Chapter 2

Financing Presidential Nominations in the Post-Public Funding Era

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The 2008 race for the White House was the most expensive presidential campaign in American history. Candidates seeking the 2008 party nominations raised more than $1.2 billion, nearly double the amount raised by candidates during the 2004 primaries and almost four times the sum achieved in 2000.[1] This steep rise was primarily due to the extraordinary fund-raising strength of Barack Obama, who raised an unprecedented $400 million in his winning campaign for the Democratic presidential nomination. Obama was so successful raising money that he refused public funding not only in the primaries, but also in the general election, thereby becoming the first presidential candidate since the creation of the public funding program in 1974 to run for the Oval Office without accepting public funds. By Election Day, he had raised a total of $745 million from private contributions, which was more than the combined total of private and public monies received by then-President George W. Bush and his Democratic challenger, John Kerry, in the entire 2004 election.[2]

While Obama's fund-raising was unparalleled, his tactics were emblematic of the changes taking place in the financing of presidential campaigns. The 2008 election was not the first in which candidates competing for the presidential nominations refused public financing. But it was the first in which most of the candidates were expected to reject public funding and its attendant spending limits from the start—and did. As a result, candidates in both parties engaged in a frenzied chase for campaign dollars, trying to raise as much money as possible in hopes of gaining a strategic advantage over their opponents. These efforts were spurred by the structure of competition, since both parties featured highly competitive contests with well-established candidates, and were facilitated by new communications technologies, which allowed candidates to solicit funds in innovative and interactive ways.

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The financial activity in 2008 thus affirmed what many observers had noted after the 2004 election, that presidential campaign finance had entered a new era, a post-public funding era, defined by an emphasis on private fund-raising and the irrelevance of public funding as a means of campaign finance. This chapter examines the financing of the 2008 nomination contests in an effort to define the characteristics of this new fund-raising environment and determine how the 2008 experience will influence financial strategies in 2012.

A CHANGING FUND-RAISING ENVIRONMENT

Presidential candidates always face intense pressure to raise money. A presidential campaign is an expensive endeavor and those who hope to be competitive typically have to raise substantial sums just to contest the early contests in Iowa and New Hampshire. Because fund-raising totals are one of the few measures available to assess the relative prospects of candidates before the voting begins, those who hope to be ranked among the front-runners in the months before the initial contests usually have to raise tens of millions of dollars in the year before the election year. No matter how well-known a candidate may be, this is a daunting task.

In 2008 the demand for campaign money, especially early in the election cycle, was especially acute. Some political observers estimated that a candidate who hoped to be financially competitive would need to raise as much as $100 million by the end of 2007.[3] To put this figure in some perspective, in the 2004 election cycle Howard Dean and John Kerry, the leaders in the fund-raising race among Democrats, had respectively raised $41 million and $25 million by the end of 2003, while President George Bush, running unopposed for reelection, had raised $132 million.[4] As political scientist Michael Malbin noted, a candidate would have to raise, on average, more than $10,000 "every single hour, every single day, including weekends and holidays, for an entire year" to reach $100 million.[5] What was most surprising was that the leading candidates almost did just that.

The heightened fund-raising expectations posited in advance of the election and the unprecedented sums eventually attained during the race reflected the developments taking place in the broader environment of campaign finance. Some of these developments were a continuation of financial patterns that had emerged in previous elections. Others resulted from the particular political dynamics of the 2008 race or changes in law and communications technology that occurred after the 2004 campaign. Whatever the case, these changes formed the context of the financial activity in 2008 and determined the central features of campaign fund-raising in the new era of private financing.

THE DEMISE OF PUBLIC FUNDING

The rules governing presidential campaign finance were established in 1974 when Congress responded to financial abuses in the 1972 election and the Watergate scandal by adopting the Federal Election Campaign Act (FECA). The FECA imposed a limit of $1,000 per election ($1,000 in a primary and $1,000 in a general election) on the amount an individual could contribute to a presidential candidate, and $5,000 per election on the amount a political action committee (PAC) could give. In 2002 Congress adopted the Bipartisan Campaign Reform Act (BCRA), which did not change the PAC limit but did increase the amount an individual could give to $2,000 per election, with annual adjustments for inflation. Accordingly, in 2008 the individual contribution limit was $2,300 per election. The FECA also required candidates to report any contributions or expenditures of $200 or more to the Federal Election Commission (FEC), which is the agency responsible for implementing and administering the law.

The hallmark of the FECA was a voluntary program of public funding in presidential elections that made public funds available to qualified candidates during each stage of the selection process. During the prenomination period, a candidate could receive matching public funds on a dollar-for-dollar basis on the first $250 contributed by an individual donor. To be eligible, a candidate must raise $5,000 in contributions of $250 or less in twenty states and agree to abide by state-by-state and aggregate spending limits that are set forth in the law. A candidate who accepts public funds must also agree to limit personal contributions to his or her own campaign to $50,000.[6]

From 1976 to 1996, every major-party nominee and almost every major-party challenger accepted public matching funds. During this period, presidential aspirants raised on average about a third of their campaign funds in public money.[7] But, as David Magleby and William Mayer have noted, by the time of the 1996 election, the system was under strain.[8] Changes in the presidential selection process, most notably the increased "front-loading" of the schedule of party caucuses and primaries, intensified the financial demands of the selection process. Candidates, particularly front-runners for the nomination, found it increasingly difficult to finance the extensive campaigns needed to win the nomination, yet remain within the spending limits. With a growing number of state contests scheduled early in the election year, candidates needed to raise and spend more money early in the process, which meant that the prospective nominee began to reach the spending cap earlier in the election year. Winners commonly clinched the nomination, that is, had enough delegates to be certain of a convention victory, by early April or late March of the election year. A prospective nominee thus faced what can be called a "bridge period" after securing the nomination, consisting of the months between the effective end of the primaries and the convention. During this period, a candidate who emerged from a competitive primary race often was no longer able to spend significant amounts of money due to the spending limit. Republican Robert Dole had to confront this strategic problem in 1996 when he won the party nomination by early April, but had little room left to spend money under the expenditure cap. He was then outspent throughout the summer by President Bill Clinton, who was unopposed for the Democratic nomination and had millions of dollars left to spend during the bridge period. The 1996 experience thus highlighted the strategic vulnerability that could arise from the spending limits.[9]

In 2000 George W. Bush sought to avoid the problem encountered by Dole in 1996 by forgoing matching funds and the accompanying spending limits.[10] By doing so, he was able to raise $94 million for his nomination campaign and became the first major-party candidate in the public funding era to win the presidential nomination without public funds. He was also able to outspend his eventual Democratic opponent, Al Gore, who accepted matching funds, by a margin of two to one, and exploited this financial advantage during the summer months leading up to the nominating convention, when Gore was essentially prohibited from spending additional sums due to the spending limits.[11]

In 2004 President Bush, who was running unopposed in a bid for reelection, again opted out of public funding, which placed pressure on his prospective opponents in the Democratic Party to follow suit. Whether any of the Democratic challengers would do so was an unknown early in the nomination contest because no Democrat had previously eschewed public funds. But in November 2003 Howard Dean, who led the Democratic field in fund-raising and was successfully raising millions of dollars through the Internet, announced that he would forgo matching funds.[12] Soon thereafter, John Kerry also decided not to take public money. Kerry, however, needed campaign cash at the time and his decision reflected his desire to spend more than $50,000 of his own money on his campaign, which would not have been permitted under the public funding rules. Kerry loaned more than $6 million to his campaign, and won the Iowa caucus and the New Hampshire primary, which launched his successful bid for the nomination.[13] Consequently, in 2004 both party nominees, Bush and Kerry, were free to spend as much as they could raise prior to the party conventions. In total, Bush raised $269 million in primary funds, while Kerry raised $235 million.[14] In other words, each of these aspirants raised about five times more than the $50 million in prenomination funding that would have been allowed under the public funding expenditure limits.

The 2004 election thus signaled the collapse of the public matching program. The experience of the 2000 and 2004 elections had demonstrated that the basic trade-off at the core of the program—public subsidies in exchange for the agreement to abide by spending limits—was no longer a strategically attractive option for most leading candidates. Matching funds typically constituted a minor portion of a candidate's resources, and this potential benefit no longer outweighed the risks inherent in this approach. Given the rising expenditures in presidential campaigns, the spending cap could not accommodate the financial demands candidates had to confront. Any candidate who accepted public money was likely to be outspent by an opponent who refused such funding and was certain to face a severe financial disparity during the period between the end of the primary race and the national convention. Front-running candidates in particular could raise and spend much more than the amount permitted by the spending limit, and thereby gain a head start during the summer months on their electioneering for the general election campaign. In sum, the wisest fund-raising strategy was to avoid public money and its constraints.

