The End of the Fortune 500 and the Rise of the 50,000 Everyman: An Examination of Corporate Political Activity in Political Elections Post-*Citizens United*

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Abstract

This study examines political contributions of small corporations to US Senate campaigns in three elections over the last decade. This project is the first to consider the impact of small corporations on the political landscape since previous scholarship only focuses on large corporations or the aggregate of corporate data. It is also important because it evaluates trends in corporate campaign spending before and since the Supreme Court's ruling in *Citizens United v. FEC* (2010), which lifted the restrictions on political spending by corporations. Using FEC data, this project demonstrates that there is no apparent trend to support theories of exploding corporate political spending after 2010, contrary to pundit speculation. Moreover, this study serves as a legitimate challenge to the current discourse, and justifies a need for small corporation political contributions to be considered in the current literature.

Introduction and Aims

In the arsenal of operatives, consultants, slogans, campaign ads, and other tools of the modern political campaign, political contributions take precedent as one of the key elements to compete in elections. The candidates need these contributions to build their war chest and finance their operations. For the nine years leading up to the *Citizens United v. FEC* (2010) decision by the United States Supreme Court, corporations were limited in these expenditures. However, in *Citizens United v. FEC* (2010) the Court decided that it is constitutional for corporations to spend unrestricted amounts of the corporation's general treasury to make contributions in support of or rejecting candidates. This decision gave rise to a wave of dissent, which alleged that the Court's decision would allow corporations to corrupt politicians through these unlimited contributions.

The aim of recent research into this topic is specifically concerned with large corporations and with how and why these corporations contribute. Scholars neglect the impact of small corporations in the process of giving. They also tend to ignore the impact of campaign finance regulations on small corporations. This project will provide an analysis of small versus large corporation political contributions that will enable political strategists to be able to facilitate more effective fundraising with the knowledge of trends in small corporate political behavior versus that of large corporations. Furthermore, research into this question could suggest future trends in corporate political behavior to provide evidence of how different types of corporations attempt to influence politicians, which is particularly controversial in the wake of the *Citizens United v. FEC* (2010) decision.

Literature Review

With the ever-rising costs of running for political office, candidates look for willing donors to finance them with the necessary resources to get elected. Corporations have a vested interest in who is elected because they want favorable policy from the government to prevent costly regulations on their business or industry. Therefore, corporations are among the field of donors willing to support certain candidates financially in an effort to leverage their monetary contributions in return for strategic policy interests. This concept of “firms’ efforts to influence or manage political entities” is called corporate political activity (CPA) (Lux 2011, 223). The logic dictates that the more a corporation gives, the more influence the corporation has over the candidate. Over time, CPA has considerably increased so much so that business is “the largest and fastest growing segment of U.S. special interests” (Lux 2011, 224). In fact, “business contributions to the Republican National Committee and House and Senate campaign committees increased 220% from $358 million in 1994 to $782 million in 2004” (Lux 2011, 224).

However, as CPA was measured and researched by scholars, there was only a focus on large firms that were either modeled after or explicitly classified as Fortune 500 companies. Scholars theorized why, how, and with what consequence corporations contributed to political campaigns, though, the studies never delineate the smaller corporations from the larger. This lack of separation is due to a fallacy created by the basic principle of CPA that if the donation is larger, then so is the influence. Naturally, scholars assumed that analyzing the statistics of the corporations with the most influence, (i.e. by their logic large corporations), or analyzing the statistics of the aggregate, then their findings could generalize to the behavior of other corporations. Thus, it follows that the contributions and, therefore, the impact of small corporations is lost in the aggregation of past and present scholarly work focusing either on CPA by all corporations or only large firms.

Before examining the comparison of large and small firms, there must first be a full understanding of CPA, the motivations behind utilizing it, and its impact. CPA is more than just monetary contributions, and can take the form of lobbying, charitable giving, and donations to political action committees (Hansen 2000, 891). However, the campaign contribution element is considered most critical because it is the most commonly utilized and most influential given, the pre-existing need of political candidates to raise increasingly large amounts of campaign funds (Hansen 2000, 891). A study by Hansen and Mitchell confirmed this notion when their study discovered that of 565 firms examined in their study, 72.6% engaged in CPA with more than 50% of the activity in the form of contributions (Hansen 2000, 895). Thus, to capture the strongest presence of CPA in political campaigns, contributions must be examined.

While a very small portion of CPA contributions come from altruistic intentions, the vast majority of contributions stem from policy interests in regulation. Firms are not only motivated by upcoming policy decisions about regulation, but also motivated by pre-existing regulations. In a study of environmental firms, researchers found an inverse relationship between firms' compliance with environmental regulations and spending (Cho 2006, 148). This means that firms with poorer records on regulation compliance gave higher contributions (Cho 2006, 148). In essence, corporations try to gain enough influence through contributions to get the government to overlook their poor regulation compliance or change the regulation policy. Vanden Bergh and Guy's study of the accounting industry, which examined CPA during a time when critical regulation measures for the accounting industry were coming up in the U.S. Congress, further supports this assertion of strategic use of CPA for corporations (Vanden Bergh 2007, 19).

However, Vanden Bergh and Guy went further to explore which political institutions corporations try to influence with CPA. They found that corporations specifically targeted, what they called, "pivotal politicians" (Vanden Bergh 2007, 4). This is the idea of targeting politicians in the middle of the right/left ideological continuum and trying to persuade them toward one side. The study found that corporations devoted more resources to support a political institution if it was considered to be more pivotal in the policy making process than if it was not pivotal (Vanden Bergh 2007, 21). Therefore, when corporations are looking to influence regulation policy, which is known to be the largest motivator for CPA, they look for "pivotal" institutions to help them achieve either new favorable policy or to overturn or overlook policy that has the corporation in delinquency. The study shows that the most "pivotal" institutions are usually politicians.

Research has considered which "pivotal" politicians corporations fund. Logic would say that corporations would most likely fund politicians that politically aligned with their corporate interests; however, sometimes corporations pour money into candidates who oppose their viewpoint to demobilize the candidate's base in hopes that it will be the candidate's demise (Davis 1992, 390). Still, most corporations use CPA to support candidates who agree with their viewpoint. In essence, the corporations see funding the candidate's campaign as a way of buying "access" to the candidate (Gordon 2003, 27). The intention is to purchase this "access" through contributions and then retain it until such a time arises when these "pivotal" politicians can be influenced to assist corporate political objectives. However, corporations are smart with their investments. With the turnover rate of individual politicians, albeit small, corporations are more likely to invest in political parties rather than individual candidates (Gordon 2003, 33). Buying "access" to the party is a better long-term investment because "access" to the party can provide "access" to individual candidates (Gordon 2003, 33). This "access" is defined as the ability to meet with, get in contact with, and have the opportunity to influence the candidate. However, in order to build a basis of support and ensure businesses that they can confidently invest in a candidate rather than just the party, candidates will develop reputations (Kozner 2005, 50). Essentially, incumbents who consistently get reelected try to develop a reputation to model the same attractiveness businesses find in the consistency and reliability of political parties so that the politicians can get the money directly funded into their campaigns (Kozner 2005, 50). Once the corporations have "access" to the pivotal politician, they employ the other, more information based, elements of CPA such as lobbying to persuade the politician toward the corporation's policy objective (Lord 2000, 78). Lord's study shows that all elements of CPA are effective to some degree at this point in influencing elected officials. This idea of leveraging "access" is where controversy arises (Lord 2000, 85). There is concern that politicians will cease to be representatives of their voting constituencies, and will instead remain loyal to contributors. The logic of the concern is that the contributions give corporations more access than citizens to politicians, and, thus, the politicians would be more influenced toward corporate policy agendas than constituent needs. If this were true, it would be a complete breakdown of the republican style of government that the Framers of the United States intended.

