attracted wide support among firms in telecommunications, computers, telecom equipment manufacture, electronics, and software, but the president nosed out Romney in all of these if one counts the percentage of firms contributing, garnering particularly lopsided support from Internet and web companies.[59] If one compares levels of contributions, the president's advantage widens in telecommunications and software, though not in all other sectors.

Executives from many of the biggest firms now revealed to be major players in the surveillance programs were contributors, including Google, Microsoft, Verizon, and Apple. Given the importance of these sectors in the American economy, the famous Romney remarks associating political support for Democrats with the 47 percent of the population supposedly intent on government handouts or press spins that Republicans promote business while Democrats protect anxious voters look remarkably wide of the mark. On the basis of the thin evidence available, the president also appears to have done better than most recent Democratic presidential aspirants across manufacturing as a whole, while his support from defense and aircraft producers was essentially as high as Romney's, even among the large firms. It should surprise no one that producers of guns and ammunition, by contrast, lopsidedly favored the GOP candidate, though the number of firms in the industry is small and we do not include it in the entry for the larger sample in the table.

We have more data about the GOP also-rans than we can display here. We are intrigued by Table 2's evidence of what we take as a relatively high level of interest within big business in the Republican fringe; certainly there is no evidence its appeal to small business was more powerful. Other generalizations are necessarily limited because of much smaller numbers of contributions, so we do not summarize our results in a table. No one will be surprised to learn that Gingrich did especially well among casino operators; he also attracted significant support from defense firms and drew real interest in a small part of telecommunications (he has long excitedly talked up the industry and for a long time enjoyed close relations with some firms).[60] He also garnered support from a bloc of major real estate developers, though the many lesser firms in that sector in our full sample showed far less interest.

Santorum displays a pattern similar to Gingrich's in real estate, being popular only with some major operators. Otherwise his appeal was distinctly limited; he drew some support from the coal industry, which, of course has long operated in his home state that he represented as a senator. He also attracted some oil money and, consistent with some protectionist appeals he made, mustered minor support from glass, steel, and other manufacturers. Some of his principal financial backers celebrated for their religious concerns also detested the Environmental Protection Agency and, of course, taxes.[61]

Bachmann and Cain attracted so little support that their statistics in individual industries look almost like random scatter, but the case of Ron Paul is more interesting. Perhaps most striking is a dog that did not bark in a party where its voice is typically one of the loudest: finance. Paul has been heavily critical of the Federal Reserve and has long championed a move back to a gold standard. Judging from the evidence of his presidential campaign committee and principal Super PAC, this prospect attracted scarcely anyone in finance, especially its largest operators. Regulated transportation industries apparently found his libertarian appeal interesting; so did some firms in coal, paper, chemicals, and oil, which all face regulatory challenges, especially on climate change. Some support for the siren song of total deregulation could also be found in telecommunications, though the pattern (not shown in the tables) is very interesting: big firms in the industry showed little interest – enthusiasm centered in smaller firms. In general, we think Paul's sectoral appeal in a twenty-first century business structure merits more attention than it has received.[62] It is likely wrong to see his emergence simply as an atavistic revival, though his exiguous appeal to large firms looks a touch ominous in the light of the ongoing revelations about their role in the surveillance programs. The latter may signal a turn toward overt "corporatism" among the giants.

THE RIGHT STUFF

The findings about the relative weakness of far right and Tea Party primary challengers would by themselves raise questions about fault lines within the Republican Party. But post-election efforts by Karl Rove and others Republican leaders long associated with big business to organize a political action committee that would oppose Republican candidates the organizers regard as too far to the right lend greater interest to such an inquiry. This, too, is something our data set should be able to illuminate, but we have to acknowledge at the outset that our findings are less than complete.

Only in part is this because the topic can be usefully investigated in more ways than we have space to present here. Or because of the peculiar features of congressional elections, in which candidates routinely form joint committees to fundraise – that is a soluble problem. Alas, a much weightier difficulty shadows research into this nest of issues: Many Tea Party donors appear reluctant to disclose their identities. They try to conceal themselves, using vehicles that the Supreme Court and the Federal Election Commission have teamed up to create for them. While the problem is not unique to the Tea Party, it does cut with special force here.

In principle, the most obvious way to investigate the GOP's fissures is to emulate the earlier sections of our paper – compare the financing of Tea Party and related right wing groups with that of more "mainstream" Republicans. There are at least two different ways this could plausibly be done. The first would be to compare contributors to Tea Party Republicans with those of other House Republicans. Another is to look directly at major outside groups that finance Tea Party challenger candidates and have helped to organize the movement.

