



Leadership Now
Project

**DEMOCRACY MARKET MAP
2020 UPDATE**

SUMMARY FINDINGS (1/2)

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

- Trust in government has declined from over **70% in the 1960s to under 20% today**
- At 55% voter turnout in the 2016 election, **the U.S. trails nearly all Western democracies**

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

- **The democracy market is estimated at ~\$58B per year.** We've defined the market as spending by politically relevant 501c3, c4, c5, c6, PAC, party, and direct candidate spend that impacts the health of our democracy.
- **The ~\$58B democracy market is small compared to US philanthropic spend (\$450B/year),** but its effect on the \$4.4T federal budget and policies can thwart many philanthropic goals
- **Beyond support to candidates, spending is largely single-issue focused**
- **Donors are highly consolidated.** Super PACs have grown from \$0.3B spent in 2014 to \$0.8B spent in 2020. 1% of donors made up 93.6% of Super PAC donations in the 2019-20 cycle

SUMMARY FINDINGS (2/2)

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

- In the 2019-20 Congress, the average age of Democratic leadership was 64, 24% of legislators were female, and few had experience in modern economy sectors (e.g. tech, green energy, healthcare, finance)
- **Effectiveness of Congress continues to rapidly decline**, with members devoting only ¼ of the time to committee hearings on legislation that it did 30 years ago

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

- The call for reform now goes beyond traditional democracy advocates, such as **business leader Katherine Gehl and HBS Professor Michael Porter's analysis characterizing our political system as a failing duopoly**. A Leadership Now survey of over 2000 MBAs and Executives revealed that more than ⅔ of these individuals are very concerned with the state of our democracy
- **Objective redistricting, ranked choice voting, automatic voter registration, public voucher systems and initiatives to improve the function of Congress** are among the promising reforms
- **Initial estimates show less than 1% of democracy resources are directed toward promising reforms**

THE LEADERSHIP NOW PROJECT ENGAGES BUSINESS LEADERS TO REVITALIZE AMERICAN DEMOCRACY

Invest in candidates and organizations committed to fixing our democracy

Learn from leaders in the democracy space and Leadership Now's original analysis



MEMBERSHIP AT A GLANCE

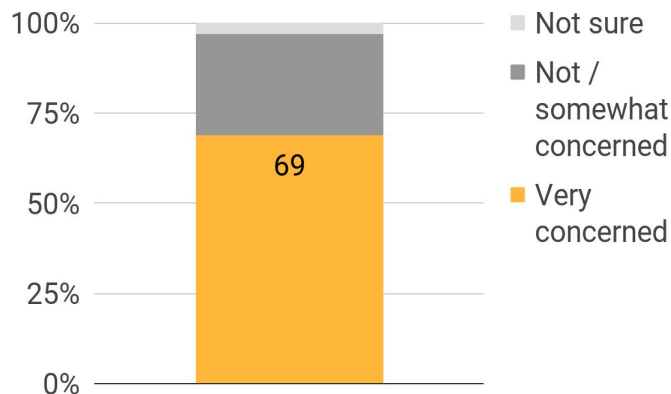
- 235 members*
- 6 chapters: NY, DC, Boston, Houston, SF, LA
- Members invest \$25M+ in candidates and organizations in 2019-2020 cycle

Act through advocacy campaigns and partnerships with organizations; push thinking in business networks on stronger democracy

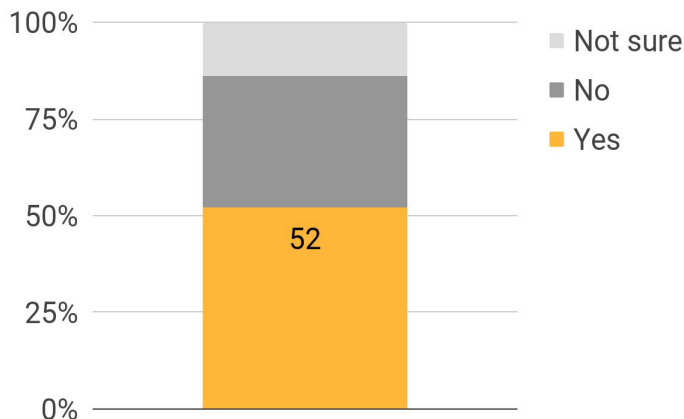
BUSINESS LEADERS ARE CONCERNED WITH THE STATE OF DEMOCRACY AND ARE READY TO ENGAGE

Leadership Now & Citizen Data poll of MBAs and executives, Nov 2019

In general, what is your level of concern about the state of our democracy?



