



**Democracy Market Analysis 1.0**  
**Highlights, April 2019**

## SUMMARY FINDINGS (1 of 2)

### *U.S. democracy indicators show a system under serious strain in terms of trust, turnout, and ability of new entrants to participate*

- Trust in government has declined from over **70% in the 1960s to under 20% today**
- At 55% voter turnout, **the U.S. trails nearly all Western democracies**

### *Political resources are focused on single-issue organizations and electoral wins rather than building a modern democracy and economy*

- **The democracy market is estimated at ~\$56B per year.** We've defined the market as spending by politically relevant 501c3, c4, c5, c6, PAC, party, and direct candidate spend that impacts the health of our democracy.
- **The ~\$56B democracy market is small compared to US philanthropic spend (\$410B/year),** but its effect on the \$4T federal budget and policies can thwart many philanthropic goals
- **Beyond support to candidates, spending is largely single-issue focused** and far more fragmented on the left and center
- **Donors are highly consolidated.** Super PACs have grown from \$0.3B spent in 2014 to \$0.8B spent in 2018. At least 100 donors giving over \$1M made up 74% of Super PAC donations

## SUMMARY FINDINGS (2 of 2)

### *Talent in the system has not renewed in decades and Congressional function has declined dramatically*

- In the 2019 Congress, the average age of Democratic leadership was 64, 24% of legislators were female, and few had experience in modern economy sectors (e.g. tech, green energy, healthcare, finance)
- **Effectiveness of Congress continues to rapidly decline**, with members devoting only ¼ of the time to committee hearings on legislation that it did 30 years ago
- **Candidates continue to rely on party-referred consultants incentivized to buy TV ads** despite increasing examples of successful low cost strategies that focus on digital and field organizing

### *A growing number of leaders from across sectors agree reform is essential now. Solutions are gaining traction but resources are very limited*

- The call for reform now goes beyond traditional democracy advocates, such as **business leader Katherine Gehl and HBS Professor Michael Porter's analysis characterizing our political system as a failing duopoly**
- **Objective redistricting, ranked choice voting, automatic voter registration, public voucher systems and reforms to improve the function of Congress** are among the promising reforms
- **Initial estimates show less than .2% (or \$122M) of democracy resources are directed toward promising reforms**

# DEMOCRACY MARKET MAP: WHAT WE SEEK TO UNDERSTAND

Focus of this presentation in **bold**

## Key questions addressed

1. How do we define and scope the **democracy investment market and its key segments?**
2. **Who are the key players? What are their role, scale, and objectives?**
3. **Who are key investors in each segment?**
4. How do we define success? What are the democracy-related outcomes we should seek by 2018-2020+?
5. How do we measure results/ROI for organizations in a particular market segment?

## Differentiators from other efforts

1. Takes a **system view**
2. Includes investments in **candidates and organizations**
3. Looks at **multiple legal structures:** 501c3, c4, PAC, for-profit, political parties
4. Uses **holistic data sources and data science to analyze** IRS 990s, FEC data, opensecrets, and other data sources
5. **Benchmarks** Democratic, Republican, and center/independent infrastructure

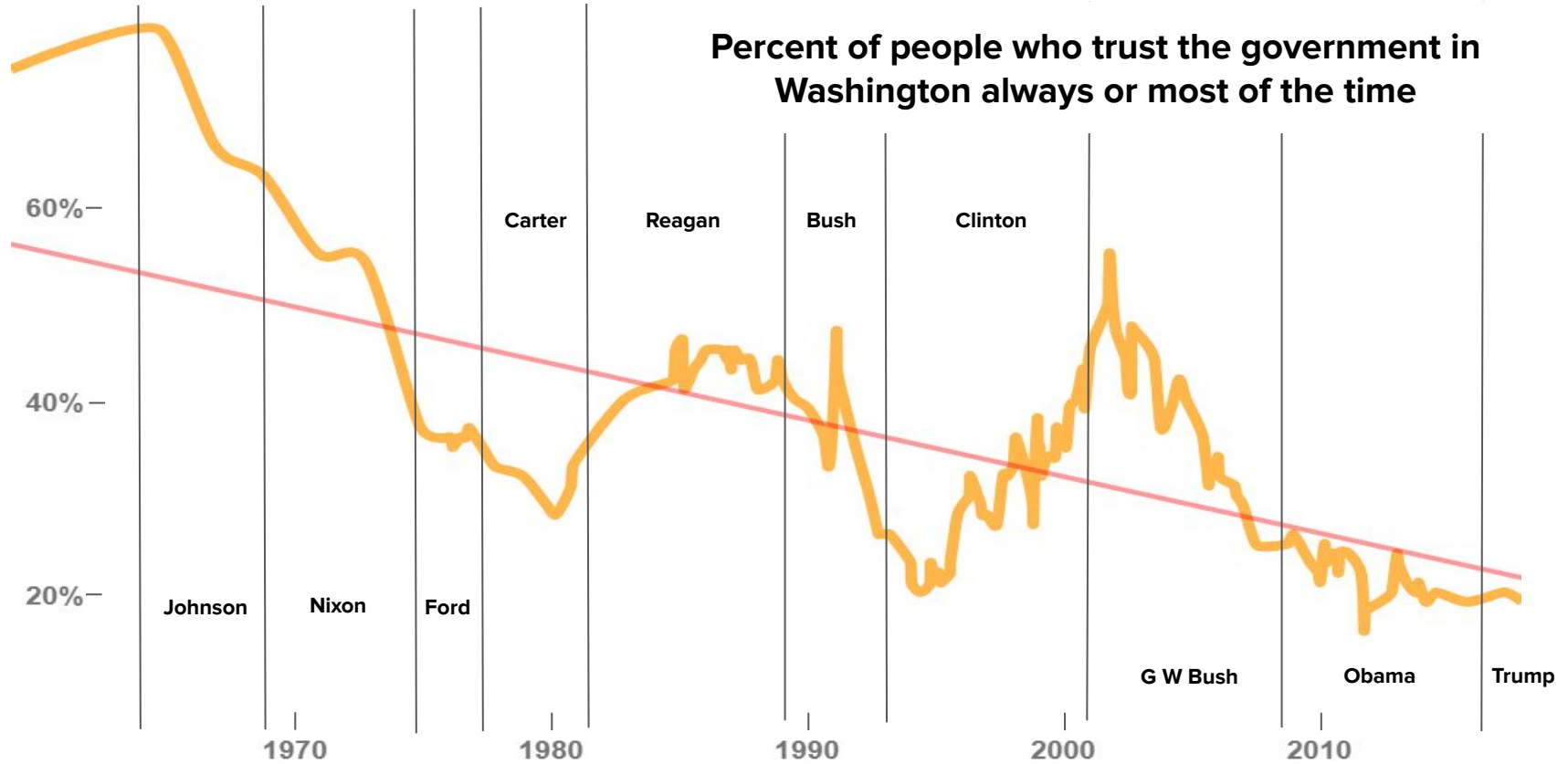
Note: the following findings represent a work in progress. Final results are pending the completion of a machine-assisted identification and classification of political nonprofits.