Most of the challengers in 2008 thus gave little consideration to the public funding option. In January 2007, a year before the voting in Iowa was to begin, Democrat Hillary Clinton, who began the race as the widely perceived front-runner for her party's nomination, indicated that she would not accept public funding during the primaries.[15] Within a few months, it was evident that the top contenders on both sides of the aisle would not take public money.

The only notable exception in 2008 was John Edwards, who was the Democratic vice-presidential candidate in 2004 but trailed badly behind the front-runners in fund-raising throughout the race. Edwards received $12.9 million in matching funds, which made up about a quarter of the $49.6 million he received during the campaign.[16] A few others received matching funds, but they were all long shots who struggled to raise money and garnered relatively minor sums. In most instances, these individuals resorted to the public option as a last resort and relied on matching money to help pay off their campaign debts after the election. In all, public funding accounted for less than $22 million of the $1.2 billion raised by candidates seeking the presidential nomination.[17] The 2008 contenders made clear that the time of public funding as a means of campaign finance was over.

The Political Context

With candidates free of public funding constraints, it is not surprising that campaign expenditures rose dramatically. But the demise of public funding was not the only factor that contributed to the financial spike that characterized the 2008 nominations. The broader context of the race also encouraged a greater emphasis on fund-raising.

One aspect of the electoral environment that encouraged aggressive fund-raising was the change that took place in the schedule of caucuses and primaries, which exacerbated the front-loading of the presidential calendar.[18] States that felt bypassed by presidential campaigns had been moving their delegate selection contests to earlier dates in the election year since the mid-1980s, but 2008 featured the most heavily frontloaded calendar in party history. In the aftermath of the 2004 election, the Democratic Party gave four states—Iowa, New Hampshire, Nevada, and South Carolina—an exemption from the party rule that required states to hold their delegate selection primary or caucus no earlier than the first Tuesday in February.[19] The party allowed these states to hold their elections in January, thereby creating an initial stage of the selection process in which diverse sections of the country would be represented and the influence of Iowa and New Hampshire might be diminished. In addition, a number of states, including many large, delegate-rich states such as California, Florida, New Jersey, and New York, moved the date of their primaries to the first Tuesday in February, which eventually led to a "Super Tuesday" on February 5 that featured contests in more than twenty states on that one day in both parties.

These changes intensified the financial demands of campaigning. As in other recent presidential races, challengers faced the prospect of having to generate substantial amounts of cash to finance operations and advertising in the crucial first states of Iowa and New Hampshire, as well as the resources to begin to mount operations in as many Super Tuesday states as possible. But in 2008 this strategic necessity was more pressing and complicated. Super Tuesday would take place at the beginning of February, as compared to the beginning of March in 2004, and Nevada and South Carolina would vote in January soon after Iowa and New Hampshire. Most observers expected that the nominations would be decided by the outcome on Super Tuesday. Candidates who hoped to win the nomination therefore had to amass substantial war chests well before the voting took place in Iowa, especially if they hoped to wrap up the nomination by winning big on Super Tuesday.[20] With the states packed so closely together, there would be little time to raise additional money once the voting began. Moreover, candidates who did win early might expect a surge in contributions in response to a victory, but there would be little time to use the money to build a campaign organization or mount an advertising campaign before the voting took place in the next state or, for that matter, before Super Tuesday. Even if a candidate could manage to finance electioneering efforts in most of the Super Tuesday states, it would be a very expensive undertaking. Accordingly, the most rational strategy was to emphasize fund-raising even more than candidates had in the past.

The financial activity also reflected the level of political competition. Candidates in competitive races have a strong incentive to try to gain a financial advantage over their opponents, or at least keep pace with them. Competitive elections also generate higher levels of voter interest, giving individuals incentive to contribute to the candidate of their choice. And the 2008 contests were unusually competitive. For the first time since 1952, no incumbent president or vice president was seeking a party nomination. Given the prospect of open contests in both parties, the race attracted strong candidate fields. These fields featured well-established politicians with high name recognition and proven fund-raising abilities.

After two consecutive defeats in close presidential elections, the Democrats were eager for victory and the party's chance of winning back the White House looked favorable, with public opinion surveys indicating rising disapproval of President Bush, high levels of dissatisfaction with the direction of the nation, and deep opposition to the war in Iraq. A number of prominent Democrats therefore entered the race, led by former first lady and then Senator Hillary Clinton, who had spent years building a political operation, had a broad base of supporters, and began the race with $10 million in cash in her Senate campaign fund which she transferred to her presidential campaign to help launch her candidacy. Other notables included former vice presidential candidate John Edwards and Senator Joseph Biden, who had previously run for president. Barack Obama, though a freshman senator, had been the party's most successful fund-raiser during the 2006 midterm elections and was perceived by many in the party to be a political celebrity, thanks to his highly regarded 2004 Democratic convention speech and two bestselling books.[21]

Senator John McCain, who had lost the 2000 Republican nomination to George Bush and developed a reputation as a maverick on Capitol Hill, was the best-known candidate on the Republican side. Other notable aspirants for the Republican mantle included Rudolph Giuliani, the former mayor of New York, who rose to national prominence in the response to the September 11 terrorist attacks, and Mitt Romney, a former investment firm executive who served as head of the Salt Lake City Organizing Committee for the 2002 Winter Olympic Games and thereafter was elected governor of Massachusetts. Each of these candidates was capable of raising the tens of millions of dollars needed to wage a viable campaign.

The Rise of Web 2.0

Digital technologies are revolutionizing communications and providing candidates with new means of conducting campaign activities.[22] By 2004, presidential candidates were building extensive Internet operations to distribute and gather information, identify and recruit supporters, and solicit and collect campaign donations. Democrat Howard Dean made Internet-based outreach a centerpiece of his campaign for the 2004 presidential nomination, relying on the Internet to garner the support of liberal activists and others who responded to his severe criticisms of the war in Iraq and the administration of President George W. Bush. Dean was not the first presidential contender to make use of the Internet. Candidates had used the Internet since 1992, when Bill Clinton employed it for the limited purposes of internal campaign email and listserv distribution of information.[23] But the Dean campaign revealed the power of the Internet as a tool for organizing and recruiting support. It is therefore often cast as the first Internet campaign.[24]

Dean used the Internet to maintain regular contact with supporters and solicit their ideas for campaign events and volunteer activities. Most important, he highlighted the value of the Internet as a fund-raising tool. He raised $27 million in online contributions, which represented more than half of his $51 million total campaign receipts.[25] He also used an independent social networking Web site, MeetUp.com, to arrange campaign events and meetings with individuals interested in his candidacy. In all, the Dean campaign ended up with 190,000 enrollees on MeetUp.com and 170,000 supporters on GetLocal, which was his campaign's version of a grassroots-organizing program.[26] These online communities provided Dean with a base of supporters who could be regularly solicited for small contributions.

Though Dean was the candidate most associated with online campaigning in 2004, he was not the only contender to take advantage of the capabilities of the Internet. President Bush and John Kerry, the major-party nominees, made extensive use of the Internet. After he clinched the nomination in March, Kerry raised tens of millions of dollars online, which helped him generate $188 million between March and the party convention in August, and he ended the campaign with a list of three million email addresses.[27] Bush focused on more traditional approaches to fund-raising, such as major fund-raising events and direct mail. While contributions were also solicited online, the campaign did not report the sums raised through its Internet efforts. Bush primarily used his Web site to distribution information, including videos, and as a portal for organizing volunteers. By the end of the campaign, Bush had recruited 1.2 million volunteers online and constructed a list of six million email addresses.[28]

The 2004 campaign was a harbinger of things to come. But technological innovation continued at a rapid pace, producing a more powerful communications infrastructure and applications than those available in 2004. Specifically, the 2008 contest would be the first held in the world of Web 2.0—the collective term used to refer to the wide range of online activities and applications that provide network-enabled interactive services.[29]

Web 2.0 applications are designed to move away from static Web pages to more dynamic, interactive Web sites that enable online "communities" or "social networks" with virtually seamless interaction and communications among users. Many of the most popular online applications that have come into common use, such as Facebook or YouTube, are based on Web 2.0 capabilities, and most did not gain widespread popularity or great scale until after the 2004 election. For example, MySpace was launched in January 2004 and grew to five million users by November of that year.[30] By the beginning of 2008, it was the largest social networking site on the web. Facebook was launched in 2004 as a site for use by college students and was not opened to anyone with a valid email address until September 2006.[31] By the end of 2007, its user base had grown to twenty-six million.[32] YouTube was opened to the public in November 2005, and was *Time* magazine's "Invention of the Year" for 2006.[33] By July 2006, more than sixty-five thousand videos were being uploaded each day to the site, with one hundred million daily views.[34] Another new application, Twitter, was developed in 2006 and just coming into broad use in 2008. By the time of the November election, 3.5 million accounts had been created.[35]