The second avenue, unfortunately, is much easier to describe than to pursue. Several groups with large budgets, including the Club for Growth, Americans for Prosperity, and FreedomWorks have played prominent roles in supporting right wing insurgencies.[63] The Club for Growth, which is connected to an array of related committees using the name, is extensively involved in financing Tea Party campaigns and reports its activities. An analysis of its filings for the 2012 election cycle shows that it spent over $1.5 million on behalf of Tea Party supported candidates and over $750,000 trying to defeat what we will term more mainstream Republicans.[64] An unwary observer, indeed, might jump to the conclusion that it is the Tea Party's ATM, given its ubiquitous support of movement candidates.

But this is not correct. Close reading of sometimes patchy reports indicate that other groups, notably Americans for Prosperity and FreedomWorks also expended millions of dollars.[65] An observer who tries to follow this money, however, does not get very far. The Super PAC FreedomWorks for America, for example, lists some donors, but also reports millions of dollars in contributions from another entity with virtually the same name on which no further information is supplied. Such devices, sometimes referred to as channeling "dark money," are legal, but they mock efforts to analyze the sources of contributions such as those in the previous sections of this paper. Other large sums appear to originate from what unsympathetic observers might term shell corporations.[66] It is known that some very large corporations, including Philip Morris, MetLife, BP, and conservative foundations controlled by the Scaife family have supported FreedomWorks, but many of its donors remain unknown.[67]

Americans for Prosperity claims to have mounted an independent expenditure campaign against the reelection of the president in 2012, but it has a long history of involvement with Tea Party and local organizations protesting the Obama administration policies. Its ties with various oil interests, notably some members of the Koch family, have received wide publicity, though we would caution that some reports about the Kochs appear to be extravagant.[68]

We have, accordingly, put off to another time a direct comparison of the specialized political committees. Instead we take the alternative path. We have pooled all contributors we can identify to members of the House Tea Party Caucus, the handful of Tea Party Senators, and a few other political committees obviously affiliated with the Tea Party and the far right, such as Sarah Palin. Then we compare these with a similar list for more "main line" Republicans in the House. This probably does not catch all the organizational support provided on the ground by outside groups, but it should nevertheless yield interesting results.

Once again we break out our results by sector. They are quite intriguing. In both our samples, the much larger group of mainstream Republicans attracts substantially more firms in both big business and business as a whole. But, as Table 4 shows, average rates of contributions to Tea Party candidates differ sharply, if one reckons in terms of firms contributing.

In certain sectors firms' willingness to contribute to Tea Party and similar far right candidates runs much higher. Many of these, once again, almost caricature a list of sectors that have noisily mobilized against the Obama administration. In mining, big oil and gas, chemicals, utilities, and all but the largest utilities, rates of support for Tea Party candidates run far above average – sometimes more than half again higher than support levels among the rest of businesses in either sample. A substantial number of firms in health care also supported Tea Party candidates, though the pharmaceutical industry shows a most interesting pattern: firms in the sample of big businesses in that industry support the Tea Party at high rates, although in the full sample, the industry displays an unusually low rate of support.

We are interested to see that firms in defense and aircraft production appear to like the Tea Party, along with various parts of the construction industry. A part of the printing and publishing industry was also supportive. The

Table 4
Tea Party vs. More Main Line Republicans
Average Levels of Support by Firms
Full Sample: Main Line GOP – 28% Tea Party – 15%
Big Business Only: Main Line GOP – 72% Tea Party – 50%

Sectors Where Tea Party Support Is Much Higher Than Average
(Significance Level for Binomial Proportions Test For Difference From Tea Party Mean in Parentheses; If None indicated, Sig. Level Is .00)

All Firms (N=25,306)	**Percent of All Contributing.**	**Big Business Only (N=776)**	**Percent BB Firms Contrb.**
Mining	39	Heavy Construction (9)	100
Residential Construction	70	Chemicals (16)	69 (.06)
Food	42	Utilities (31)	77
Chemicals	34 (.06)	Insurance (32)	66 (.04)
Paper	35	Oil (65)	68
Defense & Aircraft	44	Defense & Aircraft (9)	89 (.01)
Heavy Construction	33	Pharmaceuticals (15)	67 (.09)
Telecommunications	32	Accounting (4)	100 (.02)
Health Care	33	Health Insurance (9)	100
Transportation	47	Commercial Banks (20)	70
Airlines	38	Retailing (50)	58 (.12)
Utilities	39	Industrial Exporters (16)	63 (.15)
Health Insurance	57 (.07)	Tobacco (3)	(.09)
Brokerage	35	Guns, Ammo	67 (.15)
Mortgage Banking	42		
Tobacco	30		
Casinos	30		
Printing and Publications	30 (.03)		
Retailing	33		

