

Industrial Structure and Political Outcomes: Donald Trump and the 2016 Election

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Basic Problem: What's The Basic Problem?

What It Isn't:

1. Comey
2. The Russians

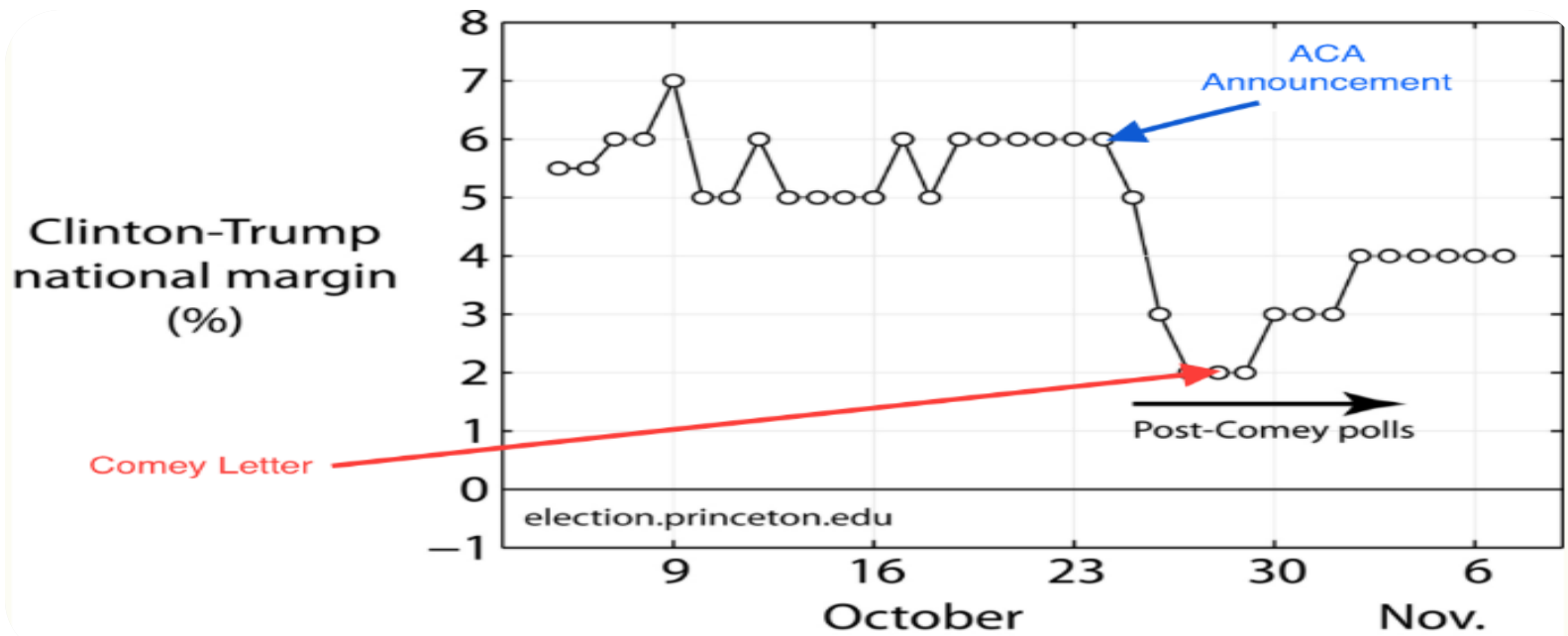
Questions About The Comey Effect

Graph Adapted from Wheeler, Empty Wheel 2016

Oct. 28, Comey Letter;

Oct. 26, Effect of GOP Senate Spending Blitz Starts to Show Up;

Oct. 24 – Affordable Care Premium Price Rise Announcement



Missing Elements in Final Days Discussion

1. Vote Suppression

Was It the Russians?

