UNIVERSITY OF CALIFORNIA SAN DIEGO

Dark Money and Political Parties After *Citizens United.*

A dissertation submitted in partial satisfaction of the

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Political Science

by

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2019

The dissertation of Stan Nguyen Oklobdzija is approved, and it is acceptable in quality and form for publication on microfilm and electronically:

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Though the words are my own, this dissertation had many authors. Both inside and outside of the academy, at UC San Diego and elsewhere, these pages contain the ideas of a myriad group of scholars and thinkers. All of these people helped grow this document from a seedling question–just how far does a dollar go in American politics today?

I'd first like to thank the members of my dissertation committee–Scott Desposato, James Fowler, Gary Jacobson and Lane Kenworthy–for their generosity and guidance in shaping this project. Just a few years ago, I would have been delighted enough just to meet such an illustrious group of scholars. To be invited into their offices, to get their feedback and to eventually be treated as a peer has made being a graduate student at UC San Diego one of the most invigorating and fulfilling jobs I've ever had the privilege to hold down.

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Finally, to my uncle, Nguyen Thanh Quan, and my mother, Nguyen Thien Huong. Both entered the academy as stateless refugees when people from our part of the world were a lot less welcome than we are today. In Vietnam, it's said that when you eat a fruit, you should remember the person who grew the tree. For the seed they planted and for all the hours they spent caring for it, this dissertation is dedicated to them.

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ABSTRACT OF THE DISSERTATION

Dark Money and Political Parties After *Citizens United.*

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Stan Nguyen Oklobdzija

Doctor of Philosophy in Political Science

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This dissertation, broadly, focuses on how the ability to make political donations anonymously changed American politics. Culminating the 2010 Citizens United v. FEC decision, the rise of nonprofit corporations as a conduit for campaign money means that a large portion of spending in American elections cannot be connected to any individual donorscreating a system akin to the Australian ballot for money in politics. I explore how this change affected three facets of American politics; how donors behave when they can give anonymously, how being able to shield ones donors affects the type of candidates an interest group supports and finally how the legal green-light for

nonprofits to spend in elections changed which nonprofit organizations became financially involved with each other.

First, I developed a complete accounting of grants made between nonprofit organizations built from over 2 million digitized IRS forms made public in the summer of 2016 as the result of a lawsuit. My dissertation is not only the first project that examines these filings at scale, but also the first time this full network has been mapped. Using a network science algorithm that partitions the full graph into meaningful communities, I develop a theory of what I term dark parties or groups of nonprofits linked financially that make independent expenditures in Congressional elections.

Next, I show that while dark money organizations form networks similar to those of traditional political parties, the types of candidates they prefer are vastly different. In a chapter of my dissertation, I show that these organizations prefer candidates farther from the ideological center and are especially active during the primary elections that traditional parties tend to eschew.

Using a mixed-methods approach, I show that being able to give anonymously has important consequences not just for interest group behavior, but for donor behavior as well. I examine a list of donors that I uncovered from court filings to a nationally active dark money organization that spent on two ballot initiatives in California during the 2012 election. This list is the only publicly available list of dark money donors in circulation today and the first time such a list is studied by an academic researcher. I show that the donors to this organization, which supported two conservative positions, were much more liberal in their non-anonymous political giving than donors who gave transparently. This finding shows that the ability to obscure ones identity lets a donor behave differently than they would when their donations are subject to public scrutiny.

Finally, while ample literature on the effects of disclosure exists, examinations into the motivations of why donors choose anonymity in their political giving remains unstudied. I present two survey experiments that seek to answer this question. First, I present survey results from the 2018 Cooperative Congressional Election Study that show that past giving to candidates from the opposite party that one normally supports correlates with an increased willingness to pay a premium to keep one's political giving secret. Next, turning to another survey experiment, I find that potential voters are more likely to react negatively to an actual argument by opponents of a ballot measure when they know the names of the actual donors to a dark money group that opposed it. Combined, these results indicate both a social pressure rationale for obscuring one's political giving and a strategic goal of distancing an electoral campaign from controversial donors.

Taken as a whole, this research answers a broader question related to the balance of power between political parties and interest groups. Political parties perform a myriad of functions crucial to the maintenance of government that our democracy as presently conceived would be unthinkable without them. Despite their ubiquity, however, parties are notoriously hard to define. Parties exist beyond the formal structure of party officers and official state chapters, encompassing a myriad of outside actors whowhile not bearing the official stamp of the organizationare crucial to its mission. The balance of power between these interest groupsbroadly definedand the formal party organizations are dictated by a myriad of factors–such as legal limitations, resource constraints and differing electoral goals.

Chapter 1

Dark Parties: Dark Money Networks and Political Parties after Citizens United.

Abstract:

Following the Supreme Court's 2010 decision in *Citizens United v. FEC*, independent expenditures have grown dramatically both in terms of raw dollars and as a percentage of spending in elections. A large and growing portion comes from political nonprofits—so called ”dark money” groups—named because the terms of their incorporation allow them to partially obscure the sources of their income. I develop a new data set of about 2,350,000 tax documents released by the IRS and use it to test a new theory of spending in Congressional elections. I posit that the pathways for anonymous giving that emerged from the *Citizens United* decision allowed ideologically motivated interest groups to form new networks and more aggressively challenge more established factions of political parties in way previously unfeasible. Akin to networked party organizations discovered by other scholars, these networked dark money groups channel both personnel and money from central hubs to peripheral electioneering groups. Viewed holistically, including these ”dark money” groups into the party network frame dramatically reshapes the network as a whole–making previously peripheral nodes more central to the larger network and redefining several key concepts of the larger organization on both the Republican and Democratic side.

Introduction

> "This is a sea change in the way that we look at the opportunity to engage in the political process. Most organizations, and certainly we did for a number of years, look at politics as a partisan opportunity, right? You bet on the team that's closest to what you want to accomplish, and then you try to work with them to get things done. A couple of years ago, we looked at that and said, while that's gotten some things done, it's not accomplishing nearly enough for the country, and it's having all sorts of negative consequences in terms of alienation and polarization... We said we can do better than that." –Brian Hooks, President of the Charles Koch Foundation, speaking at the 2019 Global Philanthropy Form. (Hohmann 2018)

During the 2018 midterms, an election in which Democrats were desperate to claw back control of Congress from Republicans who'd dominated the body for the past four years, that party's bid to maintain control of a crucial Senate seat got a boost from an unlikely source–the Koch brothers.

Following her vote in support of a rollback of Dodd-Frank rules on small and medium-sized banks, Americans for Prosperity, the flagship organization in the Koch network, unveiled a digital ad campaign in support of the then-Senator from North Dakota, Heidi Heitkamp (Stolberg 2018). Almost simultaneously, the Koch network announced it wouldn't be supporting Heitkamp's challenger, Sen. Kevin Cramer who went on to win the election in November. As Emily Seidel, the CEO of Americans for Prosperity told a reporter, "Why would Cramer or any other Republican feel like they need to listen to this network if they know we'll support them anyway?" (Severns 2018).

This heretical behavior earned the Koch brothers a strong rebuke from the Republican Party's ranking elected official, President Donald Trump. Taking to Twitter early one morning in the months before the primary, Trump referred to the brothers as "a total joke in real Republican circles" (Peters 2018). He further boasted that he'd never sought their support because he didn't "need their money or bad ideas" (Peters 2018).

The nascent schism between the Koch network, one of the most well-funded and influential set of conservative interest groups, and a sitting Republican President just under two years into his term highlights an interesting extension to the contemporary academic understanding of political parties. The theory of the "extended party network" (EPN), or the conceptualization of a party as a "network of policy demanders," holds that interest groups–rather than politicians–form the nucleus of political parties and work to elect politicians committed to enacting their goals once in office. These interest groups, in turn, work to elect politicians that are "genuinely committed to what the policy demanders want regardless of the wishes of the median voter" (Bawn et al. 2012, 579).

This interest-group centric view of parties first developed by scholars at the University of California, Los Angeles, holds that these coalitions work in concert to control nominations–effectively deciding contests before voters even get a chance to decide. Yet as McCarty and Schickler (2018) points out, this theory has a central deficiency–namely how the incentives of elected officials and formal party leaders line up with those of interest groups such that the agency relationship theorized by the UCLA school can materialize. As works such as La Raja and Schaffner (2015) and Barber (2016) point out, the goals of formal party organizations and interest groups are often at odds with one another. Others, however, reconcile this by placing formal party organizations at the center of the EPN (e.g. Karol 2009; Kolodny and Dwyre 2018)–coordinating the larger orbit of interest groups.

Past efforts to observe this "extended party network" in action have relied on campaign finance records in order to document the financial linkages between the varying nodes in the network (see Herrnson and Kirkland 2013; Kolodny and Dwyre 2018; Desmarais, La Raja, and Kowal 2015; Skinner, Masket, and Dulio 2012). However, since the *Citizens United* decision of 2010, an increasingly large sum of money has decamped from the transparent realm of funds governed by the Federal Elections Commission. The rise of "dark money"–or political money routed through IRS governed nonprofit organizations who are subject to far less stringent disclosure rules–in American elections means that a substantial percentage of American campaign cash in the course of the last decade has effectively gone underground. How does our view of the extended party network differ when these unaccounted for millions of dollars enter into the picture?

To answer this question, I developed a database of about 2,350,000 tax returns recently released by the Internal Revenue Service. While information about donors giving money to these nonprofits is redacted from public view, grants made and received from other organizations allow me to link political nonprofit groups to others via financial ties. This allows for a more complete picture of the fundraising networks that pervade in the world of so-called "dark money" groups and illuminates relationships that are absent from the Federal Election Commission data employed by the overwhelming majority of those researching campaign finance. I find that far from the spontaneous outpourings of political speech and preference that many proponents of the current campaign finance regime purport them to be (see Samples 2008; Smith 2009), these "dark money" groups linked via the flow of substantial amounts of grant money–forming distinct network communities within the larger campaign finance landscape.

Until my data set, dark money organizations could only be analyzed as separate and distinct units–singletons adrift in a sea of campaign cash. However, analyzing these organizations as independent actors misses a deep level of coordination and connectivity that takes place beyond what is disclosed to the FEC and studied by campaign finance scholars. Studied as a collective, one can begin to view a collective ideology for these organizations, rather than just patterns of giving by individual groups who may be deployed strategically in order to mask greater coordination or obscure any affiliations with more known interest groups. More crucially, dark money organizations must be studied as networks because any lack of transparency along the flow of money obscures accountability further down-stream. Dark money organizations function not only to obfuscate donor information when spending directly in an election, but when transferring funds to another politically active group as well.

With the entire funding network illuminated by this new data, I find that despite the *Citizens United* ruling giving outside spending groups new primacy in terms of total dollars spent, party affiliated organizations still maintain primacy as the "coalition managers" of groups in the EPN (Karol 2009). Using several network centrality measures, I find that despite the enormous sums of money spent by many of these dark money groups, party affiliated organizations still occupy the most central roles in coordinating the flow of political money into electoral contests. Like with previous shifts of election law, political parties have shown their adeptness in maintaining their supremacy within the EPN (e.g. Skinner, Masket, and Dulio 2012).

Parties as Networks

Though the founders of the United States wasted no breath nor ink in decrying the ill-effects of political parties, they have remained a vitally important part of American politics since their emergence during the dawn of the republic. Political parties perform a myriad of functions crucial to the maintenance of government such that our democracy as presently conceived would be unthinkable without them (Schattschneider 1942). From electing candidates to office to then guiding their votes once seated, parties are intimately connected to almost every facet of American government.

Despite their ubiquity, however, parties are notoriously hard to define. Scholars from the classic era such as Key (1964) offer complementary visions of what makes a party as well as what functions a party performs. Aldrich (2011) goes further in describing parties as vehicles for election–"the creature of the politicians, the partisan activist and the ambitious office seeker and office holder." Crucially, Aldrich (2011) locates these office-seeking actors at the center of party network. This is the crucial distinction highlighted by Bawn et al. (2012) and what later came to be known as the "UCLA School"–that it was interest groups rather than office seekers who were the true center of gravity that other satellites in the party constellation orbited around (e.g. Noel 2014; M. Cohen et al. 2009; Grossmann and Dominguez 2009). Most recently, Masket (2016) developed a useful definition of this theory. "Parties are not rigid entities, limited to their appearances in legal definitions or business filings," he writes. "They are, rather, networks of intense and creative policy demanders. . . working both inside and outside the government to determine the sort of people who get elected to office and thus change public policy."

Contemporaneous to the emergence of the "extended party network" or EPN theory were major changes in campaign finance laws which altered the way the EPN deployed resources during elections. Skinner, Masket, and Dulio (2012) trace the position of 527 groups within party networks by tracing common employees. The authors find that shifts in campaign finance law in the early 2000's led to party organizations turning towards extra-party electioneering organizations to skirt prohibitions on fundraising and spending in federal elections. They also found that the networks of 527's mirror the hierarchical structures of the parties which they represent. Dwyre and Kolodny (2014) test the idea that the changes wrought by the 2010 *Citizens United* decision gave outside groups new prominence within the EPN and find that formal party organizations have remained the central actors that coordinate the efforts of others. Herrnson and Kirkland (2013) find similar results in a Congressional campaign cycle previous to 2010.

Citizens United and Dark Money

To say that *Citizens United* upended U.S. campaign finance law is no understatement. The overhaul of election law not only drastically increased the amount of money spent in federal elections, but radically reshaped the way it was deployed. Following the 2010 election cycle, so-called "outside spending" or advertising purchased and produced by organizations not officially affiliated with a candidate, exploded (Jacobson and Carson 2015; Hasen 2016). While the majority of this spending came from so-called "super PACs," or PACs unencumbered by traditional spending and fundraising limits as they were in theory "independent" from a candidate's campaign (see Dowling and Miller 2014), a sizable portion of outside spending came from so-called "dark money" organizations, (see Figure 1.) These organizations are so named because their method of incorporation–as IRS designated 501(c)(4) nonprofits–carries no legal requirement to disclose their donors.

Concurrently, the *Citizens United* decision increased the amount of money ideological interest groups (see Barber 2016) spent in American elections. While parties dominated outside spending in the years prior to Citizens United, (see Figure 2), the three election cycles following that decision saw ideological group spending dwarf that of all other categories. In those three cycles, ideological interest groups made more independent expenditures than all three of those other categories combined.

Until recently, finding the connections in the dark money networks was virtually impossible.

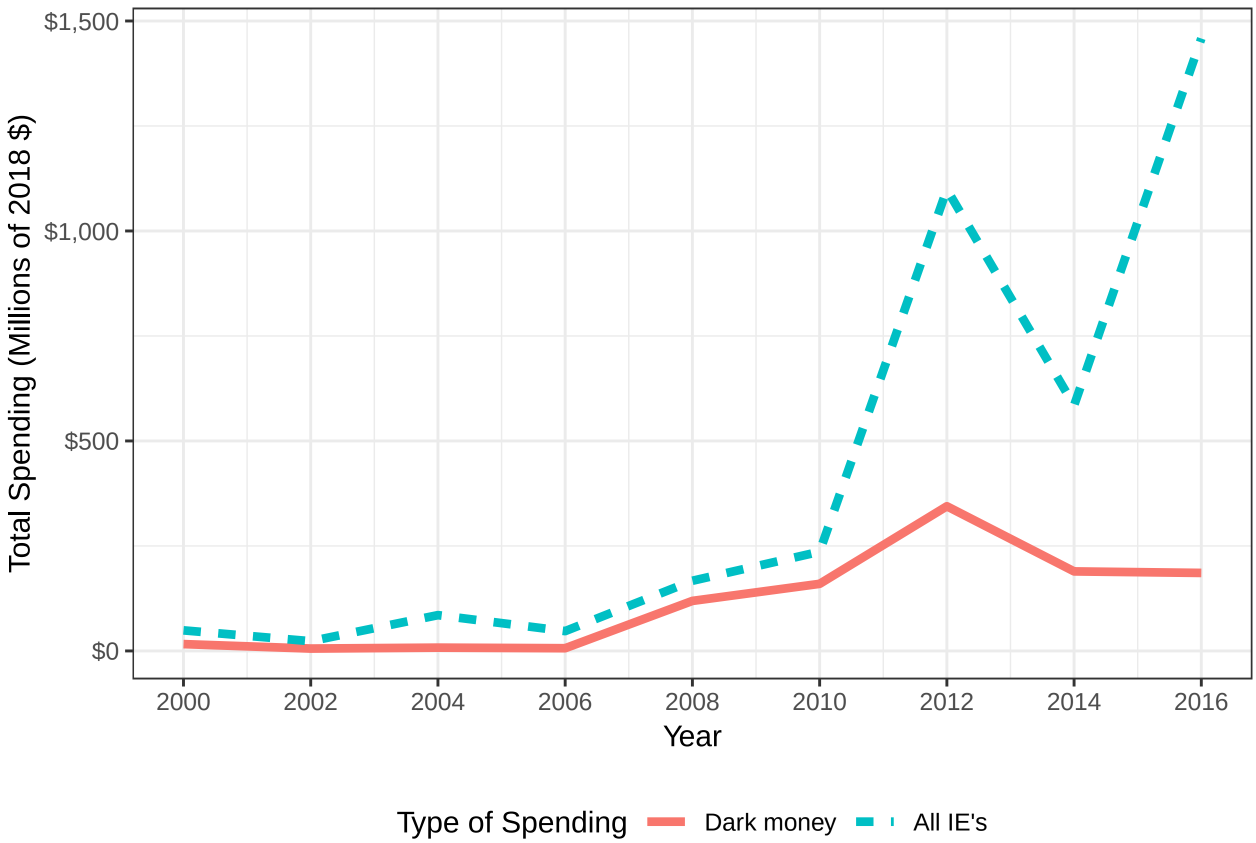

Figure 1.1: Estimated Dark Money Spending. Source: Center for Responsive Politics.

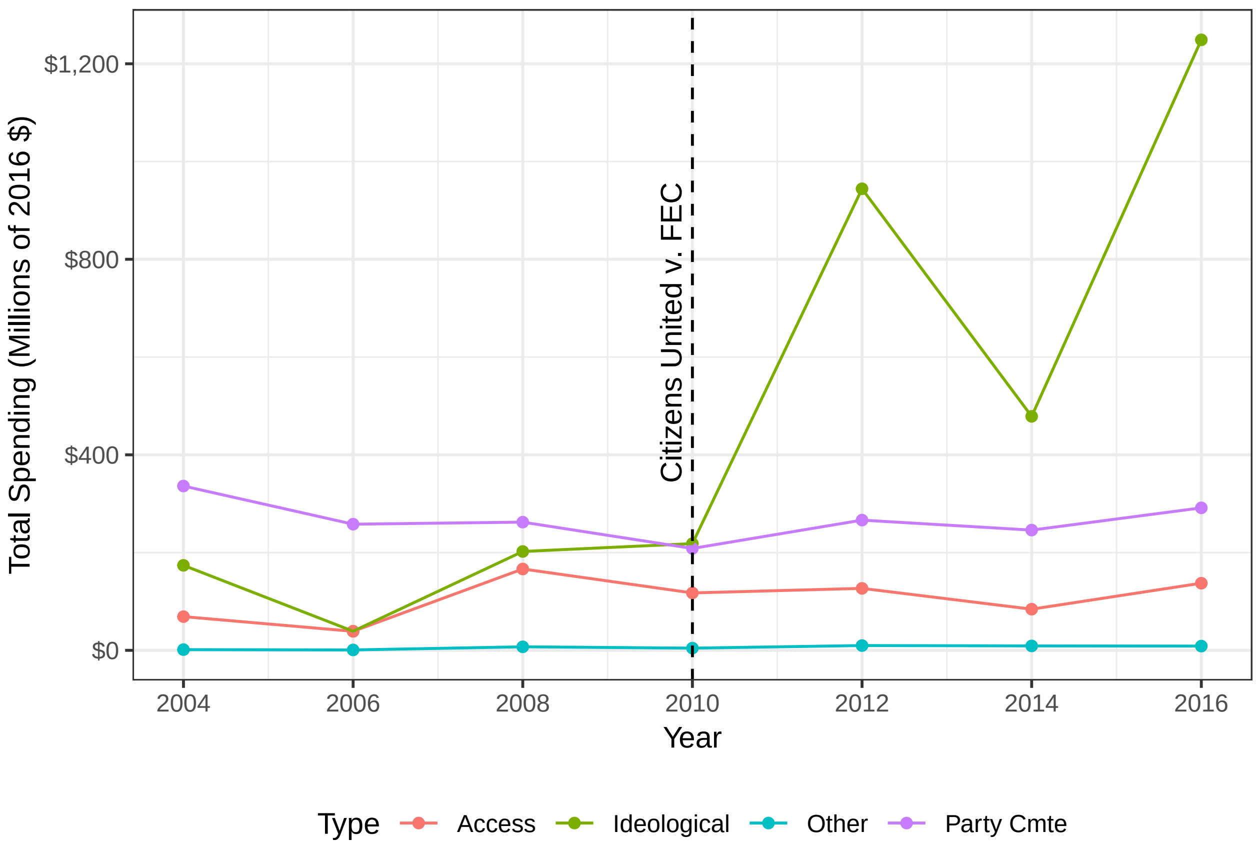

Figure 1.2: Outside Spending by Type. Source: CRP.

Though federal tax law dictates that all nonprofits fill-out a yearly disclosure form detailing various facets of their financial operations, prior to June 2016[1], these forms were housed in a non-machine readable format as image files. Aside from being tremendously cost prohibitive, (prior to the 2016 release, the only method of obtaining a complete universe of these disclosure forms was by spending $2,100[2] for a DVD of just one year's worth of filings), anyone interested in harvesting data from multiple non-profits would have to perform the arduous task of manually inputting data from the several hundred fields on each disclosure form. Given that political nonprofits are often recalcitrant to make their disclosure forms available despite being under legal obligation to do so (see Stevenson 2013), the only way to begin collecting data on the finances of political nonprofits would be to collect Form 990s, as they are known under their IRS designation, directly from the IRS itself.

For this initial iteration, I have collected 2,349,526 financial disclosure forms as of May 03, 2019 for nonprofit organizations operating between the years 2007 and 2016, (with the vast majority coming between 2009 and 2016.) From these, I have data on 544,950 unique nonprofits. For each form, I wrote a Python script that iterates over the varying fields in the disclosure form to find whether this nonprofit made a grant to another nonprofit during a given year. Of the original number of disclosure forms, 529,042 or 97.08 percent made no grants during a given year. For the nonprofits making grants, the largest grant made during a given year was $3,180,372,057,(from the Cystic Fibrosis Foundation Therapeutics Inc to the Cystic Fibrosis Foundation - Headquarters in 2014) while the smallest was $1.

Given the wealth of the disclosure forms, there are numerous ways to draw linkages between groups. Possibilities that will be explored in future iterations of this project will include shared board members, shared tax prepares and shared vendors–detailed on the yearly tax returns. Initially however, I will use grants made between nonprofits as network edges. These grants detail infusions of cash that one nonprofit made to another during the 12-month period covered by the filing along with the purpose of the grant.

[1] See the following link for the announcement of the data's release: https://aws.amazon.com/blogs/publicsector/irs-990-filing-data-now-available-as-an-aws-public-data-set/

[2] See fee schedule here: https://www.irs.gov/charities-non-profits/forms-990-990-ez-scanned-returns-available

There is a present issue with missing data in the disclosure forms released by the IRS. Cross-checking the digitized disclosure forms released by the IRS as of May 03, 2019 against the full listing of tax-exempt organizations held by the IRS[3], reveals that 1,205,672 organizations have missing disclosure forms. Overall, this accounts for 34.87 percent of all IRS tax-exempt organizations. This is due to rules regarding mandatory electronic filing in which only larger organizations are required by law to file their disclosure forms electronically–meaning they eventually enter the database released by the IRS. While all are able to file electronically, requirements to do so mean that only nonprofits with large amounts of assets and filing many returns per year will definitely enter the IRS' database. Further, since the deployment of this data in the summer of 2016, the IRS continues to add several thousand digitized forms each month from past years.

To obviate the missing data issue, I augment the records provided by the IRS with records from the Center for Responsive Politics, who had previously completed much of the laborious process of extracting information from paper copies of the IRS disclosure forms for organizations known to be active in politics. Using CRP data adds data for about 20,129 additional nonprofits who were active in American federal elections since 2010. Further, I add data from Conservative Transparency, a project of the Democratic-leaning American Bridge 21st Century Foundation, which bills itself "an interactive database that tracks the flow of money among conservative donors, advocacy groups, political committees, and candidates.[4]" Augmenting the data from the IRS and the Center for Responsive Politics, the disclosure data culled from the same Form 990s has been cited by several media outlets including Politico and the International Business Times (see Mahoney 2016; Kotch 2017). The data from Conservative Transparency adds an additional 12,127 unique donor and recipient organizations

Next, I collect information on nonprofits that have spent money in a Congressional election. While the FEC does not provide a category for these politically active nonprofits, this data is available

[3] Available here: https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf

[4] From http://conservativetransparency.org/about/, accessed on Feb. 8, 2018.

from the Center for Responsive Politics[5]. From this listing, I am able to compile a listing of 182 unique nonprofits spending money since 1990. Subsetting to cycles post *Citizens United*, that number falls to 153 unique nonprofits, (or 84.07 percent of the total.)