A grayscale, halftone-style image of the Statue of Liberty's head and crown, centered in the background. The image has a dark, textured appearance with a grid of small dots.

**DEMOCRACY OUTCOMES,  
RESOURCES, AND TALENT**

# TRUST IN GOVERNMENT IS AT AN ALL TIME LOW

Percent of people who trust the government in Washington always or most of the time



# ... AND INDICATORS OF DEMOCRATIC FUNCTION SHOW THE DEPTH OF THE CHALLENGE



## MONEY IN POLITICS

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Politicians **4x more likely** to meet with donors than with their constituents

**76% of Americans** say the government is run by a few big interests looking out for themselves



## RIGGED ELECTIONS

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**Only 16%** of Congressional districts considered competitive

**67% of Americans** expected foreign interference in the 2018 election



## LEGISLATIVE BREAKDOWN

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**100%** of committee chairs appointed by the Speaker's office

**58% of Americans** rate honesty and ethics of Members of Congress low



## WEAK CIVIC CULTURE

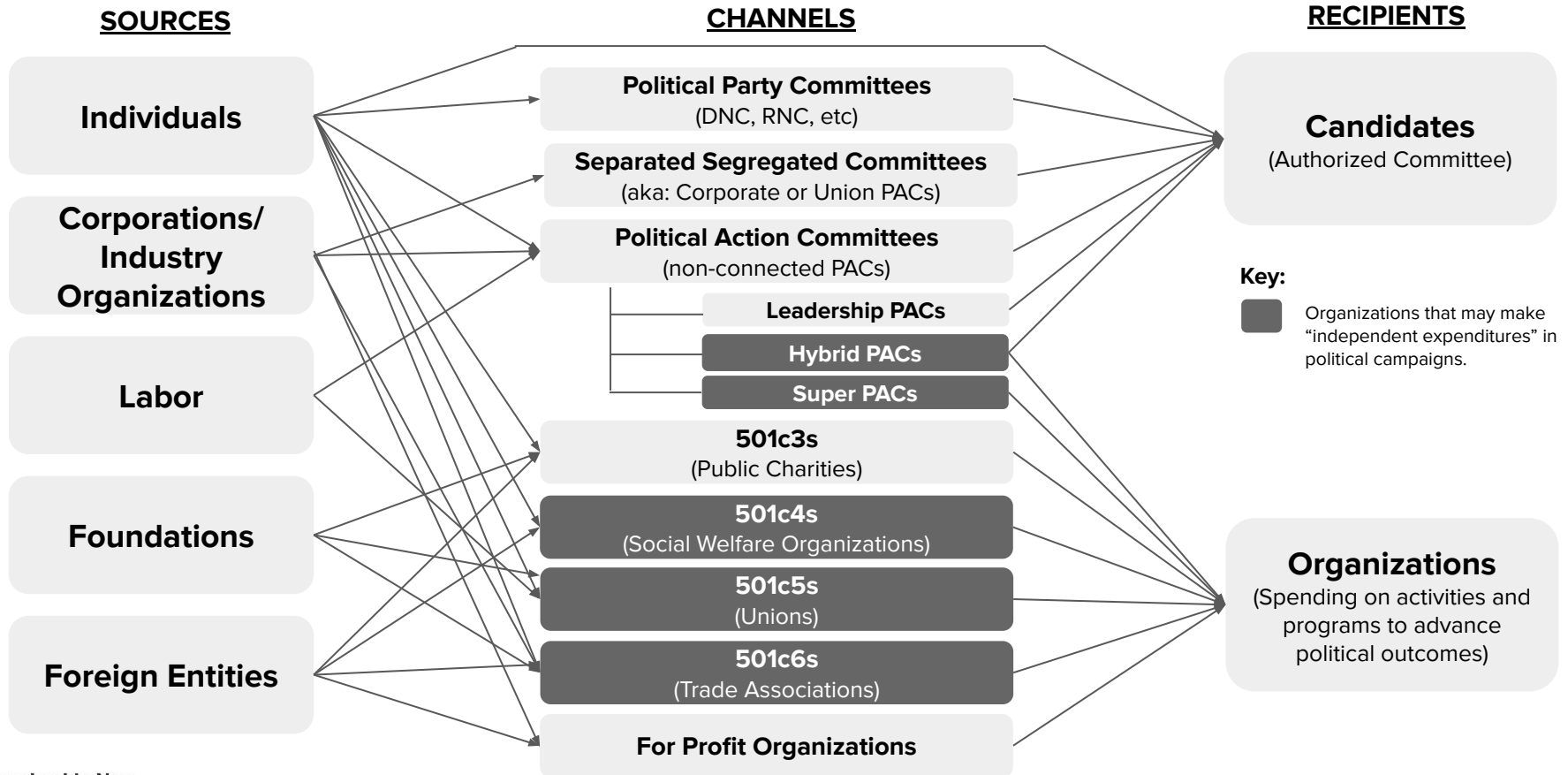
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Voter turnout at **just 56%** in 2016 - placing US 26<sup>th</sup> of 32 peer OECD nations