1. Podesta and other Emails
2. Internet Targeting: Some But Weakly Oriented
 - a. Texas, Florida
 - b. Twitter, Facebook Evidence

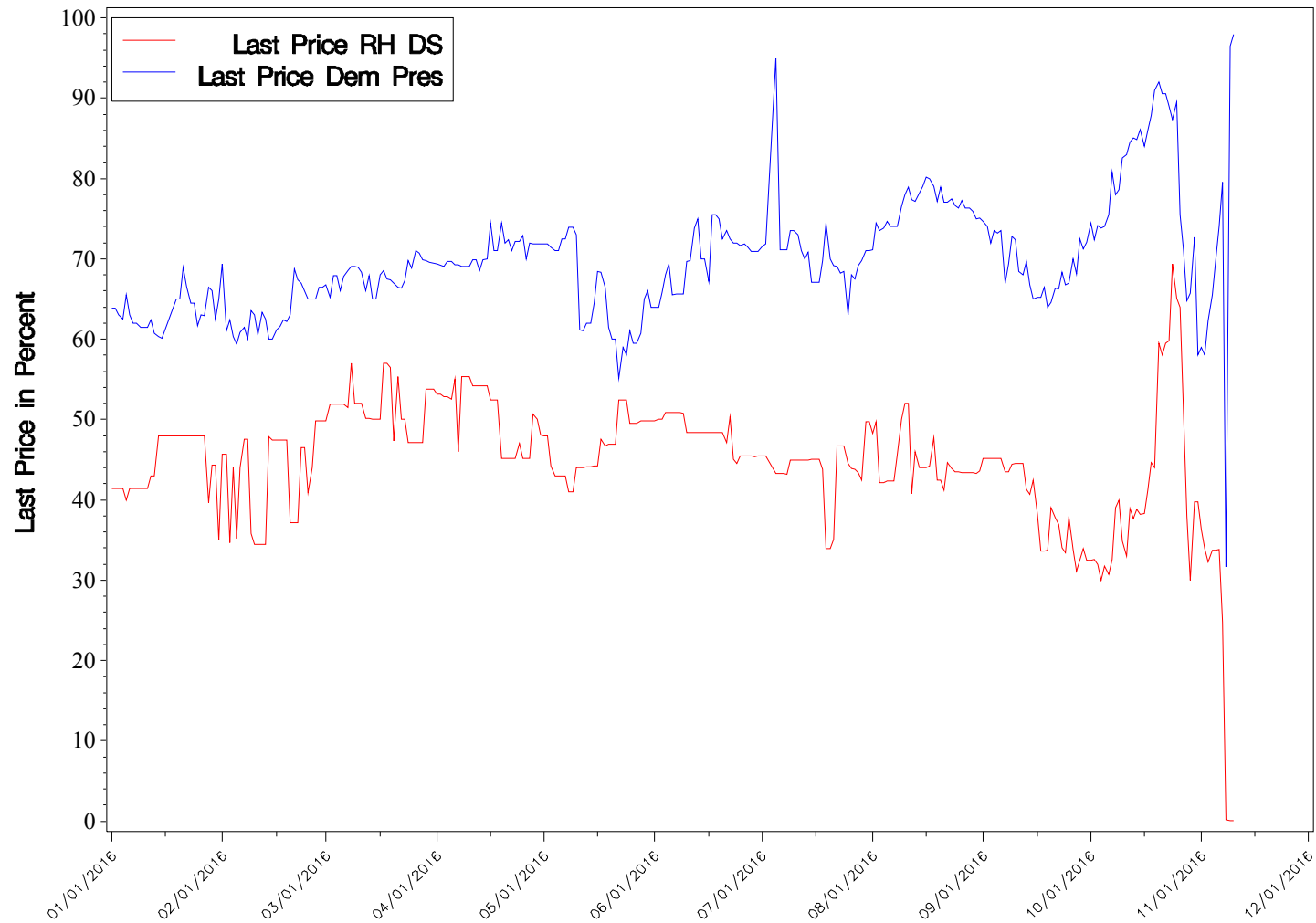
But Perhaps Any Feather Landing on
the Scales in the Last Couple of
Weeks?