Source: See Text

precise significance of the evidence on insurance will have to be discussed another time, but health care is likely to figure in the concerns of many firms in that industry. Makers of guns and ammunition, not surprisingly, like Tea Party candidates a lot, especially within big business.[69] Rates of support for Tea Party candidates among bankers as a group was low, but the Too Big To Fail did pump some fairly serious money into them; rather obviously as part of their campaign against the Dodd-Frank financial reform bill.[70] The food industry seems another manifest case where proposed regulations sparked interest; there the target was the Obama administration's proposal for closer inspection by the Food and Drug Administration.[71] Regulatory "relief" was also likely an issue in telecommunications and transportation, where some modest support for Tea Party positions could be found, though in telecommunications that did not extend to the large firms.

If one looks at amounts, the picture is less dramatic. In the sample as a whole, the Tea Party pulls down about 21 percent of all the funds contributed in each sector (not shown in the table). Among big businesses, the average split in the money is actually lower – about 19 percent. In the full sample, though, the Tea Party garnered 27 percent of all oil contributions, 33 percent of real estate contributions, and 23 percent of all commercial bank contributions. Other sectors fluctuate but at rates that are not statistically different from the average. The number of big businesses is much smaller; and the smaller sample makes for trouble. In fact, none of the differences across sectors favoring the Tea Party are statistically different from average.[72] The difference between the money split and the percentage of firms contributing perhaps suggests a degree of reserve, at least within big business, though the fact that almost a fifth of all funds donated to congressmen and women from that quarter goes to Tea Party candidates is a striking fact.

Conclusion: The Information Age and the Politics of the National Surveillance State

Our survey of money in the 2012 elections has been anything but exhaustive. Plenty of work remains to be done in this area, especially on intra-industry and larger bloc alignments. But some conclusions appear unlikely to change. Firstly, 2012 was an election in which two exceedingly well-financed candidates clashed. Both campaigns were substantially carried by major investors; and most of these represented one or another form of business. To be sure, labor unions made some substantial contributions that we intend to analyze in a future paper, but especially in the presidential race, these amounted to a small fraction of those from business and the one percent.[73] Mitt Romney's business support was broad based, but far more backing for the president's reelection came from major businesses than most pre-election commentary would have led us to anticipate. Many are enterprises in leading sectors of telecommunications, electronics, computers, and the Internet. Many also have been prominently involved in the surveillance programs.

Within the Republican Party, a rather clear line of division runs between Tea Party Republicans (and related right wing groups) and the rest of the GOP. In both our samples, more businesses supported main line Republicans than backed Tea Party candidates. But almost a third of the firms in the big business sample backed Tea Party candidates, with some sectors, such as oil, chemicals, and utilities providing much higher levels of support.

One can object that Tea Party candidates essentially play a record with one song – deregulation and lower taxes – and that our evidence simply testifies to the elementary truth that American politics is a giant jukebox: anyone who wants to play the song just inserts money. In part, our response is: exactly. At a deeper level, though, we would observe that our data about who's paying for the Tea Party are incomplete. They do not reflect the vast sums invested outside of the formal electoral process by a series of right wing groups, foundations, and fortunes, notably the Kochs, but also others for training Tea Party leaders, assisting with websites, communications, and coaching advice, along with direct subsidies.[74] Still, we think this paper has contributed to answering a key question about polarization in American politics: On the evidence of the 2012 election, whatever else they represent, far right groups clearly draw major support from distinctive blocs of businesses, both big and small. The Tea Party and its allies cannot sensibly be treated solely in terms of mass politics.