To answer these concerns of public opinion, policymakers worked together to create campaign finance regulations on corporate contributions. In 1971, Congress passed the Federal Election Campaign Act, which created the first CPA disclosure regulations specifically for campaign contributions. The Act also created a regulating body called the Federal Election Commission (FEC) to conduct oversight and investigations into illegal contribution and influencing behaviors by corporations (Werner 2011, 120). The next notable legislation came as the Bipartisan Campaign Reform Act of 2002 (BCRA), which placed additional caps on hard money and strict regulations on issue advocacy advertising in political election cycles that the bill called "electioneering communications" (Werner 2011, 120). The cap to hard money (funds going directly from a corporation's general treasury to a candidate) was already in place with a maximum contribution of $2500 and was regulated by the FEC. The BCRA also specifically prohibited soft money, which is funding contributed by corporations to political parties for the purposes of party building and activities not specifically related to a candidate's election. Most of the time, this soft money was spent on television advertising, which advocated particular issues rather than specific candidates (Werner 2011, 121). Prior to BCRA, soft money was a highly effective method for corporations to have unlimited influence because the Supreme Court ruled that the FEC could not regulate soft money in *Buckley v. Valeo* (1976) (Werner 2011, 121). However, the Court did affirm the policymakers' concern of CPA influence by ruling in *Buckley v. Valeo* (1976) that the state's compelling interest to prevent corruption is a legitimate justification for limiting donations directly to candidates, which allowed policymakers to still put limitations on hard money contributions. Once the BCRA passed, and soft money was prohibited, then corporations bundled their interests by forming alliances through Political Action Committees (PACs). The corporations would voluntarily donate to PACs and the PACs would run the election ads and viewpoints that the corporations could not under the BCRA legislation (Werner 2011, 122).

The strategy of utilizing PACs changed with the Court's 2010 ruling in *Citizens United v. FEC* (2010), in which the Court ruled in favor of corporate political spending. The Court held that corporations were allowed to use their treasury funds to air political advertisements specifically endorsing or calling for the defeat of a certain political candidate under the First

Amendment's protection to free speech (Werner 2011, 123). The Court reasoned that discrimination against corporations was unconstitutional and that they should be allowed to exercise their constitutionally protected right to free speech, even if it is political speech (Werner 2011, 123). Although the *Citizens United v. FEC* (2010) decision still upheld the limitations on corporate direct contributions to candidates and their campaigns, the idea that general treasury funds can be used to endorse or reject candidates through public advertisement caused public controversy (Werner 2011, 119). President Obama stated that this decision would, "multiply [corporations'] influence over decision-making in our government" (Shear 2010, 1).

Scholars, however, were not convinced by the political rhetoric, and tested the theory. Werner's study from the standpoint of the corporate stockholder gives the best perspective of whether investors saw the same power implications as the President's rhetoric. Werner theorizes that regardless of how firms choose to engage in politics, they will only do so if their particular benefit or their share of the collective benefit remains greater than the cost of gaining it (Werner 2011, 125). Using this theory as a basis of corporate rationalization, Werner states that the investor will act similarly, and will invest in corporations if the corporation possesses a greater benefit to the investor. Therefore, if there is a significant power shift in corporate ability to influence public policy interpreted by investors due to *Citizens United v. FEC* (2010), then the market will reflect that increase in benefit with an increase in investment in major political power player corporations (Werner 2011, 125). The results of Werner's event study show that the announcement of *Citizens United v. FEC* (2010) was a nonevent (Werner 2011, 132). This means that investors did not share the opinions of the political rhetoric regarding the decision, because when the decision was announced, there was no significant increase in market activity. The investors did not see corporations as having a greater benefit post *Citizens United v. FEC*

(2010), and did not choose to invest more, or buy more stock, in the corporations as a result. Thus, Werner concluded that the rhetoric around *Citizens United v. FEC* (2010) was just that, rhetoric (Werner 2011, 137). The market did not indicate any power shift or increase in market interest due to the announcement of the decision. The key limitation on this study though, is Werner's focus on large corporations. Again, like almost all scholarship in the field, Werner specifically looked to Fortune 500 companies as an indicator of increased corporate power, and neglected activity of smaller corporations.

Since the BCRA was overturned and corporations were allowed to engage in CPA out of their general treasuries, small corporations have been able to gain new leverage and thus new access to "pivotal" political institutions (Muntean, 2011, 1). With BCRA's defeat, small corporations do not need to team up with large PACs, where their interests are lost in the limited priorities of the committee. Furthermore, small corporations are typically run by a principal owner or founder, which causes them to have more political activity (Muntean 2011, 4). Muntean (2011) concluded that companies with principal owners present in the corporation's activity, as opposed to the agent-manager, or CEO, style of management that larger corporations prefer, are more likely to make CPA contributions. Muntean found this to be statistically significant of contributions to both the left and right ideological spectrum of politics (Muntean 2011, 26). Furthermore, the data suggested that once a corporation of principal ownership decides to contribute, they would donate significantly more than agent-manager corporations (Muntean 2011, 26). Small corporations usually retain their principal owner or founder, and are, thus, more likely to contribute and contribute more, as a percentage of their treasury, than larger, agent-managed, corporations (Muntean 2011, 26). It is also significant to note that small corporations are more motivated to participate in CPA because they are constantly trying to grow, thus have to balance regulation compliance with investment in growth and will look for favorable regulation policy or leniency in poor standards as they can then invest more to growth than compliance (Cho 2006, 148). Finally, smaller corporations do not have to worry as much as larger corporations about the visibility of their contributions because they possess smaller and more localized clientele, which frees them from having to worry about the possible revenue consequences of CPA when the community learns of their contributions (Hansen 2000, 899).

There remains a sizable void in current scholarship on the behavior and impact of small corporations' CPA contributions in elections. All scholarship focuses on large firms and large contributions, whereas the *Citizens United v. FEC* (2010) decision leverages small corporations the unique opportunity to make a significant impact in the election cycle due to the nature of small corporations' ownership structure, motivations, and localized clientele. Scholars have yet to realize this implication of the decision and, therefore, it is necessary to research this comparison. This study should show that in comparing individual federal election contests, those having more restrictions on CPA contributions will be more likely to have a lower small corporation contribution presence as a percentage of total campaign funds than those having fewer restrictions on CPA contributions.

