

# **AUSTRALIAN POLITICAL EXCHANGE COUNCIL**

## **INDIVIDUAL STUDY TOUR TO THE UNITED STATES OF AMERICA**

**27 October to 15 November 2014**

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# The Business of Politics

## 1.0 Executive Summary

The author spent three weeks in the United States of America (USA) exploring, documenting and contrasting American politics with those of Australia. The first half of this period was spent in the headquarters of the Crist for Governor gubernatorial race in Florida. This particular campaign was chosen because of the dynamic nature of Floridian politics, and the extraordinarily tight electoral margins on which this campaign appeared to be operating according to all available polling data.

This placement afforded the opportunity to gain exposure to a high-profile, well-resourced and professionally directed gubernatorial campaign. All senior campaign strategists were operating out of this same office and the team were extremely generous in providing advice, context and opinions about campaign operations.

The scale of American campaigns is substantially larger than has thus far been seen in Australia. Campaign infrastructure is systematically developed for specific campaigns over significant periods of time (twelve to twenty four months) in the lead-up to an election. Professional operatives are recruited to take on technical responsibilities - many of these individuals have developed careers focused on their campaigning skills and are handsomely remunerated for their contributions.

Fundraising is particularly complicated yet vital element of political campaigns in America. Working closely with legal representatives, finance directors and team-members seek to raise millions of dollars from individual and corporate donors through a convoluted yet corruptible system of state and federal regulation. There is broad acceptance that this method of financing political activities is fundamental to the economic sustainability of the American political system however there exist grave concerns about the effect of such activities on the democratic nature of governance and decision-making.

The second portion of the exchange was spent meeting with political, business and diplomatic leaders in Washington DC, New York and Boston. Discussions were focused on ascertaining a comprehensive understanding of the relationship between political and government processes, and interests that would seek to exert influence over such processes to achieve favourable outcomes.

The relationships between international business and American legislators are complex and powerful. Given the significant impact upon international markets and economies that American policy has, it is unsurprising that many corporate entities and foreign governments invest heavily to maintain influence over regulatory and funding decisions that have significant flow-on effects. While such relationships are often pursued in the best interests of all parties (including the American people), there exists the uncomfortable reality that such influence is often wielded without accountability or transparency.

As Australia's political campaigning environment continues to increase in competitiveness and professionalism, the demand for resources will grow. The reliance of the American system on private, and particularly corporate, funding sources serves as an example to Australia about the perils of an expanding political campaign industry without appropriate regulation, incentive control and economic consideration.

## **2.0 Campaigns in the United States**

### **2.1 Tiers of elections**

A delicately negotiated federation, constitutional amendments catalysed by debate and war, and a few hundred years of coitus between politics and culture have left the USA with a complicated and multi-tiered system of democracy. From the President and the Federal Congress, to the Governors and the State Houses, and right through to the dog catchers and local Sheriffs, elections in November can determine the outcome of hundreds or thousands of democratically-elected positions across the country.

The President is elected once every four years. The two Senators from each state (100 in all) serve staggered six year terms. The 435 House Representatives are elected every two years. Most State Governors are elected for four year terms on a schedule that differs from State to State. State Legislatures (generally bicameral with one exception) terms' differ according to State Constitutions; the result of which is a chaotic schedule of localised electoral maelstrom that is hard to wrap one's mind around. Only dogcatchers care about the dogcatcher terms.

In short, the sheer scale of electoral campaigning in any particular election season is extraordinary. Thousands of candidates are supported by tens of thousands of campaigns (official and 'shadow') which enlist the efforts of hundreds of thousands of workers (paid and volunteer). It's quite the democratic shindig.

### **2.2 Decentralised Party coordination**

Given the scale, diversity and complexity of this campaign cacophony, both public administrative responsibilities as well as political party campaign capabilities are highly decentralised. The effect of county-specific election administration is critical and unusual; however these issues are beyond the scope of this report (despite playing a critical role in the 'business of politics').