**47% of Americans** say there's not much ordinary citizens can do to influence the government

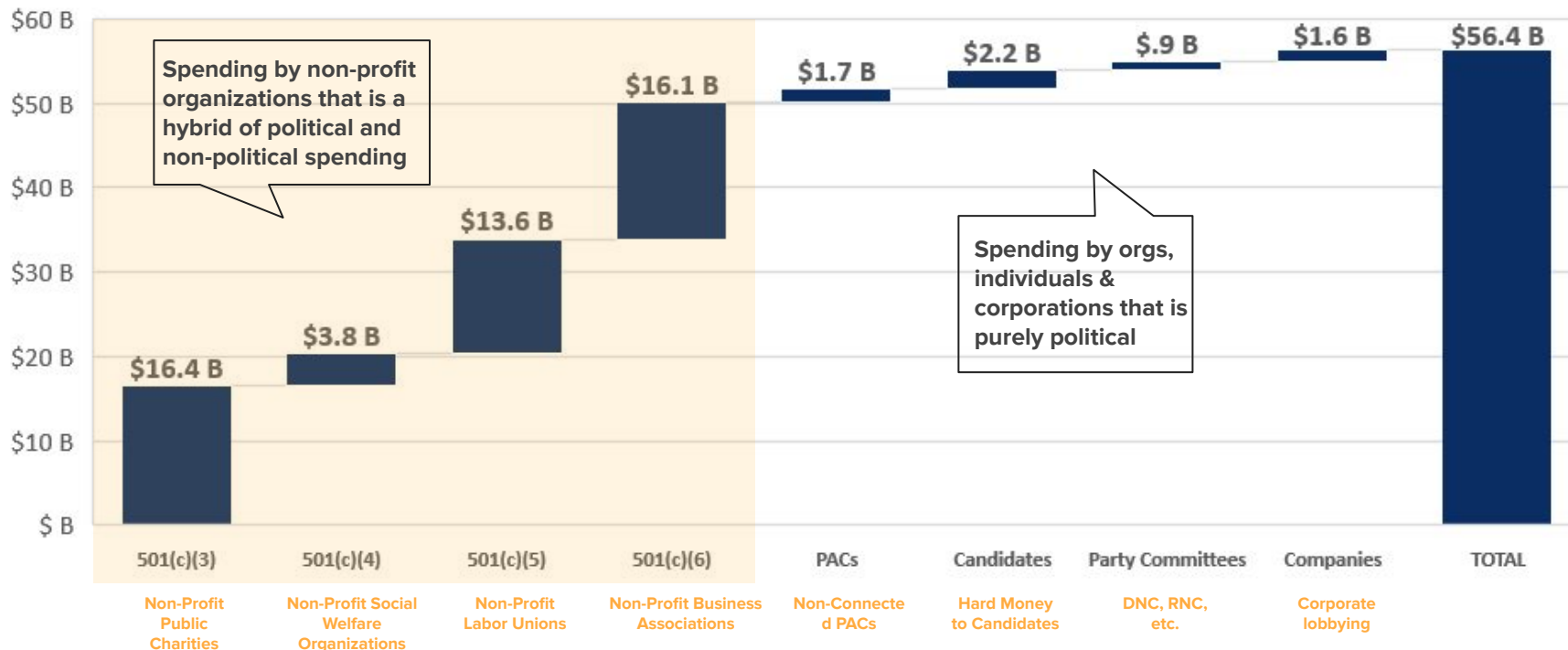
Sources: Represent.us - "[Corruption Stat Rundown](#);" Pew Research Center - "[The Public, the Political System and American Democracy](#);" Brennan Center - "[The State of Voting in 2018](#);" Pew - "[Election security](#);" Gallup - "[Honesty / Ethics in Professions](#);" Center for American Progress - "[The State of Civics Education](#);" Pew - "[US trails most developed countries](#);" Pew - "[Perceptions of the public's voice](#);" all icons from The Noun Project