Our most important conclusion, though, concerns the roots of the contemporary National Security State. Alex Gibney's *Taxi to the Dark Side* was a gripping portrayal of policies on detention and torture famously sponsored by the George W. Bush administration. At the time President Obama took office, many of his supporters expected a radical change in course on national security policy. This did not happen. A few limitations on the worst excesses were put in place, but there was no broad reversal. The secret programs of surveillance expanded and the other policies detailed earlier on detention, treatment of whistleblowers, and executive prerogatives relative to Congress stayed in place or broke even more radically with tradition. Officials who had run programs that a series of federal judges condemned as against the law were not prosecuted. Instead, some reappear in the major media as authorities on surveillance issues, while working for private concerns whose profits rise with public anxiety about security.[75]

This paper's analysis of political money in the 2012 election shines a powerful new light on the sources of this policy continuity. It only looked as if the "taxi to the dark side" was a conveyance of the Bush administration. Our study shows that national Democratic leaders are politically allied with many of the industries closely linked with the new National Surveillance State. We have been recurrently told that we live in an Information Age. So we do – and many of the firms pushing its frontiers forward long ago realized this and determined to profit from it. They now pay the fare, while their political allies in both major parties drive the "taxi to the dark side." We do not believe that it would be impossible to strike a reasonable balance between the demands of security and freedom that accords with traditional Fourth Amendment principles and checks abuses of surveillance rapidly and effectively. But a system dominated by firms that want to sell all your data working with a government that seems to want to collect nearly all of it through them is unlikely to produce that.

NOTES

The authors gratefully acknowledge support from the Working Group on the Political Economy of Redistribution of the Institute for New Economic Thinking for preparation of the database, but the paper represents the views of the authors, not the institutions with which they are affiliated. The entire Political Money Project database for this essay is to be freely available to the public when work on it is completed.

An early version of this paper was presented at the Annual Conference of the Institute for New Economic Thinking in Hong Kong in April 2013, though the data and analysis have since been extensively revised. We are grateful to Francis Bator, Walter Dean Burnham, Robert Johnson, Sherle Schwenniger, and Peter Temin for helpful discussions on many points and to Andrew Gelman for comments on the earlier version. We are particularly indebted to Ben Page for very helpful remarks on this paper.

For reasons of space, we have consolidated citations where possible and have not referenced news developments that are common knowledge.

The quotation at the beginning of the paper is from (Savage, 2013).

1. On Obama's foreign policy, see, e.g., (Mann 2012); for partisan division under Obama, see the survey in (Ferguson 2011).

2. See the tables below but also the discussion in (Burnham and Ferguson 2012) and (Ferguson 2012).

3. Press coverage has been too massive to inventory here, but the story is probably best followed on the *Guardian* website and, especially, through Glenn Greenwald's columns. James Risen of *The New York Times* had earlier written stories pointing in similar directions. For the criticism within *The Washington Post* of the journalists, see (Sirota 2013b). Note that Booz Allen is owned by the Carlyle Group, a giant private equity firm that famously retains many high level policymakers as advisers.

4. See, e.g., Greenwald's articles in the *Guardian*.

5. (Palliota 2013).

6. A fine review of the legal arguments is (Granick and Springman 2013). For mendacious official testimony, see (Sirota 2013a); for criminalization, see (Birch 2011).

7. (Gabbat 2013).

8. The quotation is from (Riley 2013); see also his discussion of the temporary top secret clearance issued in 2010 to Google's Sergey Brin more than a year after Google joined Prism, one of the NSA programs. For the payments, (MacAskill 2013). Other important evidence about Google are the WikiLeaks documents excerpted in (Assange 2013); note that these are, however, only excerpts. None of the really big internet players made even pro forma efforts to challenge the government's early demands; Yahoo, a not quite first rank firm, did appeal to the secret FISA court. See, e.g., (Sengupta 2013). Subsequent revelations, for example (Perlroth, Larson et al. 2013) confirm that the companies and the government cooperated in important cases; there are also suggestions of some discord at times. But the mere fact of court orders is not good evidence of real disagreement; these may well have been either issued or requested as part of an effort to protect the firms from later customer suits. It is plain that important documentary records remain to be evaluated.

9. Again, Greenwald's columns in the *Guardian* are perhaps the best sources for facts on particular companies, such as Microsoft and Verizon.

10. (Aylward 2013); it is to be expected that polls fluctuate.

11. (Roberts 2013); (Schmitz 2013).

12. For whistleblowers, (Currier 2013); for indefinite detention see the careful discussion in (Currier 2012); for killing without trial, see (Reilly 2013); for posting links, see (Carr 2013). Obvious overkill at many levels of government in response to Occupy protests and the conventions was well covered on the AlterNet and Firedoglake websites as well as elsewhere; for the doctrine that press freedom only covers regular media concerns, see (Liptak 2013). Note that in 2008, then-Senator Obama abandoned his previously stated position that bills granting retrospective immunity to telecommunications firms that had cooperated with the Bush administration's warrantless wiretapping should be filibustered and voted in favor of a bill doing just that. See (Risen, 2008).

