

The .0000063% Election

How the Politics of the Super Rich Became American Politics

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At a time when it's become a cliché to say that Occupy Wall Street has changed the nation's political conversation — drawing long overdue attention to the struggles of the 99% — electoral politics and the 2012 presidential election have become almost exclusively defined by the 1%. Or, to be more precise, the [.0000063%](#). Those are the 196 individual donors who have provided nearly 80% of the money raised by super PACs in 2011 by giving \$100,000 or more each.

These political action committees, spawned by the Supreme Court's 5-4 Citizens United [decision](#) in January 2010, can raise unlimited amounts of money from individuals, corporations, or unions for the purpose of supporting or opposing a political candidate. In theory, super PACs are legally prohibited from coordinating directly with a candidate, though in practice they're just a murkier extension of political campaigns, performing all the functions of a traditional campaign without any of the corresponding accountability.

If 2008 was the year of the [small donor](#), when many political pundits (myself included) predicted that the fusion of grassroots organizing and cyber-activism would transform how campaigns were run, then 2012 is "[the year of the big donor](#)," when a candidate is only as good as the amount of money in his super PAC. "In this campaign, every candidate needs his own billionaires," wrote [Jane Mayer](#) of The New Yorker.

"This really is the selling of America," claims former presidential candidate and Democratic Party Chairman Howard Dean. "We've been sold out by five justices thanks to the Citizens United decision." In truth, our democracy was sold to the highest bidder long ago, but in the 2012 election the explosion of super PACs has shifted the public's focus to the staggering inequality in our political system, just as the Occupy movement shined a light on the gross inequity of the economy. The two, of course, go hand in hand.

"We're going to beat money power with people power," Newt Gingrich said after losing to Mitt Romney in Florida as January ended. The walking embodiment of the lobbying-industrial complex, Gingrich made that statement even though his candidacy is being propped up by a super PAC funded by two \$5 million donations from Las Vegas casino magnate Sheldon Adelson. It might have been more amusing if the GOP presidential primary weren't a case study of a contest long on money and short on participation.

The [Wesleyan Media Project](#) recently reported a 1600% increase in interest-group-sponsored TV ads in this cycle as compared to the 2008 primaries. Florida has proven the battle royal of the super PACs thus far. There, the pro-Romney super PAC, Restore Our Future, [outspent](#) the pro-Gingrich super PAC, Winning Our Future, five to one. In the last week of the campaign alone, Romney and his allies ran 13,000 TV ads in Florida, compared

to only 200 for Gingrich. Ninety-two percent of the ads were negative in nature, with two-thirds attacking Gingrich, who, ironically enough, had been a fervent advocate of the Citizens United decision.

With the exception of Ron Paul's underdog candidacy and Rick Santorum's upset victory in Iowa — where he spent almost no money but visited all of the state's 99 counties — the Republican candidates and their allied super PACs have all but abandoned retail campaigning and grassroots politicking. They have chosen instead to spend their war chests on TV.

The results can already be seen in the first primaries and caucuses: an onslaught of money and a demobilized electorate. It's undoubtedly no coincidence that, when compared with 2008, turnout was down 25% in Florida, and that, this time around, fewer Republicans have shown up in every state that's voted so far, except for South Carolina. According to political scientists Stephen Ansolabehere and Shanto Iyengar, negative TV ads contribute to "a political implosion of apathy and withdrawal." New York Times columnist Tim Egan has labeled the post-Citizens United era "[your democracy on meth.](#)"

The .01 Percent Primary

More than 300 super PACs are now registered with the Federal Election Commission. The one financed by the greatest number of small donors belongs to Stephen Colbert, who's turned his TV show into a brilliant commentary on the deformed super PAC landscape. Colbert's satirical super PAC, [Americans for a Better Tomorrow, Tomorrow](#), has raised \$1 million from 31,595 people, including 1,600 people who gave \$1 each. Consider this a rare show of people power in 2012.

Otherwise the super PACs on both sides of the aisle are [financed](#) by the 1% of the 1%. Romney's Restore Our Future Super PAC, founded by the general counsel of his 2008 campaign, has led the herd, raising \$30 million, 98% from donors who gave \$25,000 or more. Ten million dollars came from just 10 donors who gave \$1 million each. These included three hedge-fund managers and Houston Republican Bob Perry, the main funder behind the [Swift Boat Veterans for Truth](#) in 2004, whose [scurrilous ads](#) did such an effective job of destroying John Kerry's electoral prospects. Sixty-five percent of the funds that poured into Romney's super PAC in the second half of 2011 came from the [finance, insurance and real estate sector](#), otherwise known as the people who brought you the economic meltdown of 2007-2008.