The rapid growth of these new Internet applications was spurred by the expansion of broadband capability. Broadband or other high-speed Internet connections are essential for Web 2.0 applications, and 2008 was the first election year in which more than half of all Americans had broadband access at home.[36] Expanding access to broadband helped to create a more distributed computing environment, allowing individuals to access the Internet from computers, cell phones, or other mobile communication devices. Consequently, a substantial share of the public was increasingly online, accessing news and other information, watching videos, and participating in social networks. According to surveys conducted by the Pew Internet and American Life Project, 75 percent of adults and 90 percent of teenagers were online by the beginning of 2008, and at least 80 percent of all adults had cell phones.[37]

Technological and behavioral changes thus provided a more dynamic and interactive environment for fund-raising in 2008. As in 2004, individuals interested in making a contribution could easily visit a candidate's Web site and by clicking through to a contribution form donate money with a credit card. Candidates could gather email addresses from site visitors, those who attended campaign events, and individuals who otherwise came into contact with the campaign, and then solicit donations from these individuals, just as Howard Dean and John Kerry had done in 2004. But presidential hopefuls could now also tap into extensive social networks, interact with supporters and build online relationships, and offer more content to potential supporters by distributing video clips, campaign advertisements, and targeted emails and text messages. The rise of Web 2.0 capabilities empowered candidates to solicit and receive contributions on a scale that was not feasible in previous presidential contests, and they could do so more efficiently and at a fraction of the cost of direct mail or telemarketing, the traditional methods of soliciting large numbers of potential donors. For example, a candidate could email contribution requests targeted to the particular policy concerns or political preferences of thousands of individuals at virtually no cost—and ask these individuals to share these messages with their own networks or the online communities in which they were active.

Technological evolution provided a communications infrastructure that offered candidates a significantly enhanced capacity to raise money. But the availability of this infrastructure did not guarantee that candidates would successfully harness its potential. Candidates still needed to invest the resources needed to build a capacity within their campaigns to make the most of the opportunities offered by this new environment. And individuals still needed the motivation to make a contribution. Obama understood this better than the others, which is one of the reasons why he was able to establish a new standard for fund-raising.

CAMPAIGN FUND-RAISING IN 2008

Presidential contenders in 2008 raised significantly more money than their counterparts in 2004 largely due to the fund-raising of the top two candidates in each of the major parties. Barack Obama and his principal rival Hillary Clinton, and John McCain and his leading opponent Mitt Romney amassed a combined total of almost $990 million, which represented three-quarters of the money raised in the nomination contests (see Table 2.1). Obama led the way, taking in more than $450 million by the time of the party convention, including $41 million in contributions designated for the general election that were received from individuals who had already contributed the maximum $2,300 to his primary campaign. In primary funds alone, Obama garnered $414 million, which was almost twice the amount raised by Clinton ($220 million) or the Republican nominee McCain ($210 million). Romney totaled $105 million, which included $44.7 million of his own money that he invested in his campaign.

These aggregate amounts suggest that Obama and McCain, the respective party nominees, held commanding financial advantages over their opponents. But they obscure the underlying financial portrait of the period when the nominations were still up for grabs. McCain raised most of his money during the bridge period after he clinched the nomination, a period that

Table 2.1. Presidential Nomination Receipts and Expenditures, 2008 (in $ millions)

Candidate	*Receipts*	*Expenditures*
Democrats		
Obama	453.9	376.5
Primary season	287.5	251.3
Bridge Period[a]	125.4	125.2
General Election[b]	41.0	0.0
Clinton	220.1	211.6
Edwards	49.6	43.5
Richardson	22.2	22.1
Dodd	15.1	15.1
Biden	11.9	11.1
Kucinich	5.5	5.3
Gravel	0.5	0.6
Sub-Total:	778.8	685.8
Republicans		
McCain	210.6	177.8
Primary season	61.2	55.7
Bridge period[c]	149.4	122.1
Romney	105.2	105.1
Giuliani	58.7	58.6
Paul	34.5	30.4
Thompson, F.	23.5	23.2
Huckabee	16.1	16.1
Tancredo	8.2	8.2
Brownback	4.2	4.2
Hunter	2.8	2.8
Thompson, T.	1.2	1.2
Gilmore	0.3	0.4
Sub-Total:	465.3	428.0
Total:	**1,244.1**	**1,113.8**

Source: John C. Green and Diana Kingsbury, "Financing the 2008 Presidential Nomination Campaigns," in David B. Magleby and Anthony Corrado, eds., Financing the 2008 Election (Washington, D.C.: Brookings Institution Press, 2011), Table 3-2.
[a]The bridge period for Obama extended from June to August 2008.
[b]Contributions for the general election received during the prenomination period.
[c]The bridge period for McCain extended from March to August 2008.

extended from March through August. At this point, he was raising money in what was, in effect, a general election context, since it was clear he would be the Republican candidate for the presidency. His fund-raising pattern was similar to that of Democrat John Kerry in 2004. Kerry had raised $41 million by the time he clinched the nomination in March and then raised $188 million in the months leading up to the convention.[38] McCain raised $149 million in the months leading up to the convention, which constituted about 70 percent of his total prenomination funding. During the "primary period" when the nomination was still being contested, McCain raised $61 million, as compared to Romney's $105 million and Giuliani's $59 million total.

Obama also raised a substantial sum after he wrapped up the nomination, but the bridge period on the Democratic side was much shorter than that on the Republican side. The race between Obama and Clinton proved to be the most competitive and hard fought contest since 1984, when Walter Mondale reached the delegate majority needed to secure the party's nomination on the day after the final primaries in June. In 2008, the race also lasted until June. By then, Obama had built up an extraordinary base of financial supporters and he took in $125 million in the period from June to the late August convention. He also received $41 million of general election money, most of which was received in the bridge period, after he announced in the third week of June that he would not accept public funding in the general election.[39]

Yet, unlike McCain, Obama held a significant financial advantage over his opponents, especially in the crucial period from January to June when the voting was taking place. In all, he raised $287 million from the start of the campaign through the end of the primaries, as compared to $220 million by Clinton. Moreover, Clinton's total included $10 million that she transferred from her Senate campaign committee at the start of her campaign and $13.2 million in personal funds she loaned to the campaign. Even with these large infusions of cash, Clinton could not keep pace with Obama. In fact, Obama raised more money than the rest of the Democratic field combined, Clinton included.

Early Fund-Raising

From the beginning of the 2008 election cycle, candidates emphasized fund-raising, hoping to enhance their public profiles and establish their viability as contenders by demonstrating an ability to raise large sums of money. Spencer Zwick, national finance director of the Romney campaign, best summarized the prevailing attitude in a simple quip: "We do know in political fund-raising, money talks, but early money screams."[40]

Candidates began to build their war chests early and tried to capitalize on every opportunity available to raise money. By the end of March 2007, aspirants had already taken in $157 million, five times the $30 million total that candidates had received in the first quarter of 2003.[41] The Democrats reported more than $95 million in first quarter receipts, while the Republicans

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reported close to $62 million. By the end of 2007, the total had soared to $552 million, or more than double the $273 million achieved in 2003, which was the previous high-water mark for off-year presidential fund-raising.[42] The Democratic contenders had garnered $292 million by the end of 2007; the Republicans, $260 million. Even before the election year began, it was clear that fund-raising was soaring to unprecedented heights.

Seeking to raise as much money as possible as quickly and efficiently as possible, candidates focused their early efforts on the solicitation of individual contributions in amounts of $1,000 or more. According to an analysis of FEC filings conducted by the nonpartisan Campaign Finance Institute, 61 percent of the money raised from individuals in 2007 came from contributions of $1,000 or more, including 37 percent that came from individuals who gave the maximum $2,300. In this regard, party affiliation made little difference: 61 percent of the money received by Republican candidates from individual donors came in contributions of $1,000 or more (36 percent from donors who gave the maximum), while 62 percent of the money received by Democrats from individual donors came in checks of $1,000 or more (38 percent from donors who gave the maximum).[43] While the relative importance of large donors varied by candidate, the leading fund-raisers by year's end typically received at least 75 percent of their individual donations from those who gave at least $1,000. The one exception was Obama, but even he raised more than half of his money from large donors, including one out of every three dollars from those who gave his campaign the maximum amount.