- The Problem: Lots of Feathers Flying
Around, Made in America

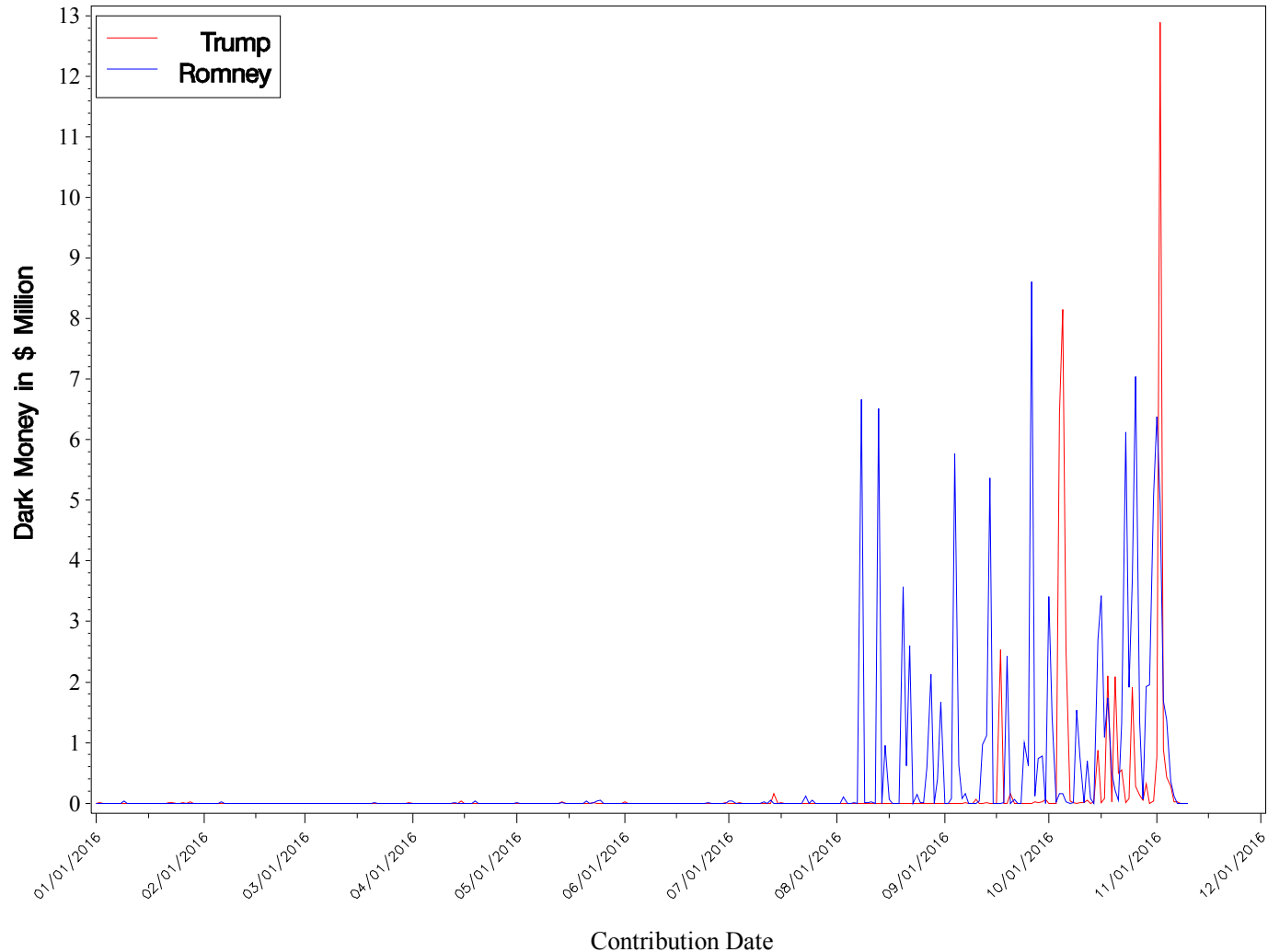
Union Membership Decline 2008-16: Three Non-Southern Battleground States That Clinton Narrowly Lost All Rank At or Near Top -- States in Red

Wisconsin	6.9
Alaska	5.2
Hawaii	4.7
Nevada	4.6
Michigan	4.4
Arizona	4.3
Massachusetts	3.7
Pennsylvania	3.4

Iowa Market Prices for Clinton Presidency and Republican House, Democratic Senate Contracts: Simultaneous Late Oct. Dem Fall of Pres and Senate