Study Design

The research question being investigated in this study is whether federal election contests with more restrictions on CPA contributions will be more likely to have a lower small corporation contribution percentage of total political contributions than those having fewer restrictions on CPA contributions. The dependent variable is the small corporation contribution presence, both in dollars and as a percentage of total political contributions. The study examines the presence of regulation on CPA contributions as the independent variable. Additionally, the study separately examines three control variables in an attempt to explain possible reasons for increased spending. These control variables are: the aggregate data, whether the contest is a competitive race, and whether the contest is in a battle ground state. The unit of analysis for this study is the individual federal election contests. Only Congressional Senate elections are evaluated, because members of the legislative branch were identified as being the most politically pivotal to corporate political interests (Vanden Bergh 2007, 21). Being that there are fewer members of the Senate than the House of Representatives, this study assumes that corporations view Senators to be more pivotal, and, thus, reason to specifically focus on their contests. To control for any irregularities caused by presidential candidates during a presidential election year, this study only focuses on mid-term congressional elections.

Specifically, this study focuses on the mid-term congressional elections of 2002, 2006, and 2010. These years are specifically chosen because the timeframe encapsulates the initial introduction of, the period during, and the period post campaign finance regulations. Data from 1998 would bring even more understanding, but the official database of the FEC online does not have the 1998 campaign finance data. In 2002, the BCRA took effect so this data demonstrates the initial behavior of CPA under new restrictions. In 2006 the BCRA was still in effect and therefore, the data demonstrates the behavior of CPA under continued restrictions. In 2010, the *Citizens United v. FEC* (2010) decision was in effect, thus, this data demonstrates the behavior of CPA unregulated again, with the only requirement being disclosure.

The data source for this study is the Federal Election Commission's Candidate and Committee Disclosure Database. In this database the Federal Election Commission (FEC) has information available on all candidates' campaigns, direct donations, election loans, and finances. Using this database, the study examines CPA in direct contributions to each candidate in each of the three elections. While the *Citizens United v. FEC* (2010) decision talked about electioneering communications, which the FEC categorizes as independent expenditures in favor of or against a candidate, the direct contributions to the candidate are a much more accurate method of analyzing CPA over the last decade. The danger with using independent expenditures as a measure is that they have only been cataloged by the FEC for one senate election - the 2010 election, since federal law previously banned independent expenditures, thus, making comparisons or a time series analysis impossible. Additionally, election law only requires groups and Super PACs that engage in independent expenditures to list their name, how much money they are spending, and who the money is spent in support of or against. Since the groups and Super PACs are not required to list their donors, there is no way to accurately know whether a Super PAC like American Crossroads' expenditures are a representation of CPA, individual contributions, or some combination of both. Therefore, the most accurate indicator of CPA is still direct contributions to candidates. If the corporations are in fact leaving the still restricted route of direct donations to candidates as pundits and politicians are saying, then there should be a significant decrease in direct contributions to candidates in the form of CPA, which could indicate that the corporations opted for the free-reign independent expenditure alternative post *Citizens United v. FEC* (2010).

To analyze the correlation of CPA in the form of monetary contributions to political campaigns, this study's methodology first studies the independent variable of regulation presence impacting CPA contributions in the aggregate data. In each congressional mid-term Senate election, the amount of CPA contributions is be totaled. That dollar amount is then analyzed as a percentage of total political campaign contributions for all congressional mid-term Senate elections of that year. This representation of the data shows any trends in CPA contributions over the time period. Formatting the data as a percentage of total contributions allows the research to control for increases in inflation, or overall trends in the total political contributions from one election year to another. To do this, this study uses a custom build web-parsing program developed specifically for the purposes of this study using the Python programming language (Appendix D). This program scans the FEC's database on a particular candidate in a particular year and separates out all corporations from other organizations, associations, and unions using a filter that looked specifically for that year's list of Fortune 500 companies and the key words Corp., Co., Inc., LLP, PC, Corporation, Incorporated, and PLLC. The program then separated the Fortune 500 companies, categorized by this study as large corporations, and the rest of the corporations, categorized by this study as small corporations, and totaled their contributions. The accuracy of this program's ability to parse the data correctly was tested by verifying the individual data of 23 contests calculated by the program against the same coding scheme done by hand. In all 23 cases the parsing program was within $2,000 of the human coding and where discrepancies were found adjustments to the coding were made.

Using this data, the study goes further to analyze the corporate aggregate data to assess the variation of contributions from small versus large corporations. For the purposes of this study large corporations are Fortune 500 companies, as defined by the Fortune magazine specific to each year (for example, the Fortune 500 list from 2006 is used for the 2006 election, but the 2002 list for the 2002 election). Allowing the definition to be flexible with each time period controls for variations in the standards of what is or is not a Fortune 500 company over the years as determined by Fortune. All corporations that do not appear on the Fortune 500 list are conceptualized as small corporations for the purposes of this study. The data of small corporation CPA contributions as a percentage of total CPA contributions shows whether there is a trend in the presence of small corporation CPA contributions over the time period as compared to the large Fortune 500 corporations.

The next focus of the study is to narrow the focus from the aggregate data of all elections nation-wide, to state specific behavior of the congressional mid-term Senate elections. In this analysis of the research, the remaining control variables are examined. First competitive races are examined. To determine competitiveness, this study considers any election that was decided with a margin of victory that is less than five percentage points of the vote to be a competitive race. This process is applied to each congressional election year to control for changes in candidates and contests, which vary election to election. Within this smaller sample of population data, the same methodology used to analyze the aggregate data, explained above, is applied. The next control variable studied is battleground states. For the purposes of this study, a battleground state is a state where the state's electoral votes, in the last 3 presidential elections (2000, 2004, 2008), have changed party support. Because the state is, in theory, going from Republican to Democrat or vice versa, the state is likely to be one of much contention, and thus heightened interest. Since Senators are only elected every six years, the presidential elections are a better indicator of more recent behavior and a better holistic view of state opinion than the more localized races of the House of Representatives candidates. The states that fit these criteria are Iowa, New Mexico, Nevada, New Hampshire, Colorado, Ohio, Florida, Virginia, North Carolina, and Indiana. Within this smaller sample of the population data, the same methodology used to analyze the aggregate data, explained above, is applied. This narrowed research on battleground and competitive race contests helps explain the determining factors that change CPA contributions.

