

The Political Economy of American “Tribalism”

**When Pictures Really Are
Worth a Thousand Words**

Thomas Ferguson

Paul Jorgensen

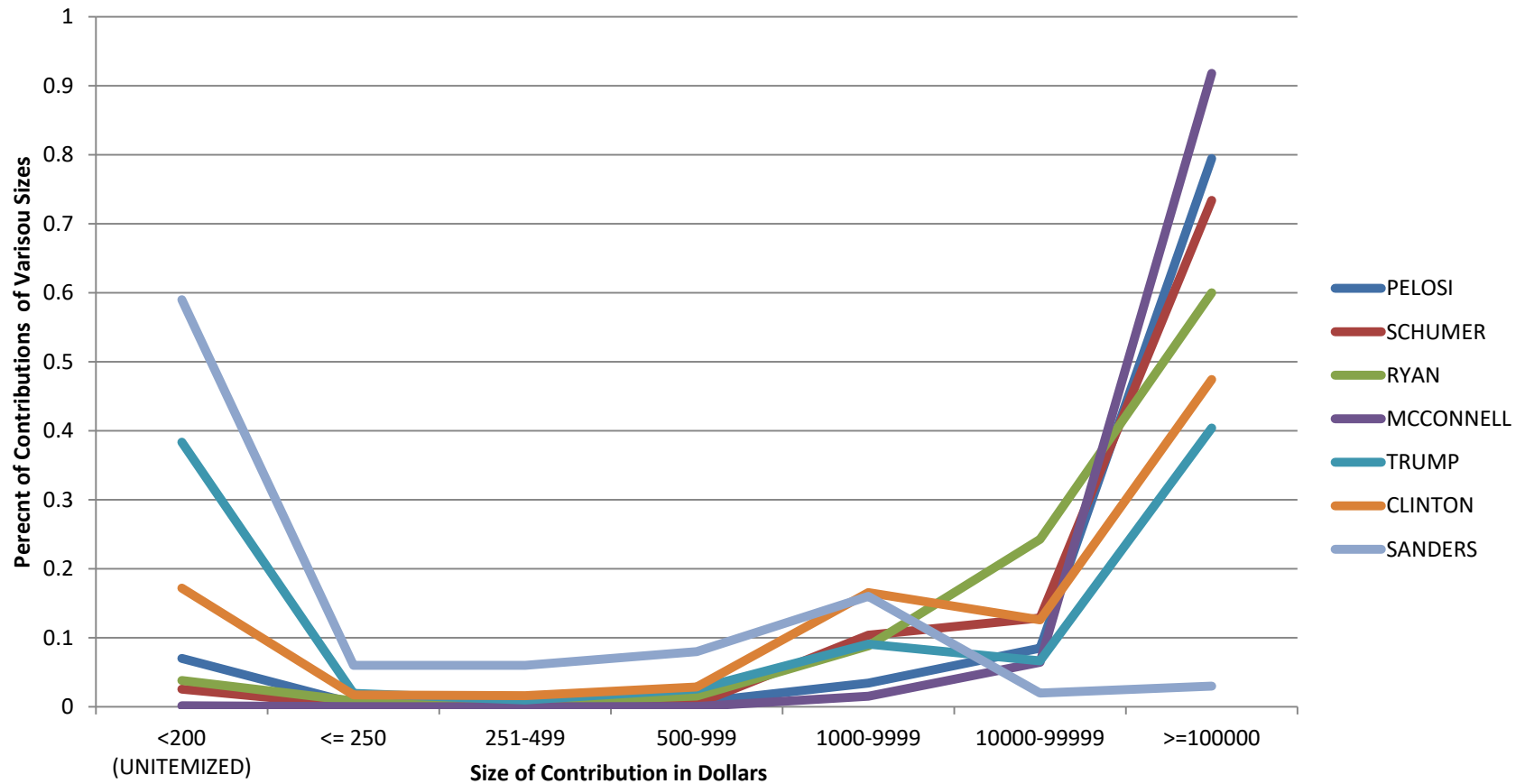
Jie Chen

**Talk about “tribalism” in American politics is
all the rage.**

**But in politics the chiefs of the tribes do almost
all the talking. And they raise money, on a
colossal scale.**

**So, take a look. Does their fundraising reflect a
tide of small donations from masses of
concerned Americans they are speaking for?**

Size of Contributions: Profiles of American Political Leaders, 2016 Cycle



The Lesson:

Political leaders of both major parties depend heavily on large contributions --over \$100,000 per 2 year election cycle.