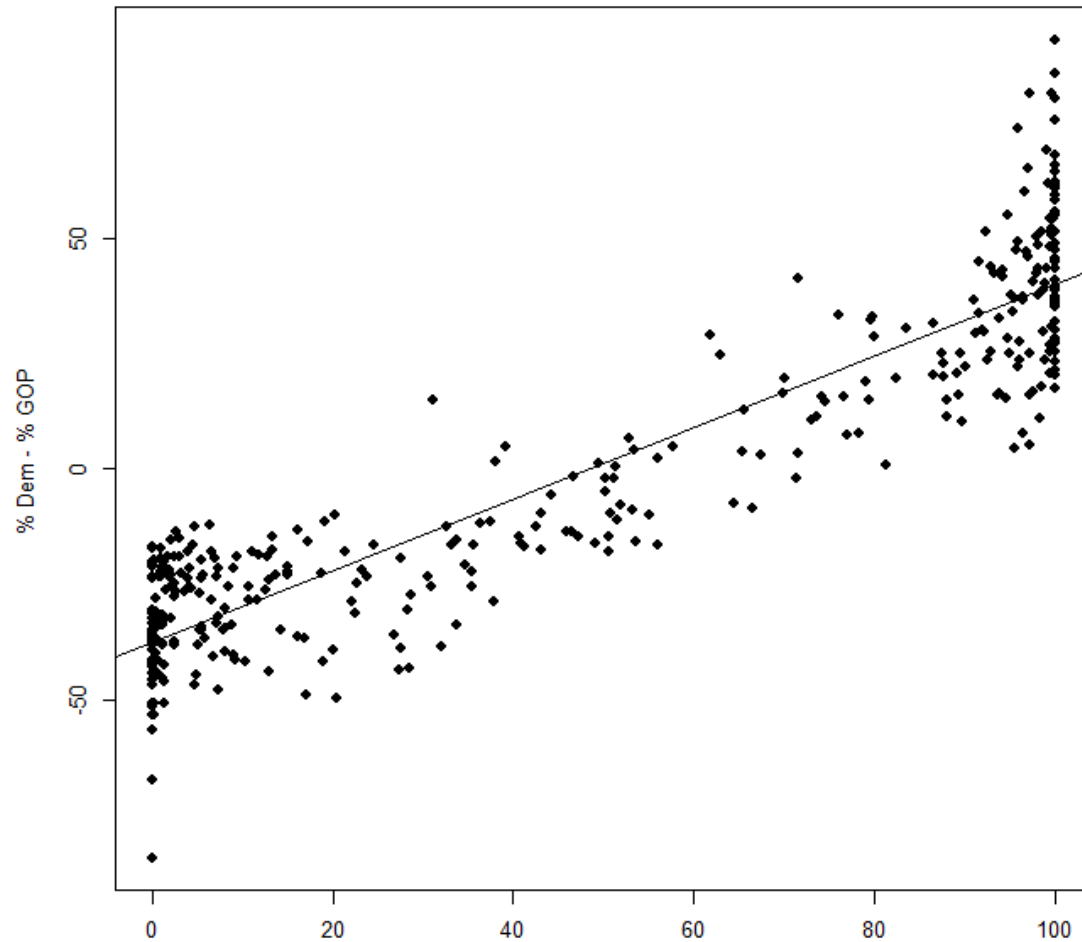


The October Surge of Dark Money for Trump Far Exceeded That for Romney in 2012



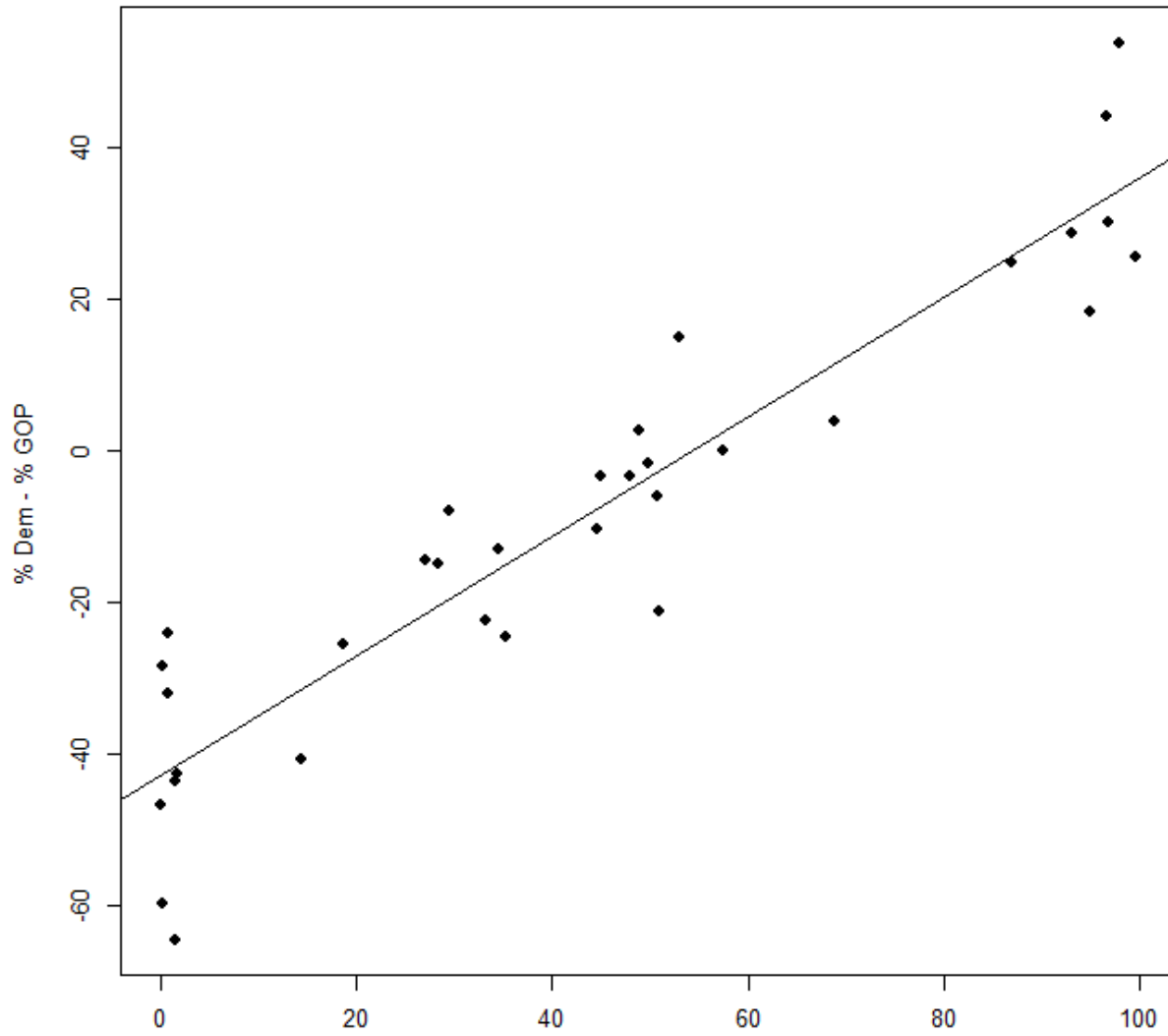
Money and Votes in 2016 Congressional Elections

2016 House Data



DEM_PERCENT_TWO_PARTY_TOTAL_MONEY, pseudo-R-Squared = .867

2016 Senate Data



DEM_PERCENT_TWO_PARTY_TOTAL_MONEY_pseudo-R-Squared = .87

Dual Wave of Money Can Explain
the Two Falls in Dem Standing;
Both Can't Be Due to Russia or FBI.

So What Is Distinctive About 2016 Presidential Race?

- Usual Answer from Conventional Political Science:
- Nothing -- Bartels, etc.
- Voting Patterns Closely Resemble 2012

Our View: Not Votes But Money and
Patterns of Investment Are
Distinctive: Indeed Almost Without
Precedent

Comparison with 2012: Breakdown of all Itemized Contributions, Grouped by “Firms”, Percentages of Totals Including Super PACs, Independent Expenditures, and Other Forms of Big Money (in %) Nos. Rounded

Total Amount	Trump 2016	Sanders 2016	Obama 2012	Romney 2012	Clinton 2016
<200 (UNITEMIZED)	38	59	37	18	17
<= 250	2	6	2	1	2
251-499	1	6	2	1	2
500-999	3	8	3	3	3
1000-9999	9	16	15	17	17
10000-99999	7	2	21	23	13
>=100000	40	3	20	36	47

Trump Becomes Trump, Inc.:

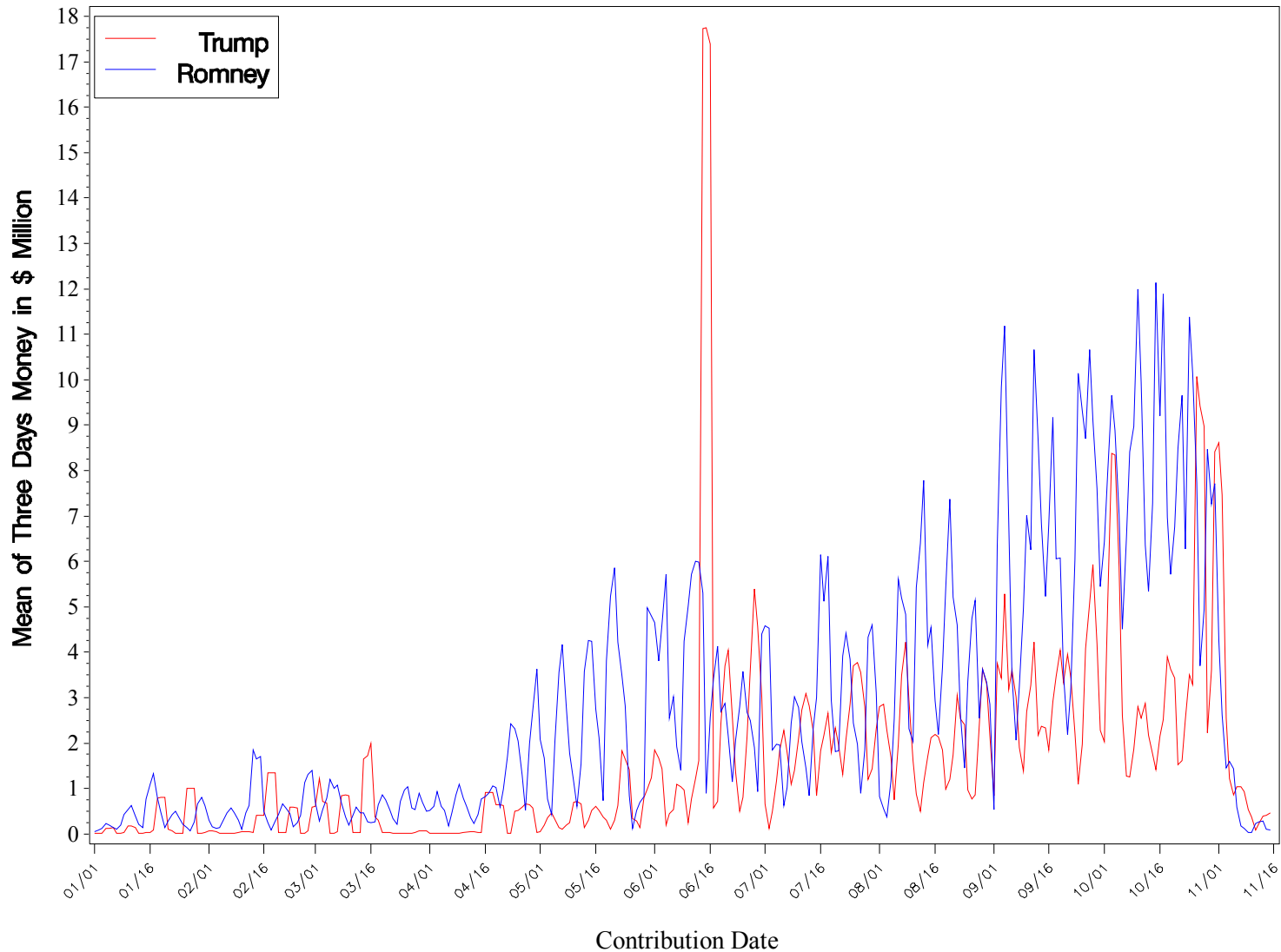
The Primaries

Total Amount	Trump
<200 (UNITEMIZED)	18.7
<= 250	1.3
251-499	.7
500-999	1
1000-9999	3.3
10000-99999	1
>=100000	74.1

As late as mid-May, Trump remained convinced that his success in using free media and his practice of going over the head of the establishment press directly to voters via Twitter would make it unnecessary for him to raise the “\$1 billion to \$2 billion that modern presidential campaigns were thought to require” (Green, 2017).

But as the Convention Approaches, the Logic of The Investment Approach to Politics Becomes Overpowering: the Trump Campaign Looks For Money.