Mapping these two data sets together using political nonprofits as bridges, I am able to construct new network diagrams of election spending post *Citizens United*. I will focus primarily on the 2012 and 2014 races as dark money activity was fairly limited during the 2010 cycle due to the recency of the Supreme Court's ruling, (*Citizens United* was decided in January) and the March 2010 *SpeechNow v. FEC* district court ruling which paved the way for the sizable independent expenditures made by both super PACs and political nonprofits (Hasen 2016). For the 2016 race, however, IRS data was still not fully available as of the writing of this draft. As such, that election cycle as well as 2018 will be excluded from this analysis.

Dark Money Communities Post *Citizens United*

The 2012 Virginia Senate race between then Governor George Allen and former Governor and Democratic National Committee Chair Tim Kaine was emblematic of the role of political nonprofits in federal elections. Over $19 million of dark money was spent in that race, $16 million of that sum spent opposing the election of the eventual winner Kaine, according to the Center for Responsive Politics[6]. The Virginia Senate race was one of six Congressional races in which over $5 million was spent and one of four races where non-disclosed outside spending totaled over ten million dollars.

Relying only on FEC disclosures provides a somewhat limited view of the relationships between dark money groups spending in that race. As Figure 3 indicates, a total of of 19 outside groups made independent expenditures either in favor or opposing Kaine. This cacophony turns into a chorus of voices in the campaign begins to disappear when taking into account which nonprofits the organizations spending in the 2012 VA Senate race received a financial backing from. Figure 4

[5] Data accessed here: https://www.opensecrets.org/dark-money/top-election-spenders
[6] https://www.opensecrets.org/dark-money/top-elections?cycle=2012#by-race

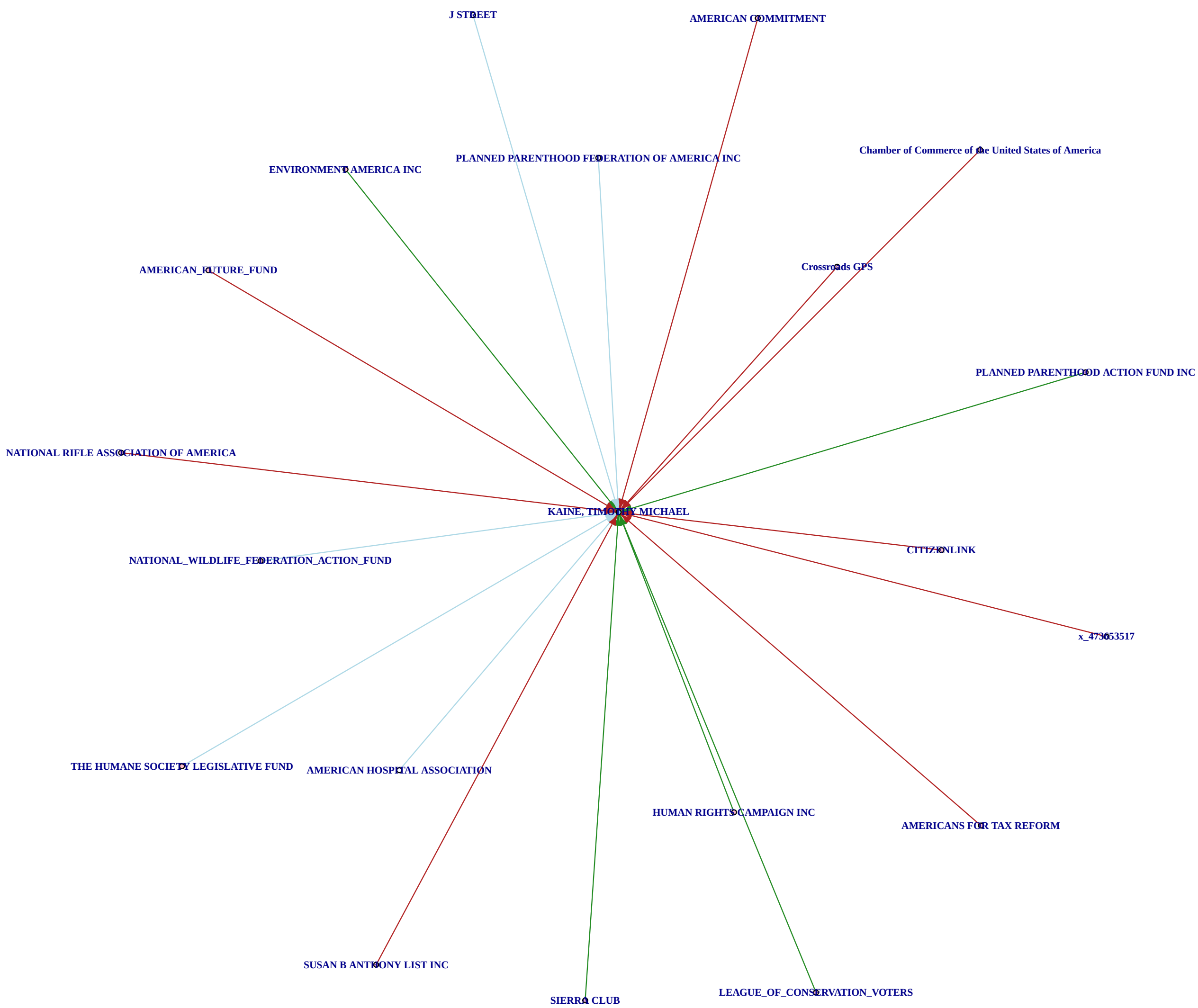

Figure 1.3: Using Only FEC Data Provides an Incomplete Picture: Dark Money Groups Spending in 2012 VA Senate Race For or Against Tim Kaine-D. Red lines = Negative independent expenditures. Green lines = Positive independent expenditures. Blue lines = Direct contribution. Number indicates amount spent.

depicts a second-in-degree ego graph, or a plot of all groups spending money to the Kaine campaign and all groups giving money to these groups. Starting first with groups opposing Kaine, pictured on the graph as well are communities drawn via a random-walk bisection of the network (see Pons and Latapy 2005; Newman 2010). This method links the various nodes in a graph by taking random paths between each. The logic is that more closely connected nodes have more plentiful paths between them than those more distant. As a result, distinct communities of network nodes become evident as there are more paths between certain clusters than there are paths that connect them.

Four distinct communities emerge from this method, each revolving around a nonprofit that spent against Kaine. The community in blue centers around "Americans for Tax Reform," a long-established right-wing advocacy group founded by conservative firebrand Grover Norquist. Yet while those browsing FEC disclosure forms would only see the combined approximate $580,000 Americans for Tax Reform spent on negative independent expenditures in the 2012 VA Senate race, the contributions of several well-known industry groups to Americans for Tax Reform such as the Motion Picture Association of America and the National Cable and Telecommunications Association would remain unseen. In the three years prior to the 2012 election, the groups depicted in the above community plot gave a combined $5,649,000 to Americans for Tax Reform, according to the IRS disclosure forms. Similar networks exist around Crossroads GPS, the largest dark money organization of the 2012[7], and the Susan B. Anthony List, a pro-life group. Crossroads GPS, which was founded by political strategist Karl Rove, spent a combined $71 million in the 2012 election, nearly twice what the second highest spending dark money group spent.

Most interesting is the constellation of non-profits that form around the "American Future Fund" and "American Commitment." With innocuous names typical of dark money groups, these two groups spent over a half-million dollars opposing Kaine's election. However, the new IRS data shows these groups firmly ensconced within the orbit of more recognizable nonprofits–Americans for Prosperity, the Freedom Partners Chamber of Commerce and American Encore. What is available

[7] According to data compiled by the Center for Responsive Politics. Available at https://www.opensecrets.org/dark-money/top-election-spenders?cycle=2012#spenders

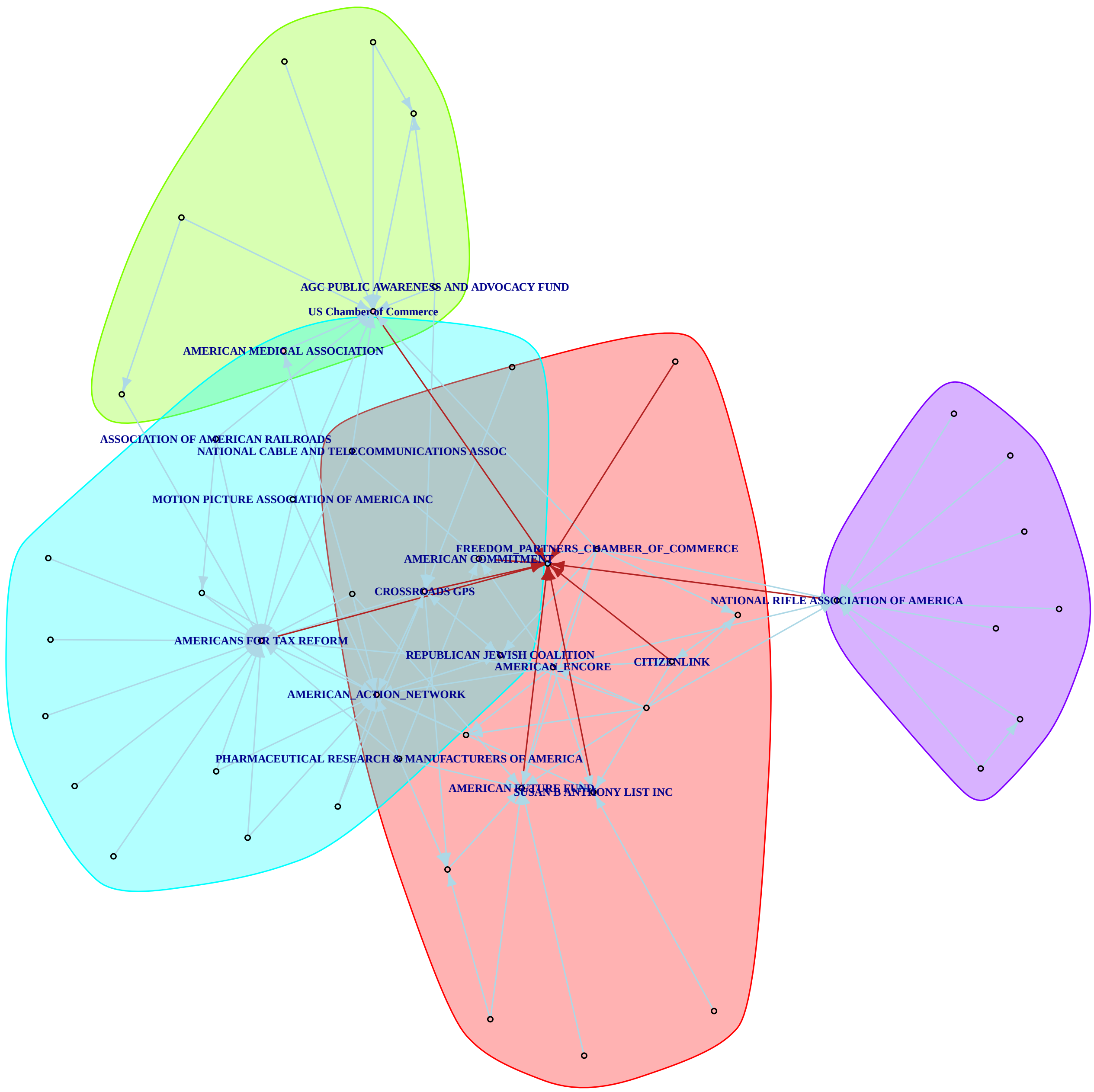

Figure 1.4: Second-In-Degree Ego Graph for Tim Kaine-D. Red lines = Negative independent expenditures. Blue lines = Direct contribution. Communities drawn via five-step walktrap algorithm, Nonprofits which made donations in 2012 with names shown. Source: FEC, IRS.

instantly to researchers with the development of this new data set was reveled by the Washington Post two years after the 2012 election through laborious tracking and analysis of paper tax returns–these groups are part of a maze of nonprofits developed by the Koch brothers (see Gold 2014). Indeed, the Koch network is emblematic of the labyrinthine structure that these nonprofit networks who spend money to influence elections assume.

Looking at the funding structure for Americans for Prosperity in the 2012 cycle, (Figure 1.5), one sees similar patterns emerge. The following plot shows a first-degree ego graph for that organization–i.e. the organizations that made grants to Americans for Prosperity and organizations that received grants from that organization. One can see that Americans for Prosperity shares connections with many other political nonprofits. Most importantly, all of these nonprofits receive funding from two common sources–Freedom Partners Chamber of Commerce and American Encore, (formerly known as the Center to Protect Patient's Rights)–whose giving dwarfs any of the other grants in the network. Similar to the party network graphs, money flows from more central nodes into a disparate network of satellite organizations before making its way to political candidates.

To illustrate the validity of the community detection strategy, compare the membership of one network created via this algorithmic process with a similar map, (Figure 6), created by the Washington Post (Gold 2014) in 2014. In Gold (2014), one can see the flow of money outwards from Freedom Partners, the TC4 Trust and the Center to Protect Patient Rights to a myriad of political nonprofits. Compiled by hand with data cobbled from IRS disclosure forms housed in disparate locations, (while the 990 forms must be made available to the public, the law does not mandate they be held in a central location. This has led many organizations either making interested parties arrive in person to obtain them or simply stonewalling requests for this data[8].)

Compare the diagram in Figure 6 to the listing of a community created by a five-step random walk algorithm from the donation network of nonprofits in the 2012 election, (Figure 7.) The network map created via the walk-trap community detection algorithm produces an almost identical graph to

[8]For a description of this process, see the following link: https://www.opensecrets.org/news/2013/12/collecting-990s-a-crp-interns-perspective/

Figure 1.5: First-In-Degree Ego Graph for Americans for Prosperity. Organizations spending in candidate races marked in red. Source: IRS.

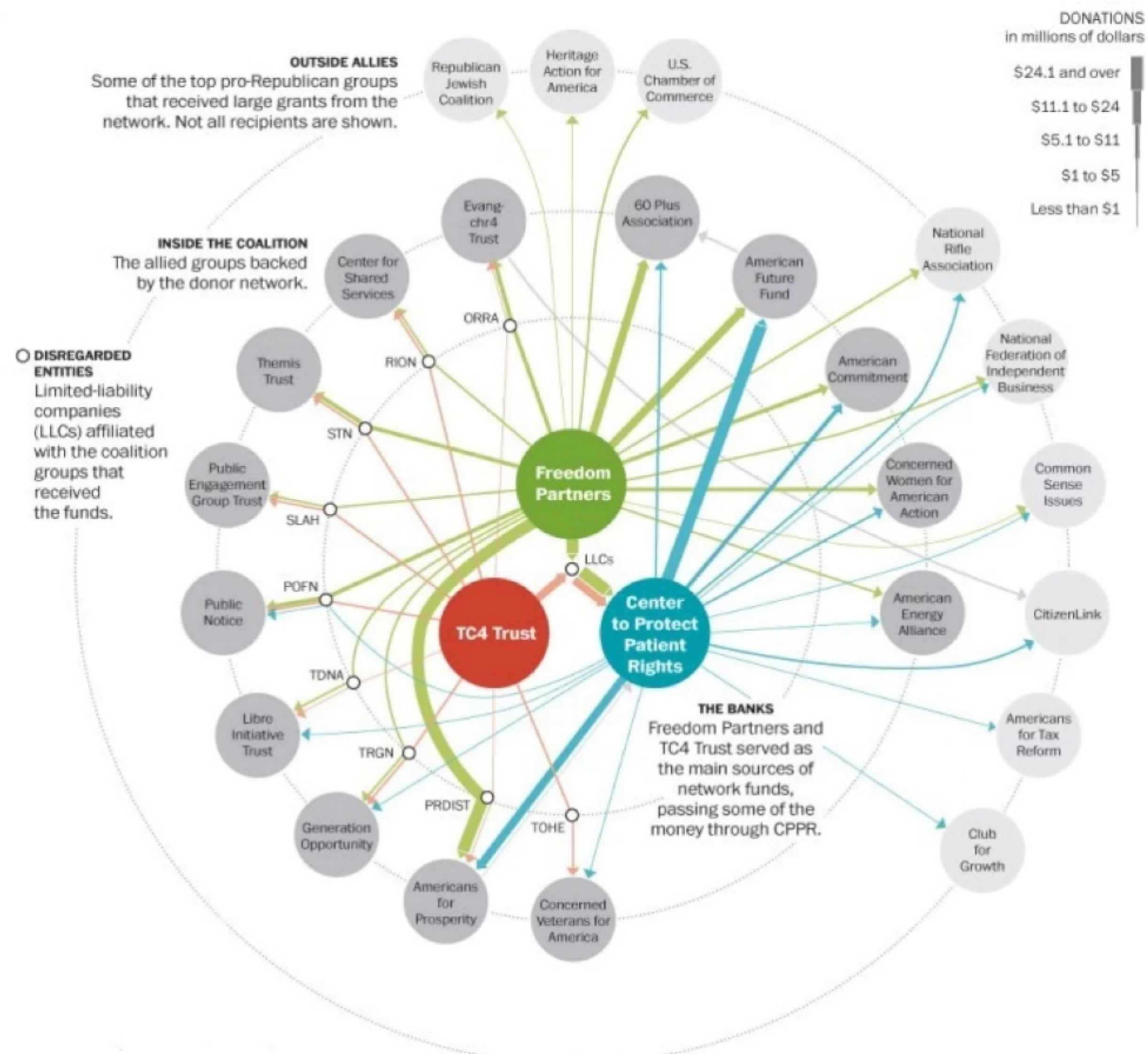

Figure 1.6: Diagram of Koch Brothers Funding Network, 2012. Source: The Washington Post, Jan. 6, 2014

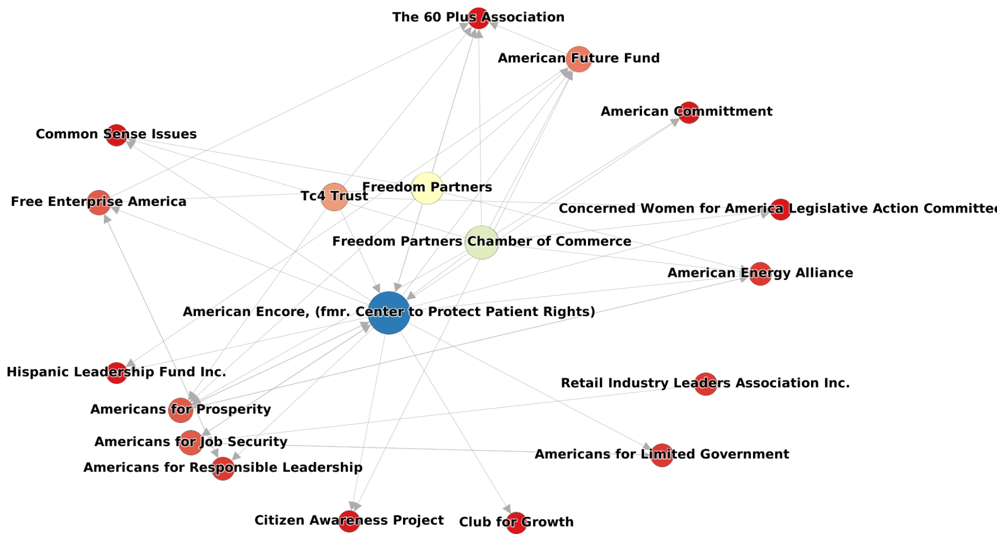

Figure 1.7: Koch Brothers affiliated network as detected by a five-step algorithm from IRS 990 data.

the one built by the Washington Post, (The Center to Protect Patient Rights was renamed “American Encore” following the 2012 election and carries that name in Figure 9). Thus, this agnostic method of partitioning the graph produces results equivalent to what experts well versed in the subject matter would produce. Because nonprofits operate in tight orbits around one another, this graph-partitioning strategy gives us useful communities of interest for further analysis.

Linking nonprofits via grants made to one another, I now apply the same walk-trap community detection algorithm use to draw the communities in the previous section to the 2012 and 2014 Congressional races, (though *Citizens United* was decided in January of 2010, growth in independent-expenditure organizations didn’t begin in earnest until the 2012 election given the time necessary to incorporate these groups with the IRS.) This method is ideal for detecting communities within the nonprofits grant network as it accounts for the directionality of the linkages as well as being computationally efficient enough to run on a network of this size. It also provides a semi-agnostic method of partitioning the dark money network that can be compared to known linkages between organizations and communities of nonprofits as described by media outlets. In running the walktrap algorithm, I weight the strength of the network ties by the size of the grant given such that larger donations create “stronger” ties than smaller ones.

I begin with network graphs of 2012 and 2014 Congressional elections, of which there were 183,907 and 223,724 nodes respectively. I then subset these graphs to the second-order neighborhoods, (i.e. the nonprofits they received money from and the nonprofits they gave money to) for each of the nonprofits that purchased advertising in a given election cycle. In addition, I excised the vertices representing politicians so advertising in support or opposition of a common candidate did not create a network linkage. This methodology produced 636 unique communities for 2012 and 613 for 2014. Further, I expand the previous network using FEC data to include super PACs receiving money from a dark money network. For instance, in the 2017 special election in Georgia's 6th Congressional District, out-of-state dark money groups contributed about $3.75 million to super PACs involved in the race (Davis 2017). Funneling money into an already existing super PAC is a common practice for these networks. Using FEC records, I link these networks of super PACs and dark money groups to the ultimate destinations of their money–the Congressional candidates their ads either support or attack.

Some communities in this network were relatively dense, with a maximum of 93 organizations in one community, while others were relatively sparse with 2,039 communities containing only two or fewer organizations. Overall, the average number of nonprofits per community was 1.47 with a median value of 1. Given relatively few steps the walktrap algorithm took in determining communities and given that not all independent-expenditure making organizations received support from nonprofit entities, such a large number of singletons is to be expected. However, given the conservative approach taken in delineating communities, one can be quite confident that each community drawn by the algorithm represents an actual network of non-profits and independent-expenditure making organizations.

Neglecting these communities gives one a skewed view of just how dominant the spending of these groups are. The prevailing wisdom, as typified by works such as Mann and Corrado (2014) or Drutman (2015), is that despite the *Citizens United* ruling, the top independent expenditure making organizations are dominated by party affiliated groups. That hold true when considering just FEC data. As depicted in Table 1.1, in the list of the top 10 independent expenditure makers in the

Table 1.1: Top 10 independent expenditure makers in 2012 federal elections, FEC data only.

	Name	Total
1	RESTORE OUR FUTURE, INC.	$142,097,336
2	AMERICAN CROSSROADS	$104,746,670
3	CROSSROADS GRASSROOTS POLICY STRATEGIES	$70,968,744
4	NATIONAL REPUBLICAN CONGRESSIONAL COMMITTEE	$69,371,878
5	DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	$67,132,343
6	REPUBLICAN NATIONAL COMMITTEE	$65,935,284
7	PRIORITIES USA ACTION	$65,205,743
8	MAJORITY PAC	$38,152,864
9	DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE	$36,389,660
10	AMERICANS FOR PROSPERITY	$33,542,051

2012 race, one can see a list dominated by party affiliated groups with the exception of American Crossroads, Crossroads GPS and Americans for Prosperity. However, when accounting for these interwoven communities, the picture shifts dramatically. Now the interest groups in the orbit of both Crossroads GPS and Americans for Prosperity dominate all other groups except for Mitt Romney's super PAC. Americans for Prosperity's network, spent more than Pres. Obama's super PAC Priorities USA Action and more than both the Republican and Democratic Congressional Hill Committees, (see Table 1.2). Given the high degree of financial coordination between these groups, looking at their total spending gives a more realistic view of their influence in American elections.

Table 1.2: Top 10 independent expenditure makers in 2012 Congressional Races, FEC data with IRS linkages. '***' denotes a dark money network derived from community detection algorithm.

	Name	Total
1	RESTORE OUR FUTURE, INC.	$142,097,336
2	AMERICAN CROSSROADS	$104,746,670
3	***CROSSROADS GRASSROOTS POLICY STRATEGIES	$101,834,132
4	***AMERICANS FOR PROSPERITY	$93,934,288
5	NATIONAL REPUBLICAN CONGRESSIONAL COMMITTEE	$69,371,878
6	DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	$67,132,343
7	REPUBLICAN NATIONAL COMMITTEE	$65,935,284
8	PRIORITIES USA ACTION	$65,205,743
9	MAJORITY PAC	$38,152,864
10	DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE	$36,389,660

Does Dark Money Reshape the Extended Party Network?

The emergence of dark money as a potent spending force in American elections also allows us to reassess our conceptualizations of the extended party network. Previous work utilizing FEC data to identify the extended party network (e.g. Grossmann and Dominguez 2009; Herrnson and Kirkland 2013; Desmarais, La Raja, and Kowal 2015; Kolodny and Dwyre 2018; Manento 2019) excludes possible deeper levels of financial coordination that take place outside of the jurisdiction of federal election law. Accounting for these unseen financial linkages could reorder understanding of the extended party network and force previously peripheral groups to the center.