Mitch McConnell is uniquely reliant on them.

In 2016 Clinton relied more on them than Trump, though both had high levels.

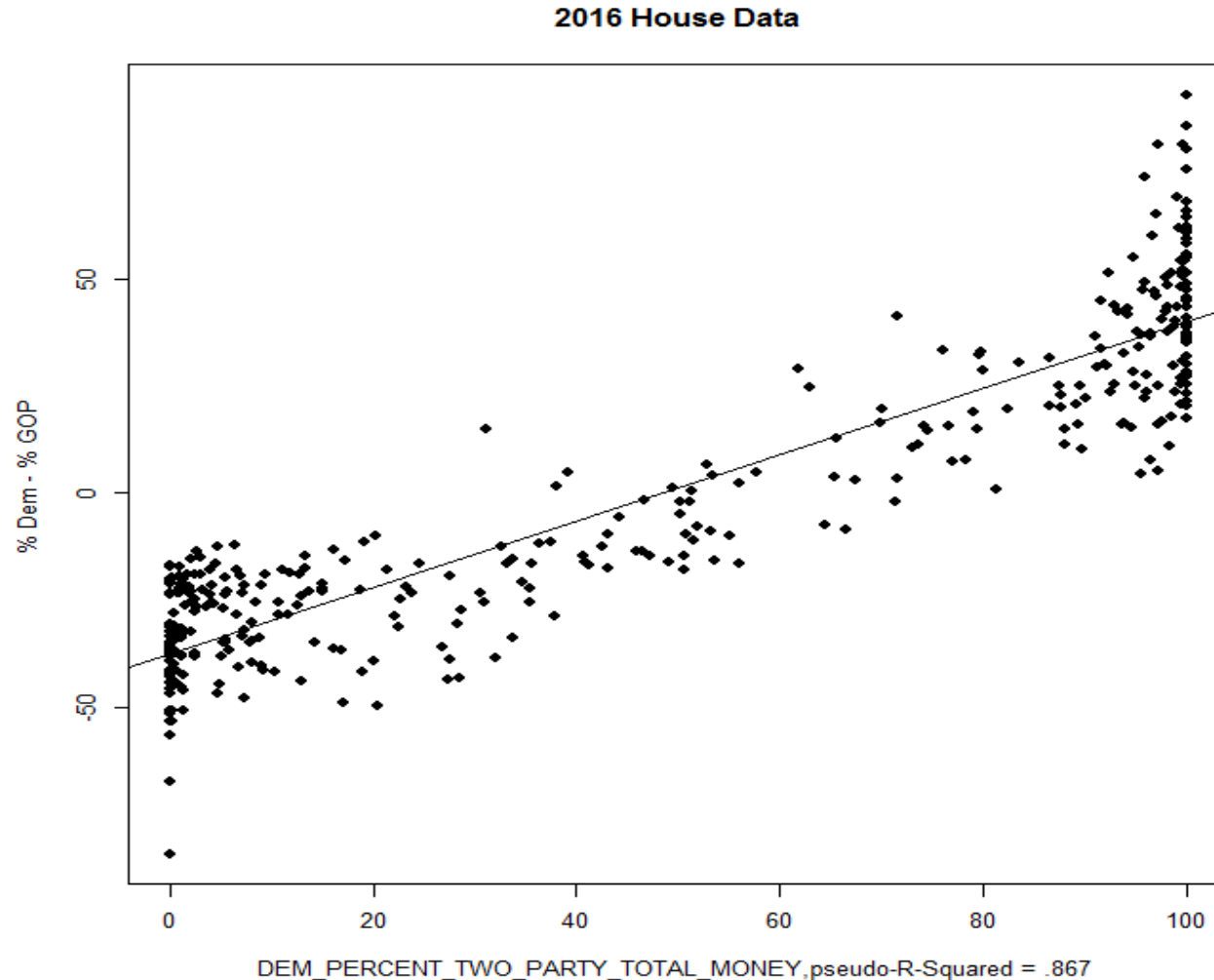
Bernie Sanders was the one exception.