Romney's campaign has raised twice as much as his super PAC, which is more than you can say for Rick Santorum, whose super PAC — Red, White & Blue — has raised and spent more than the candidate himself. Forty percent of the \$2 million that has so far gone into Red, White & Blue came from just one man, [Foster Friess](#), a conservative hedge-fund billionaire and Christian evangelical from Wyoming.

In the wake of Santorum's upset victories in Colorado, Minnesota, and Missouri on February 7th, Friess told the New York Times that he'd recruited \$1 million for Santorum's super PAC from another (unnamed) donor and upped his own giving, though he wouldn't say by how much. We won't find out until the next campaign disclosure filing in three months, by which time the GOP primary will almost certainly be decided.

For now, Gingrich's sugar daddy Adelson has pledged to stay with his flagging campaign,

but he's also signaled that if the former Speaker of the House goes down, he'll be ready to donate even more super PAC money to a Romney presidential bid. And keep in mind that there's nothing in the post-Citizens United law to stop a donor like Adelson, hell-bent on preventing the Obama administration from standing in the way of an [Israeli attack on Iran's nuclear facilities](#), from giving \$100 million, or for that matter, however much he likes.

Before Citizens United, the maximum amount one person could give to a candidate was \$2,500; for a political action committee, \$5,000; for a political party committee, \$30,800. Now, the sky's the limit for a super PAC, and even more disturbingly, any donor can give an unlimited contribution to a 501c4 — outfits defined by the IRS as “civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare,” and to make matters worse, that contribution will remain eternally secret. In this way, American politics is descending further into the darkness, with 501c4s quickly gaining influence as “shadow super PACs.”

A recent analysis by the [Washington Post](#) found that, at a cost of \$24 million, 40% of the TV ads in the presidential race so far came from these tax-exempt “social welfare” groups. The Karl Rove-founded American Crossroads, a leading conservative super PAC attacking Democratic candidates and the Obama administration, also runs a 501c4 called Crossroads GPS. It's raised twice as much money as its sister group, all from donations whose sources will remain hidden from American voters. Serving as a secret slush fund for billionaires evidently now qualifies as social welfare.

The Income Defense Industry

In his book [Oligarchy](#), political scientist Jeffrey Winters refers to the disproportionately wealthy and influential actors in the political system as the “Income Defense Industry.” If you want to know how the moneyed class, who prospered during the Bush and Clinton years, found a way to kill or water down nearly everything it objected to in the Obama years, look no further than the grip of the 1% of the 1% on our political system.

This simple fact explains why hedge-fund managers pay a lower tax rate than their secretaries, or why the U.S. is the only industrialized nation without a single-payer universal healthcare system, or why the planet continues to warm at an unprecedented pace while we do nothing to combat global warming. Money usually buys elections and, whoever is elected, it almost always buys influence.

In the 2010 election, the [1% of the 1%](#) accounted for 25% of all campaign-related donations, totaling \$774 million dollars, and 80% of all donations to the Democratic and Republican parties, the highest percentage since 1990. In congressional races in 2010, according to the [Center for Responsive Politics](#), the candidate who spent the most money won 85% of House races and 83% of Senate races.

The media loves an underdog story, but nowadays the underdog is ever less likely to win. Given the cost of running campaigns and the overwhelming premium on outspending your opponent, it's no surprise that nearly half the members of Congress are [millionaires](#), and the median net worth of a U.S. Senator is \$2.56 million.

The influence of super PACs was already evident by November 2010, just nine months after the Supreme Court's ruling. [John Nichols and Robert McChesney](#) of *The Nation* note that, of the 53 competitive House districts where Rove's Crossroads organization outspent

Democratic candidates in 2010, Republicans won fifty-one. As it turned out, however, the last election was a mere test run for the monetary extravaganza that is 2012.

Republicans are banking on that super PAC advantage again this year, when the costs of the presidential contest and all other races for federal posts will soar from [\\$5 billion](#) in 2008 to as high as [\\$7 billion](#) by November. (The 2000 election cost a “mere” \$3 billion.) In other words, the amount spent this election season will be roughly the equivalent of the gross domestic product of Haiti.

The Myth of Small Donors

In June 2003, presidential candidate Howard Dean shocked the political establishment by raising \$828,000 in one day over the Internet, with an average donation of \$112. Dean, in fact, got 38% of his campaign’s total funds from donations of \$200 or less, planting the seeds for what many forecast would be a small-donor revolution in American politics.