To measure this, I borrow from the approach used by Koger, Masket, and Noel (2009) and examine network centrality measures for all organizations spending in both the 2012 and 2014 election cycles. I create two separate directed networks, one using only data from the FEC and a second that incorporates both FEC data and my IRS data set of financial transfers. For the second graph, I combine the FEC data with a 1-degree ego graph accounting for funds received and grants made for all dark money groups active in each of the two cycles. This approach gives a conservative estimate to financial coordination between groups while limiting spurious linkages that may result from extending the ego graph backwards a second or third degree. With both graphs, I weight linkages between each organization by the dollar amount of the financial transfer. Finally, I prune the network to exclude all connections formed by a transfer of $5,000 or less. This reduces the size and complexity of each network to a level where it is computationally feasible to analyze it as well as removing spurious connections.

Like Koger, Masket, and Noel (2009), I examine the degree centrality of each node of the network, but I extend their approach to include a weighted in-degree and out-degree measure to account for the amount of money passing through each connection–the intuition behind this approach being that both collecting and disseminating more money from fewer sources is a better proxy for overall node importance than just the number of connections. I also include a betweenness centrality measure (see Newman 2010) as a measure of how important each node is to the flow of political money in the network. Finally, I utilize the PageRank centrality of each node (Brin and Page 1998),

Table 1.3: Network Statistics

Year	Vertices	Edges	Num. of Components	Largest Component	Avg. Path Length	Num. Communities	Modularity
FEC Data Only							
2,012	56,258	136,328	972	54,550	3.90	1,506	0.51
2,014	57,306	146,066	992	55,390	4.03	1,958	0.44
FEC + IRS Data							
2,012	57,329	138,613	975	55,605	3.95	1,829	0.53
2,014	58,496	148,986	996	56,563	4.09	2,120	0.46

a measure of network centrality ideal for this purpose in that both graphs are directed and acyclic. This centrality measure helps identify the most important nodes of the network while obviating the issue of other centrality measures (see Borgatti 2005) assigning high values to nodes linked to other nodes with a high out-degree–as would be the case when dealing with campaign finance data.

As shown in Table 1.3, the graphs of both networks produce similar statistics–though the addition of IRS data produces a much denser graph for obvious reasons. The average path length in both networks is roughly similar–as is the largest component of each. In addition, running a five-step walktrap community detection algorithm on both networks produces similar modularity scores for each.

I next look to the most central nodes of each network, beginning with the network created using only FEC data, (Table 1.4). Looking at the top 15 most central nodes as determined by the PageRank Centrality algorithm, I find a familiar listing of the most important organizations of the 2012 and 2014 elections. At the top of the list in 2012 were fundraising committees for both presidential candidates, (Romney Victory Inc and Obama Victory Fund 2012), as well as Act Blue, a small-donor giving platform for Democratic candidates. Other top entries were the four Hill Committees as well as the Republican and Democratic National Committees. In 2014, we see a similar group as well as the fundraising organizations for both former Speaker of the House John Boehner and Republican Sen. Tom Cotton (AR)–both prolific Congressional fundraisers in an important midterm election year. The only issue oriented groups appearing in both years were NORPAC, a political action committee promoting US-Israeli relations, EMILY's List which sponsors Democratic women's Congressional campaigns and Club for Growth, a conservative organization.

Table 1.4: Centrality Measures, FEC Data Only.

Name	PageRank Cent.	Betweenness Centrality
2012		
ROMNEY VICTORY INC	0.0346	39,736,453.8
ACTBLUE	0.0318	18,374,080.7
OBAMA VICTORY FUND 2012	0.0268	33,400,372.4
NATIONAL REPUBLICAN CONGRESSIONAL COMMITTEE	0.0251	31,702,891.3
DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	0.0227	25,596,138.1
NATIONAL REPUBLICAN SENATORIAL COMMITTEE	0.0088	19,336,939.7
REPUBLICAN NATIONAL COMMITTEE	0.0078	13,655,823.1
DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE	0.0076	18,754,665.1
OBAMA FOR AMERICA	0.0067	3,881,268.2
DNC SERVICES CORPORATION/DEMOCRATIC NATIONAL COMMITTEE	0.0059	5,552,003.7
AMERIPAC: THE FUND FOR A GREATER AMERICA	0.0045	2,215,091.4
CLUB FOR GROWTH PAC	0.0043	341,355.6
ROMNEY FOR PRESIDENT INC.	0.0039	4,800,147.7
EMILY'S LIST	0.0036	1,425,909.7
NORPAC	0.0031	755,631.7
2014		
ACTBLUE	0.0328	17,484,157.5
NRCC	0.0263	44,350,359.0
DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	0.0220	27,992,981.7
NATIONAL REPUBLICAN SENATORIAL COMMITTEE	0.0125	26,701,528.1
REPUBLICAN NATIONAL COMMITTEE	0.0085	11,296,558.7
CLUB FOR GROWTH PAC	0.0079	2,058,628.5
DNC SERVICES CORPORATION/DEMOCRATIC NATIONAL COMMITTEE	0.0071	7,980,264.9
DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE	0.0070	18,925,519.1
NORPAC	0.0044	1,513,675.7
JSTREETPAC	0.0044	287,379.5
BOEHNER FOR SPEAKER	0.0037	5,396,239.9
SENATE CONSERVATIVES FUND	0.0036	678,593.4
VOTESANE PAC	0.0036	1,902,681.7
COTTON FOR SENATE	0.0036	1,335,539.4
AMERIPAC: THE FUND FOR A GREATER AMERICA	0.0036	2,564,914.9

Ranking these organization by betweenness centrality, which prioritizes a node's importance as a connector of other nodes, yields a similar list–though importantly one that elevates the ranking of several state level political parties.

Interestingly, this list does not shift appreciably when adding in the IRS data from political nonprofits. As Table 1.5 illustrates, the most central nodes of this expanded network are quite similar to those from the original. In this expanded data set, party affiliated committees are still the most central as measured by their PageRank centrality score. When looking at the betweenness centrality measure, a similar list emerges–again with more state party organizations rising to the top.

This would seem to indicate that despite the *Citizens United* ruling and the emergence of dark

Table 1.5: Centrality Measures, FEC and IRS Data.

Name	PageRank Cent.	Betweenness Centrality
2012		
ROMNEY VICTORY INC	0.0344	40,367,171.9
ACTBLUE	0.0316	18,748,628.6
OBAMA VICTORY FUND 2012	0.0267	33,952,213.1
NATIONAL REPUBLICAN CONGRESSIONAL COMMITTEE	0.0249	32,048,555.8
DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	0.0226	25,990,110.9
NATIONAL REPUBLICAN SENATORIAL COMMITTEE	0.0088	19,553,096.2
REPUBLICAN NATIONAL COMMITTEE	0.0077	13,845,341.3
DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE	0.0075	19,223,878.7
OBAMA FOR AMERICA	0.0067	3,942,717.3
DNC SERVICES CORPORATION/DEMOCRATIC NATIONAL COMMITTEE	0.0059	5,609,255.4
AMERIPAC: THE FUND FOR A GREATER AMERICA	0.0044	2,264,205.3
CLUB FOR GROWTH PAC	0.0043	346,655.4
ROMNEY FOR PRESIDENT INC.	0.0039	4,854,353.8
EMILY'S LIST	0.0036	1,460,652.8
NORPAC	0.0031	758,275.7
2014		
ACTBLUE	0.0326	17,979,764.4
NRCC	0.0261	45,501,787.8
DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	0.0219	28,606,784.0
NATIONAL REPUBLICAN SENATORIAL COMMITTEE	0.0124	27,384,518.3
REPUBLICAN NATIONAL COMMITTEE	0.0085	11,545,781.2
CLUB FOR GROWTH PAC	0.0078	2,102,644.5
DNC SERVICES CORPORATION/DEMOCRATIC NATIONAL COMMITTEE	0.0071	8,213,837.8
DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE	0.0070	19,287,179.2
NORPAC	0.0044	1,548,684.5
JSTREETPAC	0.0043	299,249.4
BOEHNER FOR SPEAKER	0.0037	5,543,907.6
SENATE CONSERVATIVES FUND	0.0036	695,007.6
VOTESANE PAC	0.0036	1,903,897.9
COTTON FOR SENATE	0.0036	1,365,934.9
AMERIPAC: THE FUND FOR A GREATER AMERICA	0.0035	2,609,981.0

money, party affiliated organizations still retain their central place in the extended party network. Party affiliated organizations still acted as the main coordinators for campaign money into candidate races in the two cycles following that 2010 decision. It would appear that the party-centric theory of the extended party network has garnered new evidence and that fears of parties losing their control over the EPN (La Raja and Schaffner 2015)are somewhat inflated.

However, if one uses an alternate specification a more interesting picture begins to emerge. Looking towards degree centrality–a basic measure of how many organizations either gave money to an organization or how many organizations a specific group gave money to–one sees a different image of the EPN. Several scholars have used this rather crude metric to measure the influence of groups in the EPN previously (e.g. Grossmann and Dominguez 2009; Koger, Masket, and Noel 2009; Skinner, Masket, and Dulio 2012; Kolodny and Dwyre 2018). I modify this tactic with an improved metric–the weighted degree centrality (Barrat et al. 2004)–to weight this tally by the amount of money that formed each connection. As shown in Tables 1.6 and 1.7, when looking at the amount of money flowing through various nodes in the network, political nonprofits begin to emerge in dominant positions.

Turning to weighted in-degree centrality, (Table 1.6), American Encore, the central funder for the Koch network depicted in figure 1.5, occupies a spot just under both 2012 presidential campaigns and just above the Democratic National Committee. The Sierra Club and American Crossroads, both 501(c)(4) nonprofits, occupy the 9th and 10th spots respectively, above both the Republican and Democratic Congressional Hill Committees. A similar ranking occurred in 2014, with the Sierra Club, NextGen Climate Action Committee and the National Rifle Association all making the top 15 list. The presence of some nonprofits such as the Schwab Charitable Fund and the East Bay Community Foundation represents a deficiency with the IRS data–namely that while these organizations' support for politically active groups can be known, the exact amount each spends on political activity is not a matter of public record.

Measuring out-degree centrality (Table 1.7), one finds three Koch network organizations in the top 15 during the 2012 cycle–the three financing organizations depicted in Figure 1.5. In addition, both the Sierra Club Foundation and Planned Parenthood also spent several million dollars on grants to groups that were later active in the 2012 cycle. In 2014, several nonprofit groups sit prominently with party Hill Committees–though again, this is not to say that the entire sum depicted eventually wound up in a candidate race. Interestingly, Tom Steyer, founder of the NextGen Climate Action Committee and a mega-donor to environmental causes and Democratic candidates was himself one of the principal financiers of organizations active in the 2014 election.

In both Tables 1.6 and 1.7, one should also note the PageRank centrality measure of all these organizations. Because of the insularity of the dark money communities described in the previous sections, the PageRank centrality of these organizations was at or near zero–indicating that they did

Table 1.6: Centrality Measures, FEC + IRS Data.

Name	PageRank Cent.	Weighted In-Degree
2012		
ROMNEY VICTORY INC	0.0344	636,890,126
OBAMA VICTORY FUND 2012	0.0267	520,820,985
AMERICAN ENCORE	0.0000	269,320,000
DNC SERVICES CORPORATION/DEMOCRATIC NATIONAL COMMITTEE	0.0059	248,419,626
OBAMA FOR AMERICA	0.0067	225,075,179
REPUBLICAN NATIONAL COMMITTEE	0.0077	221,500,823
ROMNEY FOR PRESIDENT INC.	0.0039	154,971,952
RESTORE OUR FUTURE, INC.	0.0018	151,997,342
SIERRA CLUB	0.0000	133,731,858
AMERICAN CROSSROADS	0.0008	115,933,464
NATIONAL REPUBLICAN CONGRESSIONAL COMMITTEE	0.0249	101,962,722
DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	0.0226	87,807,425
PRIORITIES USA ACTION	0.0009	86,009,573
NATIONAL REPUBLICAN SENATORIAL COMMITTEE	0.0088	78,060,279
AMERICAN FUTURE FUND	0.0000	78,007,409
2014		
SIERRA CLUB	0.0000	155,044,458
DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	0.0219	115,273,732
NRCC	0.0261	105,248,051
REPUBLICAN NATIONAL COMMITTEE	0.0085	101,369,376
SCHWAB CHARITABLE FUND	0.0000	98,949,302
DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE	0.0070	81,805,075
ACTBLUE	0.0326	81,114,620
SENATE MAJORITY PAC	0.0008	78,144,502
NEXTGEN CLIMATE ACTION COMMITTEE	0.0001	77,890,361
DNC SERVICES CORPORATION/DEMOCRATIC NATIONAL COMMITTEE	0.0071	76,808,635
NATIONAL REPUBLICAN SENATORIAL COMMITTEE	0.0124	75,166,899
EAST BAY COMMUNITY FOUNDATION	0.0000	75,137,229
BOEHNER FOR SPEAKER	0.0037	55,315,237
NATIONAL RIFLE ASSOCIATION OF AMERICA	0.0000	44,269,929
HOUSE MAJORITY PAC	0.0009	42,935,157

not link to other nodes with many in-bound linkages. By this measure, these interest groups occupy a peripheral part of the extended party network–in contrast to the central role theorized by Bawn et al. (2012) and more in line with the theory advanced by scholars like Hassell (2017) and earlier seminal works like Aldrich (2011). However, while the coordinating duties of party organizations may be uncontested, the sheer amount spent by these networked groups may give them greater leverage over the political process than their position in the extended party network would suggest. The ability of these networked interest groups to affect arenas such as the nomination process via primary elections or the formation of intra-party organizations (e.g. Rubin 2017) following an election is a subject ripe for future inquiry.

Table 1.7: Centrality Measures, FEC + IRS Data.

Name	PageRank Cent.	Weighted Out-Degree
2012		
OBAMA VICTORY FUND 2012	0.0267	337,229,414
ROMNEY VICTORY INC	0.0344	316,951,458
DNC SERVICES CORPORATION/DEMOCRATIC NATIONAL COMMITTEE	0.0059	216,982,578
REPUBLICAN NATIONAL COMMITTEE	0.0077	206,799,320
FREEDOM PARTNERS CHAMBER OF COMMERCE	0.0000	203,068,000
FREEDOM PARTNERS	0.0000	184,913,000
OBAMA FOR AMERICA	0.0067	158,859,009
ROMNEY FOR PRESIDENT INC.	0.0039	137,922,626
THE SIERRA CLUB FOUNDATION	0.0000	131,711,038
AMERICAN ENCORE	0.0000	100,104,370
NATIONAL REPUBLICAN CONGRESSIONAL COMMITTEE	0.0249	94,716,644
DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	0.0226	65,184,512
PLANNED PARENTHOOD FEDERATION OF AMERICA INC	0.0000	56,942,378
ACTBLUE	0.0316	42,935,262
DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE	0.0075	42,093,379
2014		
THE SIERRA CLUB FOUNDATION	0.0000	151,804,747
SILICON VALLEY COMMUNITY FOUNDATION	0.0000	106,733,622
PLANNED PARENTHOOD FEDERATION OF AMERICA INC	0.0000	103,574,435
NRCC	0.0261	91,363,067
DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE	0.0219	84,769,693
ACTBLUE	0.0326	83,385,432
KAISER FOUNDATION HOSPITALS	0.0000	76,169,302
STEYER, THOMAS F.	0.0000	68,757,400
SCHWAB CHARITABLE FUND	0.0000	54,239,749
REPUBLICAN NATIONAL COMMITTEE	0.0085	48,125,721
NATL CHRISTIAN CHARITABLE FDN INC	0.0000	44,077,528
NRA FOUNDATION INC	0.0000	43,861,876
THE PEW CHARITABLE TRUSTS	0.0000	40,325,629
NATIONAL REPUBLICAN SENATORIAL COMMITTEE	0.0124	34,045,790
SENATE MAJORITY PAC	0.0008	32,950,521

Conclusion

Given that such large sums of political money fall outside the purvey of the Federal Election Commission, past researchers' reliance on this data may have been providing an inadequate accounting of political money and thus inadequate theories about the role of money in contemporary politics. Relying just on FEC data provides an unrealistically atomistic description of independent-expenditure groups. When fundraising is done via a nonprofit, common donors and benefactors cannot be established and thus each organization appears to operate in its own vacuum. Furthermore, because IRS disclosure requirements are so different from FEC requirements, information about an election may not be known until several years later.

Accounting for the finances of political nonprofits allows for a more complete, but nonetheless a still partial picture of the routes money takes into American elections. While the central role of party organizations remains after the addition of this new data, the magnitude of capital that dark money organizations can command shows that their influence may be rivaled by the sheer sums these outside spending groups are able to deploy. Furthermore, the strong financial networks that dark money organizations form and their lack of interaction with more established PACs suggest that perhaps these organizations are content to operate at the periphery of the extended party network or maybe outside of it altogether.

Nevertheless, the emergence of these sub-networks of dark money organizations may explain rifts in legislative party coalitions such as the one described between President Donald Trump and the Koch brothers in the introduction. While parties are able to coordinate the deployment of electoral resources, these sub-networks are able to raise equivalent, or in some cases superior, amounts of money. Independent expenditures may only be part of the story; Skocpol and Williamson (2016) and Skocpol and Hertel-Fernandez (2016) document the vast networks of volunteer support and candidate development that these interest group networks are also able to provide.

Future research should identify the extent to which interest group networks have created parallel structures to those developed by political parties. This may provide a better understanding of the cohesiveness of the extended party network and how that network responded to changes in electoral institutions. In regards to the realm of campaign money, a financial network where donor dollars must pass eventually through a formal party mediator has far differing implications than one where donors can inject that money directly into a candidate race via some other organization. The organization of this network has great implications on exactly the extent to which a party, in fact, gets to decide.

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Chapter 2

Public Positions, Private Giving: Dark Money and Political Donors in the Digital Age.

Research & Politics 2019

Abstract

Dark money—campaign funds raised by 501(c)(4) designated non-profit corporations whose donors are exempt from disclosure—has become an increasingly large fraction of outside spending in American elections at both the state and federal level. This paper makes use of the only publically available donor list for a dark money group in existence today–that of "Americans for Job Security," who contributed $11 million to two conservative leaning ballot initiative campaigns in California during the 2012 elections. In comparing the ideological scores of donors of this dark money group to traditional donors to the two conservative propositions, I find a strong liberal tilt of donors to Americans for Job Security–indicating a social pressures motivation behind concealing one's donation via a dark money group. These results also show disclosure laws have an effect on a donor's

calculus to contribute to a political cause.

Introduction

When the 2010 *Citizens United v. FEC* decision revolutionized the way American political campaigns were financed, the result was not just a sharp increase in the quantity of money in politics but a dramatic decrease in how much American voters could learn about it. In the election cycles that followed the decision, a new form of political spending began to emerge as a force in American elections. "Dark money," political spending by IRS designated 501(c)(4) non-profit groups, exploded as a major funder of political campaigns at all levels of American government. These groups are allowed to spend money to influence an election, but don't have to disclose their donors with the same rigor traditional political groups such as PACs or parties are subjected to. Due to a legal standard upheld by the 1958 Supreme Court decision in *NAACP v. Patterson*, non-profits are not required by law to disclose their funders or membership lists (see Overby 2012).

The new proliferation of anonymous money in American politics has important implications for not only theories of political participation but for normative theories on campaign finance disclosure and its effect on the electoral process. Dark money brings new challenges to the established literature around both social influence in political participation and voters' use of information shortcuts to inform their choices and tune their own preferences to those of a cause or candidate. Further, donating money to a campaign as a form of political engagement may be altered by the option of anonymous giving in order to avoid any of the social pressures once faced by voters in the days before the Australian Ballot.

This article takes advantage of a rare and unique disclosure in the opaque world of high-dollar campaign finance. Analyzing the only public list of dark money donors currently in existence, I utilize publicly available data to uncover the names of donors to a multi-million dollar campaign associated with the conservative position on two California ballot initiatives during the 2012 election. "Americans for Job Security"–a 501(c)(4) political nonprofit affiliated with the Koch brothers' network of independent expenditure groups (Novak and Maguire 2013)–raised $11 million for the express purpose of defeating a tax-increase, (Proposition 30), and hindering union political fundraising abilities via a "paycheck protection" measure, (Proposition 32). Having uncovered the identities of dark money donors to the Americans for Job Security effort in California, I compare the ideological scores of these clandestine donors to traditional donors to both initiative campaigns and find donors giving to the dark money effort were significantly more liberal than those who gave to these conservative initiative campaigns through traditional, transparent channels. Like other studies of clandestine organizations (e.g. Skarbek 2011; McMillan and Zoido 2004), this happenstance disclosure of such a group's inner-workings lets us assess the motivations of these financiers whose combined efforts in 2012 Federal elections totaled at least $313 million.

The disconnect between the "public" pattern of giving when donating transparently and the "private" support for this seemingly incongruous ideological position speaks to many theories about both political behavior in social settings and the impact of disclosure on money in politics. Were a donor's ideology the sole motivating factor that influenced one's political giving, we would expect to see no divergence in the ideological profiles of transparent donors to these two initiative campaigns and the funders of Americans for Job Security. The disconnect between the public ideology of these dark money donors and their clandestine giving, however, indicates that other pressures beyond one's own ideological convictions motivate political participation as expressed by political giving.

More broadly, the major overhaul of campaign finance law that culminated with the Supreme Court's 2010 decision in *Citizens United v. FEC* have given rise to a new era of anonymous giving in American politics unseen since the passage of the Federal Election Campaign Act in 1971. Coupled with this are advances in technology that have made uncovering an individual's political giving, and more importantly, publishing that information, rather trivial affairs. If dark money is an refuge for financiers of controversial political opinions, (with the definition of "controversial" shifting radically between communities), then certain large swaths of political money are "going underground." This trend would have serious implications for not just latent-measures of ideology calculated from political giving, but also for voters who use the financial backers of a candidate or initiative as a cue in deciding where to cast their ballot.

Campaign Money, Donors and Disclosure

The dilemma advanced by the advent of dark money lies at a fascinating intersection of the "social pressures" literature, the literature on disclosure and in the literature about donor motivations. Though past research has examined the effect of social settings on political preference formation (Klar 2014), political tolerance (Mutz 2002) and self-reported voting behavior (Karp and Brockington 2005), the influence of social pressures on political giving is an area as of yet unstudied.

Francia et al. (2003) provides the best taxonomy of donor motivations. Drawing from a survey and numerous interviews, the authors categorize donor motivations–with "investors" seeking some sort of tangible gain from their donation, "ideologues" give to advance some personal belief or policy goal and "intimates" simply give to their friends and associates. The survey the authors fielded is particularly illuminating as it demonstrates all donors are not motivated by the same impulses.

Disclosure provides an interesting complication for ideological givers. In the calculus advanced by Ansolabehere, De Figueiredo, and Snyder Jr (2003), political contributions merely reflect consumption and participation. Yet were the calculus so simple, why would donors go to such great lengths to hide their contributions? In describing the foundation of "Crossroads GPS", a 501(c)(4) created by GOP consultant Karl Rove to compliment his existing super PAC "American Crossroads", Vogel (2014) relates an interview with a ranking member of the organization who said "…some donors didn't want to be disclosed, and therefore a (c)4 was created" (p. 53).

The fact that one's political contributions may expose them to negative consequences is perhaps a better explanation as to the rise of dark money. For instance, anecdotal accounts from past elections in California show that social pressures may be at work within the realm of political giving. Donors to California's Proposition 8, a gay marriage ban on the 2008 general election ballot that was ultimately successful, are an often cited example of donors facing real economic consequences for their political giving. According to Johnson, Regan, and Wayland (2010) :

> An enterprising and anonymous programmer mashed up the names and geographic locations of the donors with Google maps, producing www.eightmaps.com, a site where

any visitor could see who in what neighborhoods contributed to the campaign. As a result many individual supporters were targeted with insults, threats and boycotts.

While the exact scale of this backlash is impossible to quantify, news accounts point to several examples of businesses being boycotted and people forced from their jobs because of their donations in support of Proposition 8. For instance, Scott Eckhern, the artistic director of the California Musical Theater, was forced to resign after it became known that he'd donated $1,000 to the anti-gay marriage initiative (McKinley 2008). As one of Eckhern's counterparts at another theater commented "That a man who makes his living exclusively through the musical theater could do something so hurtful to the community that forms his livelihood is a punch in the stomach" (McKinley 2008). Because of musical theater's association with the LGBT community, the fact that someone intimately involved in its production would donate to a cause antithetical to the interests of that community inspired much of the reputational costs to Eckhern.

Why Dark Money?