Almost 60% of his were below the \$200 limit for itemization. He received essentially no large contributions. Trump also received substantial small contributions.

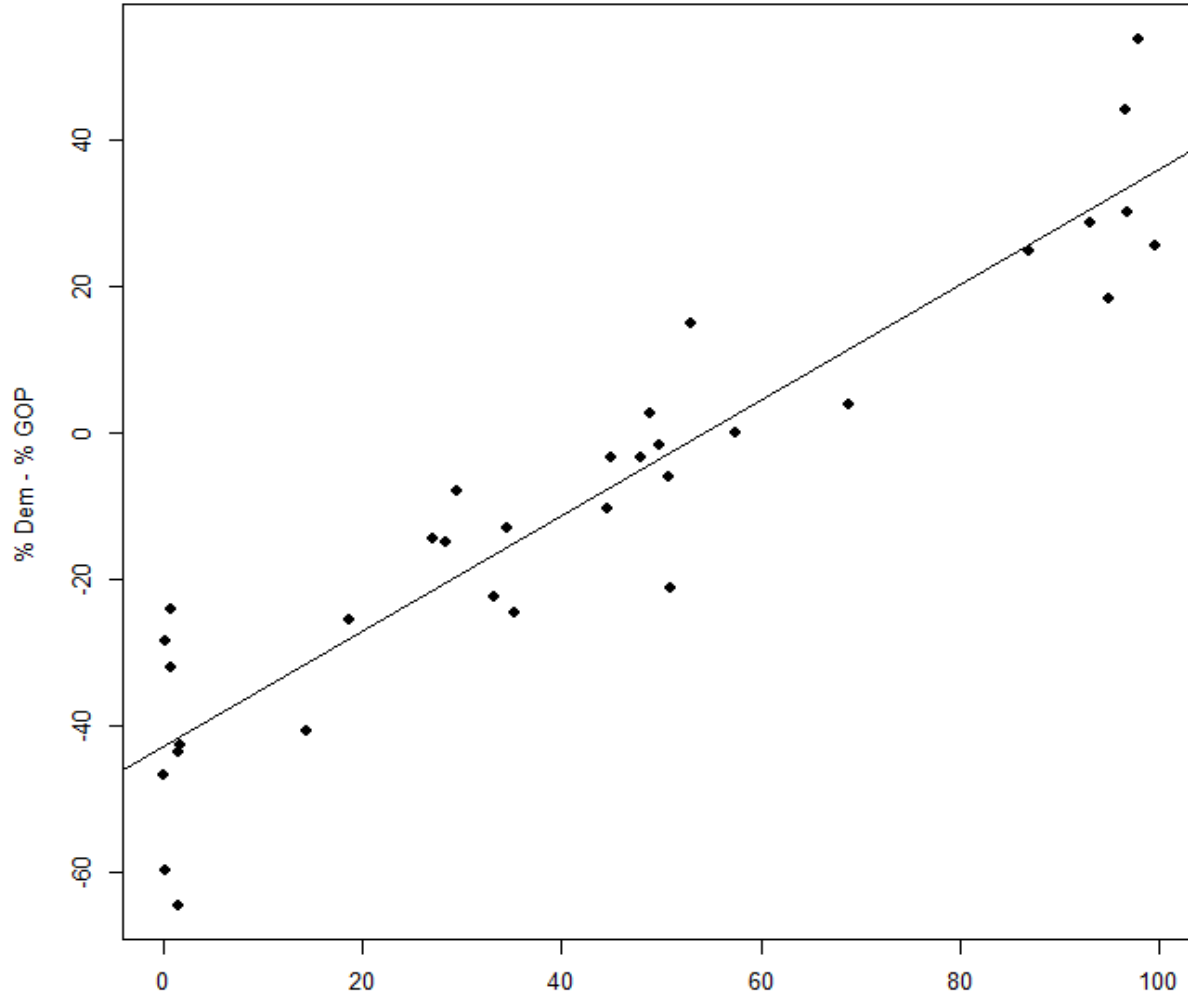
**But perhaps through
some miracle of
democracy elections
express the will of the
people anyway?
Check out these
pictures.**