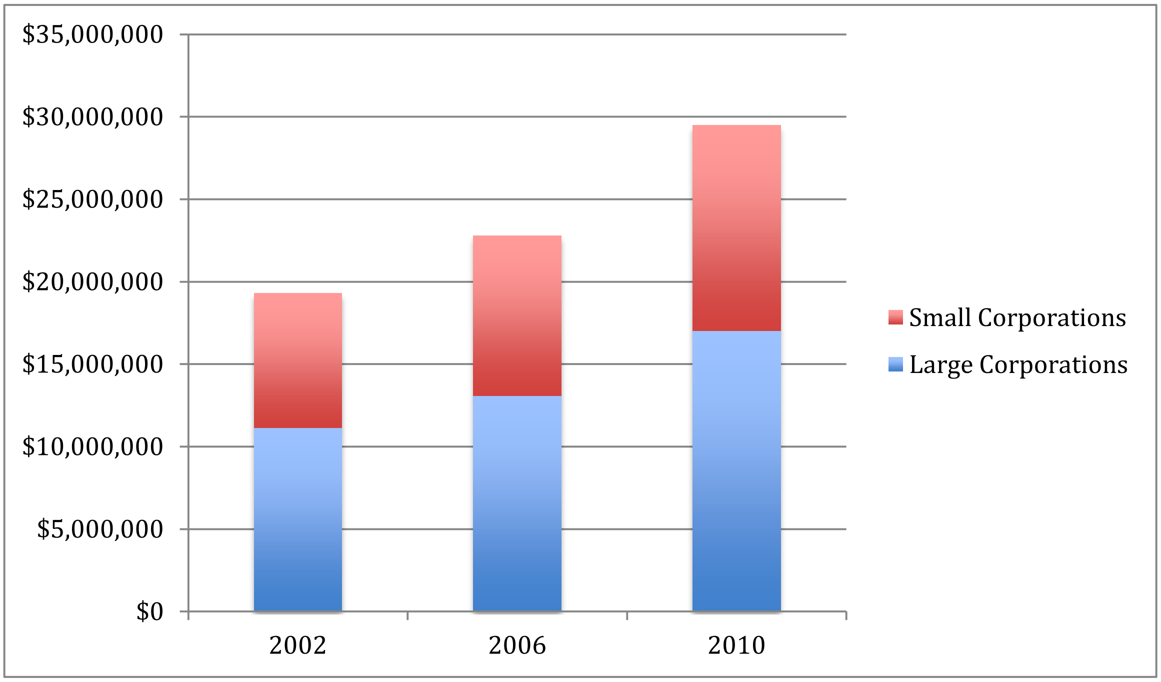
Based on this data, inferences can be made about the past trends of CPA contributions prior to, during, and after the restrictions on CPA contributions. More specifically, accurate inferences made about the presence of small corporation CPA contributions during these phases of restrictions further educates the current scholarship as to whether CPA contributions, in light of *Citizen's United* v. *FEC* (2010), are increasing or decreasing, and in which direction the CPA contributions are most likely to move.

Results

The results of the data indicate that CPA, both for large and small corporations remained the same regardless of the control variable being tested. Additionally, the data demonstrates only about a 13-15% difference in the ratio of small to large corporation contributes as a percentage of total CPA.

First looking at the influence of regulation on the aggregate data of all candidates considered by this study in each of the three elections, Figure 1 shows that while spending in dollars increased from 2002 to 2010 the ratio of small to large corporations remained the same.

FIGURE 1



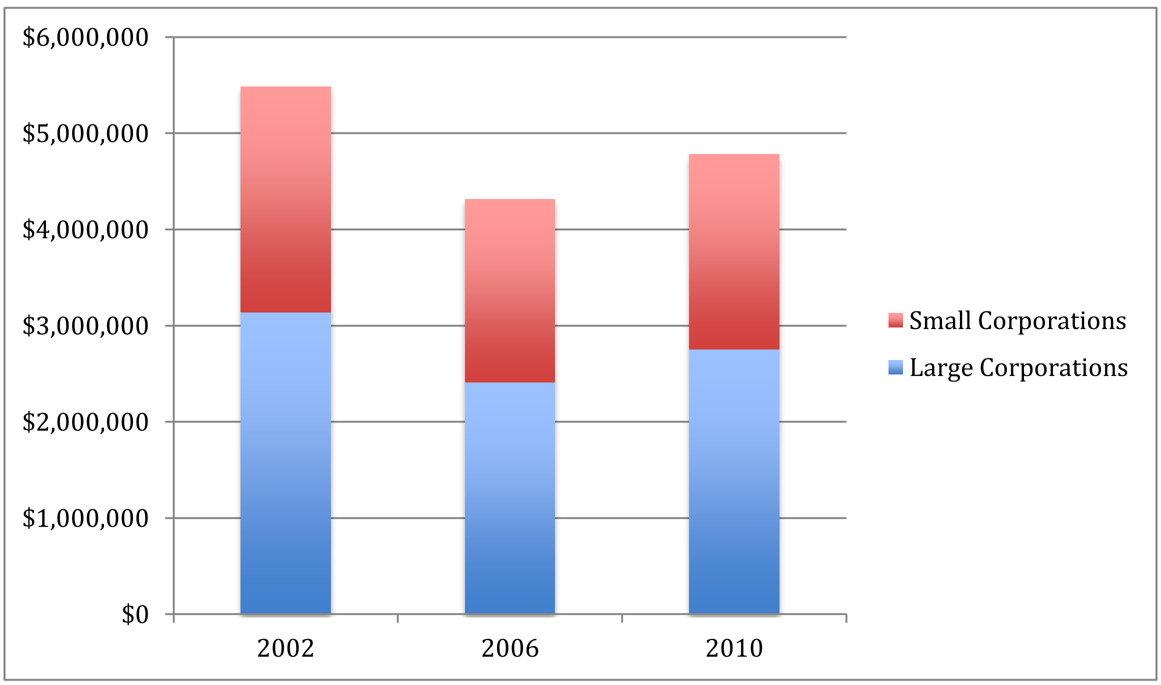
As Figure 1 shows, small corporation contributions increased from $8,136,371, representing 42.18% of total contributions from corporations, in 2002 to $12,462,599, representing 42.29% of total contributions from corporations in 2010. Likewise, large corporation contributions increased from $11,152,335, representing 57.82% of total contributions from corporations, in 2002 to $17,009,771, representing 57.71% of total contributions from corporations. This shows that while there was an increase in CPA, the proportion of small and large corporations remained relatively unchanged. Additionally, Appendix A's dataset shows that corporate contributions, as a percentage of total money available to candidates, remained unchanged over the time series as well. These finds demonstrate that corporations consistently gave the same ratio of contributions, both large and small, and gave in a quantity that remained consistent over time, regardless of regulation, as a percentage of total money available to candidates.

The data in Appendix A presents further information of interest. In the time series analysis of the impact of regulation, it appears that both total contributions as a percentage of total money available and contributions from individuals, both as a percentage of total money available and as a percentage of total contributions, seems to be unaffected by regulation. Individuals consistently contributed about 65% of total money available to candidates and about 92% of total contributions in each of the 3 elections. Another observation is that it appears that over the decade candidates are using loans less. While in 2002 and 2006 candidates used loans to comprise 7% of their total money available, the number fell to 5% in 2010. This statistic in 2010 did control for Linda McMahon's loan, which was a $50 million loan outlier. With the other percentages staying relatively consistent there is no apparent explanation for the decrease in loans. A speculation could be that independent expenditures or party donation, both of which are not accounted for in this study, increased since 2006, which caused the decline in the need for loans.