Coined in 2010 by Bill Allison of the Sunlight Foundation[1], the term "dark money" refers to certain IRS designated non-profit groups that exist in a regulatory limbo opened by the 2007 Supreme Court case *Wisconsin Right to Life v. FEC* (see Eskridge Jr, Frickey, and Garrett 2007 for a discussion of the case; and Beckel 2016 for its implications on the spread of dark money). While this decision opened the tap for these 501(c)(4) groups, (their designation in the tax code), to donate money to political causes, the flood was unleashed by the twin cases of 2010's *Citizens United v. FEC* and *Speech Now v. FEC*. According to an analysis by the Center for Responsive Politics, a non-partisan think tank monitoring campaign finance, the amount of dark money spent in federal elections has been increasing exponentially since 2010, (see Figure 1), with spending in the 2014 midterms surpassing the dark money totals of both the 2012 congressional races and topping the 2010 midterms by about $30 million (Maguire 2014). The 2016 election saw at least $178 million in

[1] The term was first used in this blog post from the Sunlight Foundation: http://sunlightfoundation.com/blog/2010/10/18/daily-disclosures-10/

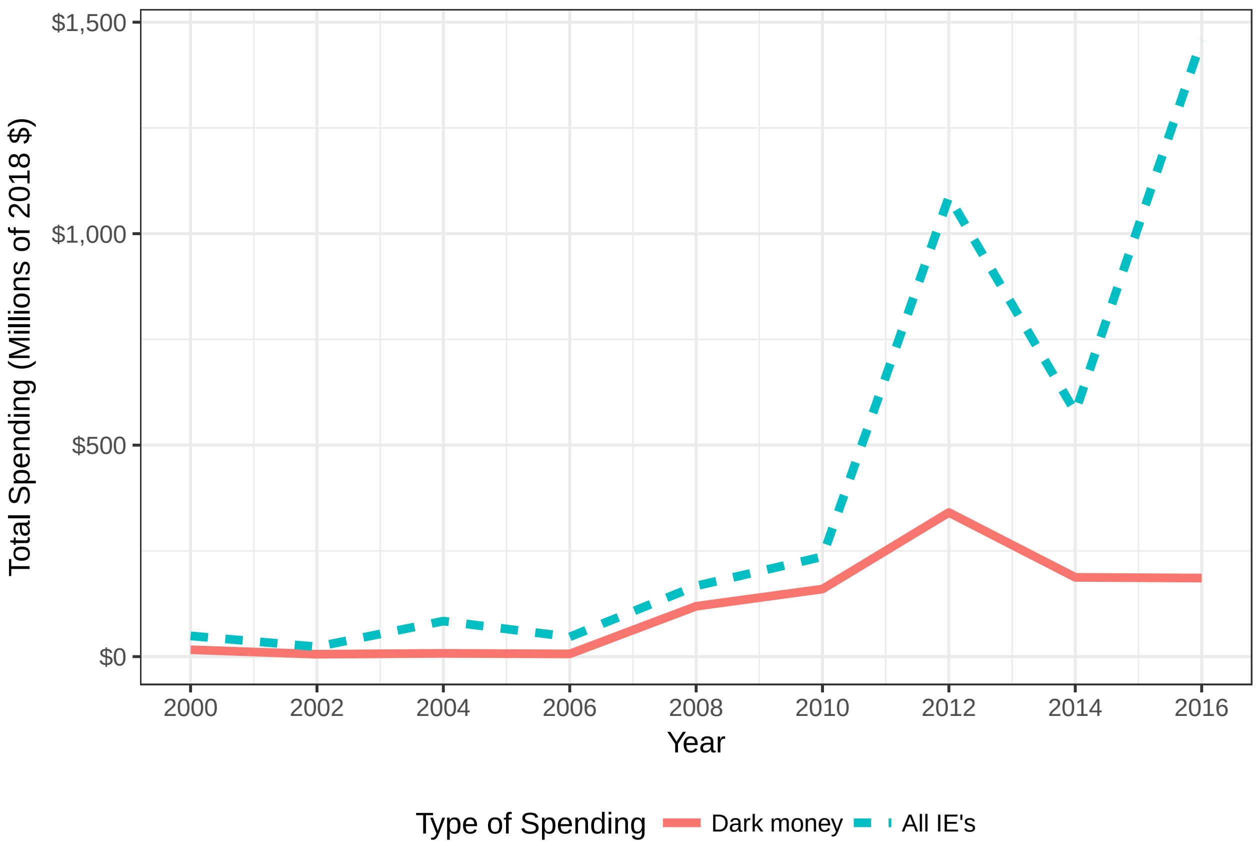

Figure 2.1: Estimated Dark Money Spending. Source: CRP.

dark money spending with most of it aimed at Congressional races and 76 percent of that amount coming from conservative groups (Maguire 2016). These numbers, however, are merely an estimate as they represent only spending that falls within certain time-frame prior to an election that must be disclosed to the FEC. In actuality, the number is likely much higher.

Proposition 30 and Proposition 32

As it had done for about the last 100 years, California sent a raft of initiatives to voters during the 2012 General Election. Among them were Proposition 30 and 32, a plan to raise taxes and a plan to curb the political spending of unions respectively. Both initiatives were hotly contested with about $190 million spent on both sides of each initiative campaign[2]. Both propositions neatly cleaved

[2]According to the National Institute of Money in State Politics. Data accessed on Oct. 7, 2014 at http://www.followthemoney.org/entity-details?eid=13690362

California's powerful special interest groups along ideological lines, with Democratic allied unions supporting Proposition 30 and opposing 32 and Republican business groups taking the opposite tack. Ultimately, voters passed the tax increase and defeated the union fundraising restrictions by wide margins in each.

Like many elections post *Citizens United*, California's 2012 general election also saw an explosion of dark money spending. In particular, one $11 million donation to fund the opposition to Proposition 30 and facilitate passage of Proposition 32 caught the eye of California regulators. Just days before the November election date, the Fair Political Practices Commission, California's equivalent of the Federal Elections Commission, sued "Americans for Responsible Leadership," a dark money group based in Virginia, to force the group to turn over a list of donors (Barker and Meyer 2014). While this donation was legal under federal elections laws revised following *Citizens United*, a California law passed in May of that year made donor disclosure mandatory if donors knew they'd be contributing to a political cause (Megerian and Dolan 2012). The case wound its way up the judicial totem pole until the California Supreme Court forced the group to hand over its records on Nov. 4, 2012, just two days before voters were to go to the ballot box.

While the results of the lawsuit were unremarkable for average voters—the funders of Americans for Responsible Leadership, "turned out to be other nonprofits, whose individual contributors remained secret," according to the *Los Angeles Times*, (Megerian and Dolan 2012)—buried in the case file was a partially redacted list of 136 donations to "Americans for Job Security," the dark money group where the funds spent in the California races originated. A dark money powerhouse nationwide, Americans for Job Security, a Virginia-based 501(c)(4) nonprofit, made about $16 million worth of independent expenditures in federal elections during the 2012 cycle, according to the Center for Responsive Politics, making it the fourth most "active" dark money organization in that election. A representative from Americans for Job Security worked with two California political consultants to raise money through his organization, specifically noting in solicitations that donor identities would be "non-reportable," according to court documents.

I was able to obtain this list from the California Fair Political Practices Commission via a

	Name	Name 2	Address	Address 2	City	State	Zip	Phone	Email	Amount	Agreement	Thank You?
	[redacted]s		[redacted] San Vincente Blvd, Suite [redacted]		Los Angeles	CA	90049			15000	N	Y
	Andrew [redacted]	[redacted] Family Trust	[redacted] Chaucer Road		San Marino	CA	91108	213[redacted]	[redacted]m	25000	Y	Y
/8/2012	Fred [redacted]		[redacted] San Vincente Blvd, Suite [redacted]		Los Angeles	CA	90049			30000	N	Y
/8/2012	William [redacted]		[redacted] 1st Street		Manhattan Beach	CA	90266	310-[redacted]		100000	Y	Y
	G[redacted]	Geoff [redacted]	[redacted] San Vincente Blvd, Suite [redacted]		Los Angeles	CA	90049	310-[redacted]		250000	N	Y
15/2012	Peter [redacted]									500000	N	Y
20/2012	Robert [redacted]	Suzanne [redacted]	PO Box [redacted]		Zephyr Cove	NV		775[redacted]	rl[redacted]om	100000	Y	Y
26/2012	Steven [redacted]		[redacted] N. Saltaik Ave		Los Angeles	CA	90049	310-[redacted]	[redacted]m	100000	Y	Y

Figure 2.2: A partial list of the Americans for Job Security donor list obtained via a Public Records Act request by the author to the California Fair Political Practices Commission.

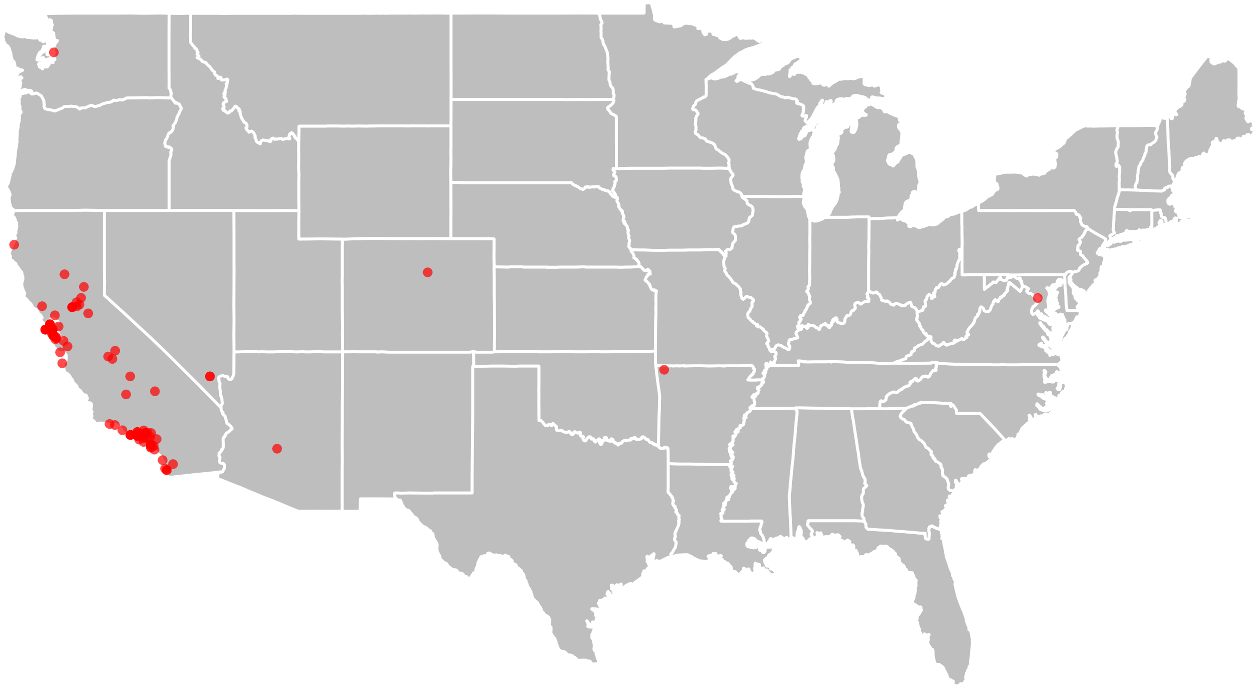

Figure 2.3: Dots indicate the zipcode listed for an AJS donor.

request under California's Public Records Act in November of 2013. Court documents and reporting by news outlets such as the Los Angeles Times, the Huffington Post and the Center for Responsive Politics (see York 2013; Blumenthal 2013; Novak 2013), indicate this is a full accounting of the donors giving money to Americans for Job Security for these two California campaigns. Further, as illustrated by Figure 3, most of these donations came from other California residents, lending further veracity to this claim.

Decoding the names proved an arduous but ultimately achievable feat. First, I matched the provided zip code and partial street addresses, (see Figure 2), with donor databases made available by the California Secretary of State's Office and the Federal Elections Commission. Matching the first names provided in many of the cells from the Americans for Job Security list, I was able to find corresponding public records that included the donors full name, (e.g. from home purchases, Securities and Exchange Commission filings or business websites.) The result was 83 unique donations, (the other 53 donations were too fully redacted to decipher the donor's identity with any certainty,) made by 66 unique donors, (i.e. several donors gave money more than once.)

In July 2016, Hedge Clippers (Hedgeclippers.org 2016)–a non-profit news site allied with several California unions and progressive organizations–published a more complete list that largely corresponded with my own, but included an additional contributor (66 in my analysis vs. 67 in the Hedge Clippers report.) The results of the Hedge Clippers analysis were reported on by the Los Angeles Times and San Francisco Chronicle (see Blume and Smith 2016; Gutierrez 2016). As of this writing, these results have gone unchallenged in either the media or in court–lending further validity that the donors named were indeed true donors to Americans for Job Security.

Given that 38.97 percent of donations to Americans for Job Security were too redacted in my analysis to discern the identity of the giver, questions over selective censorship naturally arise[3]. However, as Figure 4 shows, the vast majority, some \$23.4 million or about 83 percent of the \$28.4 million raised by Americans for Job Security was able to be linked to a donor. Nonetheless, concerns about censorship and selection bias are addressed in the appendix.

After combining the identified donors from both my research and from the Hedge Clippers report, their political leanings could then be discerned by matching their names to the Database of Ideology, Money in Politics and Elections (see Bonica 2014). Bonica's spatial ideological scores use campaign contributions to derive the ideological positioning of a donor based on which candidates that donor contributed to, making it ideal for this analysis. Matching based on names and zip codes produced ideological scores for all 67 unique individual donors.

While the anti-Proposition 30 campaign and the pro-Proposition 32 campaigns were distinctly conservative affairs, donors to Americans for Job Security spanned the ideological spectrum. A density plot of the ideology scores, (see Figure 5), shows two distinct clusters within the donors to

[3]The actual document can be viewed online at the following address, courtesy of the Huffington Post: http://big.assets.huffingtonpost.com/IncomeExpenseSummaryAJS.pdf

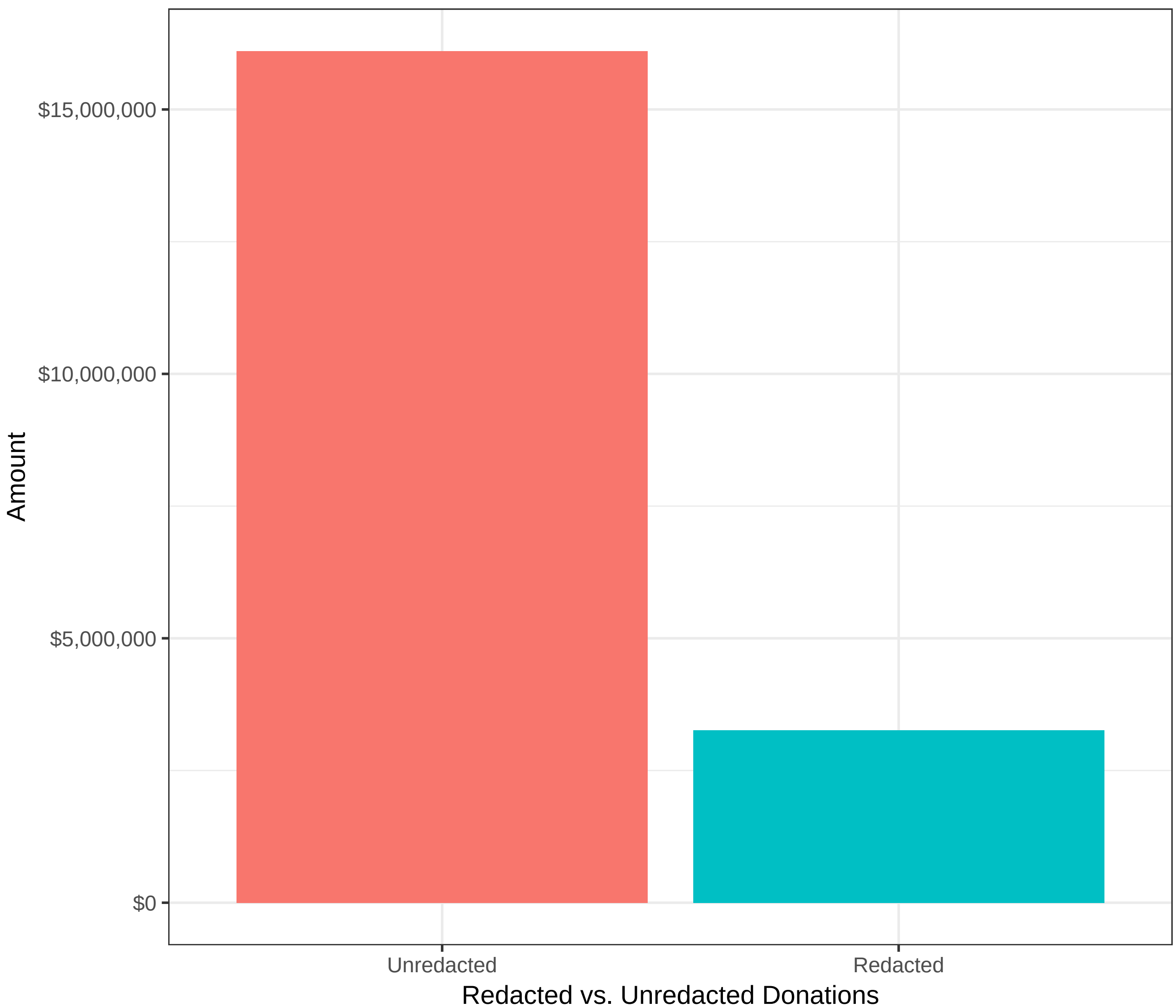

Figure 2.4: Size of AJS Donations: Redacted vs. Non Redacted

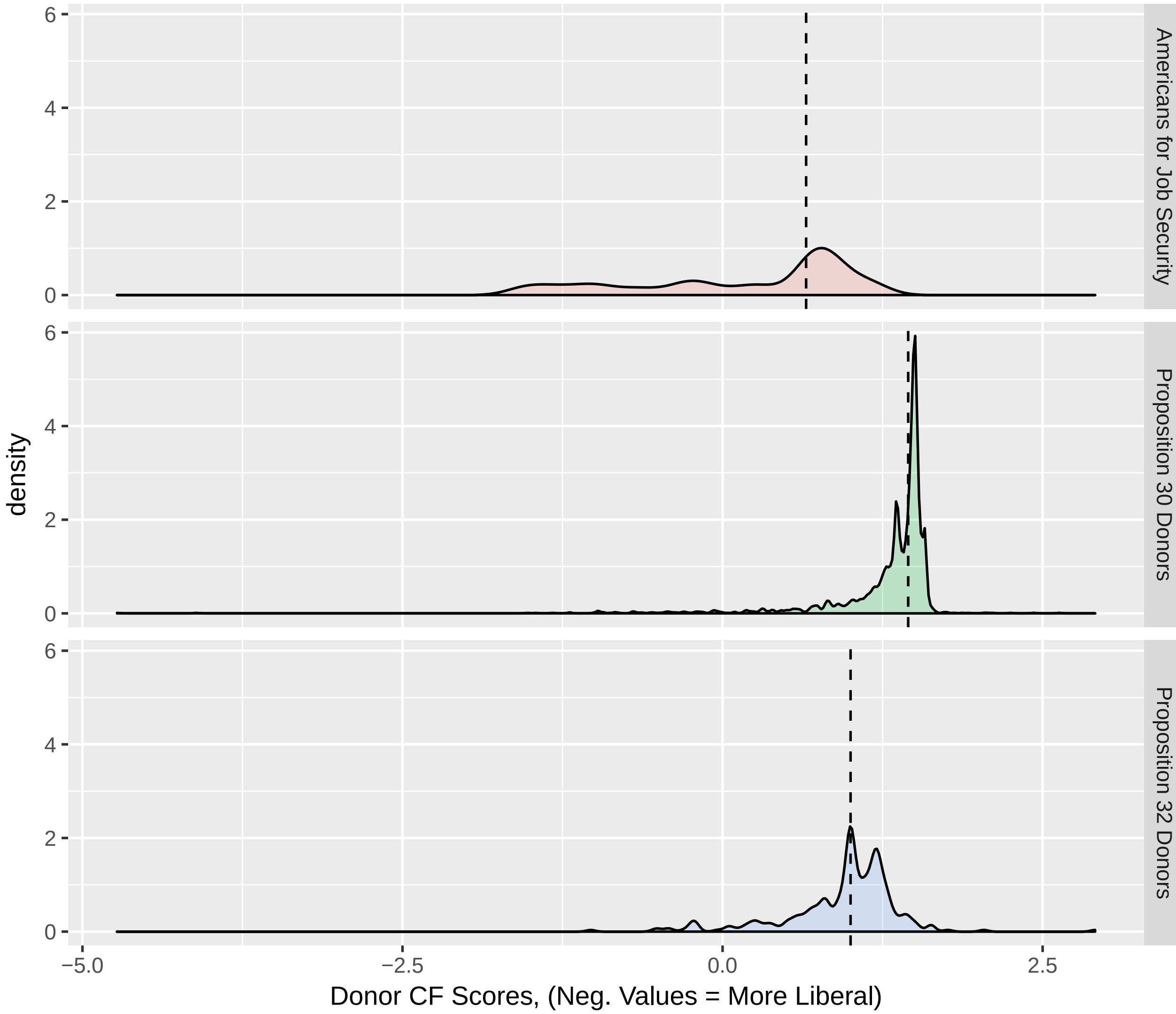

Figure 2.5: AJS Donor Ideologies vs. Transparent Donors. Vertical line indicates median value.

Americans for Job Security, indicating that donors to this dark money group were not ideological moderates, but distinct clusters of liberal and conservative donors. In Bonica's coding of ideology, liberal donors are assigned ideological scores less than zero and conservatives the opposite.

Using the same procedure to attach ideological scores to donors giving to Americans for Job Security, I then matched donor information to the No on Proposition 30 campaign and Yes on Proposition 32 campaign to Bonica's ideology scores. Of these donors, 321 of 568 unique donors to the Yes on Proposition 32 campaign were matched with a Bonica score as were 2367 of 2493 donors to the No on Proposition 30 campaign. Viewing the density plot of all donor ideologies, (Figure 5), the disconnect between Americans for Job Security and those donating in the open becomes even more evident.

Taking the analysis further, a two-tailed t-test shows a statistically significant difference in the ideological mean of the Americans for Job Security donors, (M=0.101, SD=0.88) and disclosed donors to the No on Proposition 30 campaign, (M=1.3, SD=0.433); $t(51.5) = 9.81, p = 2.24 \times 10^{-13}$. Similarly, Americans for Job Security and disclosed donors to the Yes on Proposition 32, (M=0.943, SD=0.43) had statistically significant mean ideologies; $t(55) = 6.76, p = 9.2 \times 10^{-9}$.

Further, the results from a two-sample Kolmogorov-Smirnov test allow us to reject the null hypothesis that those who gave to Americans for Job Security and those who gave openly come from the same population of donors in the case of the No on Proposition 30; $D = 0.811, p = 0$; and the Yes on Proposition 32 campaigns; $D = 0.566, p = 6.84 \times 10^{-13}$. Concerns about whether this difference is motivated by a bias in the Bonica scores introduced by large donors who donate widely to ideologically disparate causes is addressed further in the appendix.

Conclusion:

Are dark money non-profits utilized to avoid backlash against donors for giving to causes antithetical to their publicly stated beliefs? In this case study of Americans for Job Security, the answer appears to be yes. Donors who in previous elections had given mostly to liberal candidates were able to funnel money into a resoundingly conservative cause without fear of discovery. While there were many conservatives giving to Americans for Job Security whose financial support for a campaign opposing a tax increase and hobbling unions' political fundraising efforts would raise few eyebrows, the group also contained enough liberals whose participation may have exposed them personally to social backlash. While a perfect counter-factual isn't available due to the intensely clandestine nature of dark money, only 637 donations were made to liberal candidates by transparent donors to the No on 30 and Yes on 32 campaigns between 2008 and 2012 out of a total 15,744 donations. Compare this to the 2,470 of a total 6,128 by the Americans for Job Security donors and a stark distinction emerges. While not every donor giving to Americans for Job Security generally funded liberal causes or candidates, a large enough proportion did in order to shift the mean to the left.

In this case study, liberal donors giving to these ardently conservative causes may have simultaneously feared backlash against their businesses or their reputations, while at the same time preferring the policy outcomes these two initiatives would bring. For these donors, dark money offered a convenient out. By donating behind a veil of secrecy, they were able to avoid the repercussions their giving might have brought if done through traditional and transparent channels. The result is a rolling back of the clock to the more opaque days of campaign finance disclosure—when donations were made more or less free of public scrutiny.

The rise of dark money also calls into question our spatial notions of ideology when it comes to political donors. Because we assume that donors donate honestly and that donations are sincere statements of ideological preference, one is able to use donors as bridges to compare the ideologies of politicians in various governing bodies (Bonica 2014). However, what happens to this assumption when the public giving of donors varies drastically from the type of giving that goes on behind the veil of secrecy dark money groups afford? Furthermore, if the decision to give anonymously via a dark money group is biased systematically, (e.g. only liberal donors give anonymously to conservative ballot initiatives), what does this do to the ideal point estimates that rely on political giving as their bridge points? If it is precisely the type of large-scale donors that would both donate to state and federal races that are choosing also to donate to dark money organizations, perhaps then the ideal point estimates that lean so heavily upon them are unreliable.

Dark money is by definition obscure and by design difficult to trace. The data for this study was only available due to a happy accident in poor redaction, not some sort of transparency push by either the California state or Federal governments. While illuminating, we have no real way of knowing how the ideological composition of Americans for Job Security compares to the myriad other dark money groups that have operated since the 2012 election. This fact is not only troubling for the generalizability of these results, but troubling in the sense that a large percentage of spending in American elections can pass from donor to campaign and face absolutely zero scrutiny along the way.

Appendix

Selection Bias:

While selective censorship of this data is a concern, there are several reasons to believe that any censorship present in the data does not affect the conclusions drawn from this analysis. First, the geographic distribution of the donors whose names were fully redacted, (see Figure 3,) mirrors that of their unredacted counterparts. Given past work on spatial polarization and the correlations between the political ideologies of one's neighbors and themselves (e.g. Gelman 2009), the fact that the fully redacted donations do not cluster in some conservative area of either California or the nation indicate that ideology was not used as a defining characteristic to censor this data.