What would the sound of money talking look like? How about a straight line?

The vote split between the parties closely tracks the money division; e.g., 2016 Congressional elections



2016 Senate Data



DEM_PERCENT_TWO_PARTY_TOTAL_MONEY_pseudo-R-Squared = .87

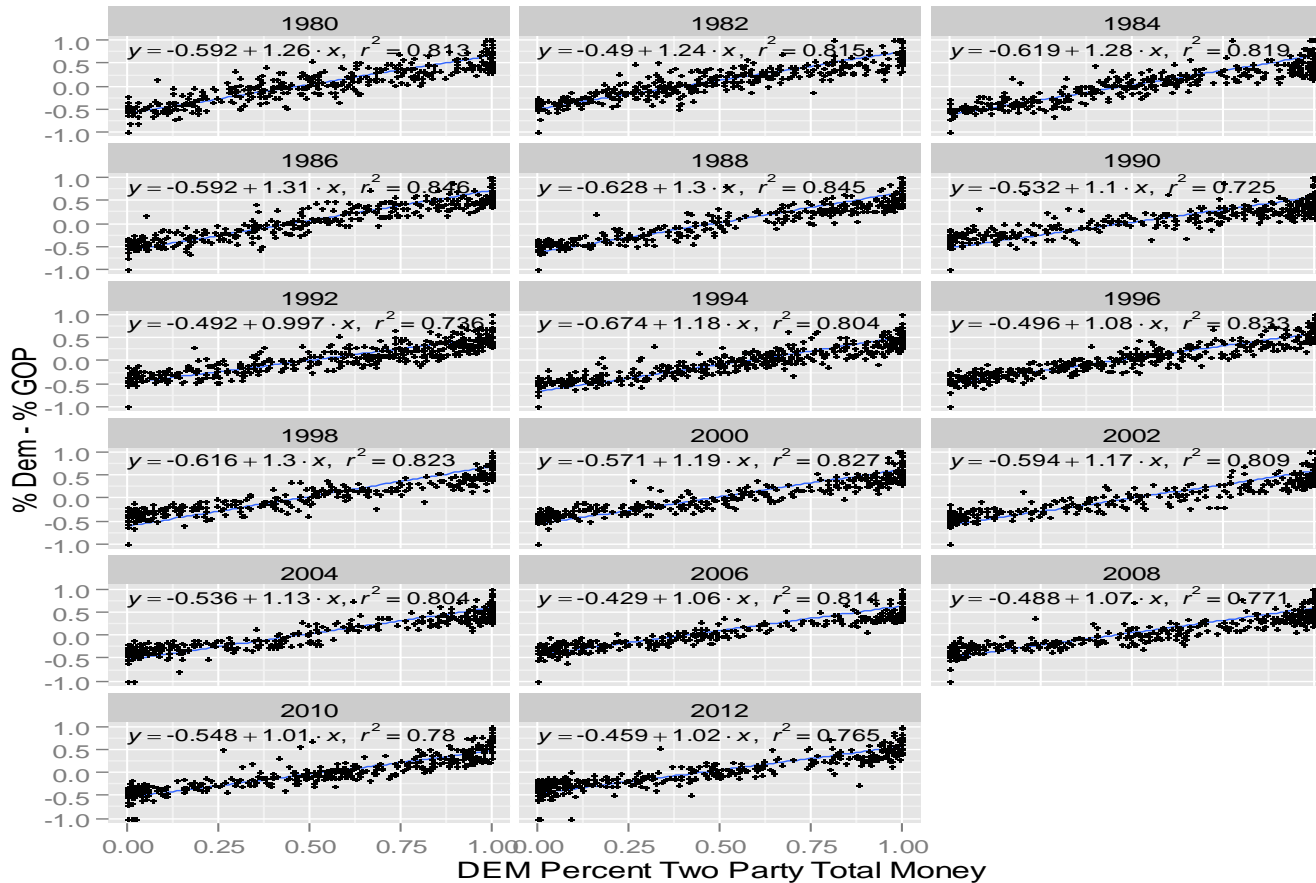
All American elections for which the data exist show the same linear relationship between money spent and electoral results (Ferguson, Jorgensen, Chen, 2016).