Four years later, Barack Obama raised a third of his record-breaking \$745 million campaign haul from [small donors](#), while Ron Paul raised 39% from small dollars on the Republican side. Much of Paul’s campaign was financed by online “money bombs,” when enthusiastic supporters generated millions of dollars in brief, coordinated bursts. The amount of money raised in small donations by Obama, in particular, raised hopes that his campaign had found a way to break the death grip of big donors on American politics.

In retrospect, the small-donor utopianism surrounding Obama seems naïve. Despite all the adulatory media attention about his small donors, the candidate still raised the bulk of his money from big givers. (Typically, these days, incumbent members of Congress raise less than 10% of their campaign funds from small donors, with those numbers actually dropping when you reach the gubernatorial and state legislative levels.) Obama’s top contributors included employees of Goldman Sachs, JP Morgan Chase, and Citigroup, hardly standard bearers for the little guy. For obvious reasons, the campaign chose to emphasize the small donors over the big ones in its narrative, as it continues to do in 2012.

Interestingly enough, both Obama and Paul actually raised [more money](#) from small donors in 2011 than they did in 2008, 48% and 52% of their totals, respectively. But in the super PAC era that money no longer has the same impact. Even Dean doubts that his anti-establishment, Internet-fueled campaign from 2004 would be as successful today. “Super PACs have made a grassroots campaign less effective,” he says. “You can still run a grassroots campaign but the problem is you can be overwhelmed now on television and by dirty mailers being sent out... It’s a very big change from 2008.”

Obama is a candidate with a split personality, which makes his campaign equally schizophrenic. The Obama campaign claims it’s raising 98% of its money from small donors and is “building the biggest grassroots campaign in American history,” according to campaign manager Jim Messina. But the starry-eyed statistics and the rhetoric that accompanies it are deeply misleading. Of the \$89 million raised in 2011 by the Obama Joint Victory Fund, a collaboration of the Democratic National Committee (DNC) and the Obama campaign, 74% came from donations of \$20,000 or more and 99% from donations of \$1,000 or more.

The campaign has 445 “bundlers” (dubbed “volunteer fundraisers” by the campaign), who gather money from their wealthy friends and package it for Obama. They have raised at

least \$74.4 million for Obama and the DNC in 2011. Sixty-one of those bundlers raised \$500,000 or more. Obama held [73 fundraisers in 2011](#) and 13 last month alone, where the price of admission was almost always \$35,800 a head.

An increase in small donor contributions and a surge of big money fundraisers still wasn't enough, however, to give Obama an advantage over Republicans in the money chase. That's why the Obama campaign, until recently adamantly against super PACs, suddenly relented and signaled its support for a pro-Obama super PAC called Priorities USA.

A day after the announcement that the campaign, like its Republican rivals, would super PAC it up, Messina spoke at the members-only Core Club in Manhattan and "assured a group of Democratic donors from the financial services industry that Obama won't demonize Wall Street as he stresses populist appeals in his re-election campaign," reported [Bloomberg Businessweek](#). "Messina told the group of Wall Street donors that the president plans to run against Romney, not the industry that made the former governor of Massachusetts millions."

In other words, don't expect a convincing return to the theme of the people versus the powerful in campaign 2012, even though Romney, if the nominee, would be particularly vulnerable to that line of attack. After all, so far his campaign has raised only 9% of its campaign contributions from small donors, well behind both Senator John McCain, 21% in 2008, and George W. Bush, 26% in 2004.

In the fourth quarter of 2011, Romney [outraised](#) Obama among the top firms on Wall Street by a margin of 11 to 1. His top three campaign contributions are from employees of Goldman Sachs (\$496,430), JPMorgan (\$317,400) and Morgan Stanley (\$277,850). The banks have fallen out of favor with the public, but their campaign cash is indispensable among the political class and so they remain as powerful as ever in American politics.

In a recent segment of his show, Stephen Colbert noted that half of the money (\$67 million) raised by super PACs in 2011 had come from just [22 people](#). "That's 7 one-millionths of 1 percent," or roughly .000000071%, Colbert said while spraying a fire extinguisher on his fuming calculator. "So Occupy Wall Street, you're going to want to change those signs."

Ari Berman is a contributing writer for the Nation magazine and an Investigative Journalism Fellow at The Nation Institute. His book, [Herding Donkeys: The Fight to Rebuild the Democratic Party and Reshape American Politics](#) (Picador) is now out in paperback with a new afterword. Follow him on Twitter [@AriBerman](#).

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