13. Privatization in this realm started under President Reagan, but accelerated markedly during the Clinton presidency. The Bush-Cheney regime, of course, vastly increased the scale of these efforts, which clearly led to breakdowns in control. Cf. (Shorrock 2008); this estimates that by 2006 about 70 percent of government expenditures for intelligence went to outside contractors (p. 6). His book has not been updated, but see his excellent (Shorrock 2013a) and (Shorrock 2013b).

Contract terms between businesses and the state in this area have as yet received little scrutiny, and the subject is too big to discuss here. Neither is much known about the extent of public-private information sharing in this new system. But Shorrock's study leaves no doubt that some of the most prominent firms in this brave new world sell security services to other businesses. Such evidence as has surfaced suggests that pressure from the Occupy movement tended to bring together the tops of both the private and the public sectors. See, e.g., the discussion of J.P. Morgan Chase's interaction with a government sponsored regional security "fusion" center during the Occupy protests (Hodai 2013). How much access such centers have to NSA data is unclear, though NSA information is now known to have been widely shared within the government, including both the Drug Enforcement Agency and the Internal Revenue Service, despite earlier official denials. See (Schiffman and Cook 2013); (Erb 2013); and (Publius 2013).

14. See (Lazonick 2009) for an excellent critique.

15. Studies reported in the press indicate that Congressional voting on the amendment offered in July 2013 to cut off funding for the existing surveillance programs was heavily influenced by the amount of money representatives received from the "defense industry-surveillance" complex. See (Kravetz 2013). These are simple correlations, but their size is extremely troubling. Congressional leaders of both parties also appear determined to block other members of Congress from learning details of the programs. See (Greenwald 2013a).

16. See the discussion in (Ferguson 2011) and (Page, Bartels et al. 2013). Redistricting certainly happens; for some striking cases, see (Christoff and Giroux 2013). Note that Democrats also redistrict and definitely win seats in some states via this mechanism. Concentrations of groups of voters in, for example, urban areas, also surely have some impact. But that feature of American politics is old news; change in polarization over time is hard to account for in its terms.

Many proponents of the redistricting view confuse the small turnouts in GOP primaries with redistricting effects. The former are in part effects of long term GOP efforts to hold down turnout generally, which are not at all identical with redistricting. In effect, GOP elites sought a miniature electorate and now suffer from it. See the discussion in (Ferguson 2012) and (Burnham and Ferguson 2012). There is no question that such tiny electorates typically make it easier for money to talk; note, again, though, that changes in polarization over time are hard to account for by appeals to this fact.

17. (Page, Bartels et al. 2013)

18. See the discussion and extensive references in (Ferguson 2011).

19. Ibid.

20. (Ferguson 1995, especially Chapters 5 and 6); (Ferguson and Rogers 1986); (Hacker and Pierson 2010).

21. (Ferguson 1995) and (Ferguson 2011).

22. Ibid. Obviously, the enhanced power of the leadership then become another factor inducing still more contributions by affected interests.

23. (Ferguson 1995b); for empirical studies within the public opinion tradition itself, see, e.g., (Gilens 2012) and (Page, Bartels et al. 2013).

24. (Ferguson, Jorgensen et al. 2012c) and (Ferguson, Jorgensen et al. 2012b). The FEC responded that the deletions were an error; but see our comment: (Ferguson, Jorgensen et al. 2012a).