But it's not a pathology peculiar to the US.

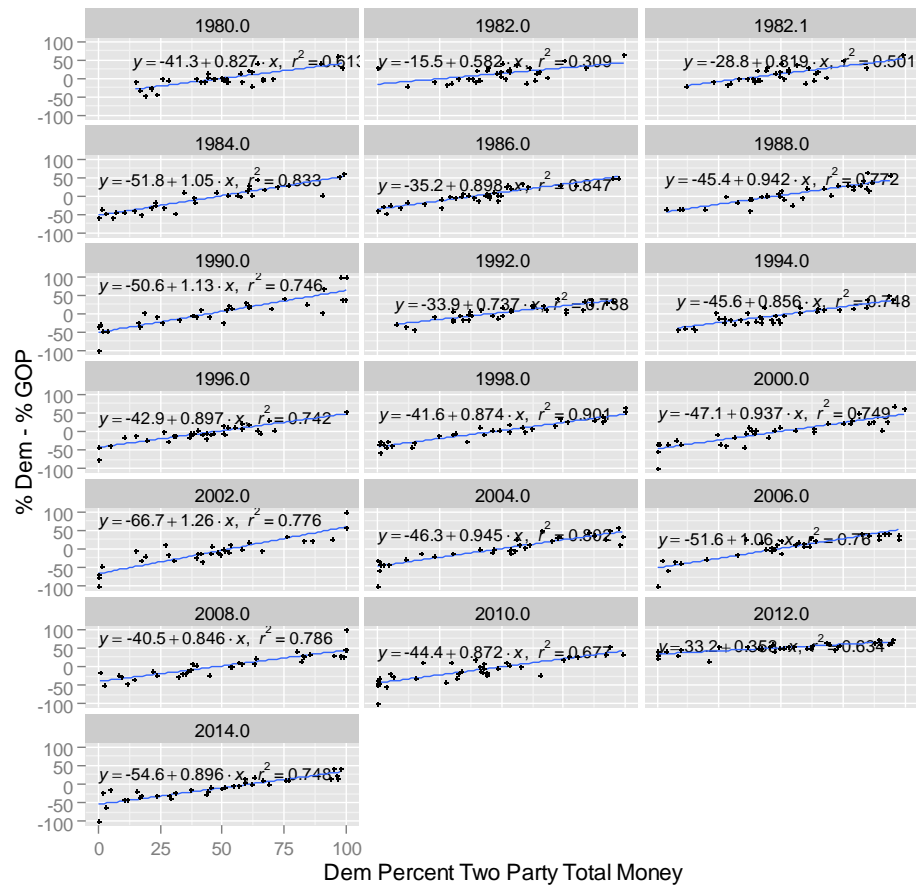
French parliamentary and municipal elections show the same pattern (Cage, 2018).

US House Elections, 1980-2012

Money spent closely tracks votes, yet again.