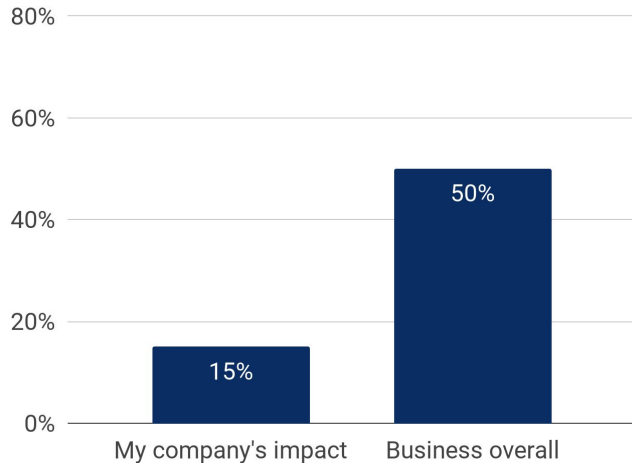
Do you believe business leaders in America have a responsibility to take action to fix the issues in our democracy?



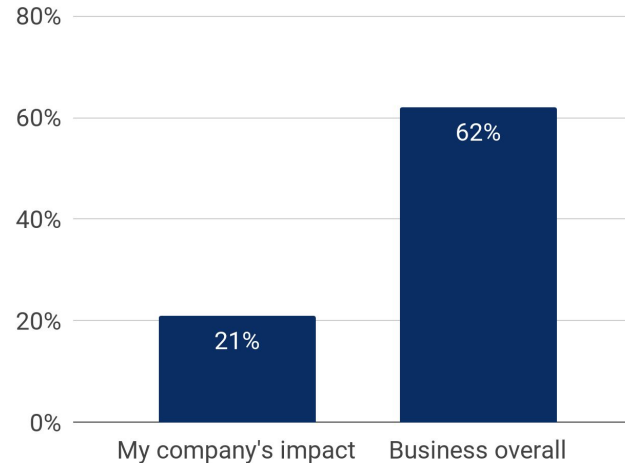
BUSINESS LEADERS ARE CONCERNED THAT BUSINESS IS MAKING THINGS WORSE

HBS US Competitiveness Report poll, Dec 2019

**Percent of respondents who agreed that:
“My company’s impact / business worsens
the political system by increasing
partisanship.”**



**Percent of respondents who agreed that:
“My company’s impact / business worsens
the political system by advancing policies
benefiting special interests”**