However, if the bias were selective for some reason, there's reason to believe that the ideological distribution of Americans for Job Security would be even more liberal than the results above. That's because although 68 entries lack enough unredacted information to ascertain the donor's identity, only five entries lack a zip code. Assuming all 68 missing entries were unique donors, a full 76.9 percent lived in a zip code represented by a Democrat in the U.S. Congress. Were the five completely redacted entries unique donors from Republican Congressional districts, then 71.7 percent would be represented by Democrats. Therefore, while the exact redaction strategy is only known to the member of Americans for Job Security's counsel responsible for blacking out the names, it is safe to assume that the effects to be reported in the following pages are, if anything, *understated*.

Most problematically, it is possible that the Bonica scores for the dark money donors suffer from a selection bias, as their contributions to a conservative cause isn't taken into account due to the clandestine nature of their giving. Due to the way spatial measures of ideology are calculated based on past contributions (see Bonica 2014), the exclusion of the tie between the dark money donors and those giving to the No on 30 and Yes on 32 campaigns would by definition give the dark money donor a more liberal tilt absent other information about past giving. An examination of the data, however, shows how to allay this fear.

First, of the 64 unique contributors to Americans for Job Security who have made a donation in the 2008, 2010 or 2012 cycle and thus received a Bonica score, (computational limitation prevented me from attempting to match donors from beyond these cycles), 22 have a Bonica score less than zero–indicating a generally liberal record of donations. More convincing evidence comes from laying the ideological scores of the candidates each group gave to. Because each candidate receives so many more contributions from so many distinct contributors than does each donor give to distinct candidates, the candidate Bonica score is a much more stable measure of ideology than is a contributor score. If one looks then to what type of candidates each particular set of donor is giving to during the three aforementioned cycles, we can come up with a more stable look at the ideological profiles of the dark money donors versus their transparent counterparts. As Figure 6 clearly demonstrates, donors to Americans for Job Security–the dark money organization–gave to a distinct set of liberal candidates that those giving transparently to the two initiative campaigns the dark money organization supported. Thus, we can be confident that the results of the above difference-of-means tests aren't merely the results of selective censorship, but rather reflect an actual difference in ideology, as least at measured by political giving.

Large Donors

One may wonder if these differences in means are simply a relic of large donors donating to a more ideologically disparate set of candidates and causes, thus making them look more moderate by virtue of how the Bonica cf scores are calculated (see Bonica 2014). To test this, I subset the data of those financially backing the No on Proposition 30 and Yes on Proposition 32 campaigns to only donors who gave $500 or more. Doing so leaves about 6.63 percent of the donors from those giving to the No on 30 campaign and about 52.6 percent of those giving to the Yes on Proposition 32 campaign.

Plotting the same distribution of ideologies, one sees a similar distribution as before when

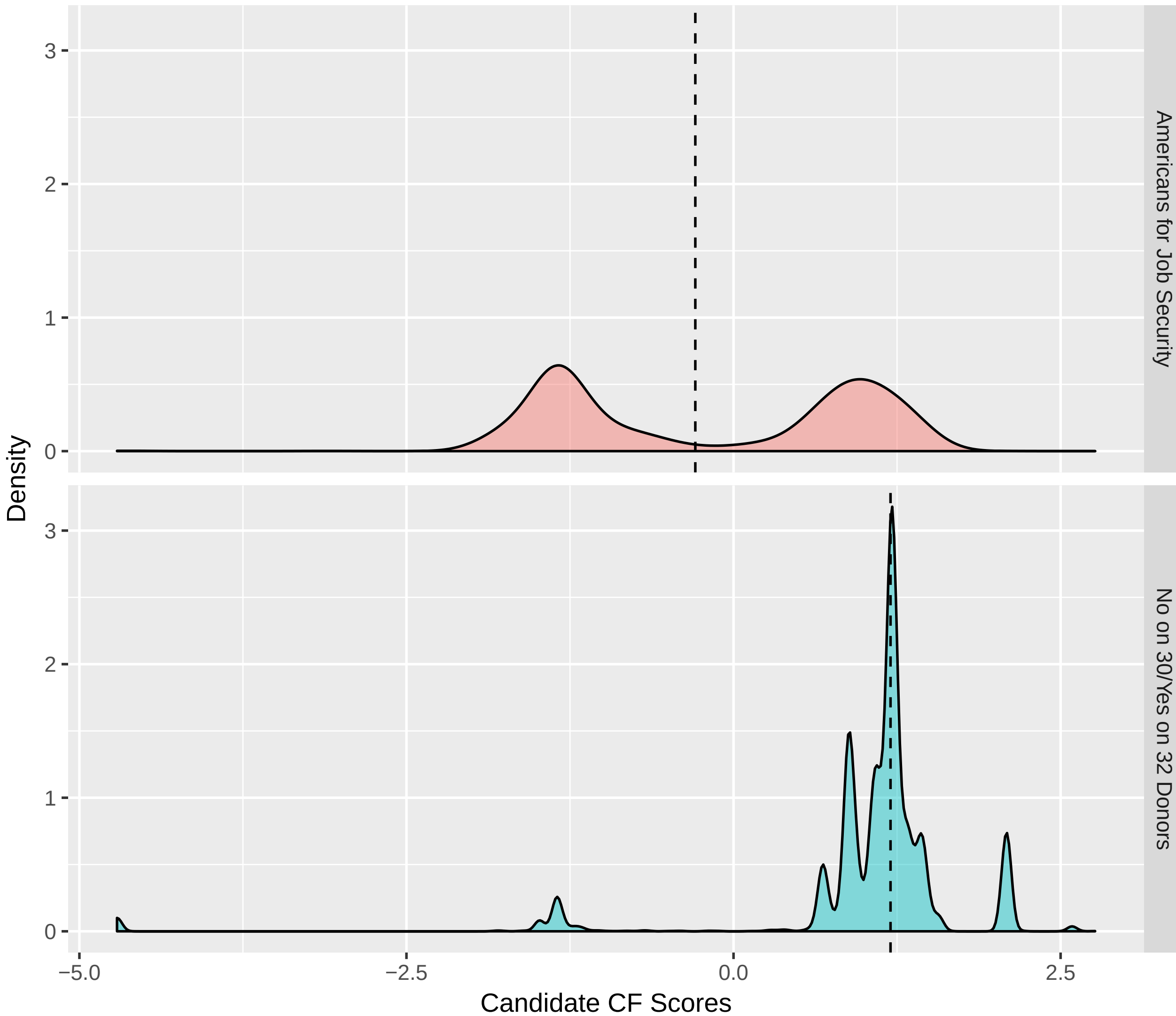

Figure 2.6: Ideological Scores of Candidates Receiving Money from AJS vs. Transparent Donors. Vertical line equals median value.

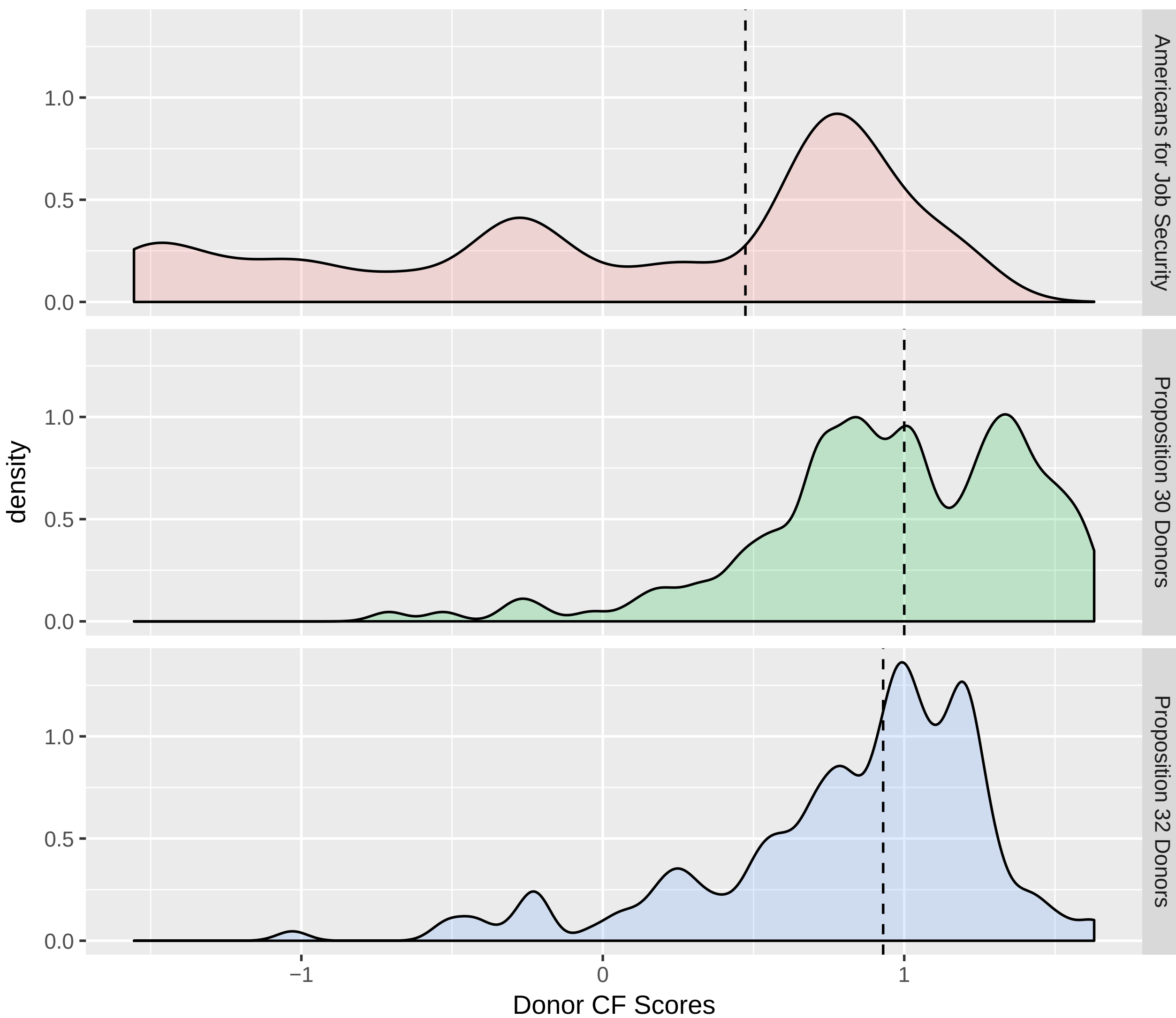

Figure 2.7: AJS Donor Ideologies vs. $500+ Transparent Donors. Vertical line indicates median value.

the full universe of traditional donors was depicted, (see Figure 7.) This further supports the claim that the distinction between these groups is not the result of some idiosyncrasy of large dollar donors, but rather an actual difference in ideology between the groups.

Performing the same two-tailed t-test as before, we find similar results between Americans for Job Security donors and large donors to both the No on Proposition 30, (M=0.958, SD=0.445); $t(59.9) = 6.74, p = 6.98 \times 10^{-9}$; and Yes on Proposition 32 campaigns, (M=0.811, SD=0.466); $t(60) = 5.58, p = 6.05 \times 10^{-7}$.

Similarly, the results of a Kolmogorov-Smirnov test show that the AJS donors and large donors to the No on Proposition 30 campaign–$D = 0.458, p = 1.57 \times 10^{-7}$–and the Yes on Proposition 32 campaign–$D = 0.416, p = 2.15 \times 10^{-6}$–are drawn from different population distributions.

Note on Published Material

Chapter 2, in full, is a reprint of the material as it appears in Research and Politics 2019. Oklobdzija, Stan. The dissertation/thesis author was the primary investigator and author of this paper.

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Chapter 3

The Price of Disclosure: Survey Experiments on Political Donation Disclosure.

Abstract

Following the *Citizens United* decision of the U.S. Supreme Court in 2010, the emergence of "dark money"–or spending from nonprofit organizations who conceal the identities of their funders–has given new importance to the issue of campaign finance disclosure. While ample literature on the effects of disclosure exists, examinations into the motivations of why donors choose anonymity in their political giving remains unstudied. I present two survey experiments that seek to answer this question. First, I present survey results from the 2018 Cooperative Congressional Election Study that show that past giving to candidates from the opposite party that one normally supports correlates with an increased willingness to pay a premium to keep one's political giving secret. Next, turning to another survey experiment, I find that potential voters are more likely to react negatively to an actual argument by opponents of a ballot measure when they know the names of the actual donors to a dark money group that opposed it. Combined, these results indicate both a social pressure rationale

for obscuring one's political giving and a strategic goal of distancing an electoral campaign from controversial donors.

Introduction

The four election cycles following the 2010 *Citizens United* decision of the U.S. Supreme Court have seen both a massive increase in the amount of money spent in American elections and a massive decrease in the amount of disclosure surrounding it. "Dark money," or campaign funds routed through nonprofit organizations whose governing laws exempt them from identifying their donors, has grown as both a total sum and percentage of election funding–accounting for about $150 million during the 2018 midterm elections (Massoglia 2019). Though past research has examined the effects of disclosure laws on donors' binary choice to either give money or not give money to a political campaign, the impetuses of donors selecting into non-disclosing campaign finance vehicles are still unexamined by scholars.

In this article, I attempt to answer what motivates political donors' motivations for giving to dark money organizations. Polling a nationally representative sample of Americans, I find that a stated willingness to pay extra to anonymize one's donation history correlates positively with past giving to contra-partisan political candidates–indicating a social pressures motivation theorized by several scholars. However, contrary to other research on the effects of social pressures on political giving, belonging to the opposite political party as one's neighbors did not predict any added desire to obscure one's record of political giving.

Next, I examine whether the desire for donors to remain anonymous could be strategically motivated. I conduct a survey experiment, in which language from an actual California ballot initiative very similar to the one opposed by a dark money group in 2012 was presented to respondents. While the treatment group received information about to the true backers of the 2012 initiative and their corporate affiliations, the innocuous names of the dark money groups funding the 2012 initiatives were presented as a control. I find a statistically significant decline in both the respondents' support for the dark money groups' position as well as their stated proclivities for patronizing the groups' businesses. These results speak strongly to the position that the primary purpose of setting up a political nonprofit is the avoidance of disclosure laws for the negative reputational costs that might be incurred by those who support certain controversial policies.

Taken as a whole, these results point to a complex set of motivations, both personal and political, for both dark money organizations and their financiers. Dark money appears to satisfy a donor's desire to support causes or candidates outside of their normal giving patterns while shielding this giving from public scrutiny. This anonymity also appears to serve a secondary function of avoiding associations in voters' minds between a political organization and its financial backers. Especially in the case of high-profile financiers, these associations may imperil a efficacy of a political organization's campaign efforts–in some cases overshadowing its campaign messaging and having an opposite effect on voters. As advancing technology has made researching and disseminating information about the financial backers of political campaigns easier than ever, changes in the law have created new outlets for actors seeking to "roll back the clock" on the reach of disclosure statutes. The resulting behaviors of these actors greatly informs both academic understanding of disclosure laws, but the way in which outside scrutiny might affect a myriad of political behaviors.

Campaign Money, Donors and Disclosure

The key dilemma for donors is deciding whether to attach their name to their political giving, (though an equally pressing question worthy of studying is the extent that voters use contributors to a candidate or initiative as an informational cue to guide their decision.) Thus, a donor must first become motivated to give to a candidate or cause, weigh the potential negative outcomes that such a donation could bring them and then decide how best to place their money such to mitigate those negative outcomes as much as possible.

While the exact scale of these negative outcomes are impossible to quantify, news accounts point to several examples of businesses being boycotted and people forced from their jobs because of their donations in support of Proposition 8–a constitutional amendment banning gay marriage on the California ballot in 2008. For instance, Scott Eckhern, the artistic director of the California Musical

Theater, was forced to resign after it became known that he'd donated $1,000 to the anti-gay marriage initiative (McKinley 2008). As one of Eckhern's counterparts at another theater commented "That a man who makes his living exclusively through the musical theater could do something so hurtful to the community that forms his livelihood is a punch in the stomach" (McKinley 2008). Because of musical theater's association with the LGBT community, the fact that someone intimately involved in its production would donate to a cause antithetical to the interests of that community inspired much of the reputational costs to Eckhern.

Past research has examined the effect of social settings on political preference formation (Klar 2014), political tolerance (Mutz 2002) and self-reported voting behavior (Karp and Brockington 2005). This research, which defined "social pressure" as "communications that play upon a basic human drive to win praise and avoid chastisement" (see D. P. Green and Gerber 2010, 331), conducted a get-out-the-vote experiment using various treatments which either reinforced positive norms, (i.e. voting is a civic duty), or threatened shaming, (i.e. neighbors would be informed if one didn't cast a ballot), to encourage participation in a statewide election in Michigan. A later study by Funk (2010) found that a change to voting by mail in Switzerland led to depressed turnout in smaller municipalities once the social stigma of not showing up at the polling booth was removed.

The effects of social pressures on political giving have also been analyzed by several scholars. Studying the phenomenon with a survey experiment, La Raja (2014) found that individuals reported less willingness to contribute if their contributions were to be made public. However, using actual individual donation data at the state-level and exploiting variations in disclosure law, Wood and Spencer (2016) found a negligible effect on more rigorous disclosure laws and political giving. Importantly, the authors found scant evidence that those facing strong cross-pressures–as defined by those with a pattern of giving significantly distinct from that of their home ZIP code–were any less likely to donate in the face of enhanced disclosure. Perez-Truglia and Cruces (2016) found that divulging an individual's past contributions leads to that person contributing more to the local majority party. The authors also find that individuals also contribute less when told that neighbors are supporting co-partisans–leading the authors to believe that these individuals are engaged in free-riding.

Why give money in the first place? Francia et al. (2003) provides the best taxonomy of donor motivations. Drawing from a survey and numerous interviews, the authors categorize donor motivations–with "investors" seeking some sort of tangible gain from their donation, "ideologues" give to advance some personal belief or policy goal and "intimates" simply give to their friends and associates. The survey the authors fielded is particularly illuminating as it demonstrates all donors are not motivated by the same impulses. By contrast, Ansolabehere, De Figueiredo, and Snyder Jr (2003), finding that campaign contributions have at best a middling effect on subsequent votes, postulate that "campaign contributing should not be viewed as an investment, but rather as a form of consumption—or, in the language of politics, participation" (Ansolabehere, De Figueiredo, and Snyder Jr 2003, 117). While fitting firmly within the "ideologues" and to a lesser extent, the "intimates" categorization of Francia et al. (2003), Ansolabehere, De Figueiredo, and Snyder Jr (2003) omits the large class of people who at least perceive tangible policy benefits obtained via their political giving–a full 25 percent of those surveyed by Francia et al. Gimpel, Lee, and Pearson-merkowitz (2008), in studying the relatively few portions of the country that supply the lion's share of campaign contributions, found that the majority of out-of-district donations to members of Congress were motivated mostly by shared ideology–with the pathways for political money firmly set by partisan networks. Francia and Powell (2005) find via a survey that donors to both Republicans and Democrats tend to be the most ideologically extreme and that, among Democrats, a sizable bloc of "pro-business Democrats" who are more like Republicans on economic issues exists while representation from organized labor is conspicuously absent. Finally, Hill and Huber (2017) support the claim that donors are more ideologically extreme than the general populace and that donors are motivated by the perceived "stakes" of an election–i.e. individuals who believe they have more to lose if their preferred party loses an election are more likely to give.

In the desire to "win praise and avoid chastisement" with one's political giving, state and federal campaign finance disclosure laws enter prominently into the equation. While once the confines of government basements, campaign disclosure forms became easily accessible to the masses at the rise of the internet age. As McGeveran (2003) wrote "This change in technology qualitatively transformed the nature of disclosure laws. No longer can a contributor assume that disclosed information is unlikely to be seen by anyone. The law may remain the same, but its effect is entirely different." This data, now easier to access and disseminate, has the potential to trigger serious consequences for donors (Carlton 2008). However, Wood (2017) finds via a survey experiment that respondents strongly prefer candidates who disclose more than is required by law than those who are supported by dark money groups–illustrating the normative appraisal that disclosure has in American elections.

The Dark Money Calculus

In an age where donor information can be disseminated across the globe with just a few simple lines of code, donors fearing backlash have all the more incentive to obscure their identities. This fear of exposure when donating to an unpopular cause will factor into the utility function that determines whether one will donate as an added cost. Simply put, the utility one receives from giving money to a preferred candidate or policy will have to outweigh not only the obvious cost of the money spent on the donation, but the additional reputational cost or costs to one's future income due to boycotts or the like.

Borrowing from Riker and Ordeshook (1968), the decision to donate can be modeled as a simple cost-benefit calculation. Let U be the expected utility a donor receives from giving money to a cause or candidate. Let W equal the utility gained from that campaign winning. On the costs side, let C equal the financial costs of the donation and R equal perceived costs to reputation. In equation form, the utility function that determines donations would look as such:

$$U = W - (C + R)$$

Specifically, one's reputational cost, R, will vary based on the expected probability by others that one would donate to a cause or candidate. The dissonance between one's perceived politics and political giving would factor into a donor's perceived reputational costs. An avowed Republican is likely not to blanch at coworkers, friends and neighbors discovering that he or she supported an anti-tax initiative or a conservative lawmaker, for example. Similarly, the owners of a Christian bookstore would not place great cost in customers learning that they donated money in support of California's Proposition 8 in 2008. Yet giving to a cause antithetical to one's public beliefs, as espoused through one's profession, charitable works or past political giving, is likely to incur large reputational costs. There may be causes or candidates that are so noxious to the electorate writ large, they would be unpopular for anyone to support. However, even for these pariah recipients, they are even more unpopular and thus incur higher reputational costs for those whose political grouping is further away from the recipient on a uni-dimensional scale of ideology.

Given this cost-benefit scheme, the benefits of secrecy become immediately obvious. As the social-pressures governing R grow, so too grows the utility gained by hiding one's political giving. This gives way to my first hypothesis:

H_1: *The more dissonant that a donor's public ideology or past pattern of giving is from a candidate or cause, the more value that donor will place on secrecy.*

Of course, the political giving calculus requires both a giver and a receiver. Like donors, political organizations also have the option to choose either a transparent disclosure system or an opaque one by virtue of how they incorporate. Which disclosure regime an organization selects into is governed by a similar calculus to those of donors. First, these organizations are election focused and exist entirely for some electoral goal–either electing or defeating a particular candidate or cause. Again, let W represent the utility gained by achieving that goal. Next, like donors, electoral organizations are burdened by costs. However, unlike donors, these organizations care much less, if at all, about their reputational costs. In so much as they do, the calculus is almost entirely governed by how it will effect their chances of winning in future elections–not by social pressures as individuals are concerned with. Therefore, these costs are internalized as affecting the probability of achieving the binary outcome of W and the equation governing the utility calculus of an electoral organization becomes a simplified version of the donor's utility equation, with U again representing the total utility and C again representing the financial costs of running the electoral campaign.

$$U = W - C$$

The value of secrecy thus becomes associated with either increasing the probability of W or reducing C, (i.e. a situation where raising money from donors becomes easier because anonymity increases their utility from giving.) If voters will punish a campaign based on associations made with the organizations behind it, then the secrecy premium increases and incorporating as a dark money organization becomes more attractive. For this to be true, however, voter knowledge of a campaign's financial backers must affect their appraisal of the campaign. Like Garrett and Smith (2005) theorize that voters can use donor information to an initiative campaign in a similar fashion that they might use other shortcuts (i.e. Lupia 1994), so too might campaigns be worried that the financial backers of their effort might imperil their chances of winning. Thus, I arrive at the second empirical hypothesis of this paper:

H_2: *Knowledge of a campaign's financial backers affects voter appraisal of the campaign as well as their eventual vote choice.*

Selecting Into Anonymity

Does a desire to avoid cross-pressures motivate donors to "go underground" with their political giving? To test this hypothesis, I field a series of questions on a 1,000 person module of the 2018 Cooperative Congressional Election Study (Schaffner, Ansolabehere, and Luks 2019). These 1,000 respondents were asked a battery of demographic questions as well as questions concerning their own political beliefs and past behaviors. Each respondent was asked if they had ever, "donated money to a candidate for office **representing the opposite party** from the one that you normally vote for or support." Respondents were then asked the following question immediately after:

> Hypothetically speaking, on a scale from 0 to 100 percent, what percent of your total political donations would you pay as a surcharge in order for all of your contributions to

be made anonymous, (i.e. removed from all records subject to public inspection)?

Table 3.1: Responses to "Have you ever donated money to a candidate for office representing the opposite party from the one that you normally vote for or support?"

Response	# of Observations	Pct. of Observations	Weighted Percentage
Yes	68	0.068	0.068
No	730	0.730	0.859
Not sure	47	0.047	0.056
Prefer not to say	14	0.014	0.017
No Data	141	0.141	0.000
Total	1000	1.00	1.00

As shown in Table 3.1, donating to a candidate from the opposite party that one normally supports is a rare occurrence. In accordance with theories of political donations as consumption goods (e.g. Ansolabehere, De Figueiredo, and Snyder Jr 2003), one would not expect this behavior to occur frequently. Estimated using the CCES survey weights, just 6.78 percent of U.S. adults ever gave money to a contra-partisan candidate.