Political decentralisation, and the associated determination of administrative bodies, occurs at the predictable geographic levels, as well as by less intuitive institutional determinants such as congressional house (e.g. Democratic Congressional Campaign Committee (DCCC) and the Democratic Senatorial Campaign Committee (DSCC)). Such bodies raise money, promote policy, develop strategy and execute their respective campaigns in relative isolation from each other. While some resources are shared and cooperation is encouraged, the realities of differing priorities (sometimes competing) result in a distinct separation of operations.

Those elements of political infrastructure that do attempt to bridge the gap between campaign silos are focused on delivering services to individual campaign teams. These services are generally elements of specific tools that inform campaign strategy as opposed to macro-strategic direction or management. Discussions with representatives from the Democratic National Committee (DNC) revealed that the role they were playing throughout the 2014 mid-term elections was predominantly focused on providing data-related services and consulting on field campaign organisation matters. The relationship between the DNC and specific campaigns was framed as one of consultative supplier-client (however it was also made clear that the DNC play a much more prominent management role in Presidential elections).

In the case of the Floridian Gubernatorial campaign, the Crist for Governor team were supported by the Florida Democratic Party. Executive Director Scott Arceneaux explained that the role of the state party was to provide support to the political infrastructure but stopped short of taking on direct responsibility for any particular race (however implicit influence is exerted through control of finances and appointment of key campaign officials).

This decentralised structure filters down to the states as well; as House and Senatorial races are conducted around them, gubernatorial election teams operate significant infrastructure in the specific support of a single candidate in a single ballot. Concurrently there may be many more campaigns driving the agendas of State representatives, again in isolated silos. This stands in stark contrast to the Australian system that relies on either Federal or State-based party administrations (depending on the specific election) to design and implement campaign strategies with absolute control and responsibility over budgets, strategies and personnel for all candidates' campaigns. Our system has clear lines of leadership and authority in any particular time-period while the American system is focused on furnishing each campaign with the specific tools, people, strategy and authority to meet their individual objectives.

### **3.0 Florida Gubernatorial Campaign**

#### **3.1 Demographics and History**

Florida is the fourth most populous state in the US with an estimated 19.6 million inhabitants in 2013. For reasons of geography, climate, economy and infrastructure, Florida has a long history of migration; both Americans and foreigners still move to Florida at a rate above the national average. Many of these people settle in the most populous regions along the south-eastern and south-western coastlines. As a result these regions are ethnically and culturally diverse with wealth and education-levels above national averages.

However these regions are in stark contrast to less developed parts of the state. The affectionately referenced 'pan-handle' across the north of the state is particularly low in population density. Those that do live there tend to be descendants from families with extensive historical relevance to the area. Key health and economic indicators suggest that these regions lag behind the aforementioned parts of the state in terms of affluence.

Strategists on the Crist for Governor Campaign referred to these distinctive geographic and socio-economic groups as the 'duelling Floridas'. The effect of the duelling Floridas is severely pronounced in respect to political support; the densely populated counties of urban southern Florida are strongly Democratic and have healthy levels of voter registration while their northern brethren are rarely registered as supporters of either Party however tend to vote strongly Republican. This presents a strategic dilemma for Democratic political campaigns: should they attack the political bases of their opponents on the basis of their failure to effectively represent them in either DC or Tallahassee, or focus available resources on those who are more likely to be habitual supporters of the Democratic cause?

#### **3.2 Candidate and Primary**

Charlie Crist is a career politician with stints in key legislative and administrative roles such as the Florida Senate, Florida Attorney-General and Governor. Crist was elected-to and held the offices of these positions as a prominent Republican, however in 2010Crist announced his intention to leave the Republican Party and become an independent (following a bitter primary loss for a US Senate vacancy). In 2013 Crist announced his intention to run for Florida Governor as a Democrat in the 2014 election. With some amendments to his previously-stated social views and buoyed by his profile and previous popularity, Crist easily won the Democratic primary.