CONTENTS

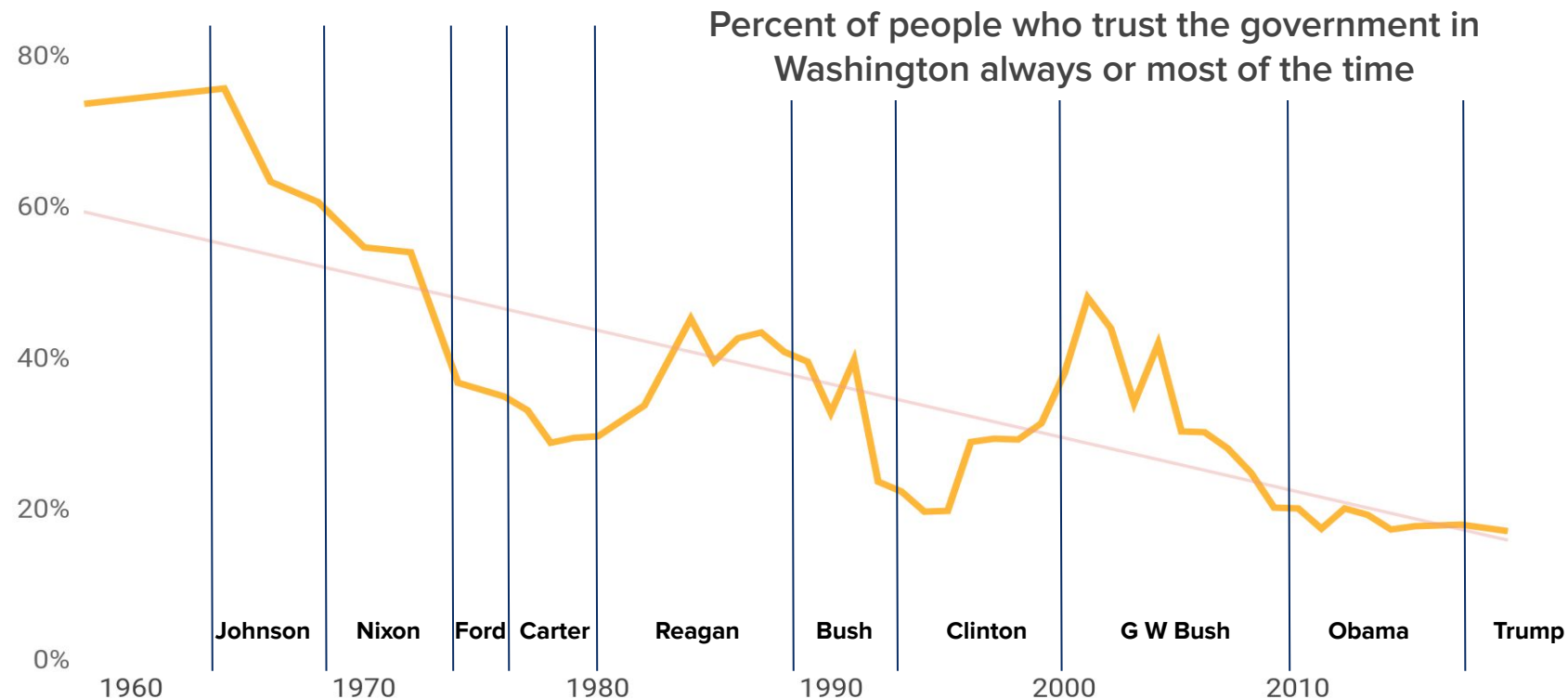
1. American democracy in decline

2. Democracy market map

3. The opportunity for reform

4. The role for business

TRUST IN GOVERNMENT IS AT AN ALL TIME LOW



DEMOCRATIC DYSFUNCTION ON MULTIPLE FRONTS



MONEY IN POLITICS

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

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



UNREPRESENTATIVE ELECTIONS

Only **11% of House districts** are **competitive** due to gerrymandering and partisan sorting

Minority groups, women, and independents are underrepresented in government



LEGISLATIVE BREAKDOWN

Only **12% of Americans** rate honesty and ethics of Members of Congress as above average

The percentage of salient legislative issues in **gridlock** has **nearly tripled since the 1950s**



WEAK CIVIC CULTURE

47% of eligible voters voted in the 2018 midterms, placing US in 36th out of 37 OECD peer countries

Only **9% of Americans** belong and actively participate in a political party



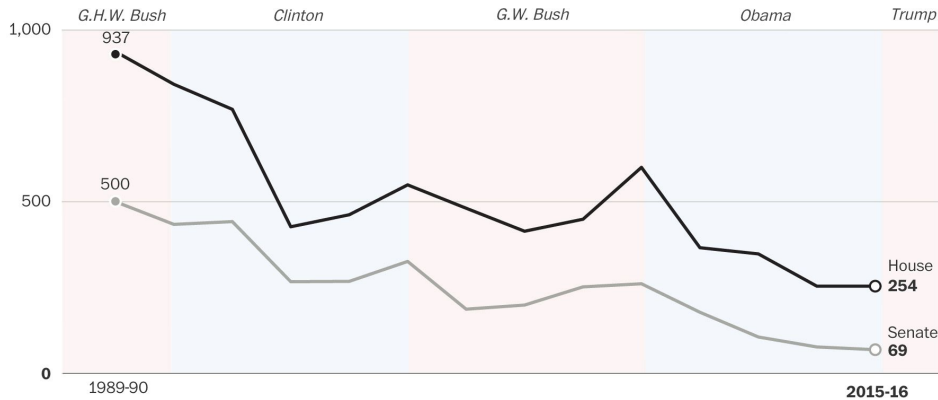
DISINFORMATION AND THE MEDIA

Only **28% of Americans** believe people agree on basic facts

59% of Americans believe it is hard to identify false information on social media