# DEMOCRACY MARKET: UNDERSTANDING THE **COMPLEX** MAP OF POLITICAL ORGANIZATIONS AND RESOURCES



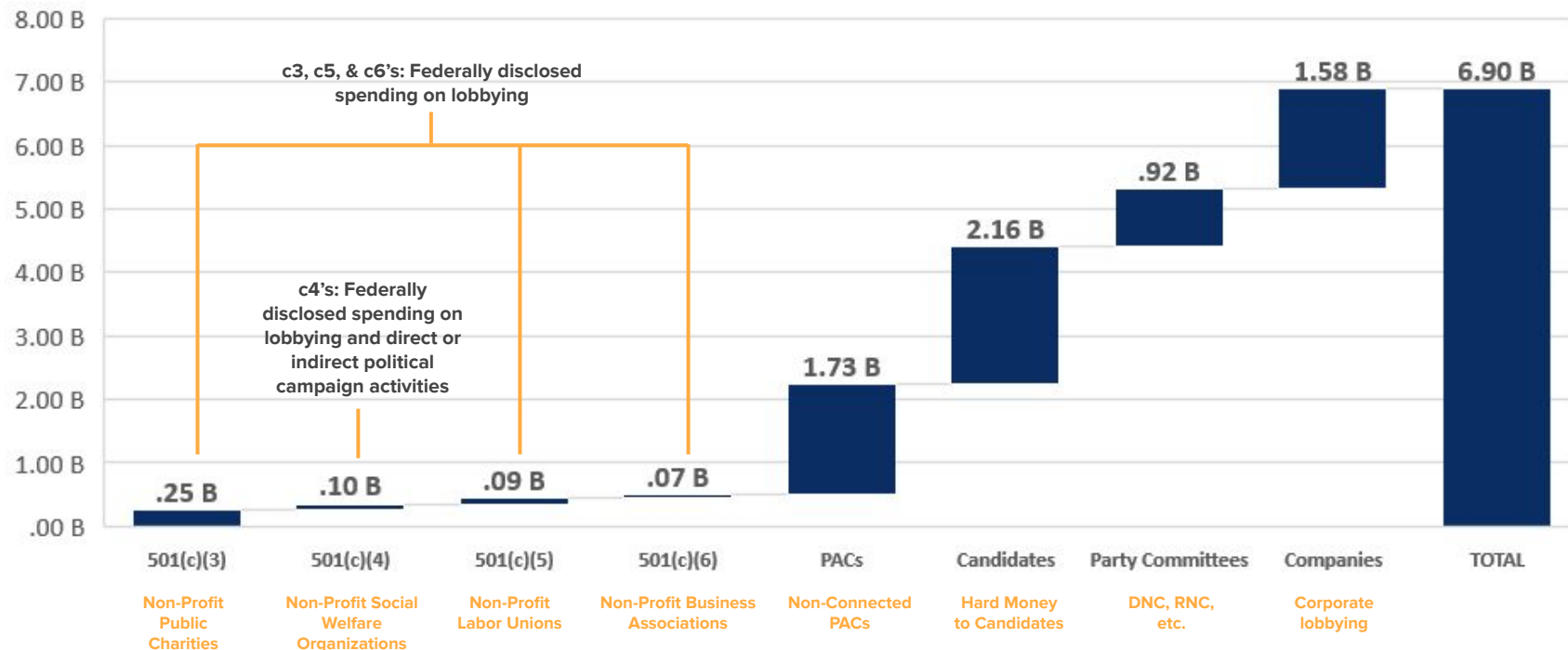


# ~\$56B IN SPEND BY POLITICALLY ACTIVE ORGANIZATIONS ANNUAL

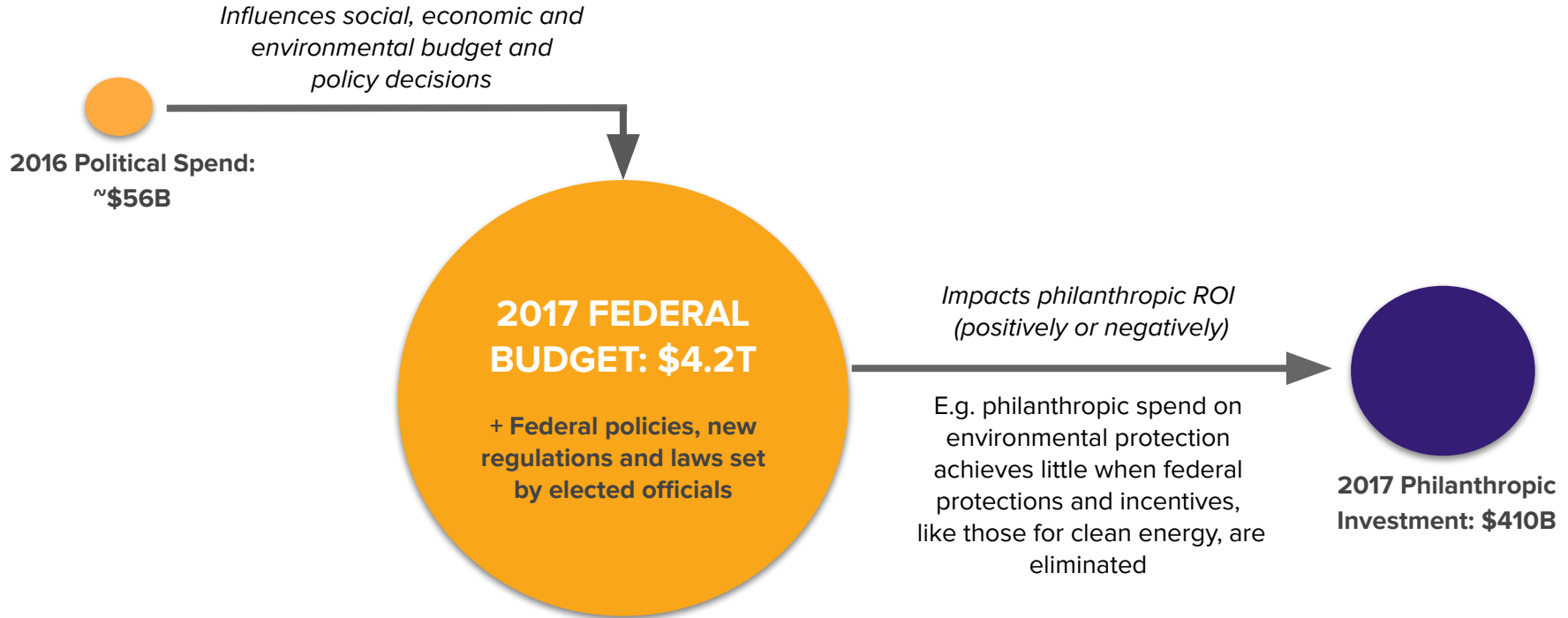


\*Note: Data on PACs, Candidates, and Party Committee spend based on analysis of 2017-2018 FEC data  
Dollar amounts represent total organizational spend.

# OF WHICH \$7 B IS PURELY POLITICAL SPEND. THIS INCLUDES \$0.5 B SPENT BY NON-PROFIT ORGS ON LOBBYING & CAMPAIGNS



# THE POLITICAL MARKET IS DWARFED BY THE FEDERAL BUDGET AND PHILANTHROPY, BUT ITS IMPACT ON BOTH SPHERES SIGNIFICANT

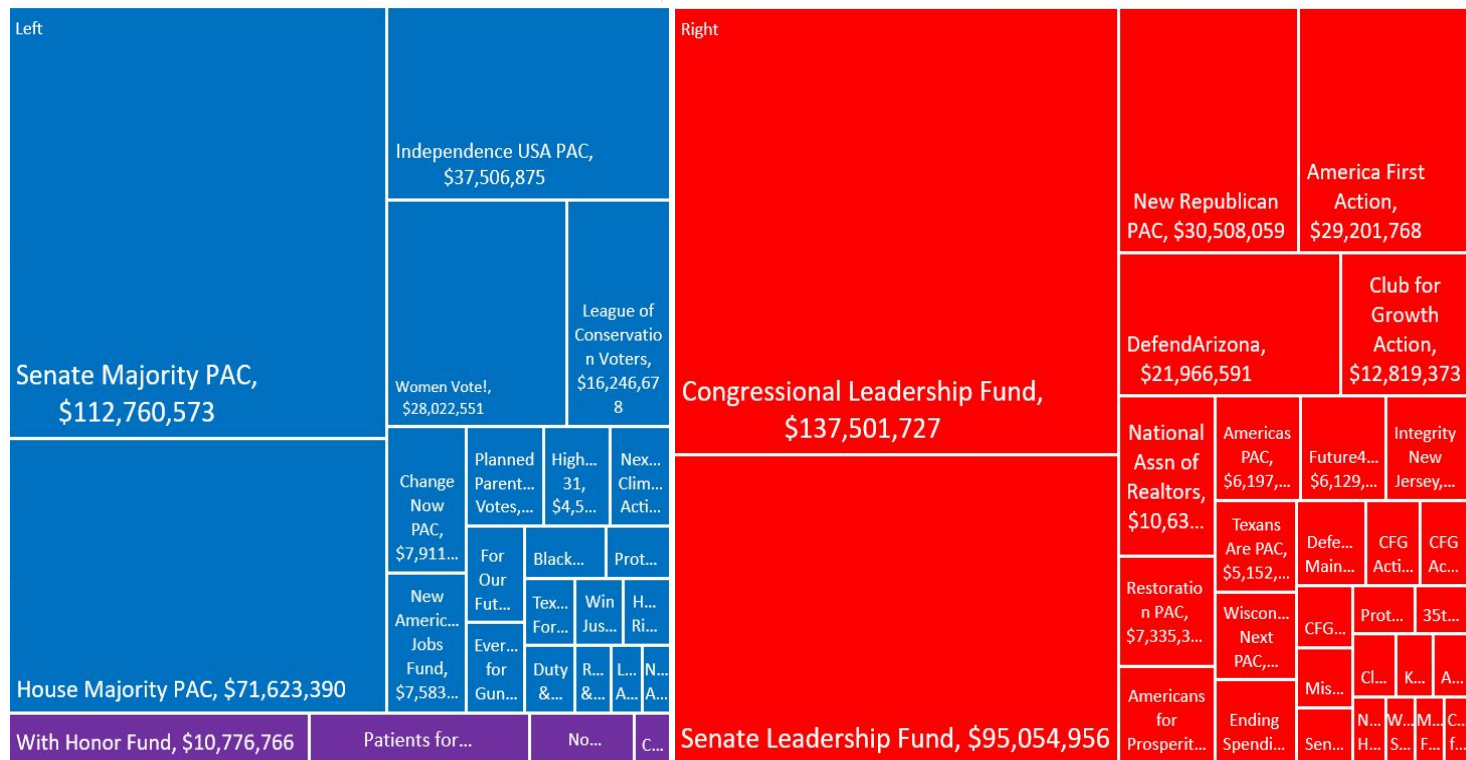


Source: FEC, "[Cumulative amount spent by committees](#)"; National Priorities Project, "The President's 2017 Budget Proposal in Pictures", 2016; Giving USA, "Giving USA 2018: Americans Gave \$410.02 Billion to Charity in 2017, Crossing the \$400 Billion Mark for the First Time", 2018