### **3.3 Scale and timing of campaign infrastructure**

Given the decentralisation of campaign coordination, and the long period of campaign gestation required by the cumulative processes of announcement, fundraising, primary and election, the development of campaign-specific infrastructure begins twelve to twenty four months before Election Day. This generally begins with the appointment of a campaign manager (paid or unpaid). This person takes on responsibility for a long-term, evolving monster at an embryonic stage when risks are high, resources are almost non-existent and likelihood of ultimate success is unquantifiable.

Omar Khan had taken on the role of campaign manager for the Crist for Governor Campaign under such circumstances. A Floridian native with extensive campaign experience, Khan had seen the opportunity to assemble an elite team of campaigners relying on cutting-edge tools and techniques to pursue support in the community for Crist, and transform that support into Election Day votes. Given the long gestation period that is typical with such American campaigns, Khan took on the role of campaign manager prior to the Democratic primary ballot (some fifteen months before Election Day).

In systematic order over the following twelve months, Khan was responsible for recruiting, assembling and training a team of professionals; each focused on delivering a key element in the patchwork of the strategic campaign plan. This large team was organised in a divisional structure with divisional managers overseeing the implementation of the broader campaign strategy within their own teams.

These divisions included:

- Finance - responsible for fundraising and budgeting;
- Data - responsible for data modelling and voter targeting;
- Field - responsible for developing volunteer network, collecting field data and turning out the vote on Election Day;
- Protection - responsible for recording instances of voting inconsistencies; and
- Diary - responsible for organising candidate, his diary and public attendances.

The growth of these teams is exponential over the course of 12 months leading up to Election Day; beginning with highly-skilled specialists assuming management positions, *acrescendo* is reached in the final weeks with young, energetic campaigners performing a range of implementation tasks.

### **3.4 Fundraising**

Many studies, reports and discussions have covered the reliance of the American political system on financial investment from wealthy individuals and private-sector interests. The establishment of the finance team is a critical step that occurs in the embryonic stages of any campaign. Structural formality differs between campaigns, however the primary responsibility is to raise money and control its expenditure.

Generally the fundraising operation focuses on pre-identified individuals whom have historically contributed to either the Party or the candidate, and business entities that have a strategic interest in building and/or maintaining a relationship with elected representatives. The finance team on the Crist campaign had begun raising money throughout the Democratic primary season, and then continued up until about a week before Election Day (money raised in the last week is relatively ineffectual because media deadlines have passed - in some states there are regulatory restrictions on late fundraising or disincentives such as media blackouts).

Ham-fisted attempts to limit the influence of financial donors on political outcomes (otherwise known as corruption) have resulted in ineffective donation limits in many jurisdictions. Both major parties have developed effective vehicles for bypassing such financial limitations by running 'shadow campaigns'; non-candidate, generally issue-based efforts that run issues for their own side while maintaining a 'Chinese wall' with the official campaign unit for legal reasons. Everyone seems to be aware of this practice however no one will discuss it on record. There were no indications that this practice was employed in the Floridian Gubernatorial race.

### **3.5 Identification of Supporters**

Identification of likely supporters is big business in the American political system and techniques for doing so are at the technological frontier of statistical and data analysis. Blue Labs is one such company that specialises in providing data analysis and statistical modelling consulting services to campaigns (including Crist for Governor). The company was formed by a number of econometricists that had honed their skills in the Obama for America (OFA - the organisation established to implement the strategic elements of Barack Obama's Presidential campaigns) campaign machine. Following the 2012 Presidential race, they had struck out and built their own consultancy focused on providing demographic research and targeting services to Democratic campaigns across the country.

While processes for effectively targeting voters are carefully protected as the proprietary intellectual property of any particular outfit, the broad approach is relatively similar. Modern communication tools, automated data collection and ever-decreasing marginal costs are employed to make broad assessments of individuals' voting intentions. These intentions are then used to create segments in the voting market of rusted-on party affiliates, soft voters leaning particular ways, and swinging voters making determinations based on a range of issues and circumstances. Sub-segments are grouped based on determinant characteristics (generally demographic as well as method of communication). This analysis is then used to inform strategic decisions about who to target with persuasive efforts during the campaign (generally the swinging voters), and who to target with mobilisation efforts on Election Day (generally the rusted-on friendlies exhibiting poor conversion indicators).