No candidate benefited more from the attention the media and public pay to early fund-raising than Obama. As the presidential contest got underway, Clinton was expected to be the outright leader when it came to raising money. She began her campaign with a database of more than 250,000 donors who had contributed to her two U.S. Senate campaigns and was widely expected to be the Democratic front-runner.[44] In the first quarter of 2007, she raised $26 million from individual contributions, which was supplemented with the $10 million from her senate campaign account for a $36 million total that gave her a significant lead in the money chase. But Obama was the candidate who surprised the prognosticators by keeping pace. He received contributions from 100,000 donors and garnered close to $26 million, which separated him from the rest of the Democratic field and challenged the conventional wisdom concerning Clinton's financial superiority.[45]

Throughout the rest of 2007, Obama continued to show that he could not only match, but also surpass Clinton. By the end of the year, he had raised $99.6 million, slightly more than the $98.7 million accrued by Clinton. None of the other Democrats came close to these sums. Even before the voting had begun in Iowa, the contest was shaping up as a two-person race.

The only Republican who came close to matching the top Democrats was Romney, who reported $90 million by the end of December. But his total included $35.4 million of his own money. The biggest surprise on the Republican side was the weak performance by McCain. As a former presidential contender with a high national profile, McCain was expected to lead the fund-raising race at the start of the campaign and had a good start in the first quarter ($14.8 million). But thereafter his fund-raising ebbed and he ended the year with a total of $40 million in receipts, which left him trailing not only Romney, but also Giuliani, who raised $56 million. McCain's financial problems were evident in the fourth quarter, when his $9.6 million in quarterly receipts even placed him behind conservative Representative Ron Paul, who raised $20 million from October through December as his unorthodox campaign and libertarian policies struck a chord with a segment of conservative activists. McCain's campaign also spent large sums throughout the year on staff and state organizations. So by the end of the year, he was running out of cash, and had to cut his staff and spending in Iowa and rely on bank loans to keep his bid in New Hampshire afloat.

TAKING FUND-RAISING ONLINE

All of the candidates in 2008 recognized that the Internet had become an important means of communication and, as the Dean campaign had demonstrated four years earlier, a valuable fund-raising tool. Candidates used digital technologies in a variety of ways to reach out and connect with supporters. "Donate" click buttons were a common component of candidate Web sites and online advertisements. Fund-raising appeals were included in most online postings, ranging from advertisements on search sites to YouTube videos to email and text messages. Candidates established pages on Facebook, MySpace, and other social network sites, and sought to collect individual email addresses so that they could solicit contributions in more personal ways.

While all of the major-party contenders sought online contributions, no one was as successful as Obama. Indeed, a key element of Obama's financial strength throughout the election year was the productivity of his online fund-raising, especially his success in attracting contributions from donors who gave less than $200. No candidate had ever raised as much money from small contributions as Obama did, which made his small donor fund-raising the preeminent campaign finance story of the election—this, despite the fact that he also raised a substantial share of his campaign funds from large donors of $1,000 or more, much of which came from more traditional fund-raising approaches.

What distinguished Obama's approach was his emphasis on online politicking and the decision to make Web 2.0 applications an integral component of his political operation. From the start, Obama recognized the potential of the Internet as a means of building a grassroots political effort. As he noted during the campaign, "One of my fundamental beliefs from my days as a community organizer is that real change comes from the bottom up. And there's no more powerful tool for grassroots organizing than the Internet."[46] This emphasis on technology and grassroots politicking was based on the lessons of Dean's 2004 campaign, but also was influenced by the strategic challenge he faced in running against Clinton, whom Obama's campaign manager, David Plouffe, described as "the strongest establishment front-runner in our party's history."[47] To draw a contrast with Clinton and her campaign, Obama cast his campaign as a grassroots, volunteer-driven organization that would rely on technology as a principal means of gathering support.

Before he launched his candidacy in February 2007, Obama retained the services of Blue State Digital, a market research firm specializing in new media founded by four former members of Dean's 2004 campaign.[48] He hired one of the partners, Joe Rospars, to serve as the campaign's director of new media. He was joined on the campaign staff by Julius Genachowski, a former chief counsel at the Federal Communications Commission who served as a senior partner at the Fortune 500 company IAC/Interactive Corp, and Chris Hughes, one of the cofounders of Facebook, who took a sabbatical from the company to join the Obama staff.

These Internet-savvy entrepreneurs oversaw the development of a state-of-the-art Web site that incorporated Web 2.0 features, including the campaign's own social networking hub, My.BarackObama.com, which became known as MyBO. The goal was to make the hub the central coordinating point for all Internet-related activity that took place during the campaign and use it to build an "online relationship" with supporters that would encourage them to identify with Obama, contribute to his campaign, undertake volunteer activities, and mobilize others to vote. The basic idea was to provide a place online where the campaign could connect and directly interact with supporters, share ideas, distribute information and campaign materials, and assign campaign tasks.

Once MyBO was established, the campaign linked this hub to other social networking sites in order to encourage those who expressed interest in Obama to connect directly with the campaign. Obama profile pages were established in more than fifteen online communities, including Facebook, MySpace, BlackPlanet (a social network for African-Americans), and Eons (a site for baby boomers).[49] Supporters were encouraged to share links to MyBO with their own networks or contacts, thereby creating a viral dimension to Obama's messaging. In addition, they were asked to build personal profiles and pages on MyBO, which provided the campaign with data used to tailor messages to a recipient's particular interests, demographic characteristics, or level of involvement in the campaign. By Election Day, two million supporters had created MyBO profiles, which gave the campaign a wealth of data that could be used to personalize messages and track individuals' activities on behalf of the campaign.[50]

Obama employed a diverse array of tactics to promote online giving that extended well beyond such standard tools as a "donate" click button or email solicitations. The campaign bought advertising on search engines and specific Web sites, and focused advertising on particular search terms in an effort to reach online users and drive them to MyBO. From January through April alone, the campaign spent close to $3 million on Internet advertising.[51] Obama also used paraphernalia sales, limited edition memorabilia offers, prizes (such as an opportunity to win debate tickets or a chance to meet him), and other inducements to generate initial contributions of $5 or $10 to expand his pool of donors. Those who gave could then be solicited for additional donations and were sometimes asked to make another contribution of $25 or more that would be matched by another Obama contributor. A donor could also enroll in a program that charged a gift of as little as $25 to his or her credit card on a regular basis.

Supporters could further assist Obama by serving as volunteer fund-raisers for his campaign. An application on the MyBO site allowed individuals to set up their own fund-raising pages, establish a personal fund-raising goal, and set up a "fund-raising thermometer" that they could watch rise as friends or contacts gave in response to their requests. The campaign even made it possible for individuals to see how well they were doing as compared to others they knew, thus encouraging friendly competition among Obama supporters. The tactic proved so successful that the campaign established a grassroots fund-raising committee that provided online instruction to train individuals in how to collect donations from friends, relatives, and other associates. Through this effort the campaign developed a corps of seventy thousand volunteer fund-raisers who were willing to solicit their own contacts for campaign dollars. By Election Day, these individuals had brought $30 million into the campaign.[52]

Obama's Internet strategy provided an interactive, web-based infrastructure that gave him the capacity to make the most of any surges in public support or expressions of interest in his campaign. He was able to immediately process all donations that came his way, and at the same time solicit contributions from millions of individuals through email, text messages, and online ads, thereby expanding the scope of his fund-raising effort far beyond that of any presidential campaign that had come before his. The resources he devoted to this effort began to pay big dividends in the months preceding the Iowa caucuses.

As noted earlier, the leading presidential contenders focused on large contributions for most of their funding throughout 2007. But in the fourth quarter of 2007, Obama began to receive significant sums from small donations. As his popularity rose and as he gained greater recognition as a leading contender for the nomination, his receipts from small contributions started to rise quickly. Obama took in $22.2 million from individual donors in the fourth quarter of 2007 and almost half of this amount, $10.4 million, came from individuals who gave gifts of less than $200. In the same period, Hillary Clinton took in $3.7 million from small contributions. With his win in the Iowa caucuses, his online fund-raising surged, even though he lost the New Hampshire primary to Clinton soon after. In January alone, he took in $32 million, including $28 million in online donations, with 90 percent of this online total coming from individuals who gave $100 or less, and 40 percent from those who gave $25 or less.[53] Thus, in one month, he raised more money through the Internet than Dean had received in his entire 2004 campaign.