The same pattern shows in Senate Elections, 1980 to 2014



**Saving the appearances?
Maybe the money follows
votes?**

**Not in general: See Ferguson,
Jorgensen, and Chen's "How
Money Drives US
Congressional Elections,"**

INET Working Paper # 48, 2016

Many estimates of “donor concentration” -- how much of total money comes from a few donors – exist. They are all too low, even when the numbers are shocking. They do poorly at aggregating money from people in the same firms and all the ways the firms donate.

Measuring Formal Campaign Money Is Very Difficult

- 1. Must combine Federal Election Commission totals + IRS, which oversees “527” monies + state and local
- 2. Names of individuals are unreliable; same with addresses, occupations, Sr., Jr., Ms., etc.
- 3. Many company names are opaque or disguised
- 4. Massive double counting, including “ersatz dark money” with PACs and 527s party transfers, etc.; disentangling flow of actual new money from real sources is the key problem
- 5. Critical role of the “investing unit” – that is putting people from the same companies together.

See Ferguson, Jorgensen, Chen, 2013, 2016, 2017; our estimates are routinely much higher than others’.

Our estimates do not include state and local races, unless they make it into federal sources.

- PERCENT OF ORIGINAL MONEY FROM TOP 400 DONORS & TOP .01% OF DONORS**

DONOR	PERCENT	AMOUNT
• Top 400 Donors	% 29.86	\$2,446,370,446.62
• Top .01%	% 57.16	\$4,682,337,094.94

**PERCENT OF ORIGINAL MONEY FROM TOP 400
DONORS & TOP .01% OF DONORS, not including LABOR**

DONOR	PERCENT	AMOUNT
Top 400 Donors	% 26	\$2,150,496,653.66
Top .01% of Donors	% 54	\$4,386,463,301.98

Countervailing Power in America, 2016

- **Sum the two types of Labor contributions -- itemized and un-itemized \$ totals -- to arrive at total Labor \$ in federal elections and compare to all other money.**
- **\$564,592,573 -- 7% of all money**
- **Not much money considering all the members of the tribe.**

**Some Blue tribal
leaders are now
proposing a “bold”
reform:**

Refuse all PAC money.

**What difference would
that make?**

Very little.

Contributions from Pacs to Dem Senate campaigns add up to about 10% of all spending.

(Higher figures you see come from excluding “outside” money from Super Pacs and non-profits officially unconnected to the campaigns.)

Even assuming no substitution of additional personal contributions for the missing pac funds (a ridiculous notion), this doesn't add up to much.