### **3.6 Get Out The Vote (GOTV)**

The 'Get out the vote' (GOTV) effort garners special mention because it is one of the most resource-intensive elements of an American campaign, and yet has very little relevance to Australian politics due to our compulsory voting system. Essentially the last two weeks of an American campaign (from the time that early voting begins) is entirely devoted to turning out voters that the campaign believes are likely to vote favourably. While some macro-campaigning elements (mainly television advertisements) remain focused on issues and persuasion, campaign infrastructure abandons these aspects entirely and devotes all energies to the logistical challenge of delivering supporters to the ballot boxes.

GOTV programs are most effective in mobilising lower socio-economic communities that would otherwise be disinclined to take part in the electoral process. Barack Obama's 2008 Presidential campaign developed unprecedented field campaign capabilities which converted into GOTV units in the final weeks. These efforts included transporting people by the bus-load to polling locations. Much credit is given to these tactics for record voting attendance from young and African-American demographics.

## **4.0 Post-campaign Landscape**

### **4.1 Floridian Gubernatorial**

Like most of the tight races across America in 2014, the Democrats performed less well in Florida than had been predicted by pollsters and the Republican incumbent was re-elected as Governor. As might be expected, this was a significant emotional blow to Crist, Khan and the team that had invested so much time and energy in the campaign over the preceding 15 months. Many campaign workers had been hoping to find employment positions in a new Crist administration, instead they had 2 days to clear the office and begin their respective job hunts.

Conversations with many of these people revealed that they came from incredibly diverse educational and professional backgrounds - some were looking to return to these pursuits while others were hoping to forge ongoing careers in the sphere of professional politics and campaigning.

### **4.2 Senate**

The most pronounced outcome of the 2014 elections was the Democrats' loss of vote-based control in the US Senate. While the Republicans had controlled the House of Representatives for a number of years, Democrats had maintained relevance to the legislative process on Capitol Hill through this Senate majority. There had been much speculation that this influence was often employed to protect the President from playing an active role in signing bills of a controversial nature (as generally required for a bill to pass into law).

The effect of this change on the business of politics in Washington DC was profound. The institutions of interaction between business and congress has been comfortably established under the pre-existing paradigm of power; Republican-aligned organisations focused on progressing their agendas through the House while Democratic-leaning group pursued theirs in the Senate. Many contracts, most strategies and much money were positioned in accordance however, despite political observers predicting this change as a likely outcome; the eventuality required much attention to realign efforts of legislative and budgetary influence.

Dr. Witney Schneidman, a key advisor to both government and the private sector on a range of issues related to Africa, noted that this change would necessitate a significant shift of focus for international governments with significant interests in effecting outcomes in American politics. He outlined the practice of many nations to engage professional lobbying and political strategist groups to pursue the interests of their international relationships directly with American legislators. Over the preceding six years, the focus of many had been upon the Democrats in order to garner favour with the President and key Senators, however attention would now be refocused upon moderate members of the Republican caucus. This shift would require significant 'investment' of resources in order to develop productive relationships and achieve desired outcomes on Capitol Hill.

### **4.3 State Houses**

As a result of the particular Federalist model that the United States was established under, control of State Legislatures can have far-reaching impacts upon national and international politics. In addition to administration of State laws, taxes and budgets, these legislatures generally have considerable ability to influence the processes of elections beyond the purview of their own jurisdictions - many State legislatures are responsible for redrawing electoral boundaries (State and Federal), determining the laws that govern election administration and even deciding the hours of operation for individual polling locations.



While many corporate powers may have limited interest in the administration of a particular State legislature, they are committed to electing friendly representatives to Washington that may assist in the pursuit of their interests. Consequently large amounts of money - beyond that which are already invested in the system by State-based interests - are injected into campaigns to bolster the possibility of securing favourable procedural outcomes that feed into national macro-strategies.