# 2018 SUPER PAC SPEND DOMINATED BY ENTITIES FOCUSED ON THE SENATE AND HOUSE

## TOP 55 HIGHEST SPENDING SUPER PACs IN 2018 (As of Nov 2018, \$761M)



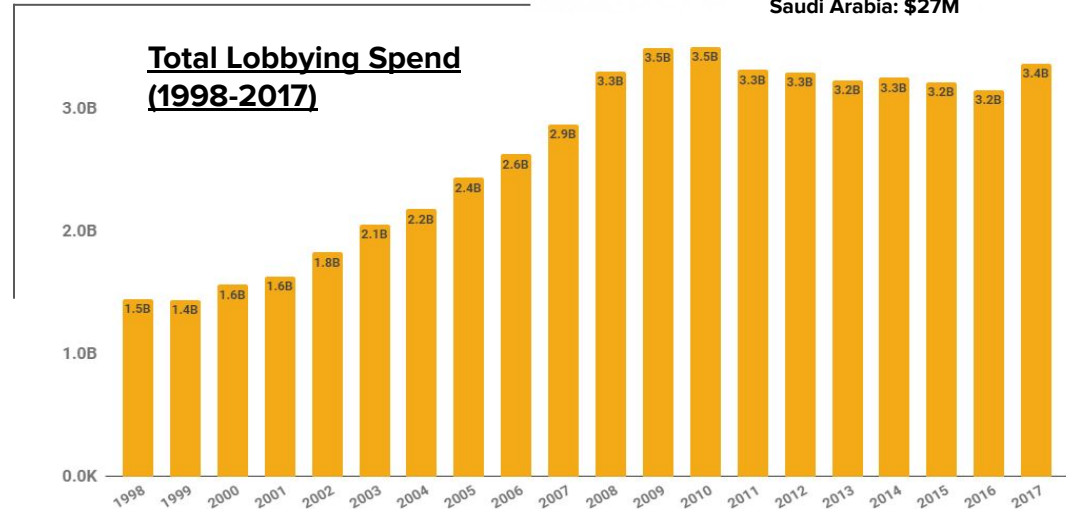
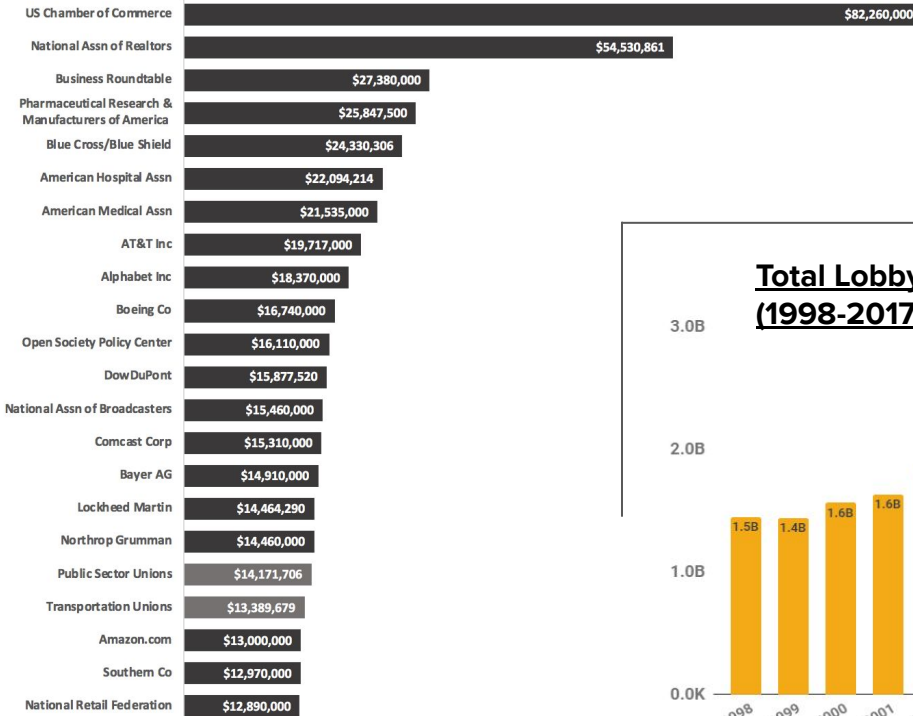
**At least 100 donors giving above \$1M make up 74% of total contributions**

Note: Data as of Nov 27 FEC data release, possible to change; Super PAC data does not include spending by Hybrid PACs (e.g. Priorities USA)

Source: [OpenSecrets.org](https://www.opensecrets.org); Bipartisan Policy Center, "Campaign Finance in the United States"

# LOBBYING SPEND DOMINATED BY INDUSTRY GROUPS, AND FOREIGN SPEND IS GROWING

## Top Lobbying Spenders<sup>1</sup> (2017)



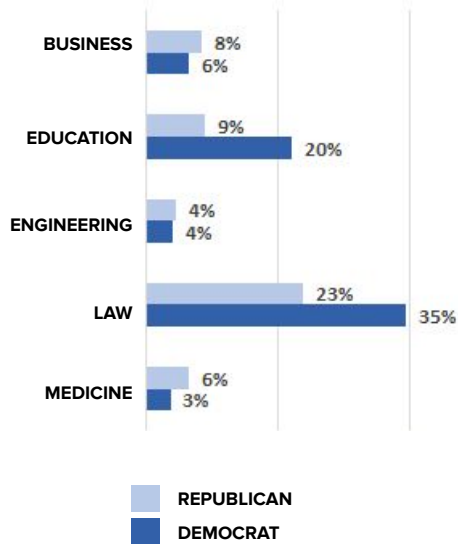
1. Highlighted lobbying spenders indicate an aggregated spending group.