The most surprising statistic to come out of the regulation time series analysis is the contributions by corporations. According to the dataset in Appendix A, CPA only accounted for around 7% of total contributions and 5% of total money available to candidates. Rather than corporations owning the campaign finance arena as pundits speculated, it appears that individuals have the most political power if more money is equivalent to more power, which is the current logic pattern of campaign finance literature. This analysis of regulation's impact demonstrates that corporate donations appear not to be affected by regulation and that small corporations consistently represent more than 40% of corporate contributions. In addition, the data does not support the post *Citizens United v. FEC* (2010) speculation of a CPA explosion as total CPA as a percentage of total money available and as a percentage of total contributions is relatively unchanged.

Looking next to competitive elections, the results of the data indicate almost a near replication of the regulation independent variable test of the aggregate data. Corporate contributions represent approximately 5% of total money available and 7% of total contributions. As Figure 2 shows, the unique characteristic of this data is the fluctuation of spending from 2002 to 2010.

FIGURE 2



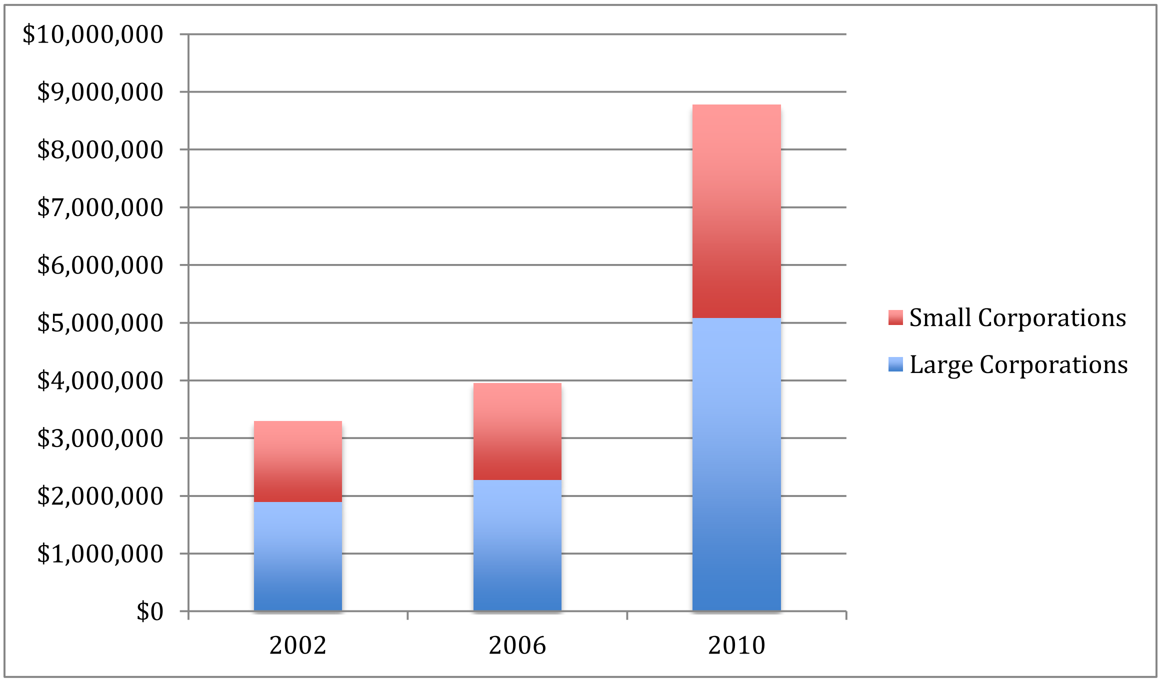
In Figure 2 the total corporate contributions go down in dollars from $5,484,472 in 2002 to $4,317,194 in 2006 and then back up again to $4,781,668 in 2010. Despite this fluctuation, the ratio of large corporation contributions to small corporation contributions remained just about the same throughout with small corporations representing 43% of total corporate contributions and large corporations representing 56% of total corporate contributions. Furthermore, this fluctuation was not unique to corporate contributions. Across the three elections, corporations still comprised less than 10% of total money available and with the exception of 2002 less than 6% of total contributions. From 2002 to 2006 there was a drop in corporate contributions that cut the percentages in half, and money from individuals increased as corporate money decreased. However, for the purposes of this study the regulation during the time periods of 2002 and 2006 were the same so it must be assumed that there are externalities affecting those numbers. Regardless of the difference in those two years, CPA is still hovering around 10% or less as a factor in campaign finance, a discovery that again fails to support inclinations that campaign finance will explode or that direct contributions to candidates will trail off in the interest of pursuing independent expenditures even in states with competitive elections.

Consistent with the aggregate data of Appendix A and Figure 1, Appendix B's dataset of competitive elections shows individuals with the greatest percentage of contributions and a commanding contribution of 70% of total money available to candidates. This again questions the impact and power of corporations in campaign finance. In Appendix B, the interesting movement is with respect to loans. In 2002 candidates relied on loans for less than 1% of their total money available in competitive elections, whereas in 2010 candidates are relying on loans for more than 7% of their total money available, which is more than they are receiving from corporations. This data demonstrates that in competitive elections, where the margin of victory is less than 5% of the vote, candidates receive most of their support from individuals and loans rather than corporations.

Finally turning to battleground states it seems corporate contributions are again unaffected by regulation. In each of the three elections corporate contributions represent about

7% of total contributions and 6% of total money available to the candidate. These percentages were maintained despite the fluctuations in spending shown in Figure 3.

FIGURE 3



In Figure 3 the data shows that in battleground states there was a dramatic increase in spending in 2010 as compared to 2002 and 2006. This increase though was not unique to corporate contributions. As was previously stated, corporations consistently represented the same percentage of total money available and total contributions throughout each election year, which indicates that the spike in corporate spending is representative of the fact that all spending went up in 2010. This is further validated by Appendix C where the data set shows that in 2002 and 2006 the total money available to candidates was around $60 million, whereas, in 2010 that figure is more than doubled to $150 million in total money available.

Again, the data shows that despite the state being a battleground state there was relatively no impact by regulation. Spending increased in 2010, but the ratio of small and large corporations continued to represent the same percentages of the total corporate contribution, with small corporations representing 42% and large corporations representing 58%. As in the case of the other datasets, individuals come in as the greatest contributors. Individuals dominate the total contributions, comprising 93% and holding a commanding 73% of total money available to candidates. In fact, individuals seem to be gaining ground in battleground states. As a percentage of total money available to candidates, individuals increased 15% from 2002 and 2010. As individuals contribute more, candidates are taking out fewer loans. Whereas in 2002 loans accounted for almost 13% of total money available in battleground states, in 2010 loans account for less than 2% of total money available.

Implications

Across all three scenarios of the aggregate data, competitive elections, and battleground states, regulation does not seem to have an impact. In each category of data, shown in appendices A-C, corporations are still contributing at approximately the same rates. Corporations contribute about 7% of total contributions, which is about 5% of total money available to candidates. There is no evidence to support the theory that corporations are leaving behind the CPA method of direct contributions for the new option of independent expenditures. If the traditional logic of CPA, more money equals more access and more access equals more power, is applied then individuals are the most powerful entity in campaign finance. Across the board contributions by individuals account for more than two-thirds of total money available to candidates, which is six times the amount of corporations.