25. More technically, our basic approach attempts to adapt the principles outlined in chapters 1 and 4 of (Ferguson 1995) to the world of big data, though our data sets do not approach the size of efforts celebrated in the press under that name. Fully documenting our methods is impossible here; that will have to be left to when the data become public. But some general remarks may be helpful. We take a relatively narrow view of funding to guarantee as far as possible that donors who are reported as backing a candidate are indeed acting in support of him or her specifically or are clearly attacking their opponents. Thus we focus on contributions to candidates' committees, 527s, and Super PACs that are plainly linked to them, and for presidential candidates, national committees after the nominee is certain. We are experimenting with wider definitions, but this procedure makes inferences about support unambiguous. We begin by merging the entirety of the IRS and FEC data sets and then laboriously linking and identifying contributors in them via probabilistic matching algorithms that set extremely high standards for matches, followed by hours of manually checking, as mentioned below. This starting point differs from the older Ferguson data sets in (Ferguson 1995) or (Ferguson 2001), which began with (smaller) inventories of top executives and major investors and then analyzed contributions from them. In practice the different starting points do not matter much, because we find that virtually all large firms contribute, as well most everyone on the Forbes 400 list. The chief difference is the vast increase in the number of contributors examined – everyone on the IRS and FEC lists. We use a broad range of directories to identify contributors; we do not rely simply on reported self-identifications of contributors. This is a difference of first order importance from many other campaign finance analyses. Another big difference is we have checked the FEC assumption, which appears to have been accepted by everyone, that reports filed by the recipient (18K) duplicate those filed by donors (24K). That assumption is wrong and we take account of unique (18K) entries (to avoid double counting) in arriving at our totals. We also link all 527s, Super PACs, Joint Committees, and Leadership Committees to their respective political parties and/or candidates. This step is important; we are able to identify many more Leadership Committees, for example, than the FEC does.

26. For this use of "firm" see (Ferguson 1995), especially Chapter 4. Our name matching methods use algorithms we developed beyond the manufacturer's base formula. We set cutoff points for identifications extremely high, after plotting probabilities over the entire set of identifications. Many hours of manual checking followed to minimize false positives. Our big business data set, in particular, is very carefully sifted. But in the nature of things, there are going to be some errors. We will miss some real contributors and have some false positives. This goes with large scale data analyses.

27. For the spectrum of political money, see Ferguson, "Legislators Never Bowl Alone: Big Money, Mass Media, and the Polarization of Congress." But see also the discussion of "dark money" below. Our methods are poor at picking up contributions from executives below levels recorded in corporate directories who do not identify themselves incompletely or at all (as frequently happens). And our focus on individuals and companies means

that money from trade associations rather than firms doesn't directly show in our tables, though in certain races, that is less of a problem.

28. More precisely, a modified form of the SIC codes. These suffer from serious defects when used as they are for political analysis. For example, the SIC classifications and their more modern NAICS avatars spread oil and other industries widely around in various parts, even at two digit levels of aggregation. Our data set begins with four-digit codes, modifies them in a few cases, but then relies mostly on the two-digit scheme developed by Ferguson to aggregate at politically meaningful levels. Our oil industry, for example, includes industry branches at both the 13 (drilling) and 29 (refining) levels. We lack the space to dismiss all the issues related to classification. We are working to develop better systems. In most cases discussed in this paper, classification problems are unlikely to be sources of much concern. But there is perhaps an exception that could matter: The effective competitive boundaries of telecommunications, web companies, and many electronics firms are distinct only in the very short run. For example, many banks worry that Microsoft or Google might someday enter their industry (not to mention Walmart); Hollywood and television broadcasters have similar anxieties. For this reason, in the discussion below of "industries of the future," we think it unwise to insist on fine divisions within it and readily acknowledge that some analysts may want to group some firms differently. But the problem is hardly disabling for our analysis. The contributions are real and can be flexibly treated. For example, along with the tests by industry, we run a test for these closely related industries all at once. See the discussion below.

One inevitable disclaimer: Beginning, as we do in this paper, with sectors does not mean that analyses should end there. We are clear that intra-industry analyses are extremely important for understanding political dynamics. It is obvious that several cases discussed later in the paper cry out for such analyses; moreover, where partisan splits occur within an industry, one very reasonably wants to know more. See the discussions in *Golden Rule*.

29. Quoted in (Ferguson, Jorgensen et al. 2012d).

30. The problem is analogous to autocorrelation in time series. Oddly, while social scientists now lavish attention on that, they have been much slower to integrate such considerations into wider studies of legislatures though spatial statistics as a field has grown rapidly.

31. (Silver, 2013). Note that the years we use for our House analysis are comparable in an important respect; they represent years in which incumbent presidents ran for reelection. There is a clear four-year cycle in total political contributions; some of this money may spill over as a kind of "overhead" factor in individual races. We can't discuss this issue here, but it could perhaps have effects on races in both houses of Congress.

32. One can still object that the correlations are so strong because investors just focus on popular candidates. This "selection" problem has bedeviled studies of congressional elections for many years. The usual approaches to this question involve so-called "instrumental variables"; they raise, however, a variety of complex issues. In a separate study, we compare several approaches suggested by various statisticians.

