

Donors and Fundraising in the 2004 Presidential Campaigns

BY JOSEPH GRAF

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No other nation spends as much money as the United States in electing its political leaders, and in no other nation is campaign fundraising so conspicuous or so embedded in political life. Fundraising is an overriding concern for candidates and elected officials, and it takes up more and more of their time. It has become increasingly sophisticated, professionalized, and successful. Fundraising success is considered a prime indicator of a candidate's viability, and monitoring the money has become a staple of political journalism.

Political fundraising reached a watershed during the presidential campaign of 2004 for several reasons. It was the first test of the Bipartisan Campaign Reform Act (BCRA), which passed in 2002. BCRA removed a huge source of funding for federal campaigns—soft money—while doubling the limit of hard money individual contributions to \$2,000 per candidate. The campaign was bitter and often negative, a continuation of the very close and acrimonious election in 2000 and compounded by a controversial war and a sitting president about whom opinion was deeply polarized. National advertising by independent advocacy organizations, popularly known as 527s, only added to the intensity. Finally, the election was another step in the emergence of the Internet as a means to inform, organize, and raise money. More money was raised online than ever before; Howard

Dean became the first presidential candidate to center his early efforts and cement his early support online.

The convergence of these events led to a surge in political donors in the 2004 campaign, a dramatic broadening of the donor base to encompass hundreds of thousands of Americans who had never donated before, and an accompanying increase in the number of people donating money online. To study these 2004 donors, the Institute for Politics, Democracy and the Internet, together with the Campaign Finance Institute, conducted the Small Donors Project. In the fall and winter of 2005, researchers carried out a wide-ranging national survey and dozens of personal interviews with presidential donors. In particular, the project focused on people who contributed small amounts of money to political campaigns, usually \$100 or less; people who donated online; and people giving for the first time in 2004.

Presidential Campaigns of 2000 and 2004

Dean's campaign attracted a lot of people in all three of these categories. The campaign was remarkable for the community of supporters fostered online who funded the campaign and gave it early energy. The support, particularly his dramatic lead in early fundraising, made him the front runner and put him in the spotlight of the national press corps. Other candidates had discovered the potential of raising money online in 2000—John McCain raised \$2.2 million in the week after the New Hampshire primary—but this was only a precursor to 2004. Dean raised more money online than any candidate before him, and he raised a greater proportion of his campaign funds from donors giving \$200 or less than any of the 2004 candidates except Dennis Kucinich. The other Democratic candidates relied on donors

who contributed \$1,000 or more, which is the traditional early fundraising path for presidential primary candidates. Dean also raised more money than any other Democratic candidate by the end of 2003, something that typically assures a candidate of the nomination.

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Instead, Dean's campaign collapsed after the Iowa caucuses. But the surge of small donors was not confined to his campaign, which in itself is unusual. Third-party or outsider candidates have often relied on small donors. John Anderson in 1980, Pat Robertson in 1988, Pat Buchanan and Jerry Brown in 1992, and Gary Bauer in 2000 all were successful appealing to small donors. Ronald Reagan also relied heavily on small donors in all three of his presidential campaigns. What was unusual for 2004 was that after Dean dropped out both major party candidates shifted their fundraising efforts toward small donors and were fairly successful. By the end of the campaign, John Kerry had raised 37 percent of his total contributions from donors who gave \$200 or less, and President Bush raised 31 percent. In contrast, in the 2000 election Al Gore raised 20 percent and George Bush 16 percent from small donors.

The Kerry campaign was ultimately able to raise enough money to compete with President Bush, who is a formidable fundraiser. Bush raised \$96 million in 2000 and was widely expected to raise \$150 to \$200 million in 2004—an estimate he easily surpassed. The Bush campaign raised \$257 million in contributions from individuals and \$270 million in all. Nonetheless, Kerry was largely able to close the funding gap, raising \$216 million in contributions from individuals and \$235 million in all. Kerry was

also able to raise about a third of his contributions online, whereas Bush raised much less online. This was due to Kerry's need to raise money later in the campaign and the fundraising strategies of both campaigns.