Note: Total lobbying spend and top lobbying spenders includes and assesses all organizations that reported lobbying spend;

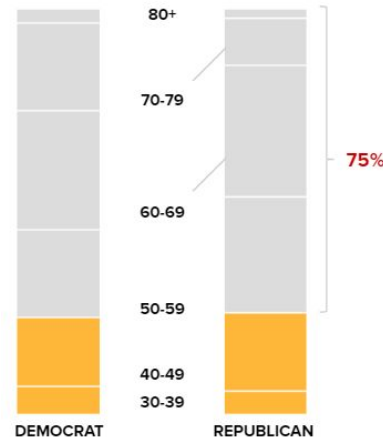
Source: [OpenSecrets.org](https://www.opensecrets.org)

# MEMBERS OF CONGRESS HOLD A NARROW RANGE OF DEMOGRAPHIC AND PROFESSIONAL BACKGROUNDS

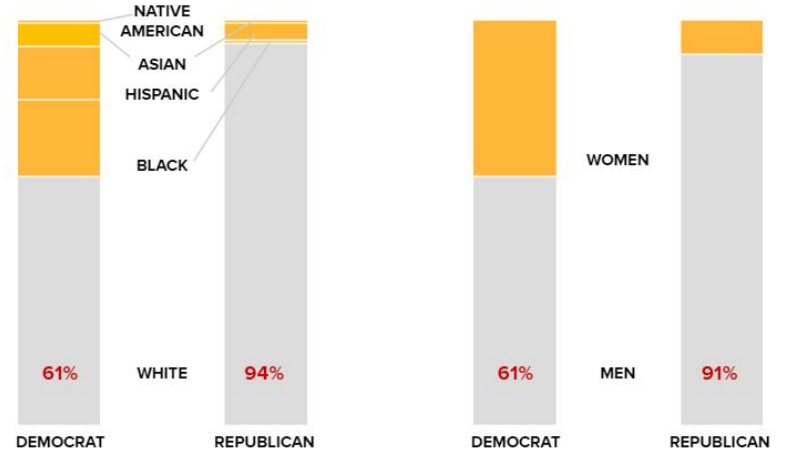
## PROFESSION



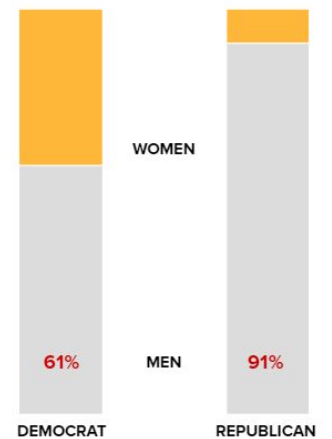
## AGE



## RACE



## GENDER



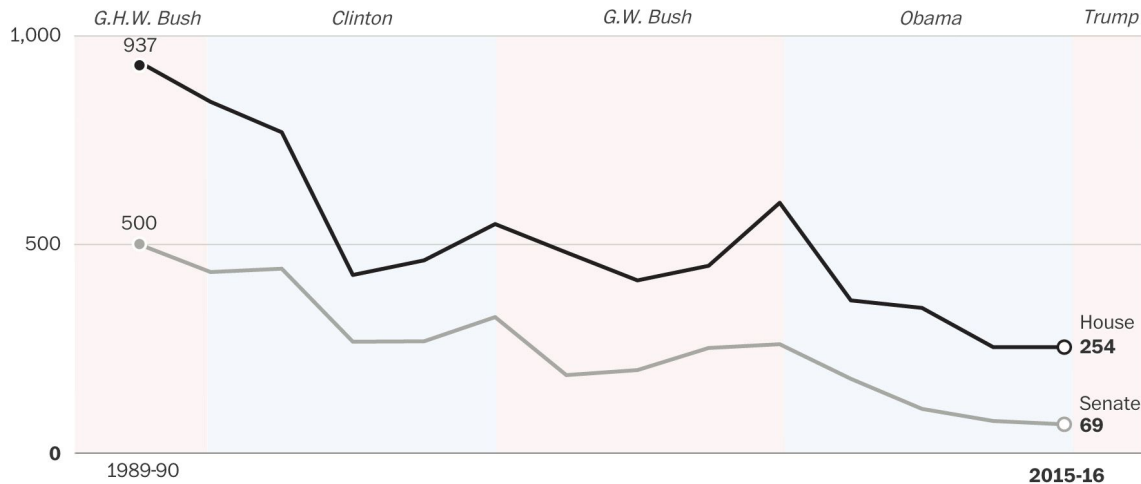
Source: NBC San Diego - [“The New Congress;”](#) US House of Representatives Office of the Clerk - [“Membership Profiles;”](#) CRS - [“Membership of 116th Congress;”](#) Note: Professional background is based on the Office of the Clerk’s categorization, “Business” refers to members with MBAs, “Education” refers to former professors and teachers, “Engineering” refers to those on the Clerk’s Engineers list, “Law” refers to those with JDs, “Medicine” refers to those on the Clerk’s Medical Professionals list

# CONGRESSIONAL FUNCTION IS CONTINUING ITS DRAMATIC DECLINE

## Laws and Disorder

“Today’s Congress is dominated by party leaders and functions as a junior partner to the executive, an analysis by The Post and ProPublica finds.”

Committee hearings dealing with legislation



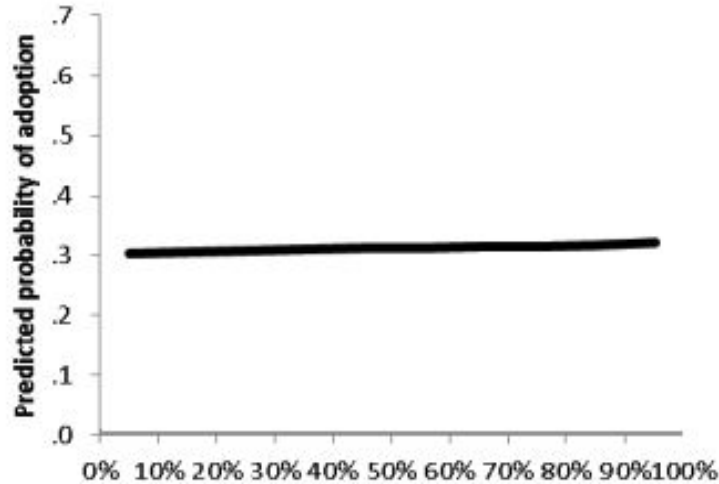
Note: Data for 2015-16 is incomplete.