This then calls into question the assertions of politicians, pundits, and media outlets that *Citizens United v. FEC* (2010) will cause a substantial imbalance in the political financial arena, causing corporations to abandon traditional direct contributions for independent expenditures.

The data assembled in this study is the first of its kind and does not support these claims. If this study only considered corporate money in dollars and did not control for fluctuations in spending by observing CPA as a percentage of both total money available and as a percentage of total contributions then the data would only appear as it did in Figures 1-3 without the supplementing and qualifying statistics of the appendices. Just by observing CPA, without a baseline for comparison purposes, the results would only show a three-year total of $71 million and an increase from $19 million in 2002 to $29 million in 2010. Furthermore the charts in Figures 1-3 alone without the baseline comparison statistics would lead the study to conclude that there are dramatic increases in CPA without the understanding that those increases are representative of an overall increase in total money available, and that corporations are still only maintaining the same percentage of contributions. This study speculates that this practice data observation without a necessary baseline is how the data is being misinterpreted by sources such as the media and politicians.

Another implication of this study is the impact of small corporations. The current discourse in political science discards small corporations presuming that only large corporations have the ability to contribute significant enough amounts of money to be seen as a force in elections. This is all based on the fallacy that large corporations give large donations and thus have the most influence. The findings of this study demonstrate that small corporations represent, on average, 43% of corporate contributions, which is only 14% less than large corporations. Therefore, small corporations are of worthy consideration by the campaign finance literature, and more research must be done to fully understand their impact on the political landscape.

Furthermore, this study better informs political operatives of the monetary environment of political campaigns, specifically US Senate campaigns. The data shows that the greatest amount of money will come from individuals, thus, there should be a large focus for the campaign to make it as easy as possible for individuals to understand how to donate, as well as for the campaign to coordinate events to cater most to the needs of the electorate rather than just corporate interests. The data shows that operatives should not suspect that there would be any new wave of increased corporate spending in the form of direct contributions nor should they suspect that there would be any decrease in corporate spending in the form of direct contributions in the wake of *Citizens United v. FEC* (2010). It would also benefit them to know that small corporations should be paid just as much attention to as large corporations since they give relatively the same amount of money in contributions, within 15%. Moreover, operatives would gain the knowledge from this data that spending in both competitive elections and battleground states have increased since 2006, with the increase being more dramatic in battleground states. In the battleground states the trend seems to be an increase in money from individuals, which comes as the reliance on loans decreases. Overall, this information would help political operatives strategize their fund raising tactics, and best optimize their time and energy by knowing where the money is coming from and about how much to expect.

Limitations and Further Research

This clearly has limitations set by the controls put in place from the study design. The data presented here is a representation only of United States Senate races in off year elections and only analyzes the 2002, 2006, and 2010 study. Further research into Presidential elections and looking at data from the House of Representatives races, replicating the methodology of this study, would give a more holistic view of the impact of CPA on the entire federal election landscape of campaign finance. Further research can also be done to take this study and replicate in on the local and state levels. By analyzing municipal and state electoral campaign finance, the data will indicate whether there are trends of CPA in the contribution proportions of small and large corporations as the elections become more and more local.

The most obvious limitation of this study is the unknown sources of and lack of multi-year records of independent expenditures, which would be a valuable addition to the dataset. Because disclosure requirements were only put in place in 2010 after the Court's decision, the FEC has a very limited dataset available to analyze. After six or so years pass, the data will be large enough to start analyzing and running tests for relationships. Until then, independent expenditures are still an unknown and unpredictable factor in campaign finance. Though, even if in six years the data is large enough to analyze, analysts would still be baffled at how to interpret the data until disclosure requirements are passed that require Super PACs to list their donors. If the disclosure requirements remain the same as present time then in six years scholars may be able to see trends in the data, but they will not know if it is due to more or less spending from a particular source such as corporations, unions, or individuals. Rather than waiting and hoping for the disclosure requirements, new research can be done by analyzing each Super PAC in separate case studies to find out how money is raised, from whom, and for what purpose. This would be the beginning of unveiling the unknown element of independent expenditures in campaign finance and shed further light on the participation of CPA in this new form of contribution.

Another limitation on this study is the unknown factor of individual contributions. Because this study was interested in controlling the methodology to create the greatest accuracy possible it made the assumption that any contributions by an individual were a result of that individual wanting to make that donation and not being coerced to do so. There is the possibility that a corporation could hide its donations to candidates by giving its employees money to donate to candidates. While there is no way to prove this, it still needs to be considered when assessing the data. When individuals contribute to a candidate's campaign they have the option of listing their employer. The next step in making the dataset assembled in this study more complete would be to go by contribution and code for the employers that individuals identified as their employing company. The coding would be the same as the corporate contributions, and the same methodology would be applied. The employers would be coded to pull out corporations and then sorted by this studies defined concept of small and large corporations. A fourth data set could then be added to appendices A-C to better represent the donations. However, since this sort of trickery and coercion on the part of the corporation could not be proven, because even in an interview with the individual donor they could lie, this study was limited in its assumption that all donations by individuals were acts of their own accord and free will with the interest of donating to the candidate for their own reasons.

Additionally, this study is limited by its sole focus on corporations. For example unions and other associations were equally affected by the ruling in *Citizens United v. FEC* (2010) and further study into their behavior might reaffirm or counter the results found in this study about corporations. Likely, a comparison study of union groups will indicate that union contributions balance out the contributions of corporations, since corporations are known to be more supportive of Republicans and unions are known to be more supportive of Democrats. This will give further insight to candidates seeking election and their election team about how to go about fundraising for the campaign.

Another area for further research is the concept of and ethics around rollover campaign finance. Rollover campaign finance is a concept created by this study to describe the phenomenon of campaigns acting as a rollover bank that accepts contributions, but also pays back contributors either in that election cycle or future election cycles. For example in 2010 Richard Shelby ran for the United States Senate seat in Alabama. On July 28, 2009, the FEC disclosure database shows he accepted a contribution from AmerisourceBergern corporations for $2,000, and then on July 8, 2010 the FEC's disclosure database shows he paid back the $2,000 to AmerisourceBergern. Transactions like this can be found throughout most of the candidates' records of financial activity and in each election of this study. Most of the time there are just contributions to the candidate, and the candidate is not giving back to the contributors. However, there are numerous cases where the candidate is paying back the contributor during the same cycle. There are even instances where the candidate is just paying out to the corporation, but there is no record of the contributor actually contributing any money to the candidate during that election cycle. This raises a lot of questions about the legal and ethical grounds of this rollover campaign finance practice. Additionally, since corporations are among the contributors being paid out or paid back by the candidates then there are implications here for insight into CPA. This raises speculation that corporations could serve the purpose of an interest free loan to a candidate in need of a quick infusion of money, or that corporations could be paid by candidates as a bribe to not support other candidates.