Turning to Figure 3.1, we find a vast majority of respondents unwilling to pay any surcharge on their donations to keep them anonymous. This is unsurprising as just about 30 percent of all respondents polled gave any money to any political cause in the past year and of those donors, the mean donation was just 100 dollars. While donating money is the most common political activity engaged in only after voting (Schlozman, Verba, and Brady 2012), the middling amount donated by most Americans would indicate that the average donor is quite price sensitive. That 77 percent of all survey respondents were unwilling to pay any surcharge to maintain their anonymity falls in line with the expected preferences of the majority of American donors, who give generally give just small sums to politicians they support.

Of greater interest however, is how these two variables interact. Given the small sample populations of both those who have given to an opposing party's candidate and those who would gain utility by hiding their donations, finding a correlation between the two would lend credence to the idea that the two behaviors are influenced by one another as laid out in Hypothesis 1. I estimate

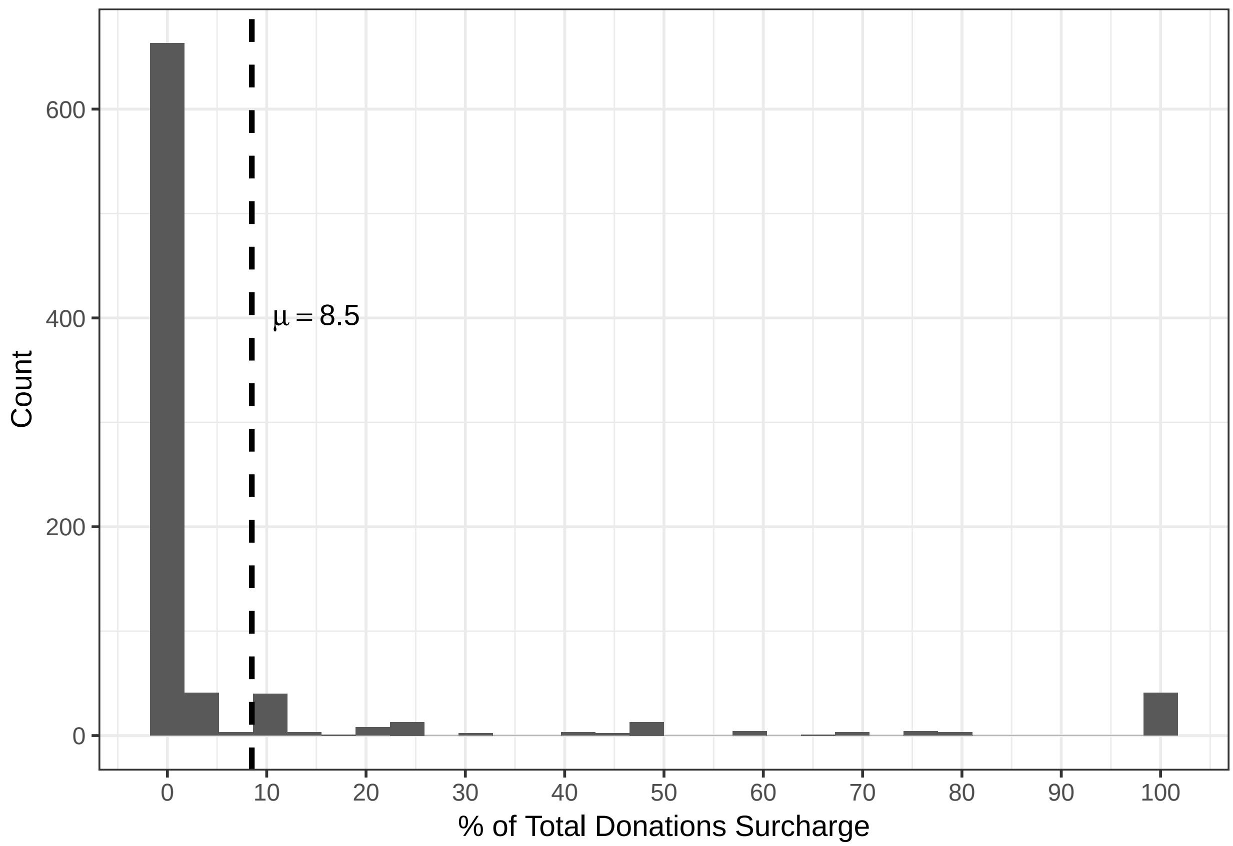

Figure 3.1: Distribution of Anonymity Surcharges Respondents Indicated Willingness to Pay, (Vertical Line Indicates Mean Value.)

this relationship using two models–a linear probability model on a dependent variable of whether the respondent would pay *any* premium to remain anonymous and a binomial logit model with a dependent variable of the stated percentage surcharge for anonymity the respondent indicated that they were willing to pay. Both models utilize survey weights included with the CCES module.

In addition to the key independent variable of whether a respondent had ever donated money to a contra-partisan, I also include a variable that measures whether the respondent is of a different partisan affiliation than their neighbors, (as defined by whether their partisan self-identification differed from the Cook Partisan Voting Index of their home district.) In addition, I include a transformed 7-point variable measuring the respondent's ideological lean and intensity that takes a value of -3 for "Very Liberal" to 3 for "Very Conservative." I also include two dummy variables that measure whether a respondent gave money to any political cause during the 2018 campaign and whether the respondent reported voting in the 2018 midterm elections.

In both models, depicted in Table 3.2, past giving to a contra-partisan candidate strongly correlates with a willingness to pay a premium for anonymous giving. In the first model, where the anonymity premium is modeled as a binary choice, respondents who'd given to a contra-partisan candidate in the past were about 22 percent more likely to state a willingness to pay a surcharge for anonymity. Moreover, having given to a contra-partisan candidate in the past also correlated with a large and statistically significant premium in how much a respondent was willing to pay to preserve their anonymity. As depicted in Figure 3.2, the median stated surcharge that respondents were willing to pay increased by about 24.16 percent or an additional $24.16 per $100 donated.

The results of this survey indicate that past political giving that ran contrary to one's public persona greatly increased the premium a respondent was willing to pay to remain anonymous. Thus we see strong evidence of the social pressures mechanism advanced in Hypothesis_1. Interestingly, there was no statistically significant correlation with living in a community where the majority of one's neighbors belonged to a different political party, nor for any other measures of political participation.

Table 3.2: Effect of having donated to a contra-partisan on desire for anonymous giving.

	Dependent variable:	
	Any Surcharge for Anonymity	Exact Surcharge for Anonymity
	OLS	*logistic*
	(1)	(2)
Donated to Contra-Partisan	0.216^{***}	1.241^{***}
	(0.056)	(0.393)
Differing Political Affiliation from District	−0.017	−0.349
	(0.036)	(0.368)
Ideological Lean	−0.001	−0.057
	(0.008)	(0.080)
Gave Money in 2018	0.011	0.155
	(0.038)	(0.364)
Voted in 2018	−0.032	−0.390
	(0.050)	(0.434)
Constant	0.217^{***}	-2.272^{***}
	(0.061)	(0.541)
Observations	726	726
R^2	0.021	
Adjusted R^2	0.014	
Log Likelihood		−157.241
Akaike Inf. Crit.		326.482
Residual Std. Error	0.389 (df = 720)	
F Statistic	3.073^{***} (df = 5; 720)	
Note:		*p<0.1; **p<0.05; ***p<0.01

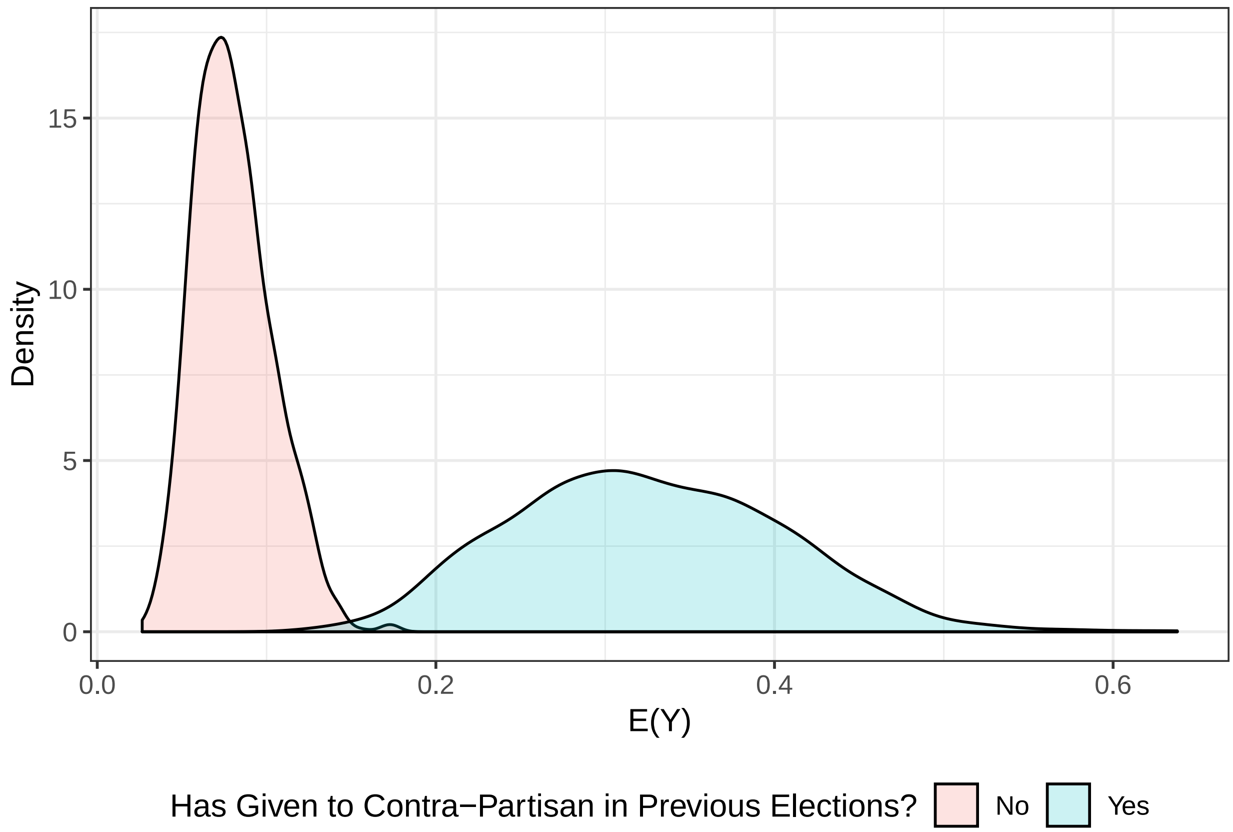

Figure 3.2: Expected Value of Anonymity Surcharge based on Response to Question: "Have you ever donated money to a candidate for office representing the opposite party from the one that you normally vote for or support?"

The Costs of Political Money:

While the previous section shows evidence for a social pressures motivation for hiding records of one's political giving, donors are not the only actors with an option to select into anonymity. As previously discussed, campaign organizations can also choose to incorporate as traditional disclosing entities or as non-disclosing dark money organizations. While not particularly onerous, incorporating as a political nonprofit involves a more complex process than simply registering as a political action committee. Why then do any groups choose anonymity? As I will demonstrate in this section, the disclosure of donors' identities as well as business or organizational affiliations can color voters' assessments of a particular political cause. Furthermore, involvement in political causes has consequences for the reputation of a donor's business which may bring strong financial repercussions.

As part of a campus wide survey, 402 students, primarily undergraduates at a large California public R1 institution, were recruited to participate in a multi-part survey during the fall of 2016. Respondents were shown actual text for an initiative appearing on the California 2016 General Election ballot that would have extended the tax increases passed by voters in 2012 when they approved Proposition 30. This 2012 increase was opposed by several dark money organizations (see Barker and Meyer 2014). To prevent contamination and to not unethically influence a pending vote, the ballot initiative was given a fictitious number, ("Proposition 500"), though actual language from the California Voter Guide was used in the survey experiment in order to maximize the generalizability of the results.[1]

Respondents to the survey, (see Tables 3.4 and 3.5 for summary statistics), were gauged as to their initial support for continuing the 2012 tax increases, (the objective of the hypothetical "Proposition 500") on a five-point Likert Scale that ranged from a value of 2 for "Definitely Vote Yes" to -2 for "Definitely Vote No." Then, both the treatment and control groups were asked to read actual language used by opponents of the tax increase in the California Voter Guide, (see Table **??**). Both

[1] The actual language from the Proposition can be found here: http://vig.cdn.sos.ca.gov/2016/general/en/pdf/prop55-title-summ-analysis.pdf

groups were also given information as to the hypothetical top three contributors to the initiative.

At the onset of the survey and prior to seeing the advertisement, initial preferences for this tax hike were measured with the following question:

> *Imagine that in November, California voters will be asked to vote YES or NO on Proposition 500. If a majority of voters vote yes, this initiative would raise the income tax for those earning more than $250,000 annually. These tax increases are expected to raise between $4 billion and $9 billion annually. About 89 percent of that money is earmarked for K-12 education with the remainder going to fund California community colleges. Which statement would best describe your position on Proposition 500?*

Next, both the control and treatment groups received this opposition message to "Proposition 500":

Imagine that you saw the following advertisement in a newspaper paid for by opponents, (those advocating a NO vote on Proposition 500), of the initiative:

"PROP. 500 WILL HURT SMALL BUSINESS AND KILL JOBS. Prop. 500 will kill jobs, close businesses, and hurt the economy. It will raise taxes on California's small businesses, and make it even harder for them to create good-paying jobs. WE CAN'T TRUST THE POLITICIANS AND SPECIAL INTERESTS The politicians and special interests know California is NOT facing cuts to programs. They just want to grow government bigger by passing Prop. 500. And they are using our kids and schools to scare voters into supporting it. Don't be fooled. SCHOOLS ARE FULLY FUNDED Education spending has grown by $24.6 billion since 2012—a 52% increase. Schools are funded, and the state budget is balanced. We have a $2.7 billion surplus and over $9.4 billion in budget reserves. Prop. 500's new and higher taxes aren't needed. DON'T BE FOOLED BY SCARE TACTICS, PROP. 500 IS NOT NEEDED. Official budget estimates by the state's non-partisan Legislative Analyst show that higher taxes are NOT needed to balance the budget and fully fund schools. California can fund education, health care and state government without new or higher taxes. VOTE NO ON PROP. 500."

Condition	Question	N
Control	'. . . This ad paid for by a Committee whose Top Funders are: 1. Charles Munger, physicist. 2. Americans for Responsible Leadership. 3. Americans for Job Security.' Having read this ad, which statement best describes your new attitude towards Proposition 500?	194
Treatment	'. . . This ad paid for by a Committee whose Top Funders are: 1. Charles Munger, physicist. 2. Greg Penner, chairman, Walmart. 3. Doris F. Fisher, co-founder, The Gap, Inc.' Having read this ad, which statement best describes your new attitude towards Proposition 500?	195

Next, I manipulate whether a participant receives information about the actual donors opposing Proposition 30 in 2012 which were uncovered by several media outlets (Hedgeclippers.org 2016; York 2013) or the names of the two dark money groups who gave to anti-Proposition 30 effort during that same election. In addition to Charles Munger Jr., a Stanford physicist and major funder of conservative causes in California whose support was disclosed to survey respondents in both groups, those in the treatment group were told that Walmart Chairman Greg Penner and Gap, Inc. clothing co-founder Doris F. Fisher, (who combined gave about $2.5 million to Americans for Job Security), were financing the opposition to the hypothetical tax increase Proposition 500. By showing respondents in both the treatment and control group identical messaging and by utilizing the extension to the Proposition 30 tax hikes in order to keep constant the issue area of the ballot initiative, but varying only information on the donors, the effect of seeing the actual donors to Americans for Job Security and not the names of the dark money groups opposing Proposition 30 can be isolated. By using the experimental variation to mimic the counter-factual world where the donors who gave to dark money groups gave directly to the initiative campaigns themselves, I can asses the extent to which voters would be affected by knowing that key figures in several prominent businesses were financing opposition to the tax hike.

Table 3.4: Summary Statistics of Survey Respondents: Treatment

Statistic	N	Mean	St. Dev.	Min	Max
Baseline Support	195	0.903	1.212	−2	2
Male	191	0.466	0.500	0.000	1.000
U.S. Citizen	191	0.874	0.332	0.000	1.000
Election Results Important to You?	191	0.869	0.338	0.000	1.000
Liberal	195	0.636	0.482	0	1
Moderate	191	0.157	0.365	0.000	1.000
Conservative	195	0.164	0.371	0	1
Soc. Sci. Major	195	0.774	0.419	0	1
S.T.E.M. Major	195	0.164	0.371	0	1
Resp. After Election Day	195	0.564	0.497	0	1
Age	188	20.441	3.772	17.000	55.000

Table 3.5: Summary Statistics of Survey Respondents: Control

Statistic	N	Mean	St. Dev.	Min	Max
Baseline Support	194	1.093	0.950	−2	2
Male	191	0.471	0.500	0.000	1.000
U.S. Citizen	191	0.838	0.370	0.000	1.000
Election Results Important to You?	191	0.822	0.384	0.000	1.000
Liberal	194	0.624	0.486	0	1
Moderate	191	0.178	0.384	0.000	1.000
Conservative	194	0.124	0.330	0	1
Soc. Sci. Major	194	0.727	0.447	0	1
S.T.E.M. Major	194	0.175	0.381	0	1
Resp. After Election Day	194	0.562	0.497	0	1
Age	190	20.447	3.247	0.000	39.000

Figure 3.3 shows the average treatment effects for support of the tax increase when respondents were informed of business support, (treatment condition), and when they were only provided with the identities of dark money groups, (control condition.) Responses were categorized as "1"

when respondents indicated they were more likely to vote yes on the tax increases after reading the ad, "-1" when they were less likely to vote yes and "0" when their opinion on Proposition 500 hadn't changed from their baseline level of support, (recall that in both groups, sentiment for the tax increase was generally positive as shown in Tables 1 and 2.) Striking is the fact that on average, those in the treatment condition had a negative mean value, indicating they were *more likely* to vote in favor of the tax increase despite receiving an identical argument against the initiative as those in the control who were more likely to. Not only did learning the names of prominent business backers of the initiative's opponents negate the messaging against the tax increase, it increased the self-reported likelihood that this group would vote *for the tax hike*. By contrast, those learning only the name of dark money groups were more persuaded by the negative ad–and thus were less likely to support the tax increase.

Table 3.6 shows the results of two OLS regression models testing the effect of information as to the actual donors and their affiliations had on support for the Proposition 30 tax hike extension. The first model measures support for the tax hike after reading only the argument against the initiative with donor information disclosed at the bottom. Those assigned to treatment were those who learned of the actual donors to the campaign to defeat Proposition 30 in 2012, while those in the control learned only the names of the dark money organizations, (as the general public was only privy to this information before casting a ballot in the 2012 election.) The second model measures support for the tax hike after being specifically asked "Does knowing that _____ contributed to the campaign opposing Proposition 500" increase or decrease your support for the tax hike–with the phrase "key personnel from Walmart and The Gap" substituted for " Americans for Responsible Leadership and Americans for Job Security" substituted in the treatment and control groups respectively. For both models, the dependent variable ranges between 1 and -1, with 1 indicating greater support. The variable "Baseline support" was similarly scaled, though the variable ranged between 2 and -2, with two indicating "definitely vote yes" and -2 indicating "definitely vote no."

Striking about this model is that assignment into the treatment group corresponds with a stronger likelihood to support the initiative than assignment into the control. Simply learning that

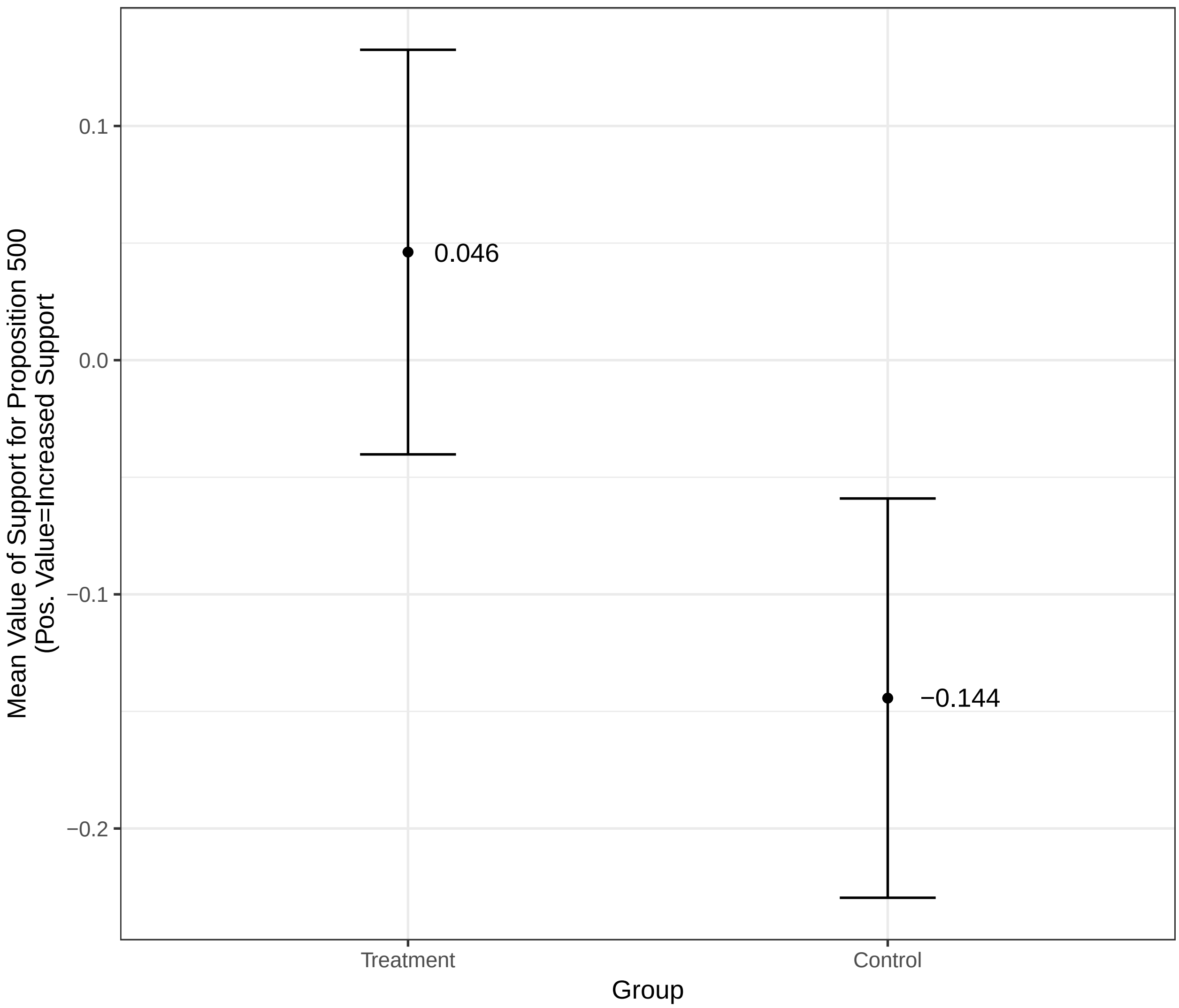

Figure 3.3: ATE: Knowledge of Business Donations and Effects on Support for Prop 500.

Table 3.6: Effect of Knowledge of Tax Increase Opposition Financiers on Probability of Supporting Tax Increase Initiative.

	Support for Tax Inc.	
	Dark Money Support	Business Support
	(1)	(2)
Treatment	0.201***	0.250**
	(0.060)	(0.107)
Baseline Support	0.121***	0.125***
	(0.030)	(0.032)
Years in Univ.	−0.009	0.007
	(0.026)	(0.027)
Age	0.026***	0.010
	(0.010)	(0.010)
Male	0.088	0.036
	(0.062)	(0.065)
US Citizen	0.201**	0.045
	(0.087)	(0.092)
Thinks Election is Important	0.019	0.100
	(0.088)	(0.093)
Liberal	−0.039	−0.141
	(0.087)	(0.112)
Moderate	−0.251**	−0.051
	(0.103)	(0.107)
Respond. After Election Day	−0.069	−0.008
	(0.061)	(0.064)
Treatment x Liberal		0.286**
		(0.133)
Constant	−0.901***	−0.433*
	(0.214)	(0.226)
Observations	378	378
R^2	0.135	0.174
Adjusted R^2	0.112	0.149
Residual Std. Error	0.577 (df = 367)	0.604 (df = 366)
F Statistic	5.752*** (df = 10; 367)	7.013*** (df = 11; 366)
Note:		*p<0.1; **p<0.05; ***p<0.01

business interests were opposed to the tax hike make respondents more likely to vote in favor of the tax hike than did learning the names of dark money organizations. Given the ideological distribution of the sample, (63 percent self-identified liberal,) this is perhaps not surprising. However, given that a plurality of California registered voters register as Democrats, (45 percent) and a plurality of California independent voters lean Democrat, (43 percent,) according to an August 2017 Public Policy Institute of California survey[2], the desire to obscure business opposition to the tax hike becomes clear.