There was a surge of giving from small donors in 2004, but much of that money was raised late in the campaign. Most of the early money came from large donors, and early money is critical. It buys advertising, enhances the perception of viability, and attracts more money and support. The press sees early fundraising success as an indicator of a winning campaign. In 2003, a year before the election and months before the Democratic nominee was determined, contributions of \$1,000 or more made up 66 percent of the individual contributions to the major candidates. The percentage of contributions from donors who gave \$200 or less steadily increased through the summer of 2004, peaking in May for President Bush (when 65 percent of his contributions came from those who gave \$200 or less) and June for John Kerry (47 percent). By the end of the campaign, Kerry had raised \$80 million and Bush \$79 million in individual contributions of less than \$200. Except for Bush's \$96 million total in 2000, this was more than any candidate had ever raised in total for any previous primary campaign. The great bulk of these small donations to both candidates (\$72 million of Kerry's and \$52 million of Bush's) were made after Kerry wrapped up the Democratic nomination March 2. The campaigns of Howard Dean and Dennis Kucinich were exceptional because each raised more than half of the early money from small donors, and for Dean's campaign the amount was substantial. Nonetheless, large donors generally dominated the early campaign in 2004.

Large donors also exert their influence by bundling—the practice of one person soliciting donations from others, usually friends and acquaintances. Bundling surged in 2000 (especially with the Bush campaign) and continued apace in 2004. The practice makes

the campaign indebted to donors who individually may be responsible for hundreds of thousands of dollars in campaign funds. Bush raised at least \$76 million, or 26 percent of his primary campaign budget, from 327 “Pioneers” who raised at least \$100,000 and 221 “Rangers” who raised at least \$200,000. John Kerry raised at least \$42 million, or nearly 17 percent of his primary campaign budget, from 226 “Vice Chairs” who raised at least \$100,000 and 298 “Co-Chairs” who raised at least \$50,000.

The number of people who gave \$200 or more to presidential campaigns (and hence are itemized on reports to the FEC) has grown steadily over the last twenty years, but it remains only a tiny minority of adults. Contributing money to politics is a form of political participation undertaken by precious few Americans. According to the Campaign Finance Institute, there were only 223,000 donors who gave \$200 or more to a major party presidential candidate in 2000 and 475,000 such donors in 2004. This means that presidential donors of \$200 or more amounted to only 0.1 percent of the adult population in 2000 and 0.2 percent in 2004.

The dramatic growth for 2004 was in the number of small donors. We know less about the number of small donors than about large donors because the campaigns and parties are not required to release that data. However, we have enough information to make reasonable estimates. We know that in 2000, when data from all candidates were available, there were 625,000 donors who gave less than \$200. The donors gave an average of \$60 each. In the 2004 presidential campaign contributions of less than \$200 accounted for \$206 million. If we assume that the average under-\$200 donor gave \$75 in 2004, a bit more than in 2000, that would mean there were about 2.8 million small donors. If the average donor gave as much as \$100, this would still suggest there were more than two million such donors. Either way, it marks a huge increase over 2000, at least a tripling and maybe more than a quadrupling in the

number of small donors. The most dramatic growth in participation was in the pool of small donors. Although the vast majority were small donors, the bulk of the money came from large donors. Combining the small with the large donors would mean that somewhere between 1.1 and 1.5 percent of the adult population gave to a presidential candidate in 2004, compared to about 0.4 percent of the adult population in 2000.

The amount of money raised in the 2004 election broke nearly every record. The presidential campaigns raised more than \$600 million in donations; the national political parties raised another \$1.2 billion, all of it in hard money. (Soft money contributions were banned under BCRA.) On top of that was \$1.2 billion raised by House and Senate candidates and another \$400 million raised and spent through federally active 527 organizations.

So why did more people give in 2004 than ever before? Any consideration of the 2004 presidential election has to begin with the partisan divide in the electorate, the acrimony of the presidential campaigns, and the polarized attitudes toward President Bush, especially framed in terms of the war in Iraq and national security. It was an extraordinary campaign in this respect. We certainly found some donors motivated by a dislike for John Kerry, but the hostility was more prevalent among those opposed to President Bush. This anger helps explain how the Democratic National Committee and John Kerry were essentially able to close the funding gap that has historically existed between the parties. To do so, the campaign sent millions of pieces of direct mail. The Democratic National Committee sent more direct mail in the first few months of 2004 than the party sent throughout all of the 1990s; more than sixty million pieces of direct mail were sent during the campaign. Coupled with this was the greater availability of Internet access and information online that made it possible for donors to seek out candidate Websites at their convenience. It was easier for motivated donors to give, and the cam-

paigns actively promoted online giving. Online fundraising was cheaper for the campaigns, and the new phenomenon attracted media coverage. Finally, professional political fundraisers have continued to hone sophisticated tactics such as microtargeting and immediate online response.