Obama's success with small donors in January was the start of an extraordinary period that demonstrated the power of new technologies as tools for campaign fund-raising. In February, the momentum generated by a number of significant victories on Super Tuesday helped Obama generate an astounding $55 million. To put this sum in perspective, no presidential candidate in any election prior to 2008, with the exception of George Bush in 2000 and 2004, had raised this much money from the start of a campaign through the end of February. Obama thus took in more money in one month than most previous candidates had amassed in an entire nomination campaign. As in January, most of this money came from small contributions made online, with 90 percent of these online donations consisting of gifts of $100 or less and 50 percent in amounts of $25 or less.[54]

Moreover, Obama was building an extensive base of donors and the vast majority could be solicited for additional donations at relatively little cost. By the end of February, Obama had already attracted more than one million donors, a mark that President Bush, running unopposed for reelection in 2004, did not reach until May of that year.[55] He continued to build support throughout the rest of the nomination campaign and by the time of the convention, he had recruited two million donors, more than any other previous presidential candidate.[56]

Obama's remarkable fund-raising surge, $87 million in two months, gave him a major strategic advantage in the crucial stages of the nominating contest. It provided him with the resources to mount aggressive campaigns in more states than Clinton and outspend her by a significant margin. Obama was therefore able to accumulate the delegates needed to establish a lead after the first month of primary contests, which he never relinquished in his victorious march to the nomination. While Clinton did win some of the big states, including Pennsylvania and Texas, these victories were not enough to overcome the advantage Obama achieved as a result of his small donor online fund-raising.

Obama's resource advantage was most evident with respect to broadcast advertising. Early in the campaign, Obama and Clinton spent relatively equal amounts on ads, but as the contest progressed, the gap between them widened substantially. According to data gathered by the private firm TNS Media Intelligence/CMAG as analyzed by the University of Wisconsin Advertising Project, Obama spent $74.8 million on television advertising by the end of May, as compared to Clinton's $46 million total.[57] Before Super Tuesday, Obama devoted $18.2 million to television advertising as opposed to Clinton's $16.7 million. In the Super Tuesday states, Obama was able to spend more in more states, airing ads in sixteen states at a cost of $14.2 million, while Clinton aired ads in thirteen states at a cost of $11.2 million. In eight of the twelve states where both contenders were on the air, Obama outspent Clinton. Obama had the airwaves to himself in Colorado, Georgia, Kansas, and Minnesota—all states he won—and although he did not purchase ad time in Idaho, where Clinton did, he still won.

After Super Tuesday, Obama was able to seize control of the airwaves. In the remaining February contests held after Super Tuesday, he spent almost four times as much on television as Clinton did ($4.4 million versus $1.2 million). Thereafter, he held a sizable advantage, disbursing $41.6 million on television ads as opposed to $19.7 million by Clinton from the beginning of March through the end of May. This period included selection contests in a number of major battlegrounds, including Ohio, Texas, Pennsylvania, Indiana, and North Carolina, where Clinton needed victories to try to catch Obama in the race for delegates. Even though Clinton won the majority of these battleground states, Obama's financial advantage allowed him to maximize his vote potential in each of these states (and thus win significant numbers of delegates under the Democratic rules that assign delegates based on a candidate's share of the vote) and kept the pressure on Clinton to spend large sums of money, which eventually led her to lend $13 million of her own money to her campaign in an effort to stay financially competitive.

Obama's online fund-raising was beyond compare, but other candidates also raised substantial sums via the Internet. Clinton based her fund-raising on large donations and more traditional methods, but she began to place more emphasis on online giving and small donations once Obama's January surge became apparent. In February she urged supporters to contribute online. After her campaign revealed that the Senator had used $5 million of her own money to help finance her efforts in the Super Tuesday states, donations on her Web site rose. Of the $36 million she raised in February, $30 million came from online donors, including gifts received from 200,000 new contributors.[58] More than half of this total came from individuals who gave $200 or less.[59]

Thereafter Clinton continued to rely on the Internet for much needed cash and her victories in key primaries helped to spur donations. For example, within twenty-four hours of her victory in Pennsylvania's April 22 primary, more than 100,000 supporters gave a total of $10 million, which represented her best fund-raising day of the campaign.[60] That a candidate could raise so notable a sum in one day was yet another indication of how greatly the scope of fund-raising had changed as a result of digital communications. Yet, it was not enough to keep pace with Obama.

In 2000, John McCain "put the Web on the political map,"[61] when thousands of his supporters made contributions through his Web site after his unexpected victory over George Bush in the New Hampshire primary. In the weeks after this win, McCain received $3.7 million through his Web site, primarily in small individual contributions, which provided him with the funds needed to compete in a number of early March primaries.[62] But in 2008, online contributions played relatively little role in the Republican race.

The McCain campaign understood the value of the Internet as a fund-raising tool. McCain had a Web site with basic fund-raising tools, linked to Facebook and other social networks, and purchased online ads in an effort to drive Internet users to his site. As Google political ad man Peter Greenberger noted in referring to McCain's fund-raising ebb in mid-2007, "Even in the darkest days of the campaign . . . they never stopped spending on Google AdWords. There were times, corresponding to the political polls, when maybe interest waned in his campaign, but he was ready to capture interest."[63]

McCain's financing did improve after his victory in New Hampshire, and in January he raised $12.7 million. Yet he continued to fall behind Romney, who took in $16.7 million in January, a sum which included almost $7 million of his own money.[64] How much of McCain's January take came from online sources was not disclosed by the campaign. What was apparent throughout the early primary voting was that McCain failed to stimulate the levels of enthusiasm among his supporters that translated into a steady flow of contributions or sizable surges in small donor support. It was not until well after he had wrapped up the nomination that he began to receive substantial sums online and from small contributions. Most of the money he received from small contributions came in after Obama decided to forgo general election public funding and the fall campaigning had essentially begun. In fact, about a third of the money McCain received from small contributions ($19.3 million) was received in August, spurred in part by a rise in contributions received in the days following the announcement of Sarah Palin as his choice for vice president.[65]

One Republican who did raise substantial sums primarily from online supporters was the insurgent challenger, Ron Paul. Although a long shot for the nomination, Paul was able to use the Internet to garner contributions from individuals throughout the country, just as Dean did in his insurgent campaign in 2004. One tactic that produced a significant share of his campaign money was the use of symbolic dates as online fund-raising events. He received $4.3 million on November 5, 2007, the anniversary of the day in British history that Guy Fawkes tried to blow up the British Parliament. Another $6 million was garnered on December 16, the anniversary of the Boston Tea Party.[66] In all, Paul raised $34.5 million, including $21.6 million from small contributions, which was double the amount received by any other Republican contender except for McCain. Even so, Paul's standing in the polls remained low and he never become a serious contender for the nomination.

Large Donor Fund-Raising in 2008

The Obama campaign established a new fund-raising model, one that combined the lessons of the Dean campaign with more traditional approaches. What distinguished Obama's efforts was the extent to which Web 2.0 applications were incorporated into the campaign and the scope of small donor participation he achieved as a result. Yet Obama did not forsake the types of fund-raising events and emphasis on large donors that is typical of presidential campaigns, as reflected in the fund-raising activities of most of the 2008 contenders. Obama's financial strategy thus can best be described as a "hybrid approach," one made possible by technology but still reliant on common fund-raising methods.

In recent elections the best-financed presidential contenders usually have raised a major share of their campaign monies from individuals who gave large contributions, understood as donations of $1,000 or more. Candidates, especially those expected to be front-runners, have a strong incentive to raise large amounts of money and the conventional wisdom among candidates has been that the best way to accomplish this strategic objective is to concentrate on large donations, particularly contributions of the maximum permissible amount. Candidates also seek large contributions because it is the most efficient way to maximize the financial potential of their core supporters, especially early in a race when many challengers are not well known and the public is not yet focused on the election.

In this regard, the 2008 nominations largely followed the patterns of the past. With the exception of Obama, the top fund-raisers received a majority of their campaign funds from large donations. One way to assess the relative role of large donors is to look at the aggregate amount contributed by an individual, rather than individual contributions. Many individuals make more than one contribution during the course of a campaign, so the amount an individual gives in total can differ from the amount of an individual donation. Indeed, this ability to solicit additional contributions was one of the major advantages afforded by web-based fund-raising. For example, many of Obama's supporters who began by making a small contribution gave repeatedly during the campaign, eventually giving more than the $200 in aggregate that is typically used as a measure for determining a small donor. In fact, according to an analysis by the Campaign Finance Institute, at least 212,000 individuals who initially made a contribution of less than $200 to Obama eventually gave much more, including 13,000 who donated a total of $1,000 or more by the time of the convention.[67]

The role of large donors can be discerned from Table 2.2, which presents data from an analysis conducted by the Campaign Finance Institute on individual contributions in the 2008 nomination campaigns based on the aggregate amounts contributed by donors.[68] In all, 53 percent of the monies given by individuals came from those who gave at least $1,000. Except for Obama, the best-funded candidates received a majority of their individual receipts as a result of the largesse of large donors. Clinton received about $108 million from large donors, which constituted 56 percent of the amount contributed by individuals to her campaign. McCain received $121 million, which represented 60 percent of his total individual receipts. Romney and Giuliani raised even bigger shares of their individual contributions from large donors, with respective shares of 79 percent and 83 percent.