James Booth, an econometrist from Blue Labs, spoke of the investment trail from corporate boardrooms around the world, through Washington political consultants and into seemingly-irrelevant political races in isolated parts of the country. Those parties with financial resources, an understanding of the system and the ability to execute comprehensive strategies with many phases thrive in this world of systematic gerrymandering and enjoy strong support at all levels of government as a result.

#### **4.4 Markets and Business**

There is wide acceptance that congressional power structures play an important role in shaping trade and market conditions for American businesses. This can be so overt that each major political party is seen to have beneficial relationships with certain industries and companies when in power these allied businesses are perceived to thrive in a favourable operational environment.

In the lead-up to Election Day there was much commentary in the media about the effect a change in Senate leadership might have upon the economy. Wall St markets adjusted with broader expectations for a Republican ascendance (whilst still hedging bets with Democratic partners). Brett O'Brien from Glover Park Group (GPG) outlined the typical approach of major business players in such a transitional environment, proffering the idea that many investors had already predicted the outcome and equity had shifted accordingly prior to the result being confirmed. Those organisations who were set to prosper under a Republican-controlled congress would immediately begin pushing for advantageous legislation and regulatory conditions with their newly-empowered and financially-reliant congressional friends. Those who were seen as being too closely allied with the Democrats would take a phoenix-like approach to laying low for a few days before engaging a range of Republican-aligned 'mediators' (generally lobbyist firms) to broker meetings with key legislators and reinvent previously acrimonious relationships into those of mutual wealth generation. Essentially, all and sundry would take a 'new dawn' approach and seize upon any rays of sunlight with opportunistic glee.

Dave Poritzky discussed the history and ongoing role of Bloomberg New Energy Finance. New Energy Finance had operated as a lean start-up company with the aim of informing US-based equity markets about renewable energy investment opportunities across the international community. They used syndicated tools to assess the viability of projects, risks, market issues and financial sustainability to provide investors with reliable information that could encourage growth in the new energy sector. Poritzky pointed out that a Republican-controlled congress would likely stifle domestic new energy initiatives from the Federal Government and potentially set-back the growth of the sector in the competitive energy markets. Accordingly, investors would seek alternative opportunities to deploy their capital thus multiplying the retardation of companies trying to develop new, energy options.

#### **4.5 International Trade**

As has been outlined previously, many foreign governments invest heavily in Washington in efforts to build and maintain relationships with legislators and organs of government. Given the relevance of America to the international economy, much of this effort is focused on developing favourable international trade conditions and partnerships. Representatives from Eurasia Group explained their role in providing political risk advice to multi-national corporate entities to assist them in market or supply chain development - often in some of the most dangerous parts of the world. Given the demand for commodities and resources, as well as the insatiable appetite for companies to find new consumers of their products, Eurasia Group assess the risk of operating in foreign locations based on a range of factors and analysis. In doing so they assist American (and other) businesses to invest in international expansion activities with a comprehensive understanding of the political landscape.

Ambassador Kim Beazley (Australian Ambassador to the USA) stressed the importance of Australia strengthening its trade relations with America whilst also pursuing and building new friendships in the Asia and Pacific regions.

Representatives from Austrade extolled the virtues of Australian companies exploring new markets in America. Trade Commission representatives in New York predicted the drastic recovery of US GDP growth in spite of broadly-accepted economic hurdles for such developed economies to maintain 'catch-up' growth rates. They outlined the processes for increasing international trade between the two countries and supporting small and medium-sized enterprises to explore such opportunities.

#### **4.6 Lobbyists**

Lobbyists have long been part of the furniture in Washington DC. If government and corporations represent cogs in the wheels of political business, lobbyists are the oils and grease that keep the machine turning. They trade in the commodity of political access and lever relationships with legislators and officials to achieve favourable outcomes for their clients.