33. If our conjecture is correct, the implication for races below the federal level is potentially troubling. If not offset by local ties, then money may have a truly splendid reign. By contrast, candidate characteristics (as transmitted in the media) clearly matter for presidential elections, at least sometimes.

34. See, e.g., Campaign Finance Institute, (Institute 2008) but later (Institute 2010).

35. E.g., (Reader 2012).

36. See the memorable video at http://www.washingtonmonthly.com/political-animal/2011_08/tentoone_isnt_good_enough_for031484.php

37. This is our estimate obtained from cross-checking various filings that do not always directly report the figure.

38. (Economist 2012); for other estimates, see, e.g., (Bell 2011).

39. A point made to us by various advisors and politicians; direct mail does work and is extensively used, but it is expensive. Web campaigns are important too; but if you want to raise several million dollars in a week, fly your candidate into New York and talk about the importance of, for example, holding down capital gains taxes to a group of Wall Street fund managers.

40. Note that this generalization is relative to the issues and position the campaign chooses to run on. Campaigns that offered more to the population could reasonably expect to raise more money from the base. See the discussion in (Ferguson, 1995b).

41. Labor unions also help campaigns in non-monetary ways, though some of these have to be reported. But so do businesses; indeed, aggressive use of employer communications became an issue in the 2012 campaign; we lack the space for comparisons and discussion. Labor contributions to congressional campaigns are much larger.

42. Cf. (Ferguson 1995c); an important caution, though, is that in other races the percentage of small contributions likely varies sharply; presidential campaigns probably bring out proportionally more. We expect to present data on these percentages over time in the near future.

43. (Blumenthal 2013). Our totals are lower, but as explained earlier, they are computed according to very rigorous criteria for belonging uniquely to the campaign – perhaps $1.1 billion for Obama and about $1.23 billion for Romney. A lot of money sloshes around in U.S. elections and higher estimates with less rigorous standards are not foolish.

44. Our discussion is based on the campaign reports filed by each candidate.

45. (Watch 2011).

46. (Paul 2012).

47. See the references in Note 26, above for the logic of this usage of "firms."

48. See the discussion in (Ferguson, 1995), especially chapter 4. The case for tracking percentages of firms contributing, rather than percentage of money donated, rests mainly on robustness, though the broader social importance of even modest representation within big businesses is almost certainly not strictly proportional to pure numbers. But when so much data on individual executive giving is available, recovering really significant portions of spending on behalf of candidates is easier, though probably less daunting for congressional races than presidential contests. But we caution that a lot of other money is still missing, as the discussion below of 501 (c)(4)s will illustrate. Here, as discussed below, how one treats contributions by spouses may be important. And for sure there are plenty of data errors in the millions of records we inventory. Our experience with cases where archival and other forms of evidence are available persuades us that the discussion the problems of campaign spending totals by particular firms and investors offered in chapter 4 of (Ferguson, 1995a) remain important, though not as compelling.

It should be apparent below that within sectors differences are likely important. Those we will save for another time. See, e.g., the role of insurance in our tables. Note also that because contributions to more than one candidate are possible, tests of statistical significance that do not rely on exclusive portioning are required, such as those we employ.

49. We include everyone who made the Forbes list in either 2011 or 2012, including the "near misses," so we start with a few more than 400 entries. See again the references in Note 26 for more discussion. We do not include contributions from spouses, unless they, too, are listed in Forbes, though we are increasingly convinced that this procedure probably leads to a substantial undercount of contributions that reflect obvious positions within the

industrial structure. The subject is, alas, too complicated for this paper. Following the procedure in (Ferguson 1995a), we also separate out the Forbes contributors from firms they own or control. Those latter make it into our list only if they are themselves giants. This feature may lead to an underestimation of the influence of the Forbes contributors, since contributions made directly from the treasuries of their firms go unlinked. Our general approach is always to avoid inflating contributions; even these conservative procedures suggest quite remarkable rates of contributions from many, though not all, members of the Forbes 400. Facebook, which became a giant public corporation following a notorious initial public offering in May 2012 is also included; and we retained one firm from the 2011 list that merged with another on the Fortune list during the campaign.

50. The primary reasons are the importance of scale economies in political action and the relative ease of coping with many – not all – collective action problems. The first has implications for the behavior of suppliers, lawyers, and other entities dependent on big firms, including the press. See the discussion in chapter 1 of (Ferguson 1995a), esp. pp. 24-38.