This issue of loans brings up the last area of research and small limitation of this study. While this study does indicate the amount of money candidates took out in loans for each election year, this study is limited, due to the fact that this study focused on CPA in campaign finance, in further information about the implications of loans on campaign finance. As the data shows, loans represent about 5-7% of the Total Money Available to a candidate. This percentage of Total Money Available mirrors corporate contributions, and thus is cause for inquiry, since banks are not only able to contribute to a candidate's campaign, but can also approve the candidate for a loan of the bank's money to help the candidate win reelection. This raises ethical and legal questions about the justifications of this practice. This issue is especially concerning because in 2010 Linda McMahon ran for the United States Senate seat in Connecticut with few contributions, but with a $50,000,000 loan from a private bank to finance her campaign. This is an anomaly that this study controlled for in the aggregate data as seen in Appendix A, because McMahon's loan was more than twice the amount of all other loans in the election combined. While McMahon's campaign was short lived and most of the loan was paid back, with the FEC disclosure database indicating that she didn't use even $48,000,000 of the loan, there is cause for concern if candidates see bypassing campaign finance fundraising laws by taking out massive loans as viable ways to win election to public office. Moreover, in these instances, when the bank is for all intensive purposes the sole donor, then the nightmares of pundits and politicians who are, as of now mistaken, will come true and banks will have the ultimate power to own and solely influence candidates due to the debt the candidate will owe the bank. More research is needed to find answers for these questions.

Conclusions

In the wake of *Citizens United v. FEC* (2010), politicians and media outlets predicted explosive increases of corporate money into political elections. The decision allowed for corporate financial freedom to use general treasury funds to impact elections via independent expenditures. From this ruling emerged the theory that corporations would abandon traditional direct donations to candidates and instead favor the unrestricted practice of independent expenditures. Moreover, the leading literature on CPA and its impact indicated that large corporations would be the dominant force, not even considering the potential impact of small corporations. In summation, *Citizens United v. FEC* (2010) created feelings that politicians would no longer represent constituent interests, but instead would be coerced through corporate greed.

This study's findings do not support such claims. In assessing the data over the last decade, focusing on Senate mid-term elections, it appears that corporations have not abandoned traditional methods of direct donations to pivotal politicians. The data shows that small corporations donate almost as much as large corporations and deserve consideration in future campaign finance literature with respect to the impact of corporations on political elections. Furthermore, as the data population shows, corporations represent less than 10% of total money available to candidates regardless of whether the election was under the BCRA regulations in 2002 and 2006 or in a post *Citizens United v. FEC* (2010) election of 2010. This is true in the aggregate data of each year. This is also true of competitive elections and battleground states where spending has dramatically increased over the time period, yet corporations have just maintained rather than increased their presence at less than 10%. Meanwhile, contributions from individuals constitute more than two-thirds of total money available to candidates and accounts for about 90% of total contributions. If money buys power, then individuals still remain the most powerful population of contributors even in a post *Citizens United v. FEC* (2010) political environment.

While the regulations governing the disclosure of independent expenditures remain as loose as they are and while the regulations still lack the requirement of Super PACs to disclose their donors, direct donations to the candidate is the only accurate measurement of CPA in political elections. This study is responsible for the first ever dataset examining the total population of CPA data, and more work is necessary to expand this dataset to include more elections to create a more holistic view of trends in CPA. According to this dataset there appears to be no indications of explosive spending by corporations, no apparent dominance of CPA as a percentage of either total money available or of total contributions, and the data suggests that small corporations are contributing at levels that merit their inclusion into the current political science discourse.

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Appendix A

This appendix shows whole population data over 2002, 2006, 2010 elections to show affect of regulation presence.

	Total Money Available	Total $ from Corporations	$ From Large Corporations	$ From Small Corporations
2010	$562,205,965	$29,472,370	$17,009,771	$12,462,599
2006	$519,247,364	$22,788,440	$13,075,180	$9,713,260
2002	$277,402,141	$19,288,706	$11,152,335	$8,136,371
Totals	**$1,358,855,470**	**$71,549,516**	**$41,237,286**	**$30,312,230**
	$ from Individuals	**Total Contributions**	**Loans**	
2010	$360,554,523	$390,026,893	$27,145,286	
2006	$354,527,138	$377,315,578	$37,598,859	
2002	$178,107,240	$197,395,946	$22,127,419	
Totals	**$893,188,901**	**$964,738,417**	**$136,871,564**	

	Total Contributions as a % of Total Money Available	Total Corporation $ as % of Total Money Available	$ from Individuals as % of Total Money Available
2010	69.37%	5.24%	64.13%
2006	72.67%	4.39%	68.28%
2002	71.16%	6.95%	64.21%
Totals	**71.00%**	**5.27%**	**65.73%**
	Total Corporation $ as % of Total Contributions	**$ from Large Corporations as % of Total $ from Corporations**	**$ from Small Corporations as % of Total $ from Corporations**
2010	7.56%	57.71%	42.29%
2006	6.04%	57.38%	42.62%
2002	9.77%	57.82%	42.18%
Totals	**7.42%**	**57.63%**	**42.37%**
	$ from Individuals as % of Total Contributions	**Loans as a % of Total Money Available**	
2010	92.44%	4.83%	
2006	93.96%	7.24%	
2002	90.23%	7.98%	
Totals	**92.58%**	**6.39%**	

Appendix B

This appendix shows data only from the elections that fit the criteria of competitive elections.

	Total Money Available	Total $ from Corporations	$ From Large Corporations	$ From Small Corporations
2010	$134,338,403	$4,781,668	$2,754,221	$2,027,447
2006	$96,560,322	$4,317,194	$2,410,096	$1,907,098
2002	$63,741,456	$5,484,472	$3,141,952	$2,342,520
Totals	**294,640,181**	**14,583,334**	**8,306,269**	**6,277,065**
	$ from Individuals	**Total Contributions**	**Loans**	
2010	$99,224,334	$104,006,002	$10,360,385	
2006	$70,989,766	$75,306,960	$5,454,239	
2002	$40,139,657	$45,624,129	$410,000	
Totals	**210,353,757**	**$224,937,091**	**16,224,624**	

	Total Contributions as a % of Total Money Available	Total Corporation $ as % of Total Money Available	$ from Individuals as % of Total Money Available
2010	77.42%	3.56%	73.86%
2006	77.99%	4.47%	73.52%
2002	71.58%	8.60%	62.97%
Totals	**76.34%**	**4.95%**	**71.39%**
	Total Corporation $ as % of Total Contributions	**$ from Large Corporations as % of Total $ from Corporations**	**$ from Small Corporations as % of Total $ from Corporations**
2010	4.60%	57.60%	42.40%
2006	5.73%	55.83%	44.17%
2002	12.02%	57.29%	42.71%
Totals	**6.48%**	**56.96%**	**43.04%**
	$ from Individuals as % of Total Contributions	**Loans as a % of Total Money Available**	
2010	95.40%	7.71%	
2006	94.27%	5.65%	
2002	87.98%	0.64%	
Totals	**93.52%**	**5.51%**	

Appendix C

This appendix shows data only from the elections that fit the criteria of battleground states.