Although Obama received a smaller share of his funding from large donors (43 percent), he raised more money than any other candidate from such contributions. Indeed, his fund-raising was so impressive because of the success he exhibited across the donor spectrum. While he made the Internet a central building block of his campaign, he did not overlook traditional fund-raising techniques geared to soliciting large donors. The Obama campaign held 104 fund-raising events during the primary period and 19 more during the bridge period, ranging from large-scale dinners to small, intimate meetings with high-level donors.[69] In total, he raised $174 million from donors who gave $1,000 or more, almost $67 million more than the sum achieved by Clinton.

Most of these large contributions were solicited with the assistance of "bundlers," a term used to refer to individuals who serve as volunteer

Table 2.2. Source of Individual Contributions to Presidential Candidates, 2008

		Aggregate Amount Contributed by Donor					
		$200 or Less		*$201–999*		*$1000 or More*	
Candidates	*Total Individual Contributions*	*Dollar Amount*	*%*	*Dollar Amount*	*%*	*Dollar Amount*	*%*
Democrat							
Obama	409.2	121.2	30	113.1	28	174.4	43
Clinton	194.0	42.5	22	43.8	23	107.7	56
Edwards	38.6	11.8	31	8.5	22	18.3	47
Richardson	21.8	3.5	16	4.0	18	14.3	66
Dodd	11.8	1.0	8	0.9	8	9.8	83
Biden	9.6	1.6	17	1.3	14	6.7	70
Kucinich	4.4	2.5	57	1.1	25	0.8	18
Gravel	0.5	0.3	60	0.1	20	0.1	20
Sub-Total:	689.9	184.4	27	172.8	25	332.1	48
Republican							
McCain	203.5	42.2	21	40.2	20	121.2	60
Romney	59.8	4.7	8	7.9	13	47.1	79
Giuliani	55.0	3.5	6	5.6	10	45.9	83
Paul	34.3	13.4	39	9.6	28	11.3	33
Thompson, F.	23.2	8.9	38	4.1	18	10.1	44
Huckabee	16.0	4.6	29	3.7	23	7.7	48
Tancredo	4.0	2.2	55	1.1	28	0.7	18
Brownback	3.5	1.2	34	0.8	23	1.5	43
Hunter	2.3	1.1	48	0.4	17	0.8	35
Thompson, T.	1.0	0.1	7	0.1	10	0.7	70
Gilmore	0.3	0.0	10	0.0	7	0.3	100
Sub-Total:	402.9	81.9	20	73.5	18	247.3	61
Total:	**1092.8**	**266**	**24**	**246**	**23**	**579**	**53**

Source: Campaign Finance Institute. Amounts noted in millions of dollars.

fund-raisers and gather numerous large dollar checks on behalf of a candidate. These individuals "bundle" together checks they have received—often for the maximum $2,300—and deliver them or direct them to the candidate. This is usually done by selling tickets to fund-raising dinners, sponsoring fund-raising events, or simply soliciting donations from their own fund-raising networks and business associates.

The reliance on bundlers was not a new development. Since the early 1980s, candidates have relied on such individuals, often naming their top fund-raisers as members of their "finance committee," "business council," or a group given some other designation. But bundlers became more prominent in recent elections, particularly due to their role in the Bush campaigns and the voluntary disclosure of his "Rangers" and "Pioneers," the nomenclature given to those who raised at least $100,000 or $200,000 for his campaign.

In 2008 the top contenders relied on bundlers to help them gather the large sums of money that they were seeking. Those whose names were disclosed by the campaigns were primarily involved in securities and investments, real estate, lobbying, law firms, or the entertainment industry. Based on the disclosures made by the Obama and McCain campaigns, the nonpartisan Center for Responsive Politics determined that Obama had recruited at least 509 bundlers as of August 2008 who had raised a minimum of $63 million, while McCain had recruited 534 bundlers who brought in at least $75 million. The top bundlers each raised at least $500,000, a level met by 47 of Obama's supporters and 65 of McCain's.[70] However, the Center estimated the total amounts raised by these bundlers based on the fund-raising threshold each individual had achieved (e.g., $100,000 or $250,000), not the actual amount they may have raised (e.g., $120,000 or $270,000). Consequently, the totals reported represent conservative or minimum sums.

The Center for Responsive Politics' study did not include Clinton, but she also recruited a significant number of bundlers. In all, at least 311 individuals qualified as "Hillraisers," with each raising at least $100,000 for her campaign.[71] These bundlers thus gathered a minimum of $31 million, and, more realistically, much more.

Table 2.2 also indicates the role of small donors in 2008. In this regard, Obama's overwhelming advantage is readily apparent. Obama received $121 million from individuals who gave a total of $200 or less, which was more than the rest of the Democratic field combined and almost $80 million more than the $42 million received from small donors by Clinton or the $42 million received by McCain. Obama thus raised a larger share of his prenomination monies from small donors than either Bush (26 percent, $66 million) or Kerry (20 percent, $44 million) did in 2004. Dean took in 38 percent of his individual funding from small donors in 2004, but the total amount received, $28 million, paled in comparison to Obama's total.[72] No matter the level of donor involved, Obama set new standards for presidential nomination finance.[73]

LOOKING AHEAD TO 2012

The 2008 nominations took place in a context that promoted an intensive chase for campaign dollars, which produced high spending on both sides of the aisle. But the outcomes offered mixed signals concerning the role of money in election victories. On the Democratic side, the race followed the patterns of the past and conformed to the view that money is a key determinant of nomination outcomes. The challengers with the biggest war chests broke away from the rest of the field and the eventual winner was the candidate who raised the most money. Obama was able to wage a better-funded, more extensive campaign and held a major financial advantage at crucial stages in the contest. In fact, he attained the biggest financial advantage over his principal opponent of any presidential candidate since the adoption of the FECA in 1974.

However, the results of the Republican contest indicated that money is not the most important factor in determining election outcomes. The top fund-raisers faltered once the voting began. Mike Huckabee won Iowa, even though he trailed far behind in the money race and only raised $16 million in his entire campaign. John McCain, who began as an expected front-runner and fell to so low a point that he had to borrow money from a bank to get through the New Hampshire primary, resurrected his campaign by winning that state, even though he was outspent significantly by Mitt Romney, who had once served as governor of the neighboring state of Massachusetts. Giuliani raised $59 million, an impressive sum, but his campaign never gained traction. His decision to focus his efforts on one of the first big states to vote, Florida, instead of Iowa and New Hampshire, proved to be the path to a quick exit from the race. In the end, Huckabee was one of the last candidates standing and McCain clinched the nomination despite Romney's $40 million-plus financial advantage.

One lesson of 2008 is that money can help establish a candidate's viability and front-runner status early in a race, and can play a crucial role in helping a candidate survive the rigors of the front-loaded presidential selection process. But a candidate with major weaknesses or one who does not excite a following of passionate supporters cannot resolve these problems by simply spending money. As Howard Dean demonstrated in 2004, fund-raising success, in and of itself, is not enough to guarantee victory. Nomination contests are political contests; the politics of the process, a candidate's ability to secure political endorsements and voter support, and the strategic decisions made in a campaign often matter more than money.[74]

Future aspirants, however, are unlikely to pursue strategies based on the outcome of the 2008 Republican primaries. To the extent that they do take something away from the 2008 Republican experience, it will be to question McCain's decision to accept public funding in the general election and thereby cede a significant financial advantage to his opponent. Obama demonstrated that it is possible to finance a primary and general election without public money and by doing so, raise significantly more money than public funding provides. His approach will dictate the strategic thinking in 2012, making it a virtual certainty that the Republican nominee will not only forgo public funds in the primaries, but also in the general election. If so, the 2012 race will sound the death knell of public funding in presidential elections.

The Obama campaign now stands as the new model of presidential campaign finance. Candidates will seek to emulate his tactics, hoping to use the Internet as a means of building extensive bases of support and thereby gain a financial advantage over their opponents. In this regard, they will be aided by the further evolution of technology and the continuing spread of broadband, smart phones, tablets, and other devices throughout the electorate. The 2012 election will take place in a more dynamic, distributed, and mobile communications environment. This will make it possible for candidates to reach large numbers of prospective voters in interactive ways and enhance their capacity to capitalize on popular support.