From these results, we see strong support for Hypothesis_2 in that knowledge of the financial backers of a political campaign can have an impact on voter appraisal of that campaign. Learning the business affiliations of the campaign's backers caused, on average, a majority of respondents to becomes less likely to vote against the measure despite not receiving any messaging in favor of the initiative from its supporters. The persuasive effects of the message were completely negated, if not totally reversed, when the true financiers of the opposition campaign were revealed to voters.

Discussion

Combined, these two survey results help illuminate the value of anonymity to both donors and spenders of political money. For donors, anonymity shields them from negative social pressures when their present behavior doesn't conform to their public personas (see Oklobdzija 2019). Their willingness to pay extra on top of their political donations shows how strong this preference for anonymity is. For campaign organizations, the temptation to hide their donors' identities comes from real fears about influencing their chances for victory at the ballot box. Voters use a myriad of cues to help guide their political behaviors and information about a campaign's or cause's financial backers may sway one's decision come Election Day.

Balancing the salutary effects of disclosure (e.g. Ansolabehere 2007; Hasen 2011) against incursions into personal privacy is a major challenge for policy makers seeking to create new legislation to regulate the post-*Citizens United* campaign finance world. Opponents point to a

[2]See http://www.ppic.org/publication/california-voter-and-party-profiles/

"chilling" effect that disclosure laws have on free speech and the results presented in this paper demonstrate the at least perceived social pressures that may dissuade some donors from making a contribution to a political cause. However, these dampening effects on political giving must be taken into consideration alongside the other results from this article demonstrating how improved knowledge of a campaign's financiers has a definite effect on vote choice.

The computing revolution and popularization of the internet has made the analysis and dissemination of campaign finance data easier than it has been in any point in American history. Political donations are particularly useful for guiding vote choice precisely because they provide voters with strong group cues. At the same time, the new transparency of the digital age may be causing at least some donors to hesitate in giving to a candidate for fears of negative social pressures that donation might incur. In crafting new disclosure regimes and new laws governing the activity of dark money groups, lawmakers at all levels of government must balance the public's right to know and compelling interests to prevent corruption with First Amendment protections of political expression.

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Chapter 4

Extremism Grows in the Dark: Political Non-Profits, Disclosure and Congressional Polarization.

Abstract

Following the Supreme Court's 2010 decision in *Citizens United v. FEC*, independent expenditures have grown dramatically both in terms of raw dollars and as a percentage of spending in elections. A large and growing portion comes from political nonprofits—so called "dark money" groups—named because the terms of their incorporation allow them to partially obscure the sources of their income. I posit that the pathways for anonymous giving that emerged from the *Citizens United* decision allowed ideologically motivated interest groups to aggressively challenge more established factions of political parties in way previously unfeasible. Testing this theory, I find strong support that these groups back more extremist candidates—especially in open-seat primaries—than either formal party organizations or access-oriented interest groups. These results give evidence to recent suggestions by some scholars that Congressional polarization may be in part caused by changes in campaign finance law that empowered these ideologically motivated groups while

hobbling efforts of more moderate party factions.

Introduction

> "We've played too much to the cadence of Washington and the congressional calendar and whichever leader or whichever party held the majority and their agenda...Then we played marginally around ... either pushing them to success or fighting them to defeat. ... We haven't done enough to set the agenda."
>
> –James Davis, Vice-President. Freedom Partners Chamber of Commerce, on plans by the Koch brothers network to spend between $300 and $400 million in the 2018 midterm elections (Hohmann 2018).

On June 7, 2016, Rep. Renee Ellmers of North Carolina went down as yet another casualty in the simmering civil war within the Republican Party. For the first time in its existence, the Koch network, a powerhouse of independent expenditure groups who have steered tens of millions of dollars into each of the last three election cycles, backed a primary challenge to a sitting member of Congress (Swan 2016). In a statement following Ellmers' primary defeat, Americans for Prosperity–the flagship organization of the Koch network–declared that "Renee Ellmers lost her job because she abandoned the limited-government principles she originally espoused" (Prosperity 2016). Touting the group's efforts in "knocking [sic] over 16,000 doors and making over 180,000 phone calls," the statement went on to warn the contest's winner that "we'll also urge him to continue to focus on cutting wasteful spending and ending special interest handouts. Americans for Prosperity will continue to hold politicians from both parties accountable to these basic principles of a free economy."

The internecine battle between the Koch network and Rep. Ellmers is illustrative of a growing tension within the Republican Party. At times, such as in the case of Ellmers, the goals of the institutional party and the goals of political donors were at odds–setting up a clash between the party's formal establishment and the interest groups that operate within its orbit. For instance, during the efforts to repeal the Affordable Care Act in the first months of the Trump administration, the Koch network pledged access to a "new pool of money for advertisements, field programs and mailings" for those voting against a Republican overhaul of the ACA that the Koch's believed didn't go far enough (Schleifer 2017). These disputes are interesting and important because they help demarcate better the line between interest groups and parties.

In the post *Citizens United* world, many have blamed the rise of these independent expenditure groups for the dysfunction in Congress and the increasing polarization of American politics (see Lessig 2011; Skocpol and Williamson 2016). Empowered interest groups, they argue, have hijacked American democracy and are fueling the rise of extremists by overwhelming traditional the party apparatus. La Raja and Schaffner (2015) found evidence of this phenomenon in the states–but crucially, studied only data in the years prior to *Citizens United*. Others find these claims overblown, arguing that these independent expenditure organizations–notably super PACs–are mere party creatures in wearing different names but fulfilling the same functions are their centralized fore-bearers did prior to 2010 (see Mann and Corrado 2014; Drutman 2015).

Ultimately, the debate over whether these new post-Citizens United spending organizations are simply extensions of the established parties or are a new set of organizations with differing ideological preferences rests on the types of candidates each supports in their quest for higher office. If the types of candidates these new extra-party organizations support are indistinguishable from those in the party's orbit, then Mann and Corrado (2014) are correct when they postulate that "To contend that parties have been marginalized or that their role in contemporary elections is diminishing as a result of the rise of Super PACs and other non-party organizations is to view 'the party' simply as the formal party committees, rather than as a networked amalgamation of diverse organizations with common electoral goals and shared ideological predispositions." However, if there is a clear disconnect in the types of candidates that these new spending vehicles choose to bolster and especially if these candidates are more ideologically extreme than candidates supported by formal party committees, then the conceptualization of weakened parties set forth by La Raja and Schaffner (2015) gains new credibility.

In this article, I examine "dark money" organizations, or political nonprofits who are able to employ loopholes in election and tax law to shield the identities of their donors. These groups are of particular interest as the opacity of their finances precludes researchers from tying them to larger networks (e.g. Blum 2016; Skinner, Masket, and Dulio 2012 but see Oklobdzija (2018)) and thus making them difficult to place in the traditional interest-group typology used by the literature. I find that dark money organizations they throw their support behind a vastly divergent set of candidates, backing more extreme candidates than do party organizations or access-seeking interest groups. For Democrats, this phenomenon is pronounced during the party's primary. Dark money organizations also prefer differing candidates in open-seat primaries compared to those organizations as well–throwing more financial support to aid extremists. Taken as a whole, these findings show that dark money networks have emerged as a potent force in American federal elections. Their new prominence should influence debates among scholars and reformers concerning the role of political parties in stemming the rise of Congressional polarization. Whereas once political parties were the sole conduit between ideologically motivated donors and candidates for higher office, the changes ushered in by *Citizens United* have turned the former "company store" into a series of small boutiques, each catered to the preferences and policy goals of these political financiers.

Theory

Group Goals

The following section will outline the motivations and constraints of interest groups as currently understood by scholars. Analyzing the goals and limitations of this new category of interest groups, I theorize that the anonymity that dark money offers these groups frees them to behave like ideological interest groups while minimizing the backlash that these groups might face for supporting extremists and participating in primaries. Given this smoother pathway into ideological giving, the combination of "dark party" spending with ideological interest group spending post *Citizens United* should dominate party outside spending as well as spending from other types of interest groups.

There is a long-running literature detailing the differing types of interest groups and the motivations that fuel each's foray into politics, (see Table 1.) Welch (1981) and Gopoian, Smith, and Smith (1984) first advanced this typology to the world of PACs, arguing that they either focus on access to members of Congress or represent ideological issue concerns which themselves might be broad or narrow. R. L. Hall and Wayman (1990) posited the theory of PAC giving as buying access to legislators such that they might influence the policies they choose to pursue, rather than merely influence their vote. Notably, Francia et al. (2003) separated donors to Congressional elections into "investors, ideologues and intimates." While analyzing individual donors and organizations collectively, these authors distinguished between those seeking access to lawmakers, those seeking to place like-minded individuals into office and those supporting friends, respectively. Brunell (2005) adds nuance to this theory showing that while interest groups may give to both parties in order to ensure access in the event of a partisan swing in Congress, differing types of groups still have their preferred parties and will not donate to key races which may affect their preferred party's hold on power. More recently, Barber (2016) identified "ideological groups" as a unique typology that occupy "an intermediate position between purely access-oriented PACs and individuals," the latter of whom are more motivated by ideological alignment than the ability to gain an audience with a member of Congress shaping legislation.

Broadly speaking, the existing literature classifies politically active organizations into one of three camps and ascribes the following motivations to each:

1. *Party Organizations:* These groups are focused primarily on growing the size of their coalition as a party gains strength from representation within either an executive office or within a legislative body. As such, party organizations concern themselves first and foremost with a candidate's chances for winning an election. The main criteria that a party organization uses to evaluate a candidate is *electability.*

2. *Access Groups:* These groups are focused primarily on being able to contact incumbent lawmakers and influence their votes on pending legislation. These types of interest groups are most concerned with preserving relationships with members of a legislative body such

that they will be able to help guide that member's vote or insert themselves into any pending legislation that member is crafting. The main criteria that an access group uses to evaluate a candidate is that candidate's *position of power*, or ability to influence legislation pertinent to the group.

3. *Ideological Groups:* These groups focus primarily on enacting specific policy goals or ideological agendas into law. While these groups prize electability, they are more focused on some policy or ideological position. These groups seek less to influence incumbent members of a legislative body, but rather replace them with fellow adherents to the goal or cause. The main criteria than an ideological group uses to evaluate a candidate is a candidate's *conformity* towards a policy goal or cause.

Group Constraints

Not just motivated by differing goals, each type of organization is also subject to differing constraints. As indicated in Table 1, each group encounters a unique roadblock in pursuing their electoral and policy goals. For instance, the primary process was designed to cut party insiders out of the nominating process. As such, party organizations are generally reticent to expend precious resources in an election in which, by definition in most states, a copartisan will emerge. Access groups are equally constrained by the prospect of losing access to a particular member of a legislative body. Unless one is a safe incumbent, access groups will shy away from primaries precisely due to the fact that a misplaced show of support could see them locked out of the legislative process by either a spurned member or one of their allies. Similarly, ideological groups may often prefer an incumbent's challenger in a given race. However, these groups also pursue policy change by seeking to influence sitting members of a legislative body. Thus, these groups often encounter the same constraints of access groups, though on a much less pronounced scale.

Examining Dark Money

The relevant question for this paper is where dark money organizations fit into the typology of interest groups and how their own unique constraints and motivations should allow us to predict their behaviors. This is especially important as these organizations often emerge concurrent to an election and offer voters very little information on which to evaluate them other than a name and a minimalist webpage. I posit a theory that the ability to obscure financial information and donor identities makes this type of organizational structure ideal for ideological interest groups who are unconcerned with access. Dark money organizations differ from formal party organizations in that parties are motivated by increasing the size of their coalition within a legislative body. Ideological interest groups, on the other hand, seek not copartisans, but ideological fellow travelers. Their concern is not the partisan affiliation of a legislator, but rather a shared ideology or shared position on a particular policy topic. As such, dark money are best thought of as an evolution of ideological interest groups. Because ideological interest groups often are at odds with established party orthodoxy on a particular issue or policy area, the offer of anonymity for their financial backers lessens the cost of challenging the formal party and thus jeopardizing access (Oklobdzija 2019). Further, the relative recency of dark money allows these groups to engage in electoral politics without the reputational baggage of an established interest group that might weaken their message or inspire a backlash among voters.

Working as a cohesive whole, these dark money groups work towards large-scale overhauls of policy rather than just piecemeal changes to existing legislation. Thus, they concern themselves far less with access than with the election of ideological fellow travelers. Differing from formal party organizations, dark money organizations are far less concerned with the partisan balance of a legislative body. As such, dark money organizations are far more likely to support extremist candidates in primary elections in spite of the negative consequences this could have farther down the road (see A. B. Hall 2015). Additionally, dark money groups prize ideological conformity over electability, meaning that their utility calculus entices them to support ideologically proximate candidates with less chance of winning over co-partisans in closer elections–unlike a formal party organization whose calculus is the exact opposite. These groups are concerned with broad issue areas and, most importantly, see the election of like-minded legislators are more efficacious to achieving these policy goals than simply gaining access to those already in Congress. Furthermore, anonymous dark money organizations will be utilized far more often by ideological interest groups than access oriented interest groups since the entire idea of access is predicated on being able to demonstrate past support in order to ingratiate one's organization with a politician (see Kalla and Broockman 2016).

Turning specifically to primary elections, the rift between party-preferred candidates and others in primary elections has been explored in book-length treatments by both Hassell (2017) and Boatright (2013). Hassell (2017) finds that party supported nominees in primary elections are more moderate than their challengers, but that this effect is entirely driven by the Republican Party. When disaggregating, Hassell found no party preference for moderate candidates on the Democratic side, but a strong and statistically significant effect on the Republican side. Boatright (2013) contends that a small but growing number of primary contests have become nationalized and that these challengers are being funded by a "small but influential coterie of interest groups" (p. 213). Placing extremist lawmakers within a legislative body is theoretically much easier to accomplish during a primary election than during a general. Indeed, many scholars have posited that primary elections actually favor extremists candidates in that they feature lower turnouts than generals and a more ideologically motivated voter-base (see Fiorina and Levendusky 2006; Brady, Han, and Pope 2007). Therefore, if dark money is fueling the rise of extremists in the U.S. Congress, the likely pathway is via primary elections.

Empiricial Predictions

I posit that one can place dark money organizations within the standard interest-group typology by analyzing two aspects of behavior–their willingness to spend in primaries and their willingness to support ideological extremists. Political parties will avoid expressly favoring one candidate or another in a primary (but see Hassell 2017) and will shy away from supporting extremists as they seek to deploy their scant resources to support the most electable members of their coalition.

Access seeking groups will prefer incumbents within a legislative body over extremists who may hold sympathetic views but are in a diminished position to enact any policy. Further, the risk of alienating a future member of a legislative body means that access seeking groups will avoid primary races almost entirely. Ideological groups, on the other hand, seek conformity above all, and worry less about the presence of a lawmaker from a specific party than about a lawmaker who is reliable on certain issues, for instance. Ideological groups will spend for more extremist candidates in primaries precisely because primaries are the best time to install such a reliable lawmaker into a legislative body. Dark money organizations, however, operate with anonymity as their main feature. As such, they will support extremists just like ideological groups because their objectives and motivations are largely aligned. Similarly, dark money organizations will be more heavily involved in primaries than both party and access groups because, as with ideological groups, they prefer ideological conformity to either access or electability. This leads to my first hypotheses:

Hypothesis 1: *Dark money organizations will support more extreme candidates than either access-oriented interest groups or formal party organizations during general elections.*

Hypothesis 2: *Dark money organizations will be more active in primaries than either access-oriented interest groups or formal party organizations.*

Hypothesis 2a: *Dark money organizations will support more extremene candidates in primaries than either access-oriented interest groups or formal party organizations.*

Next I posit that most of the "action" in primary elections will come in open-seat contests. Both parties and access groups will avoid challenging incumbents during primary elections for similar reasons to those mentioned above. Ideological groups will also rarely venture into a primary where an incumbent is present because attacking an incumbent rarely ever results in an incumbent's ouster from office (Boatright 2013) and is thus a poor use of precious financial resources. Instead, the divergence in these groups will come during open seat elections in primaries. These elections present the best available opportunity to put an ideologically proximate candidate into office, especially given the partisan tilt of most Senate seats and districts which effectively makes the primary the decisive nominating contest (Jacobson and Carson 2015). In these types of races, I expect that both dark money organizations and ideological interest groups will support more extreme candidates than access group or parties. Thus, my final hypothesis:

Hypothesis 3: *Dark money organizations will support more extreme candidates in open-seat primaries than either access-oriented interest groups or formal party organizations.*

Does Dark Money Buoy the Middle or Fuel the Extremes?

To say that *Citizens United* upended U.S. campaign finance law is no understatement. The overhaul of election law not only drastically increased the amount of money spent in federal elections, but radically reshaped the way it was deployed. Following the 2010 election cycle, so-called "outside spending" or advertising purchased and produced by organizations not officially affiliated with a candidate, exploded (Jacobson and Carson 2015; Hasen 2016). While the majority of this spending came from so-called "super PACs," or PACs unencumbered by traditional spending and fundraising limits as they were in theory "independent" from a candidate's campaign (see Dowling and Miller 2014), a sizable portion of outside spending came from so-called "dark money" organizations, (see Figure 4.1.) These organizations are so named because their method of incorporation–as IRS designated 501(c)(4) nonprofits–carries no legal requirement to disclose their donors.

Understanding where these organizations spend their money is vital to understand the level of cohesion within the extended party network (i.e. Bawn et al. 2012) as well to evaluate the competing claims on polarization advanced above. If all positive independent expenditures go to support candidates around the ideological median of the party, then the theories of super PACs and dark money groups fueling polarization might be dismissed out of hand. However, if the majority of these supportive ads go to candidates towards the extremes, (or conversely these groups sponsor attack ads targeting moderate candidates), then dark money organizations may be fueling the increase in polarization seen recently in Congress as their money buoys the extremists who'd otherwise be left without financial backing.

Calculating support requires a few assumptions in the post *Citizens United* world where support is primarily given in the form of independent expenditures. In cases where these independent

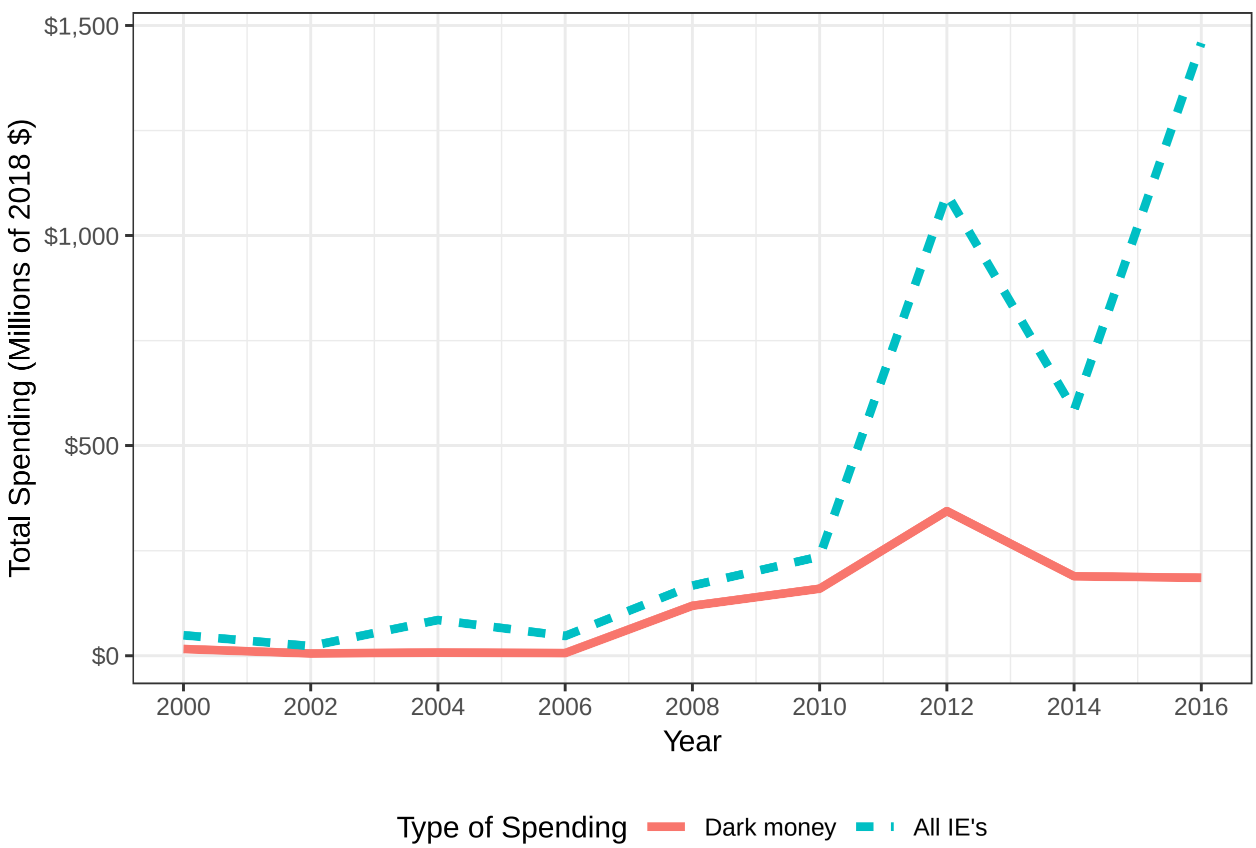

Figure 4.1: Estimated Dark Money Spending. Source: Center for Responsive Politics.

expenditures advocated the election of a candidate, calculating support is entirely straight-forward. However, this is rarely the case as the majority of independent expenditures come in the form of attack ads. Thus, it becomes somewhat debatable who these ads are "supporting." In the case of a general election, in which there are generally just two viable candidates representing the Republican and Democratic parties, an attack on one candidate can be reasonably classified as support for their opponent (an approach used by Desmarais 2015).

I utilize the DW-Dime measure of ideology calculated by Bonica (2018) and utilized by Tausanovitch and Warshaw (2017). Using a machine learning approach, the DW-Dime measure uses campaign finance data predict chamber votes in order to "generate the equivalent of roll call scores for actors who lack voting records" (Bonica 2018, 2–3). This metric is especially useful for my analysis as it imputes a common space for both members of Congress and their challengers who hadn't cast a vote in the body. Furthermore, this approach eliminates the obvious tautological issue of using the Bonica ideological scores derived from campaign finance receipts as a dependent variable.

The distinction between liberal and conservative dark money networks is further apparent when looking at the largest funders of independent expenditures by party. Using the typology developed by the Center for Responsive Politics, I categorize these groups as to whether they were "access-oriented," i.e. business groups under the CRP coding, "ideological" if they carried that title or were associated with organized labor or "party" if affiliated with either the Democratic or Republican parties[1]. In doing so, I mimic the strategy employed by Barber (2016). To this categorization, I add my own distinction of dark money organizations for political nonprofits listed as active in the 2012 through 2016 election cycles by the Center for Responsive Politics. As Figures 4.2 and 4.3 demonstrate, dark money organizations supporting Republican candidates are consistently much farther to the right than party-affiliated independent-expenditure making groups. By contrast, the mean for dark money organizations supporting Democratic candidates is always firmly within the median member of Congress for that party. Interestingly, the dark party mean for Republicans is

[1] I further added party-affiliated super PACs to this category (see Mann and Corrado 2014)

closer to that of ideological interest groups, (as my theory would predict), but for Democrats, that relationship is absent.

To test my hypothesis of ideological interest group networks supporting more extreme candidates, I run an OLS regression using all general election independent expenditures from 2012 to 2016. Controlling for incumbency and Congressional chamber, I find a statistically significant preference for more extreme candidates by ideological and dark money groups on the Republican side. This relationship holds even when adding fixed effects at the state and cycle level to account for unmodeled heterogeneity. Interestingly, this relationship does not hold on the Democratic side in the fixed effects regression, though the same preference is observed in the non-fixed effects regression described in Table 4.2. For both Democrats and Republicans, access-oriented groups preferred less extreme candidates than party organizations, who were omitted category in all regressions.

Dark Money Primaries

Do dark money organizations spend more than parties and access-oriented interest groups, behaving more akin to ideological interest groups? To test this, I examine primary spending in the 2012 to 2016 elections. I use log-transformed spending in a given primary cycle. I utilize the same classification scheme as in the previous section and include controls for incumbency and Congressional chamber. As a separate control for candidate quality, I control for the difference in percentage of vote share the candidate received in comparison to the top vote-getter in that race, (a variable which takes on a value of zero when that person was themselves the top vote-getter.)

As reported in Table **??**, I find a positive and statistically significant difference between dark money organization spending and party organization spending, again the baseline variable. Like ideological interest groups, dark money groups spent more during primary elections than did party organizations. This distinction holds for both Democratic and Republican primary elections.