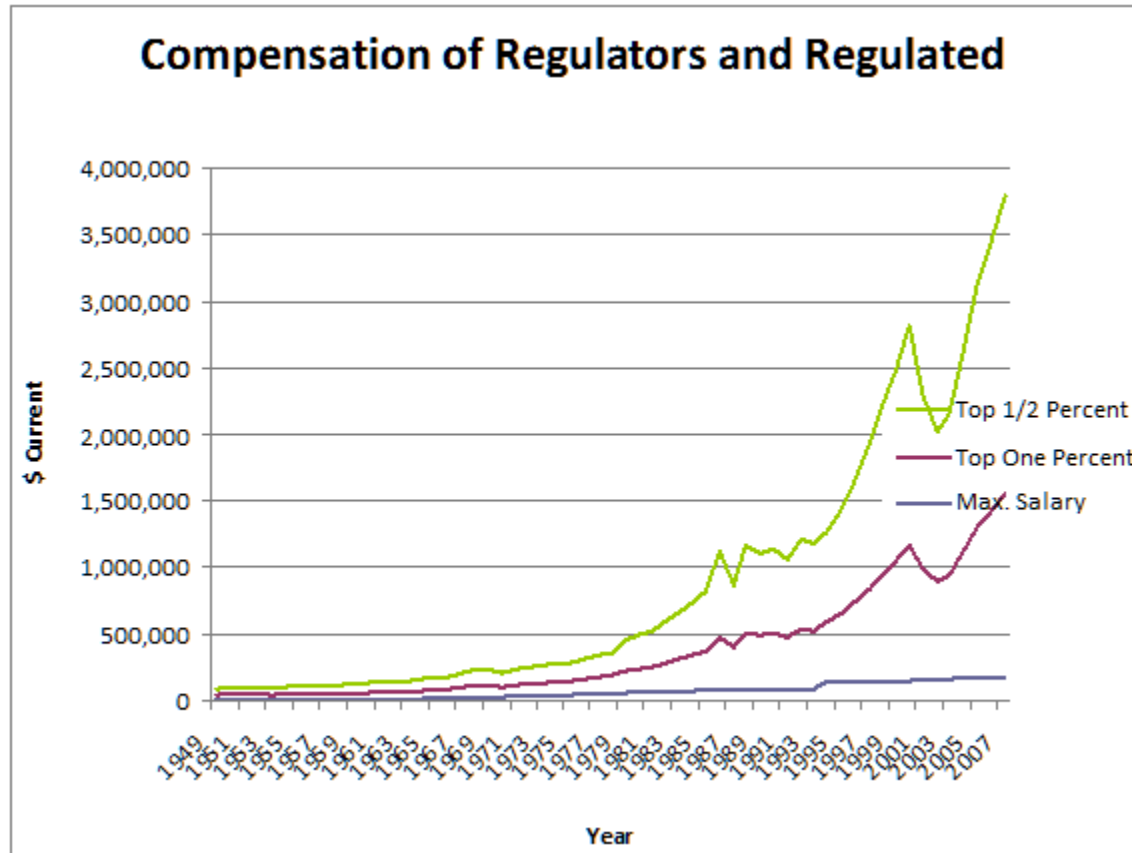
**What would
truly change
the system?**

The power of money is directly related to inequality. Its ability to shape system outcomes may have reached a point of no return.

Consider the next graph. This plots salaries of top federal regulators over time against incomes of those in financial markets. If you can walk through a revolving door to a far higher income, it is idle to expect serious regulation.

David vs. Goliath in Regulation

Figure After Ferguson and Johnson, 2013



And Remember: Formal Campaign Money is Only A Slice of the Spectrum of Political Money

Figure After Ferguson, Jorgensen, and Chen, 2017

<p>1. Payments to Lawyers for Services (After Stigler, Substantial, But Unknown)</p>	<p>2. Payments to Political Figures Many Hundreds of Millions of Dollars Includes Certain Directors Fees, Speaking Fees, Book Contracts; Some “Research” and Philanthropic “Advice” From Consultants</p>	<p>3. Foundations and Charitable Grants Many Not Political; Some That Do Go Through Think Tanks \$296 Billion in Total Giving in 2006; Perhaps 3 to 5% Might Count as Broadly Political</p>	<p>4. Lobbying Legal Definition Is Very Narrow 2010 on the Record Totals Approx. \$3.5 Billion. \$ Refers to Washington, D.C. Lobbying in States and Cities Also Large</p>	<p>5. Think Tanks Rapid Growth Especially Since 1970s In 2005 Major D.C. Based Think Tanks Spent Approx \$411 Million Many More Now Outside Washington, D.C. Not Included in Estimate</p>	<p>6. Formal Campaign Spending Total Expenditures on Federal Campaigns Only \$5.2 Billion in 2008; State and Local Spending Heavy, Too</p>	<p>7. Value of Stock Tips, IPOs To Political Figures “Event Analysis” Studies Suggest Very Large in Certain Periods</p>	<p>8. Public Relations Spending Some Certainly Affects Politics</p>
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Campaign finance follows the basic axiom of the investment theory of politics:

Campaigning isn't free. Costs are much higher than classical liberal theorists believed. As a result, either everyone pays a little to fund campaigns or a few pay for nearly everything – and control the system.

Public funding would represent a substantial improvement and we think the few places in the US that have tried it have gained from it. Public funding alone institutionalizes the possibility for people to run and be heard without depending on big money.