Money Flow into Trump Campaign By Day; Romney 2012 Used for Comparison



First Solution: Manafort, Priebus,
etc.: the First Big Spike near
Convention.

The run up to the Convention brought in substantial new money, including, for the first time, significant contributions from big business. Firms or top executives from mining, especially coal mining; Big Pharma (which was certainly worried by tough talk from the Democrats, including Hillary Clinton, about regulating drug prices); tobacco, chemical companies, and oil (including substantial sums from executives at Chevron, Exxon, and many medium sized firms); and telecommunications (notably AT&T, which had a major merge merger pending) all weighed in. Money from executives at the big banks also began streaming in, including Bank of America, J. P. Morgan Chase, Morgan Stanley, and Wells Fargo. Parts of Silicon Valley also started coming in from the cold. Contrary to many post-election press accounts, in the end contributions from major Silicon Valley firms or their executives would rank among Trump's bigger sources of funds, though as a group in the aggregate Silicon Valley tilted heavily in favor of Clinton. Just ahead of the Republican convention, for example, at a moment when such donations were hotly debated, Facebook contributed \$900,000 to the Cleveland Host Committee. In a harbinger of things to come, additional money came from firms and industries that appear to have been attracted by Trump's talk of tariffs, including steel and companies making machinery of various types.

- But Then the Flow Slows; No Kochs, etc.
- The August Crisis: Mercers; Bannon and Conway Take Over Campaign Direction
- A Huge Wave of New Money Follows

Sheldon Adelson and many others in the casino industry delivered in grand style for its old colleague. Adelson now delivered more than \$11 million in his own name, while his wife and other employees of his Las Vegas Sands casino gave another \$20 million. Peter Theil contributed more than a million dollars, while large sums also rolled in from other parts of Silicon Valley, including almost two million dollars from executives at Microsoft and just over two million from executives at Cisco Systems. A wave of new money swept in from large private equity firms, the part of Wall Street which had long championed hostile takeovers as a way of disciplining what they mocked as bloated and inefficient “big business.” Virtual pariahs to main-line firms in the Business Roundtable and the rest of Wall Street, some of these figures had actually gotten their start working with Drexel Burnham Lambert and that firm’s dominant partner, Michael Milkin. In the end, along with oil, chemicals, mining and a handful of other industries, large private equity firms would become one of the few segments of American business – and the only part of Wall Street – where support for Trump was truly heavy.

Bannon's confidence that "If the left is focused on race and identity, and we go with economic nationalism, we can crush the Democrats" became famous only after the election (Kuttner, 2017). But within hours after Bannon and Conway took over, press accounts reported that "Bannon and Conway have decided to target five states and want to devote the campaign's time and resources to those contests: Florida, North Carolina, Virginia, Ohio and Pennsylvania. It is in those states where they believe Trump's appeal to working-class and economically frustrated voters has the best chance to resonate." (Costa et al., 2016). Their strategy clearly evolved to embrace a few other states but this retargeting had a vital counterpart on the financial side.

- **Clinton's Centerism: American Trasformismo**
- **Clinton: Opening to Neo-Conservatives and Republicans For Clinton**
- **Syria differences with Obama publicized; History of tough line on China**
- **Strategy Resembles LBJ in 1964: Big Tent for Business Community Without that Era's apparent Peace and Prosperity**

Clinton vs. Trump

Industry Differences in Major Party Candidate Support 2016:

Firm Contributions and Distribution of Money (in %)

Industry (N)	Clinton % of firms	Clinton % of Money	Trump % of firms
Mining (26)	31	8	31
Coal Mining (147)	6	1	37**
Oil (3,987)	20	56	26**
Oil BB only (62)	59	33	71*
Steel (1,214)	14	36	33**
Health Insur. (23)	82	91	78
Invest and Hedge Funds (285)	36	92	16**
BB only (47)	45	98	15**
Priv Equity BB only (38)	42	54	21 (.074)

Public Policy Discussions Obviously
Problematic With Business Base So Broad:
Clinton Campaign Showed Lowest Policy
Emphasis in Campaign Since
Measurements Started in 2000 (Fowler,
et al., 2016)

- Trump Victory: What Unites the Victorious New Coalition?
- Nothing, Except They All Preferred to Try Trump Rather Than Clinton