Turning to Hypothesis 2a I now examine whether dark money organizations support more extreme candidates in primary elections. Calculating what type of candidates each type of outside spending group supports in a primary election is a bit more difficult of an exercise than during a

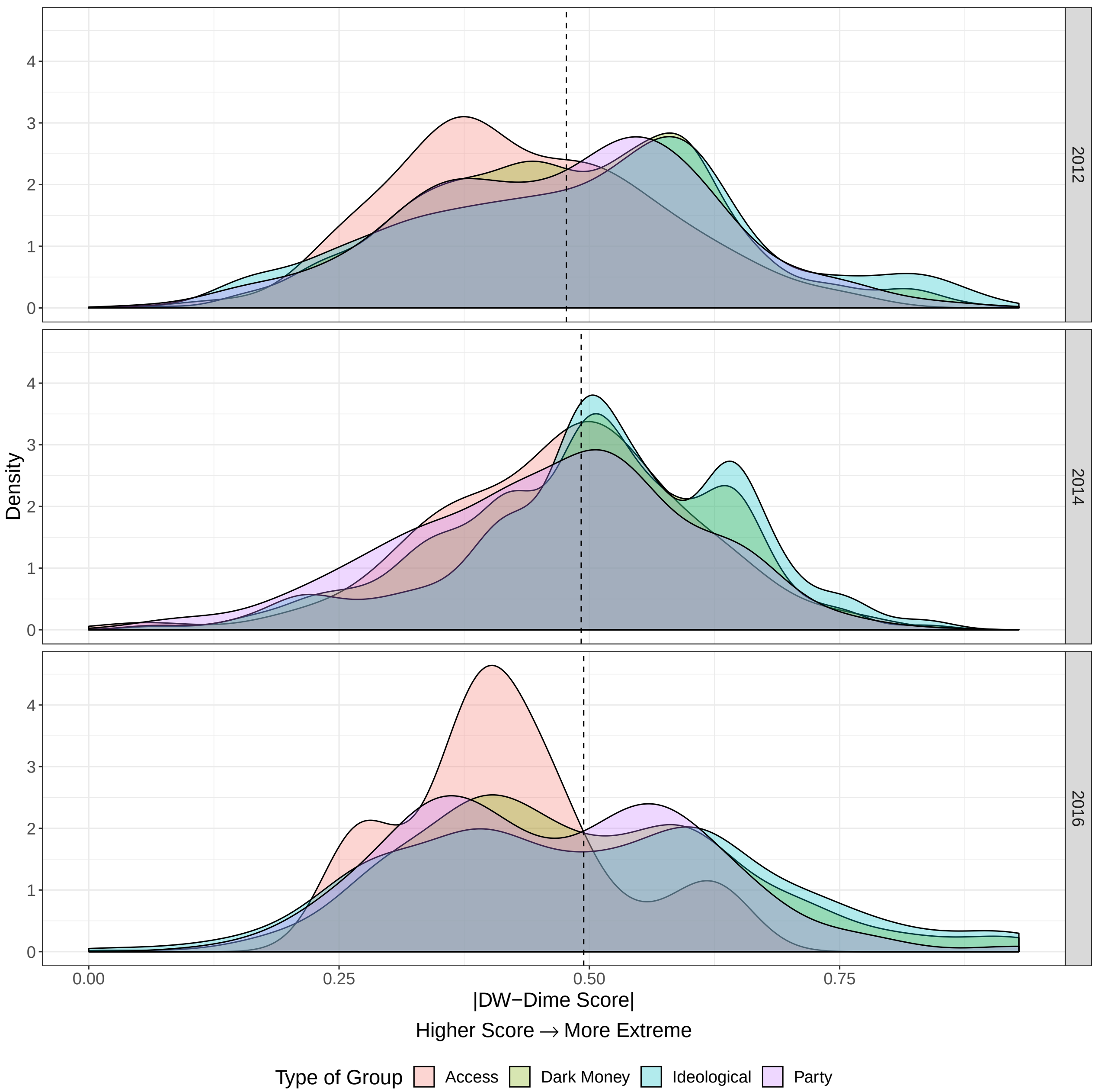

Figure 4.2: Distribution of DW-Dime Score for Republican Candidates in General Elections by Type of Independent Expenditure Group, (Horizontal Line Indicates Mean Value for Party Congressional Member.)

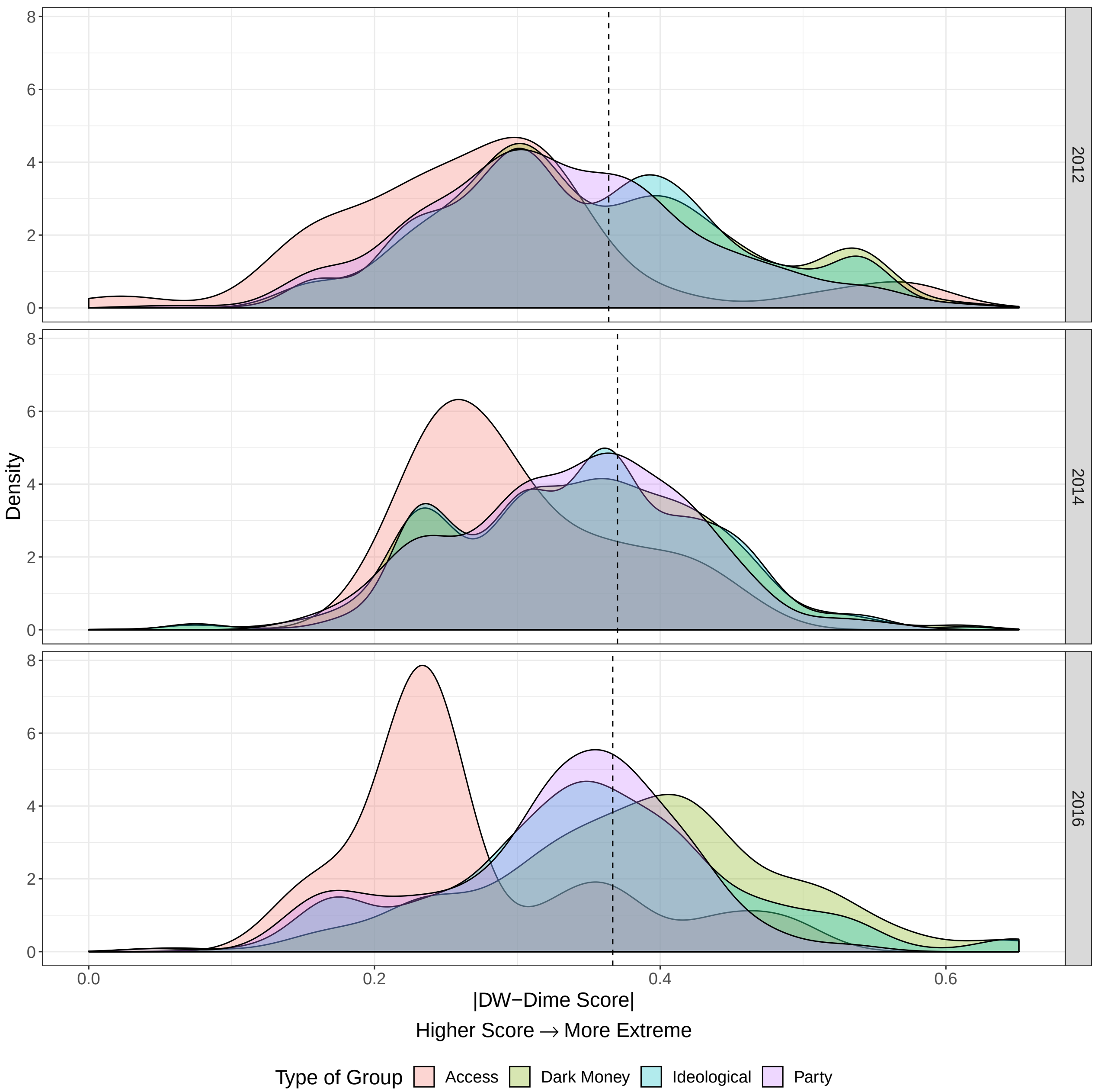

Figure 4.3: Distribution of DW-Dime Score for Democratic Candidates in General Elections by Type of Independent Expenditure Group, (Horizontal Line Indicates Mean Value for Party Congressional Member.)

Table 4.2: Independent Expenditures in General Elections, 2012-2016.

	Dependent variable:			
	Supported Candidate?			
	Dem.		GOP	
	(1)	(2)	(3)	(4)
$\|DW\text{-}Dime\| \times Dark\ Money$	1.891^{***}	1.891^{***}	0.271^{**}	0.271^{**}
	(0.204)	(0.194)	(0.124)	(0.120)
$\|DW\text{-}Dime\| \times Ideo.\ Grp.$	1.028^{***}	1.028^{***}	0.274^{**}	0.274^{**}
	(0.204)	(0.194)	(0.124)	(0.120)
$\|DW\text{-}Dime\| \times Access\ Grp.$	0.861^{***}	0.861^{***}	0.142	0.142
	(0.204)	(0.194)	(0.124)	(0.120)
Incumbent	-0.096^{***}	-0.034^{*}	-0.129^{***}	-0.112^{***}
	(0.018)	(0.019)	(0.017)	(0.018)
Senate	0.220^{***}	0.190^{***}	0.211^{***}	0.236^{***}
	(0.027)	(0.027)	(0.023)	(0.024)
Pct. Behind Winner	-0.011^{***}	-0.009^{***}	-0.010^{***}	-0.010^{***}
	(0.001)	(0.001)	(0.001)	(0.001)
$\|DW\text{-}Dime\|$	-1.349^{***}	-1.482^{***}	-0.314^{***}	-0.315^{***}
	(0.145)	(0.141)	(0.087)	(0.093)
Dark Money	-0.395^{***}	-0.395^{***}	0.357^{***}	0.357^{***}
	(0.079)	(0.075)	(0.063)	(0.061)
Ideo. Grp.	-0.117	-0.117	0.222^{***}	0.222^{***}
	(0.079)	(0.075)	(0.063)	(0.061)
Access Grp.	-0.598^{***}	-0.598^{***}	-0.248^{***}	-0.248^{***}
	(0.079)	(0.075)	(0.063)	(0.061)
Constant	0.974^{***}		0.565^{***}	
	(0.057)		(0.047)	
Fixed effects?	No	State + Cycle	No	State + Cycle
Observations	3,860	3,860	3,984	3,984
R^2	0.329	0.403	0.347	0.389
Adjusted R^2	0.327	0.393	0.346	0.379
Residual Std. Error	0.403 (df = 3849)	0.383 (df = 3796)	0.403 (df = 3973)	0.392 (df = 3921)
F Statistic	188.762^{***} (df = 10; 3849)		211.373^{***} (df = 10; 3973)	
Note:				*p<0.1; **p<0.05; ***p<0.01

Table 4.3: Total Independent Expenditures in All Primary Elections By Party, 2012-2016.

	Dependent variable:			
	log(Total Primary IE's)			
	Democrats		Republicans	
	(1)	(2)	(3)	(4)
Dark Money	0.147^{***}	0.138^{***}	0.351^{***}	0.342^{***}
	(0.040)	(0.040)	(0.046)	(0.045)
Ideological	0.507^{***}	0.498^{***}	0.965^{***}	0.957^{***}
	(0.040)	(0.040)	(0.046)	(0.045)
Access	-0.012	-0.012	0.042	0.041
	(0.040)	(0.040)	(0.046)	(0.046)
Senate	4.604^{***}	4.418^{***}	7.593^{***}	7.415^{***}
	(0.124)	(0.125)	(0.113)	(0.114)
Vote-Share Diff.	-0.003^{***}	-0.004^{***}	-0.006^{***}	-0.008^{***}
	(0.001)	(0.001)	(0.001)	(0.001)
Incumbent?	-0.023	-0.163^{***}	0.128^{***}	-0.0003
	(0.035)	(0.038)	(0.040)	(0.044)
Constant	0.098^{***}		0.092^{**}	
	(0.033)		(0.039)	
Fixed effects?	No	Cycle + State	No	Cycle + State
Observations	9,838	9,838	12,912	12,912
R^2	0.152	0.175	0.311	0.326
Adjusted R^2	0.151	0.170	0.311	0.323
Residual Std. Error	1.401 (df = 9831)	1.386 (df = 9779)	1.830 (df = 12905)	1.815 (df = 12849)

Note: $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

Table 4.4: Ratio of Primary/General Election Spending By Party, 2012-2016.

	Dependent variable:			
	log(Primary/General Spending)			
	Democrats		Republicans	
	(1)	(2)	(3)	(4)
Dark Money	1.014**	1.204***	1.944***	2.045***
	(0.406)	(0.408)	(0.520)	(0.524)
Ideological	0.600*	0.724**	1.436***	1.501***
	(0.316)	(0.317)	(0.462)	(0.464)
Access	0.682	0.595	0.427	0.577
	(0.652)	(0.648)	(0.719)	(0.724)
Constant	0.647**		1.029**	
	(0.275)		(0.428)	
Fixed effects?	No	Cycle	No	Cycle
Observations	743	743	985	985
R^2	0.009	0.024	0.017	0.020
Adjusted R^2	0.005	0.018	0.014	0.015
Residual Std. Error	3.291 (df = 739)	3.270 (df = 737)	4.324 (df = 981)	4.322 (df = 979)

Note: $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

general election. As in general elections, the vast majority of independent-expenditures during a primary are attack ads opposing the election of a certain candidate. Unlike in a general, however, in a crowded primary in which there may be multiple candidates, determining exactly who an attack ads is designed to prop up becomes complex. To obviate this problem, I drop independent expenditures attacking a candidate during a primary from the analysis. While this removes a substantial amount of data, the remaining expenditures can unequivocally be attributed to a certain candidate. While the level of support may be underestimated, there is no doubt of the type of politician each dark money organization supports.

Table 4.5 shows the results of this analysis. Curiously, these results are inconclusive. On the Republican side, there was no statistically significant difference between the type of candidate a party organization supported and the type of candidate supported by other types of interest groups. On the Democratic side, however, all categories of interest group ran supportive independent expenditures for more extreme candidates than party organizations. This relationship held even when including fixed effects for unmodeled heterogeneity at the state and cycle level.

Finally, turning to the last hypothesis, I examine whether dark money have a higher propensity to support extremists in open seat primaries than do all other types of interest groups, including ideological interest groups. To do so, I again subset the universe of primary spending in the 2012 and 2014 elections to just independent expenditures made in support of a candidate. I further subset the data to include only party primary races in which an incumbent was not present.

I run an OLS regression on the logged total spending on independent expenditures in support of each candidate by each type of interest group, (plus an additional dollar to account for races in which an interest group category did not spend in support of a candidate, as was the modal outcome in this dyadic data.) I further create dummy variables to represent each type of interest group and another variable representing the absolute value of the candidate's DW-Dime score in order to measure extremism, i.e. distance from the ideological center. I further control for whether the race was for a senate seat, which given the larger geographic boundaries and higher stakes of a smaller legislative body, should involve more spending. I include fixed effects for both the state in

Table 4.5: Supportive Independent Expenditures in Primary Elections, 2012-2016.

	Dependent variable:			
	Supportive Primary Independent Expenditure			
	Democrats		Republicans	
	(1)	(2)	(3)	(4)
$\|DW\text{-}Dime\| \times Dark\ Money$	-0.722^{***}	-0.697^{***}	0.172^{**}	0.180^{**}
	(0.126)	(0.123)	(0.083)	(0.080)
$\|DW\text{-}Dime\| \times Ideological\ Grp.$	-0.001	0.006	0.388^{***}	0.402^{***}
	(0.126)	(0.123)	(0.082)	(0.079)
$\|DW\text{-}Dime\| \times Access\ Grp.$	0.020	0.019	0.020	0.021
	(0.129)	(0.125)	(0.085)	(0.083)
Incumbent	0.094^{***}	0.086^{***}	0.025^{**}	0.004
	(0.011)	(0.012)	(0.011)	(0.012)
Senate	0.791^{***}	0.743^{***}	0.759^{***}	0.740^{***}
	(0.035)	(0.035)	(0.026)	(0.026)
$\|DW\text{-}Dime\|$	0.037	0.129	0.002	-0.050
	(0.091)	(0.091)	(0.060)	(0.062)
Dark Money	0.013	0.015	0.069	0.060
	(0.048)	(0.047)	(0.043)	(0.042)
Ideo. Grp.	0.102^{**}	0.102^{**}	0.100^{**}	0.088^{**}
	(0.048)	(0.047)	(0.043)	(0.041)
Access Grp.	0.008	0.008	0.007	0.008
	(0.049)	(0.048)	(0.044)	(0.043)
Pct. Behind Winner	-0.001^{**}	-0.001^{**}	-0.001^{***}	-0.002^{***}
	(0.0003)	(0.0003)	(0.0004)	(0.0004)
Constant	-0.005		0.002	
	(0.035)		(0.032)	
Observations	3,296	3,296	4,008	4,008
R^2	0.300	0.345	0.321	0.369
Adjusted R^2	0.298	0.332	0.319	0.360
Residual Std. Error	0.285 (df = 3285)	0.278 (df = 3233)	0.303 (df = 3997)	0.294 (df = 3946)
Note:				*p<0.1; **p<0.05; ***p<0.01

which the race took place and the cycle to account for unmodeled heterogeneity.

The results in Table **??** show a positive and statistically significant relationship between increasing extremism and the increase in support a primary candidate will receive from both dark money and ideological interest groups as opposed to parties, who again were the baseline category in this regression. Tellingly, there is no statistically significant difference between party support for a candidate and access group support, confirming the intuitions laid out in Table 1 of the Theory section.

As is clarified in greater detail in the first-difference plot, (Figure 4.4), the amount of support that a candidate in an open-seat primary will receive from a dark party increases dramatically the farther from the ideological center that person is. A candidate at the extremes of the ideological distribution, such as Texas Sen. Ted Cruz or Arizona Sen. Jeff Flake, both of whom won an open GOP primary in 2012, could expect over 100 percent increase in supportive independent expenditures from a dark party than from a formal party organization in a hypothetical open primary race for a Senate seat in 2012.

Discussion

As the previous analysis demonstrates, dark money has a distinct preference for extremist candidates in general elections and in open-seat primaries. Dark money organizations, like their ideological interest-group counterparts, also are bigger spenders in primary elections than organizations affiliated with the Democratic or Republican parties. Interestingly, the preference for ideologically extreme candidates does not extend to primaries on the Republican side. Further, all types of interest groups on the Democratic side support more ideologically extreme candidates than party organizations.

These results are, ironically, perhaps more in support of Hypothesis 2 than evidence against. In GOP primaries, there were 326 dark money organizations making support independent expenditures compared to just 13 party organizations. On the Democratic side, there were 388 dark money organizations versus just 31 party-affiliated groups. Furthermore, there were about twice as many

Table 4.6: Independent Expenditures in Open Seat Primary Elections, 2012-2016.

	Dependent variable:		
	log(Total IEs in Support)		
	(1)	(2)	(3)
Dark Money	0.483^{***}	-0.185	-0.196
	(0.108)	(0.331)	(0.328)
Dark Money x $\lvert DW\text{-}Dime \rvert$		1.580^{**}	1.580^{**}
		(0.731)	(0.726)
Ideological	1.552^{***}	-0.193	-0.237
	(0.108)	(0.328)	(0.326)
Ideo. x $\lvert DW\text{-}Dime \rvert$		4.071^{***}	4.113^{***}
		(0.724)	(0.719)
Access	0.140	-0.131	-0.122
	(0.110)	(0.338)	(0.335)
Access x $\lvert DW\text{-}Dime \rvert$		0.632	0.605
		(0.751)	(0.745)
$\lvert DW\text{-}Dime \rvert$	1.574^{***}	-0.082	0.126
	(0.259)	(0.529)	(0.539)
Senate	6.136^{***}	6.038^{***}	5.762^{***}
	(0.210)	(0.209)	(0.218)
Vote-Share Diff.	-0.004	-0.004	-0.005
	(0.003)	(0.003)	(0.003)
Constant	-0.615^{***}	0.092	
	(0.138)	(0.240)	
Fixed effects?	No	No	Cycle + State
Observations	3,544	3,544	3,544
R^2	0.283	0.290	0.312
Adjusted R^2	0.282	0.289	0.300
Residual Std. Error	2.256 (df = 3537)	2.245 (df = 3534)	2.226 (df = 3482)
F Statistic	232.560^{***} (df = 6; 3537)		
Note:			$^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

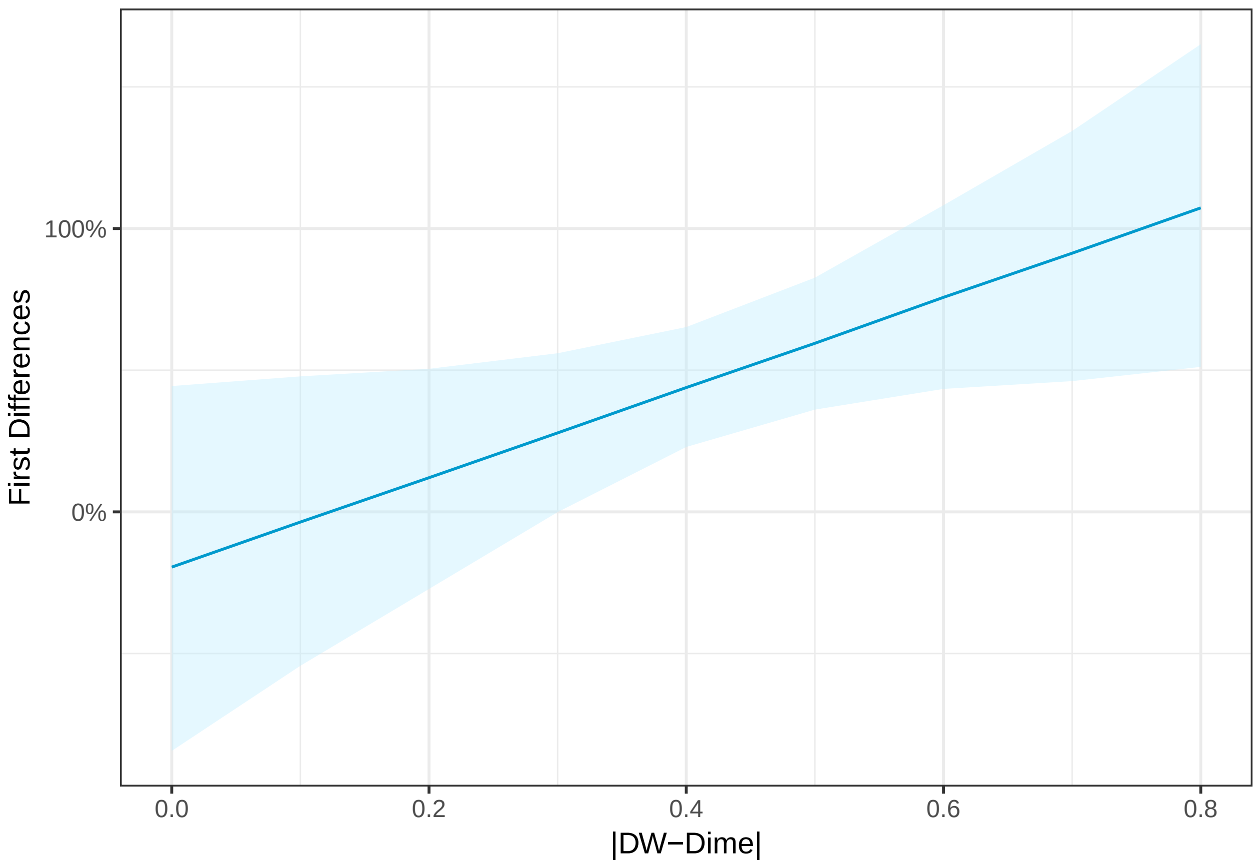

Figure 4.4: Percent Increase in Independent Expenditures Supporting a Candidate in a Primary, Dark Parties vs. Party Orgs.

ideological interest groups active on the GOP side as dark money groups while for Democrats, that relationship was about the opposite. The relative paucity of observations of party organizations resulted in much wider confidence intervals for this baseline category. Their very inactivity, as evinced by the results from Table **??**, was largely responsible for the seemingly contradictory results in the following regression.

Dark money's preference for extremist candidates could be partially responsible for the increased polarization in American politics, a phenomenon which has accelerated since 2010 especially on the right (e.g. Grossmann and Hopkins 2016; Abramowitz and Webster 2016). Extremist candidates formally cut off from the party previously had no other alternatives to turn to. Now extra party organizations are a workable source of financial support allowing candidates who previously couldn't to run viable campaigns. Independent expenditures may only be part of the story; Skocpol and Williamson (2016) and Skocpol and Hertel-Fernandez (2016) document the vast networks of volunteer support and candidate development that these ideological interest group networks are also able to provide. Given that the information necessary to draw financial linkages between these groups is only now available, it raises the question as to what other supposedly "grassroots" political activity are actually secretly coordinated.

The rise in anonymous giving that followed *Citizens United* did more than reduce transparency in American elections. The new pathways for money to enter politics created by the decision allowed for more efficient conduits between ideologically motivated donors and extremist candidates. The findings displayed in this paper would insinuate that the weakened post-BCRA parties theory advanced by La Raja and Schaffner (2015) is, if anything, an understatement of the true state of affairs. Ideologically motivated interest groups built entire facsimiles of the parties and used them to finance the elections of candidates whose ideological positions fell largely outside the mainstream of their party. While BCRA may tied the hands of the formal parties, *Citizens United* gave ideological interest groups a shot-in-the-arm. As both seek to impose their preferences in the arena of party politics, the resulting fight may be anything but fair.

Note on Published Material

Chapter 4, in full, has been submitted for publication at the Journal of Politics 2019. Oklobdzija, Stan. The dissertation/thesis author was the primary investigator and author of this paper.

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