However the business of lobbying is not what it once was; with increasing regulation, public demand for transparency and saturation of competition in the market, lobbying firms are constantly on the look-out for skills and services that differentiate themselves from their competitors.

Andy Oare spent both 2008 and 2012 presidential elections as a campaigner in OFA. He has developed specialised skills in organising online campaigns and employing digital tools to disseminate messages and build support for outcomes. After 2012 he left OFA and joined a consultancy focused on political campaigning named 270 Strategies before joining Glover Park Group and heading up the establishment of their Digital Campaign Unit. With Andy's help, GPG are looking to build upon the traditional role of lobbyists, augmenting their relationship-driven advocacy with broader public engagement approaches on behalf of their clients. In doing so, GPG are looking to engage and inform the broader community with information about the objectives, opportunities and impediments facing their corporate (and foreign government) clients with focused efficiency and at ever decreasing marginal costs.

## **5.0 Implications for Australia**

### **5.1 Growth of Campaigns**

All of Australia's major political parties subscribe to something of a federalist structure; independent state branches generally contribute financially to the ongoing administration of a national office however the roles of each are carefully defined and separated. Depending on the particular election (state, federal, etc.), campaign directorship is vested in different administrative tiers however key financial and strategic oversight is never decentralised beyond the state branches. While specific campaigns may have responsibility for fundraising, local organising and logistics, there are no clear examples of campaigns having the authority to override centralised power structures to achieve specifically-relevant outcomes. In many ways this ensures the ability of Australian political parties to stay focused, disciplined and 'on-message'. In examples where local candidates or campaigns stray from the approved approach, all parties have been expeditious in disassociating their brands (often by dis-endorsement).

Despite these advantages, this rigid cultural approach (championed by the existing power-elite to protect their control over such processes) stifles flexibility for campaigns and campaigners to tailor policies and messages for particular electoral segments. The result of this approach has been the centralisation of politics from the centre-left and centre-right parties, followed by electoral cannibalisation from smaller parties focused on particular issues or voting segments within the community. While the American system maintains a relatively strict two party system, Australian voters are increasingly abandoning party allegiance to vote in accordance with fashion, single-issue strength and marketing-style consumer awareness (generally those groups with the most money to spend on advertising).

### **5.2 Donations and Regulation**

The role of private donations in funding Australian political campaigns is less than can be observed in America, however there is significant growth in the revenues of political operations derived from such sources. Token efforts have been made to increase transparency of political donations in Australia however recent high-profile events prove that the relationship between business and politics remains problematic; current legal structures are inadequate, incentives for corruption have not been addressed and increasing competition in campaign environments demands creative attempts to source funding.

Adding to these issues is a generally apathetic approach from the Australian public about the integrity of actors within the political space. The level of distrust between politicians and the electorate has reached such a critical low-point that citizens have come to expect irregularity of funding arrangements and instead of demanding greater accountability measures, have emotionally disengaged from such issues. Coupled with widespread misunderstanding of political donation processes and channels, unscrupulous political operators have thrived in this environment of disinterest.

### **5.3 Public Funding of Political Parties**

There is ongoing debate in Australia about the role of public funding in Australian electoral processes. As in America, there exists a school of thought that demands private donations are an integral part of a citizen's democratic rights. However there is growing discontent about the growth in influence of corporate entities (often with foreign owners) upon regulatory and funding processes. America's system of soft regulation and evolutionary reliance on private funding sources serves as an example to Australia in relation to avoiding the difficult task of reforming our own system.

There are a range of models that could be employed in Australia to transition political funding away from private sources. For any model to be successful it must take into account the differing needs of major and minor political parties, and incorporate a broadly acceptable method of determining threshold requirements for legitimate political activity (to ensure public money is distributed and employed in the pursuit of democratic efforts and to eliminate incentives for income-focused campaigning). Any such funding reform would require the significant expenditure of political capital by an implementing government. With interest in such reform at low ebb in the electorate, there exists a need for significant efforts from independent campaigners to develop a sense of urgency in the mind of the voting public and catalyse demand for change.