*“[Former Senate Majority Leader Thomas A. Daschle] thinks of Congress as **an institution that needs to be rebuilt from the ground up...**”*

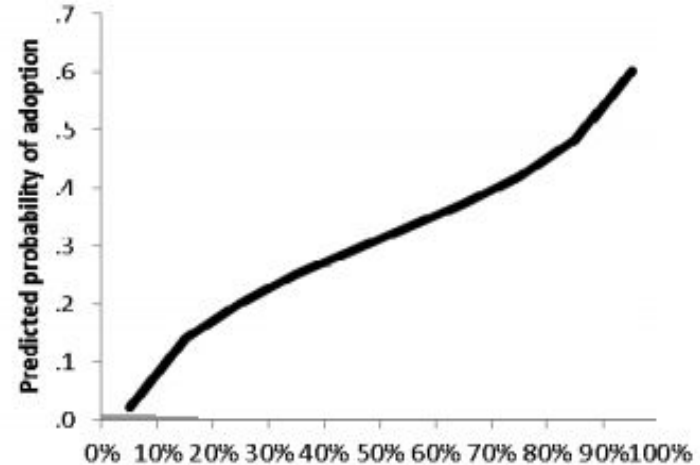


# LITTLE CORRELATION BETWEEN CITIZENS' PREFERENCES & PROBABILITY THAT CORRESPONDING LEGISLATION WILL BE PASSED

## Average Citizens' Preferences





## Economic Elites' Preferences





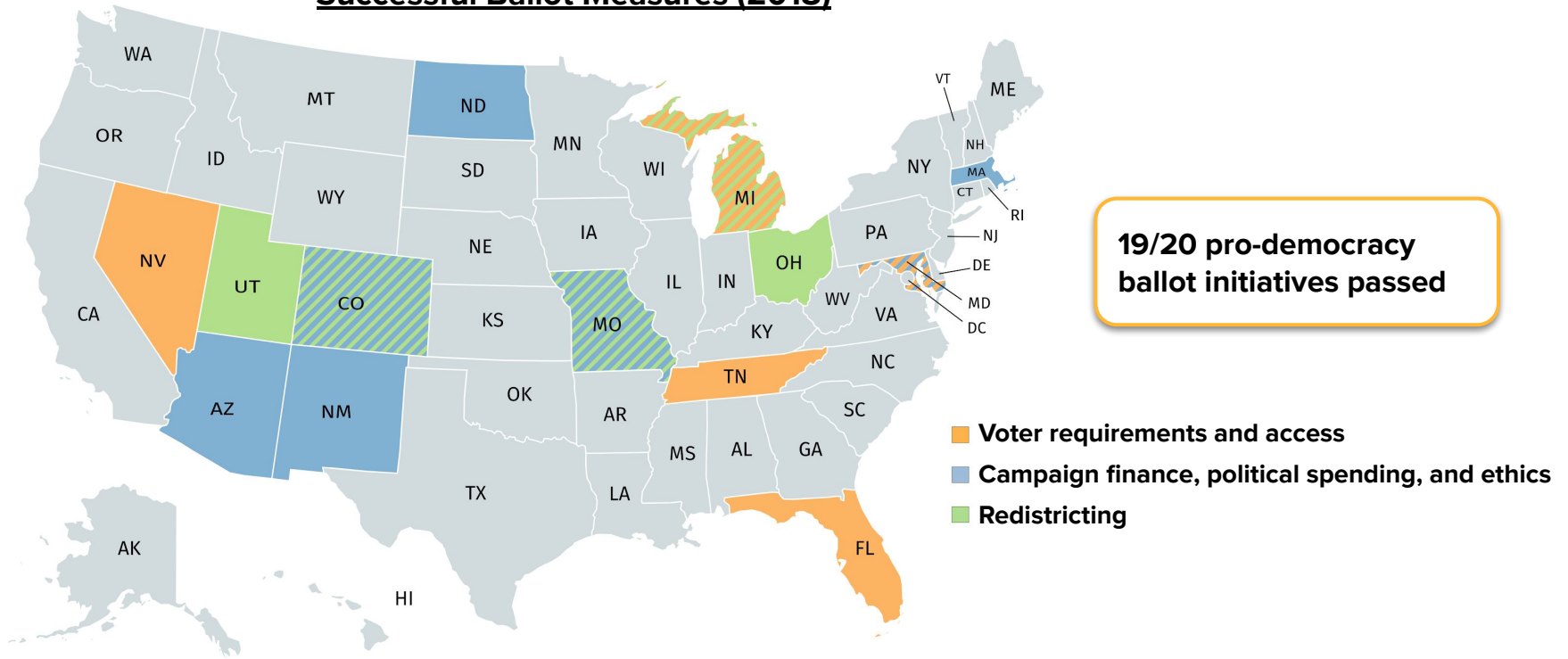
**DEMOCRACY REFORM OPPORTUNITIES**

# THERE ARE SYSTEMS SOLUTIONS. SOME ARE STARTING TO HAPPEN.

Challenge	Opportunities (not comprehensive)	In Practice (examples)
<b>Voter Turnout is Low</b>	<ul style="list-style-type: none"> <li>✓ Automatic voter registration</li> <li>✓ Day off for voting; weekend voting</li> <li>✓ Mail-in ballots; online voting</li> </ul>	Automatic voter registration: 14 States & DC 
<b>Election Outcomes Don't Reflect Citizen Preferences</b>	<ul style="list-style-type: none"> <li>✓ Objective redistricting</li> <li>✓ Ranked choice voting</li> <li>✓ Open primaries</li> <li>✓ Electoral college reform</li> </ul>	Pennsylvania redistricting 
<b>Campaign Finance</b>	<ul style="list-style-type: none"> <li>✓ Vouchers</li> <li>✓ Public financing, matching funds</li> <li>✓ Limits on contributions/sources</li> </ul>	Matching & Clean Elections 
<b>Ineffective Legislatures</b>	<ul style="list-style-type: none"> <li>✓ Reform rules and structures in Congress and state legislature</li> </ul>	 House GOP imposes term limits on committee chairs
<b>Talent Gap</b>	<ul style="list-style-type: none"> <li>✓ New candidates from outside politics with diverse backgrounds</li> </ul>	

# 2018 BALLOT MEASURE SUCCESSES INDICATE PUBLIC DEMAND FOR REFORM

## Successful Ballot Measures (2018)

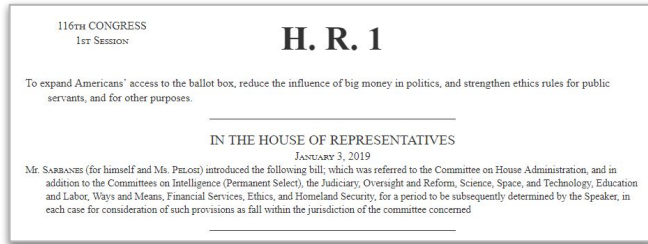


**19/20 pro-democracy ballot initiatives passed**

- Orange** Voter requirements and access
- Blue** Campaign finance, political spending, and ethics
- Green** Redistricting