51. For analyzing the size distribution of contributions, for example, even an entry that names the candidate receiving it and then says "$500 – information requested" is perfectly serviceable – and incompleteness is rife. The larger sample contains many small contributors that appear in no business directory we consulted – and we checked most major ones. Of course, there are also many entries for what look like lawyers and, yes, college professors, as well as pure rentiers.

This incompleteness has a corollary that we now underscore. Our results are preliminary, in the sense that we hope to fill out the data set a bit more over time. Subsequent versions of the paper will probably look a bit different, though major conclusions are unlikely to change, especially for the big business sample, where identification is a problem mostly at lower levels of the firm and how one treats contributions from spouses (excluded in this paper; see above).

52. Compare the figures here with the tables for various elections in Ferguson, *Golden Rule*, which use a somewhat different procedure, and, perhaps importantly, smaller samples.

53. The Obama administration's support for nuclear power made many friends for it among utilities. This is an intra-industry issue we cannot address here. The "green" character of the president's stimulus program has been widely underestimated. See the discussion in (Grunwald, 2012).

54. Cf. (Johnson and Kwak 2010), (Admati and Hellwig 2013), (Ferguson and Johnson 2013).

55. Some major private equity firms also invest heavily in financing firms selling intelligence and electronic services to the government. See the illuminating discussion in (Shorrock 2008).

56. (Ferguson, 1995a).

57. (Ferguson and Johnson 2009a, Ferguson and Johnson 2009b).

58. (Fang 2013), pp. 136ff.

59. Big entertainment firms are a subset of this bloc; thus "Hollywood" shows up there. Not all the differences are wide enough to reach statistical significance, but the consistency of the pattern is worth attending to. Given the potential definitional issues mentioned above, we ran a test on the bloc as a whole for the percentage of firms contributing. As one would expect in the larger sample, the difference between the president's percentage and the former Massachusetts governor's was statistically significant at better than the .01 level; in the smaller big business sample the president's advantage was not statistically significant. Of course, the key difference for this paper is not between the two candidates but Obama's showing in these industries compared to his average level of support.

60. See, e.g., the discussion in (Ferguson 2001).

61. (Matthews 2012).

62. Paul's support from servicemen and women attracted some interest; he also attracted some interest from certain defense firms. Another time we will consider how these fit into his views on foreign policy.

63. (Fang 2013); the political action committee run in the past by former Senator Jim DeMint was another major player.

64. Both amounts reflect only a small fraction of the group's total spending; but these figures are relevant to our discussion here.

65. Fang, *Machine* and the organizations' reports to the FEC and IRS.

66. See, e.g., (Gardner 2012); see also (Fang, 2013); facts like these raise questions some recent claims about the alleged centrist roles of corporations in contrast to individuals promoted by some social scientists and echoed in the press.

67. Ibid., p. 25; (Eggen and Rucker 2009).

68. (Eggen and Rucker 2009) Cf. also http://www.sourcewatch.org/index.php?title=Americans_for_Prosperity

69. The enormous size of the whole sample means that most apparent differences in rates of support are likely real rates. In the big sample, we report only industries where the rate of support for the Tea Party is 30 percent or more. Guns and ammunition makers just miss that cut off; they were at 29 percent.

70. For example, Massachusetts Senator Scott Brown was elected with strong support from Tea Party groups, but also with extensive financial support from financiers. He then proceeded to hold up Dodd-Frank on behalf of several large financial houses. Cf. (Ferguson and Chen 2010) for the Tea Party and campaign support from financial groups; for Brown and Dodd-Frank, see (Bierman and Levenson 2012). Contributions to Tea Party candidates came from either executives or the banks themselves from institutions such as Bank of America, Citigroup, Goldman Sachs, Morgan Stanley, and Wells Fargo.

71. For the food industry and the FDA, see (Mencimer, 2010).

72. The first two industries are significantly different from the Tea Party mean at the (.01) level; the banks at (.11), once again using tests that allow for contributions to both types of Republicans.

73. Our estimates of labor contributions run higher than most; the differences may be due to definitions in some cases, but not all. Labor appears to have invested about $47 million directly in the Obama campaign and well over $200 million in congressional campaigns. Nearly all of this went to Democrats. The $47 million in the presidential race can be compared with the admittedly imprecise estimates above for the GOP and Democratic presidential campaigns.

74. (Fang 2013).

75. (Greenwald 2013b).

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