	Total Money Available	Total $ from Corporations	$ From Large Corporations	$ From Small Corporations
2010	$154,695,603	$8,774,822	$5,089,867	$3,684,955
2006	$60,096,146	$3,956,420	$2,277,860	$1,678,560
2002	$57,448,471	$3,295,514	$1,896,476	$1,399,038
Totals	**$272,240,220**	**$16,026,756**	**$9,264,203**	**$6,762,553**
	$ from Individuals	**Total Contributions**	**Loans**	
2010	$121,291,865	$130,066,687	$2,319,350	
2006	$42,293,952	$46,250,372	$3,426,638	
2002	$36,442,476	$39,737,990	$7,404,000	
Totals	**$200,028,293**	**$216,055,049**	**$13,149,988**	

	Total Contributions as a % of Total Money Available	Total Corporation $ as % of Total Money Available	$ from Individuals as % of Total Money Available
2010	84.08%	5.67%	78.41%
2006	76.96%	6.58%	70.38%
2002	69.17%	5.74%	63.44%
Totals	**79.36%**	**5.89%**	**73.47%**
	Total Corporation $ as % of Total Contributions	**$ from Large Corporations as % of Total $ from Corporations**	**$ from Small Corporations as % of Total $ from Corporations**
2010	6.75%	58.01%	41.99%
2006	8.55%	57.57%	42.43%
2002	8.29%	57.55%	42.45%
Totals	**7.42%**	**57.80%**	**42.20%**
	$ from Individuals as % of Total Contributions	**Loans as a % of Total Money Available**	
2010	93.25%	1.50%	
2006	91.45%	5.70%	
2002	91.71%	12.89%	
Totals	**92.58%**	**4.83%**	

Appendix D

Below is the programming code of the custom built web-parsing program developed specifically for the purposes of this study using the Python programming language.[1]

```
#sample file for 2010 data.
#puts company names in an array for later use
def getList(file):
    array = []
    for i in file:
        i = parseNewLine(i)
        i = i.lower()
        array.append(i)
    return array

#removes new line characters from a string
def parseNewLine(line):

    while(True):
        backN = line.find("\n")
        if(backN == -1):
            break
        else:
            line = line[0:backN]+line[backN+1:]

    return line

#removes HTML tags from lines
def parseFile(line):

    while(True):
        start = line.find("<")
        end = line.find(">")
        if(start == -1 and end == -1):
            break
        else:
            line = line[0:start]+line[end+1:]

    line = parseNewLine(line)

    return line

#returns boolean value if the company is a corporation
```

[1] This program was designed and written by Peter Alexander Lubinsky

```
def sortCorp(company, corp):

    company=company.lower()
    for i in corp:
        if(company.find(i) != -1):
                return True
    return False

#returns boolean value for if company is a fortune five hundred company
def fortFiveSort(company, fortList):

    company=company.lower()
    for i in fortList:

        if(company.find(i) != -1):
            return True

    return False

#returns boolean value for special companies which might appear in a word such as GM in
goingmobile(not sure if this is a real company but it is useful for example)
def specialSort(company, fortList):

    company=company.lower()
    for i in fortList:

        if(company.find(i) != -1):
            if(company[company.find(i)+len(i)-1] == " "):
                if(company.find(i) != 0 and company[company.find(i)-1] != " "):
                    return False
                return True
    return False

#sort wanted values of name and amount from date and image number
def putItIn(superArray):

    count = 0
    totalArray = []
    array = []

    for i in superArray:
        if(count%2 == 0):
            array.append(i)
            count+=1
        else:
            array.append(i)
```

```
            count = 0
            totalArray.append(array)
            array = []

    return totalArray

def main():

    #get list of file names and create a document for the totals
    listOfFiles = open('2010list.txt', 'r').readlines()
    newDoc = open('2010totals.txt', 'w')

    #open up list of companies list and split it into different arrays for the different sort methods
    fortFive = getList(open('fortcomp2010.txt', 'r').readlines())
    specialFort = fortFive[:24]
    corp = fortFive[-9:]
    fortFive = fortFive[24:-9]

    #go through every file
    for i in listOfFiles:

        #print file name
        print(i)
        nameOfFile = i
        start="CONTRIBUTIONS"
        end = "IN-KIND CONTRIBUTIONS"
        arrayMagic = []
        fort = []
        nonFort = []
        sort = []
        sortSomeMore = []
        fortTotal = 0
        nonFortTotal = 0

        #open file
        file = open(parseNewLine(i), 'r').readlines()

        #run through file parse out HTML tags and add in the ones that have text
        for i in file:
            line = parseFile(i)
            if(line != ""):
                arrayMagic.append(line)

        #catch for 2010 web pages that did not fit the standard model, the else statement is what is
used for most pages
        if(parseNewLine(nameOfFile) == "Glassman 2010 S Arizona.html"):
```

```
            arrayMagic = arrayMagic[arrayMagic.index(start)+1:-1]
        elif(parseNewLine(nameOfFile) == "Thurmond 2010 S Georgia.html" ):
            arrayMagic = arrayMagic[arrayMagic.index(start)+1:-1]
        elif(parseNewLine(nameOfFile) == "Huffman 2010 S Oregon.html"):
            arrayMagic = arrayMagic[arrayMagic.index(start)+1:-1]
        elif(parseNewLine(nameOfFile) == "Granato 2010 S Utah.html"):
            arrayMagic = arrayMagic[arrayMagic.index(start)+1:-1]
        elif(parseNewLine(nameOfFile) == "Raese 2010 S West Virigina.html"):
            arrayMagic = arrayMagic[arrayMagic.index(start)+1:-1]
        else:
            arrayMagic=arrayMagic[arrayMagic.index(start)+1:arrayMagic.index(end)]

        #get rid of more unnecessary information
        for i in range(len(arrayMagic[:])/2):
            arrayMagic.remove(arrayMagic[i+1])
        totalArray = putItIn(arrayMagic)

        #sort through the list of companies and put them in the appropriate list
        for i in totalArray:
            if(specialSort(i[0], specialFort)):
                fort.append(i)
            else:
                sort.append(i)
        for i in sort:
            if(fortFiveSort(i[0], fortFive)):
                fort.append(i)
            else:
                sortSomeMore.append(i)
        for i in sortSomeMore:
            if(sortCorp(i[0], corp)):
                nonFort.append(i)

        #run through the numbers and total the amounts for corporations and for fortune five
hundred companies
        for i in fort:
            fortTotal += float(i[1])
        for i in nonFort:
            nonFortTotal += float(i[1])

        #write file name and totals to the totals file
        newDoc.write(str(nameOfFile))
        newDoc.write("Fortune 500 Companies Total: " + str(fortTotal) + "\n")
        newDoc.write("Other Companies Total: " + str(nonFortTotal) + "\n")
        newDoc.write("Total of the Two: " + str(fortTotal+nonFortTotal)+ "\n\n")

    newDoc.close()
```

main()