Small Donors Project

No one knew what the results of these changes and the surge in political giving would herald for this election. What we found in looking at donors to the 2004 election were some important changes, facilitated in key respects by the Internet, that suggest a democratizing trend in political fundraising. At the same time, the changes were not earth-shattering. On the whole, we're left cautiously optimistic that these changes represent a positive development that can grow in future election cycles.

We were able to more closely examine the polarizing nature of the 2004 campaign and what it meant to donors. There was a fair amount of speculation during and after the election that the crush of small donors might have introduced a polarizing element into American politics. Conventional wisdom held that small donors and new donors were angrier and more extremist than other donors. We did not find that to be the case. At a time of polarized politics in America, small donors and new donors were no more extreme than other donors. The donor pool, as a whole, is fairly polarized. Donors tend to congregate at the ends of the political spectrum, whereas most of the general public congregates in the middle. Nonetheless, small donors are no more extreme in their opinions than large donors and no more likely than large donors to express animosity toward the opposing candidate.

Researchers have known for years that large donors (generally defined as those who gave \$200 or more) come from a socioeconomic elite. They are much wealthier and more highly educated than typical Americans. However, it has been unclear who made up the pool of donors giving smaller amounts of

money. We found that these donors fall somewhere between large donors and the general public. Small donors look more like middle-class Americans in terms of their education and household income, although donors still are higher in both respects.

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Although the popular image of political campaigns often focuses on youth, political donors in general are middle-aged and older; small donors are no different. Fewer than 10 percent of donors who gave less than \$100 to a candidate or campaign in 2004 were under age thirty-five. Large donors are typically older; hardly anyone under age thirty-five gives \$500 or more.

The Internet has transformed how political campaigns communicate with their supporters. We found that in 2004 the Internet became a tool to organize and extend the influence of political activists. The result has been an increase in grassroots organizing via e-mail, house parties, and online fundraising. Nearly all young donors in 2004 gave online, more than 80 percent of those eighteen to thirty-four. Most donors are older, but the trend is clear: online fundraising will be central to the future of campaign fundraising. Further, the Internet has helped facilitate unsolicited campaign contributions, which have increased. Almost half of small online donors (who gave \$100 or less) contacted the campaign first. They did not get a letter or phone call asking for money but instead sought out their candidate, usually online, in order to show their support.

People online are more likely to be asked to donate money, and this sort of social pressure is critical to getting people to donate. It is pressure that large donors encounter much more often; a large donor is more likely to have a friend or colleague ask the person to give money to a political candidate. People online are more likely to be politically active. They are more likely to ask others to support their candidate, and to ask others to donate money to a candidate.

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One of the surprises of the study was the influence of social gatherings such as house parties and events organized through Meetup.com. A quarter of all donors reported they attended a political house party—evidence of the surge in grassroots organizing. A disproportionate number of online donors and first-time donors attended house parties or Meetup.com events. A quarter of donors who attended a Meetup said it helped motivate them to give their first contribution.

In these ways, the Internet has helped level the playing field between large donors and small donors. Online political activism diminishes the tremendous fundraising advantage enjoyed by long-term, large donors who move in social circles of donors close to the campaign and lobby on behalf of their candidate. The Internet has helped small, less-experienced donors broaden their reach, and hence their influence with others.

Finally, as we expected, the motivation for many donations in 2004 was donor discontent. Rather than giving money to support their candidate, many donors gave money to oppose the other. This was

especially true for Democratic donors. Of those who gave more than \$500 in 2004, 80 percent of Kerry donors and 50 percent of Bush donors contributed because “the opponent was unacceptable.” Kerry donors offered less strong support for Kerry than Bush donors offered the president. For many, he was the only alternative to a president they oppose.

Voter Representation Among Donors

Researchers have known for years that people who make large donations to a federal candidate come from a socioeconomic elite. The donor pool is dramatically wealthier and more highly educated than the general public. Very few people with low income or little education give money, and they do not give much. The major question we had was whether the huge upsurge in the number of small donors and Internet donors in 2004 would alter the picture. It turns out that it does—somewhat.