The availability of more powerful communications technology will further aid popular front-runners in their quest to raise funds, since individuals who wish to make a contribution will find it easier than ever before, no matter where they are physically located. Insurgent candidates, those outside the party establishments, who rely on clear ideological or issue appeals, nontraditional election tactics, or unorthodox views, will also benefit. As John Green and Diana Kingsbury have noted, a major challenge for candidates who pursue these "outside strategies" is finding and tapping new sources of money.[75] Dean's outsider candidacy in 2004 and Paul's in 2008, although conducted in different parties and appealing to opposite ends of the political spectrum, indicate that outsiders who offer a message that resonates with even a small share of the electorate may raise substantial amounts of money.

But the availability of technology alone does not mean that candidates will succeed in raising large sums online or experience the levels of success that Obama achieved in 2008. Individuals still need to have the motivation to give and certain dimensions of Obama's 2008 candidacy will be difficult to replicate. He began as a charismatic and inspiring underdog, seeking to make history as the first African-American president. He emerged as the candidate representing change, in an election defined by an electorate anxious for change. He embraced new technologies, and stimulated the passions of a new generation of young activists and voters who made his candidacy their own. His campaign capitalized on an extraordinary level of voter enthusiasm and engagement, which was a key element in the scope of his financial success. Future candidates will attempt to engage voters in their campaigns in ways similar to those employed by Obama. If they do so successfully, they too should be able to tap into the resources that can come from broad-based giving online.

The political context of the 2012 race will differ from that of 2008. An incumbent president will be seeking reelection and his opponents can expect that he will run without public money. President Obama will begin his quest for reelection with an unparalleled base of potential donors. By the end of 2008, Obama had received contributions from 4 million individuals and constructed a list of 13 million email addresses.[76] After the election, Obama sought to maintain communications with these supporters by converting his campaign organization into "Organizing for America," which was established as a "special project" of the Democratic National Committee.[77] This organization, which maintained the My.BarackObama.com Web site, remained active throughout Obama's first term, distributing information on administration policies, building grassroots support for policy initiatives, recruiting organizers in the fifty states, offering volunteer training, and raising money. Although this organization did not prove to be the grassroots-lobbying powerhouse that some expected at the beginning of Obama's term, it nonetheless provided an infrastructure for keeping in touch and updating information on his core supporters.[78]

Prior to the start of the 2012 nomination campaigns, political observers were predicting that Obama might raise the previously unthinkable sum of one billion dollars in his bid for reelection.[79] Should he approach this lofty mark, it is a virtual certainty that all of the candidates will again be chasing Obama in the race for campaign dollars. Obama will benefit from the power of incumbency and the advantage of a well-established donor base. But he will also be facing a weak economy and a nomination process that in all likelihood will not feature an unusually competitive, dramatic battle for the party standard and the high level of partisan interest that characterized the 2008 contest.

Given the dynamics of presidential fund-raising in a post-public funding environment, Obama—or any other future incumbent with a strong base of political support—will begin the race in an enviable position. Although an incumbent advantage is not a new aspect of campaign finance, in a world without spending limits an incumbent can better capitalize on the opportunity to raise money more efficiently and start general election fund-raising earlier in the election cycle. The individual contribution limit in 2012 is set at $2,500 per election ($200 more than in 2008), which means that a candidate can receive a maximum of $5,000 from an individual donor.[80] A candidate may begin soliciting these maximum donations from the start of the campaign, raising primary election funds at the same time that general election funds are solicited. For example, fund-raising events may be held at which individuals are asked to give $5,000, including $2,500 for the primary and $2,500 for the general election. In this way, a candidate—or a candidate's bundlers—can raise large sums quickly and efficiently. While any candidate may engage in this practice, it is easier for an unchallenged incumbent or an individual who has quickly wrapped up a nomination to do so, since candidates engaged in a competitive nomination contest must be cognizant of the possibility that an early start to general election fund-raising may be perceived by voters as a sign of overconfidence or as an act indicative of a lack of respect for other party hopefuls.

Moreover, any monies left over in a candidate's primary campaign account at the time of the nominating convention can be spent in the general election campaign, since there are no limits on spending. In 2008, Obama raised more than $40 million in general election money during the nomination period and had more than $35 million in unspent primary money at the time the delegates cast their votes in convention and formally chose him as the party's nominee. Thus, he began his 2008 general election campaign with $77 million in cash, a sum that was almost equivalent to the $84 million public grant accepted by McCain.[81]

The return to private financing of presidential campaigns may therefore serve to enhance the advantages an incumbent or unchallenged aspirant for the nomination has with respect to campaign funding. Such a contender can spend unlimited amounts of money during the prenomination period on activities largely designed to get a head start on general election campaigning or build up large reservoirs of cash for use in the fall election while continuing to raise and spend primary funds. Such activity will drive campaign fund-raising and place additional pressures on candidates involved in competitive nomination contests to raise funds, especially in the bridge period before the formal commencement of the general election period.

Another change taking place in the campaign finance system may also serve to spur an emphasis on fund-raising. In recent elections, organized groups have spent significant sums to influence the White House race, including a rising amount of money expended during the primaries. These groups include PACs, Section 527 committees (political organizations established under Section 527 of the Internal Revenue Code whose major purpose is to influence elections), and nonprofit advocacy groups (organizations established under Section 501(c) of the Internal Revenue Code whose major purpose is to promote policy ideas or educate the public on policy issues). Not all of the monies spent by these groups are subject to federal disclosure rules or contribution limits. Groups do, however, have to disclose the amounts they spend on certain types or categories of spending, such as the amounts spent on broadcast advertisements that expressly support a candidate or ads that feature a federal candidate and are aired close to an election.[82] The ability of most groups to operate outside of the confines of federal contribution restrictions and the amounts they have disclosed in recent elections suggest that group spending is becoming a more prominent component of the financial activity that takes place in nominating contests.

In 2004, organized groups reported $61 million in disclosed spending on the presidential race during the nomination phase of the election. More than two-thirds of this total ($47 million) was disbursed after the nominations had been clinched, with most of this amount spent by pro-Democratic political committees opposing President Bush's reelection.[83] In 2008, prenomination spending by organized groups totaled at least $79 million, with most of this amount ($51 million) spent during the primaries, rather than during the bridge period.[84] Much of the spending in 2008 was focused on the Democratic contest. Groups spent at least $15 million in support of Obama and $3 million against him, as well as $22 million in support of Clinton and almost $2 million against her. During the bridge period, political organizations spent more than $10 million opposing Obama and more than $10 million supporting him, while spending more than $6 million opposing McCain and more than $1 million supporting him.[85]

In 2012, interest groups and nonparty organizations will be able to finance election activity free of many of the constraints that governed their activity in the past as a result of court rulings issued after the 2008 election. The most important was the Supreme Court's decision in *Citizens United* v. *Federal Election Commission*, which led to a major change in federal campaign finance law.[86] Citizens United, a conservative nonprofit advocacy group, produced a feature-length film, *Hillary: The Movie*, to be distributed in theaters, as a DVD, and through a video-on-demand cable service in January and early February 2008. The group wanted to use its own funds, including corporate contributions, to finance the advertising and distribution of the film. This raised the question of whether *Hillary* should be viewed as an election communication that opposed Hillary Clinton, who at the time was a candidate for the presidential nomination.In a highly controversial decision released in January 2010, the Supreme Court in a five-to-four vote ruled that a ban on the spending of corporate money for independent communications that advocated the election or defeat of a candidate violated the First Amendment's right of free speech. The Court did not overturn federal contribution restrictions or the prohibition on the use of corporate or labor union treasury funds to make contributions to federal candidates or party committees. But the Court did strike down the long-standing ban on corporate spending in federal elections and the BCRA provisions that prohibited corporate or labor treasury monies from being used to pay for electioneering communications. If corporations or labor unions wanted to spend their own monies independent of a candidate on election communications or other activities that advocated the election or defeat of a particular candidate, the Court declared that they had a right to do so. In the view of the Court's majority, the First Amendment did not allow restrictions on speech based on the identity of the speaker. Thus, government regulations could not privilege some viewpoints or speakers (for example, individuals or PACs) over others (for example, corporations) since this "deprives the public of the right and privilege to determine for itself what speech and speakers are worthy of consideration."[87]

Following the decision in *Citizens United*, the U.S. Court of Appeals for the District of Columbia issued an opinion in March 2010 in *SpeechNow.org* v. *Federal Election Commission*.[88] SpeechNow.org, a nonprofit, unincorporated political organization established under Section 527 of the Internal Revenue Code, was formed by individuals who wanted to make independent expenditures in support of candidates. The group did not intend to make contributions to candidates and therefore turned to the courts to determine whether they would have to abide by the limits and other requirements imposed on contributions to PACs under federal law. SpeechNow.org argued that they should not be required to register as a political committee with the FEC and thus be limited to raising individual contributions of $5,000 per year (the limit established for federal PACs under the FECA). They contended that independent expenditures did not pose a risk of corruption, which prior court rulings had established as the sole constitutional rationale for regulating campaign funding, since no monies would be given to candidates. Citing the Supreme Court's analysis in *Citizens United*, the appeals court agreed, noting that there was no government interest in regulating the contributions made to independent expenditure groups.