# FEDERAL REFORM UPDATE: HR1 PASSED THE HOUSE ON PARTY LINES. BIPARTISAN BILL NEED TO PASS THE SENATE

## HR1 reform package



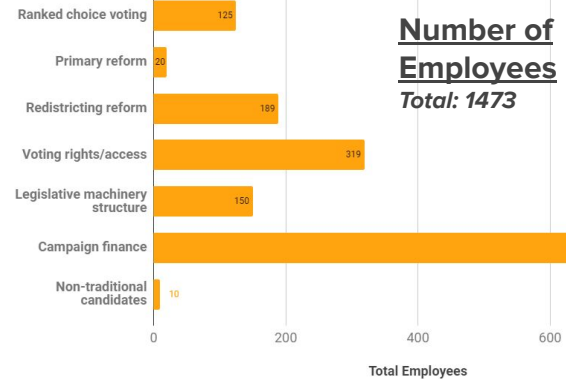
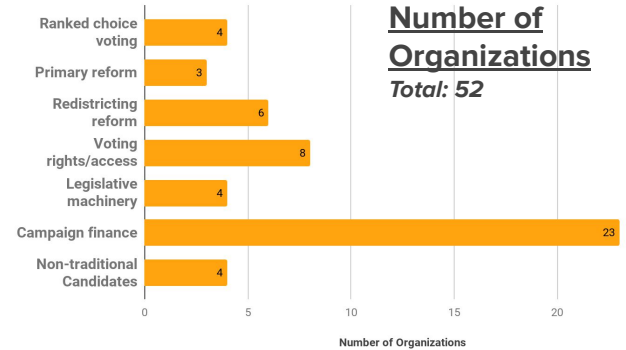
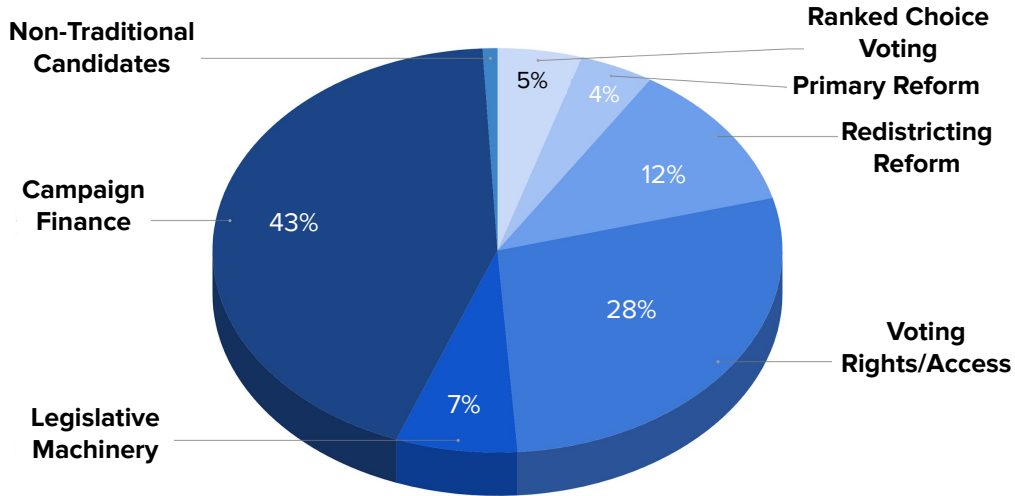
## Major provisions of HR1

- Automatic & Same Day Voter Registration
- Restoration of Voting Rights Act
- Independent redistricting commissions
- Small donor matching
- Federal campaign disclosure & FEC reform
- Election security
- Ethics reform

# BUT JUST 0.2% OF \$56B IN POLITICAL SPEND ADVANCES THESE KEY REFORMS

## Nonpartisan Spending on Highlighted Reforms (Preliminary)

Total: \$122M



Note: Analysis limited to nonpartisan reform organizations; Organizations can be double counted in multiple reform categories; Spending data from most recent 990 filed (2015 or 2016)

Source: Katherine Gehl and Michael Porter Political Market Landscape Research

## **We Are Investing Our Time and Resources to Reinvent Democracy**

**The Leadership Now Project is a membership organization of business professionals concerned about the future of our democracy.** Traditional models of giving to causes, candidates, and parties are insufficient for the challenges we face. A more strategic approach is required.

**Leadership Now Project enables its members to strategically engage and invest in politics.** We focus on the threats to the fundamentals of democracy that prevent principled leaders and meaningful policy from advancing. Issues including low voter turnout, gerrymandering, campaign finance rules, and a lack of highly qualified candidates are problems that require immediate attention as well as a long-term focus.

Members are diverse in their political views, professions, racial and ethnic backgrounds but are united by the belief that galvanized America's founders, E Pluribus Unum - out of many, one.

Contact: Mairin Macaluso [mairin@leadershipnowproject.org](mailto:mairin@leadershipnowproject.org), Membership Director, [leadershipnowproject.org](https://leadershipnowproject.org)

# LEADERSHIP NOW PROJECT PRINCIPLES TRANSCEND PARTY

## **1. WE MUST PROTECT OUR DEMOCRACY WHILE RENEWING IT** CORE PRINCIPLES OF DEMOCRACY

- FROM CHECKS AND BALANCES TO FREEDOM OF THE PRESS - MUST BE RELENTLESSLY DEFENDED. ENDING GERRYMANDERING, ENSURING VOTER ACCESS, AND REFORMING CAMPAIGN FINANCE ARE ESSENTIAL TO RENEW DEMOCRACY.

## **2. OUR ECONOMY MUST WORK FOR ALL** TODAY AND FOR FUTURE GENERATIONS. WE MUST PLANT SEEDS

FOR LONG-TERM NATIONAL COMPETITIVENESS, GROWTH, AND PROSPERITY. WE MUST BE STEWARDS FOR FUTURE GENERATIONS BY BUILDING AN ECONOMY THAT DOES NOT DESTROY THE PLANET.

## **3. FACTS AND SCIENCE MATTER** WE BELIEVE PUBLIC POLICY AND DECISION-MAKING SHOULD BE EVIDENCE-BASED.

WE MAY DEBATE THE QUALITY OF EVIDENCE, BUT SHOULD ALWAYS ACCEPT THE NEED FOR FACT-BASED RATIONALE.

## **4. DIVERSITY IS AN ASSET** INCLUSIVE TEAMS CAN DRIVE GREATER INNOVATION, CREATIVITY, AND PERFORMANCE.

OUR DEMOCRATIC SYSTEM RECOGNIZES OUR DIFFERENCES AND SHOULD WORK TO BRING US TOGETHER.