Small donors stand somewhere between the pool of large donors and the general public. They are still wealthier and more highly educated than the general public, but substantially less so than large donors. Small donors are also both older and younger. The average age of the small donor is older than the average for large donors, but the small donor pool is made up of more old and young voters than the traditional pool of \$200-plus donors.

We also wondered whether small donors and Internet donors would be more polarized or more extremist than others. This concern was based on a great deal of conventional wisdom about what makes for a successful small-donor fundraising appeal through direct mail. It turns out that the small donors in our sample were neither angrier nor more polarized than large donors. They were no more likely than large donors to express animosity toward the opposing candidate. Small donors were a little more conservative on some social issues, but they were not extremists. We find no evidence to support the fear that larger numbers of small donors in the political process would somehow be destabilizing or polarizing.

However, despite the influx of small donors, the bulk of campaign money continues to come to candidates in large contributions raised from a socioeconomic elite. People who move in elite circles simply find it easier to become involved personally; it is easier for solicitors to find them as well. Campaign fundraisers are what political scientists call “rational prospectors.” Like prospectors for gold, they dig first where they struck gold before. Finding donors costs money, so campaigns “prospect” for donors from the lists of old donors. At the same time, old donors recruit new donors from their friends and colleagues, who look just like they do. They go to college, have well-paying jobs, and meet in the same social circles. With a less-motivating or polarizing election in the future, large and small donors may not appear again in the same numbers as they did in 2004, but the fundraisers will continue to find it easier to prospect for the large donors.

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As a result, vast segments of the American population are not well represented among political donors. It is a gross misstatement to say that their money is not welcome—politicians will gladly take their money—but the campaigns have not been looking for it (or at least not as hard). The costs are too great for campaign fundraisers with limited resources to spend much time and money looking for donors among young people and the less educated. Certainly some people from these segments of society donate to presidential campaigns, but the system is stacked against them. They have little chance to meet a candidate or have their picture taken standing alongside. They are less likely to get phone calls or letters that transmit the critical prompting to donate. Nor do they have social pressure from their friends or colleagues.

The question is whether the campaign of 2004 gives us reason to believe this portrait may change. Certainly, the 2004 election paints a portrait of the presidential donor pool as more fluid than we used to believe. Most large donors in 2000 did not return to donate in 2004, and most donors tell us that they are, at times, nondonors. People opt into and out of politics to a greater degree than we used to think, depending on their motivation and disposition for each election. The number of donors at least tripled from 2000 to 2004, but the proportion of new donors was not dramatically higher. This means a lot of old donors reentered politics in 2004.

BCRA allowed presidential campaigns to get those people who gave \$1,000 in the last election to give \$2,000 this time, and the national parties and campaign committees did so. This is hardly broadening the donor base. But BCRA and the presidential campaign laws also led the campaigns and the national parties to expand their donor lists. If they hope to compete in 2008 and beyond, they will have to continue to prospect hard for new donors.

The Internet has made this easier to do. By one estimate, the cost of raising money online is one-fifth the cost of raising money by telemarketing or direct mail. The big money fundraising dinner brings in a lot of money fast, but it also costs a lot. This decline in the cost of finding donors means it is more worthwhile to solicit money from e-mail lists of names that in the past would have been a much less profitable undertaking. (This suggests how valuable good lists of donors can be.)

The Internet was influential in leveling the playing field between small donors and large donors. This is not due to any single online activity, but rather the integration of online and offline methods and the influence of numerous online practices on individual behavior. The broader patterns of the 2004 campaign provided the opportunities for these changes. A lot of fundraising moved online, direct mail and e-mail appeals grew exponentially, and the

number of donors exploded. The Internet then made it easier for small donors to contact the campaign before being solicited (and many did). Internet donors were more likely to forward political e-mail, ask someone to support their candidate, or ask someone to donate money. They would more readily link up with other supporters at house parties or Meetups; people who were online were much more likely to be influential with their friends and neighbors.

We believe the combination of these forces will be instrumental in future campaigns, and we hope that this can help bring to campaign fundraising a richer social and political diversity that marks the American political system at its best.

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