Thus, organizations now have broader leeway to raise and spend money in presidential campaigns. As in the past, federal PACs are limited in the amount of money they can contribute directly to a candidate or party, but they may spend unlimited amounts from the monies they raise on independent efforts to promote or support candidates. Other organizations, including 527s, corporations, nonprofit groups, and labor unions, can raise and spend money in unlimited amounts, including funds from sources prohibited from making contributions to candidates or national party committees, such as corporations and labor unions. In the past, interest groups and other organizations could spend such funds on activity that was not considered election activity, such as issue advertisements or broadcast communications that were aired more than 30 days before a primary. Now they may spend these funds specifically advocating the election or defeat of a candidate without restriction, so long as they do not coordinate their efforts with the candidate.

As a result of these judicial rulings, nonparty political organizations will have greater opportunities to raise and spend money than they have had in the past. To note but one example that reflects the changes taking place in the regulatory environment, two conservative organizations, American Crossroads and Crossroads GPS, announced more than a year before the 2012 election a fund-raising goal of $120 million to finance efforts to defeat President Obama and elect Republicans to Congress.[89] If other organizations follow suit, group electioneering is certain to rise, which in turn will influence candidate fund-raising, as contenders pursue the dollars needed to defend themselves against such efforts, as well as the efforts of their opponents.

Presidential campaign finance is in the midst of a period of dramatic change. The 2008 election demonstrated the transformative effects of the changes underway. The financing of the 2012 campaigns will be shaped by the experience of 2008 and the strategies and innovations likely to arise from a heightened demand for campaign dollars. The continuing evolution of digital communications and a less stringent regulatory framework will also have significant effects on the financial activity in 2012. The consequences of these developments are not easy to predict, but they raise a central question: how will this affect the sources of funding in presidential campaigns? Does the experience of Obama in 2008 suggest that small donors will play a greater role in the financing of future campaigns? Or will large donors and groups relying on unregulated contributions continue to be a major source of money in presidential elections? Political observers will be looking to the 2012 election for answers.

ACKNOWLEDGEMENT

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NOTES

1. According to Federal Election Commission (FEC) data, Democratic and Republican candidates in the 2004 prenomination contests raised a total of $678 million. In 2000, the total was $329 million.

2. In the 2004 election, President Bush raised $356.4 million, including $74.6 million of general election public funding. John Kerry raised $318.1 million, including $74.6 million in general election public funding. See FEC, "2004 Presidential Campaign Financial Activity Summarized," press release, February 3, 2005, Table: Overview of Presidential Financial Activity 1996–2008, www.fec.gov/press/press2009/20090608Pres/1_OverviewPresFinActivity1996–2008.pdf (accessed February 27, 2011).

3. Eliza Newlin Carney, "The Death of Public Financing," *National Journal*, June 16, 2007, 34.

4. The totals for the presidential prenomination campaign receipts as December 31, 2003 can be found on the FEC Web site at http://www.fec.gov/press/bkgnd/pres_cf/atm1231/presreceiptsye2003.pdf (accessed February 27, 2011).

5. Carney, "The Death of Public Financing," 34.

6. For a detailed discussion of the provisions of the presidential public funding program, see Anthony Corrado, "Public Funding of Presidential Campaigns," in Anthony Corrado et al., *The New Campaign Finance Sourcebook* (Washington, D.C.: Brookings Institution Press, 2005), 180–204.

7. Anthony Corrado, *Paying for Presidents* (New York: The Twentieth Century Fund Press, 1993), 40–41.

8. David B. Magleby and William G. Mayer, "Presidential Nomination Finance in the Post-BCRA Era," in William G. Mayer, *The Making of the Presidential Candidates 2008* (Lanham, Md.: Rowman & Littlefield, 2008), 149–152.

9. Ibid., 152, and Anthony Corrado, "Financing the 1996 Elections," in Gerald M. Pomper et al., *The Election of 1996* (Chatham, N.J.: Chatham House Publishers, 1997), 145.

10. Prior to 2000, Republican John Connally in 1980 opted out of public funding in order to avoid the spending limit in New Hampshire. In 1996, three Republicans, Malcolm "Steve" Forbes, Maurice Taylor, and Robert Dornan did not take public funds. Forbes and Taylor financed their campaigns primarily from personal funds. In 2000, Forbes again refused public funds and once again spent substantial sums of his own money on his campaign. Republican Orrin Hatch also did not accept public funds in 2000.

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12. John C. Green, "Financing the 2004 Presidential Nomination Campaigns," in David B. Magleby et al., *Financing the 2004 Election* (Washington, D.C.: Brookings Institution Press, 2006), 115.

13. Ibid., 105 and 116–117.

14. FEC, "2004 Presidential Campaign Financial Activity Summarized," www.fec.gov/press/press2005/20050203pressum/20050203pressum.html (accessed February 28, 2011).

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17. Ibid. Besides Edwards, the other Democrats who received matching funds (and the amount each received) were Joseph Biden ($2 million), Christopher Dodd ($1.9 million), Dennis Kucinich ($1.1 million), and Mike Gravel ($216,000). Two Republicans also took matching funds: Tom Tancredo ($2.2 million) and Duncan Hunter ($454,000).

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26. Trippi, *The Revolution Will Not Be Televised*, 88.

27. Green, "Financing the 2004 Presidential Nomination Campaigns," 100, and Melissa Smith, "Political Campaigns in the Twenty-First Century: Implications of New Technology," in *Communicator-in-Chief*, 142.

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63. Quoted in Kaye, *Campaign '08*, 78.

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69. Green and Kingsbury, "Financing the 2008 Presidential Nominations," 99.

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75. Green and Kingsbury, "Financing the 2008 Presidential Nomination Campaigns," 91.

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81. Anthony Corrado and Molly Corbett, "Rewriting the Playbook on Presidential Campaign Financing," in Dennis W. Johnson, ed., *Campaigning for President 2008* (New York: Routledge, 2009), 141.

82. These include: (1) independent expenditures, which are monies spent by a group or individual on advertising or other election activities that directly advocate the election or defeat of a candidate; (2) electioneering communications, which are broadcast ads that feature a federal candidate and are aired within 30 days of a primary or 60 days of a general election, but do not specifically ask viewers to vote for or against a candidate; and (3) communications costs, which are the costs incurred by a union or corporation to communicate with members. According to the

rules operative in the 2008 election, independent expenditures had to be disclosed to the Federal Election Commission and paid for with monies subject to federal contribution requirements. Electioneering communications also had to be disclosed if the amount spent exceeded $10,000 in a calendar year. These communications could not be financed with corporate or labor union treasury contributions, but unlimited individual contributions were permissible. Communication costs had to be disclosed if the amount spent on a communication exceeded $2,000.

83. Green, "Financing the 2004 Presidential Nominations,"

84. Green and Kingbury, "Financing the 2008 Presidential Nominations," 102. Green and Kingbury provide a detailed discussion of organized group spending in the 2008 presidential nomination campaign.

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Chapter 3

Political Movements, Presidential Nominations, and the Tea Party

Andrew E. Busch

When CNBC financial analyst Rick Santelli took to the airwaves on February 19, 2009 to call for a modern "Tea Party" to protest government bailouts of financial institutions and overextended mortgage-holders, he set off a political movement that quickly became a major force in American politics. The "Tea Party" movement that resulted engaged thousands of Americans across the country. The movement has been called by *Washington Post* political correspondent and presidential biographer Lou Cannon "a movement that is more truly grassroots than any other of our time"[1] and by four *Wall Street Journal* correspondents "the most dynamic political force of 2010."[2] By the end of 2010, the movement had not only organized scores of chapters and sponsored numerous rallies, some of them drawing tens or hundreds of thousands of participants, it had also directly affected numerous primary and general election contests. What sort of influence might the Tea Party exert on the 2012 presidential race, and how should its efforts be judged within the context of other powerful political movements in American history?

The place to start is by defining what exactly is meant by a political movement. There are at least six broad characteristics of significant political movements in the American context. First, they are actually or potentially broadly-based but are not (yet) a majority and are driven by a relatively small hard core of activists. Second, they are organized and exhibit at least a loose hierarchy, making them an identifiable entity to outside observers, but their organization typically features a decentralized collection of both competing and collaborative structures that are less institutionalized than an existing political party. Third, they are motivated by at least a rough ideology, or generally coherent political vision of the world. Fourth, they have come (sometimes after a lengthy process of recruitment, education,

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