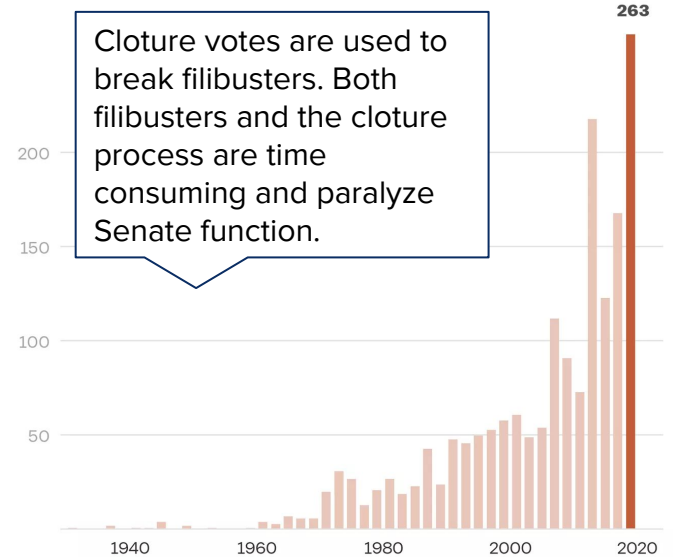
CONGRESSIONAL FUNCTION IS CONTINUING ITS DRAMATIC DECLINE

Committee hearings dealing with legislation, 1989-2016



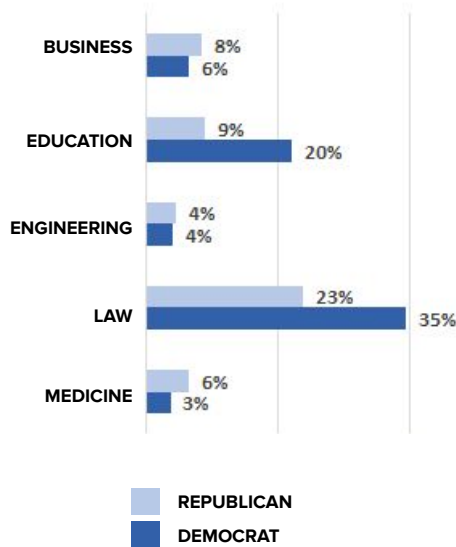
Note: Data for 2015-16 is incomplete.

Filibusters: Senate cloture votes, 1930-2020

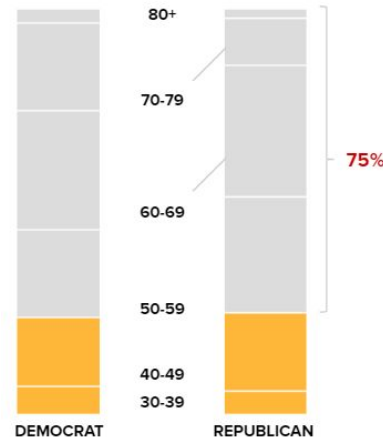


MEMBERS OF CONGRESS HOLD A NARROW RANGE OF DEMOGRAPHIC AND PROFESSIONAL BACKGROUNDS

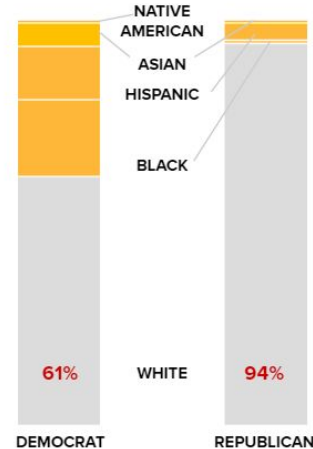
PROFESSION



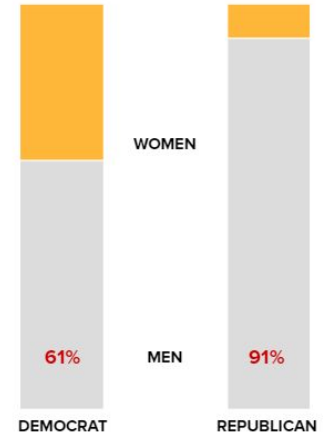
AGE



RACE

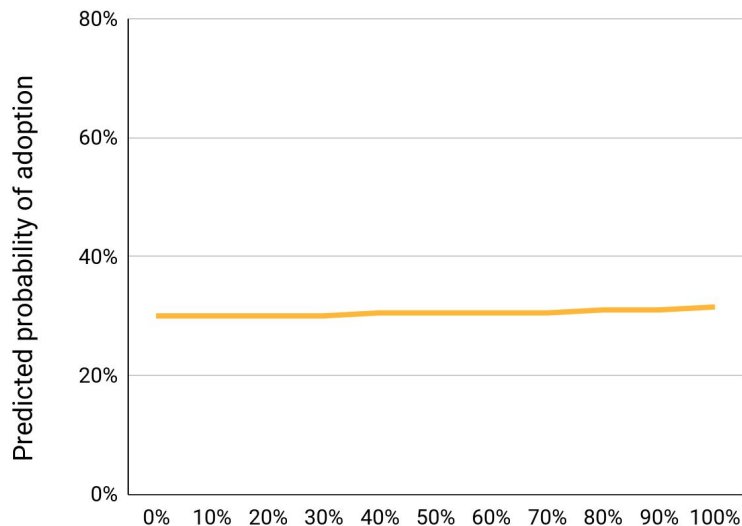


GENDER



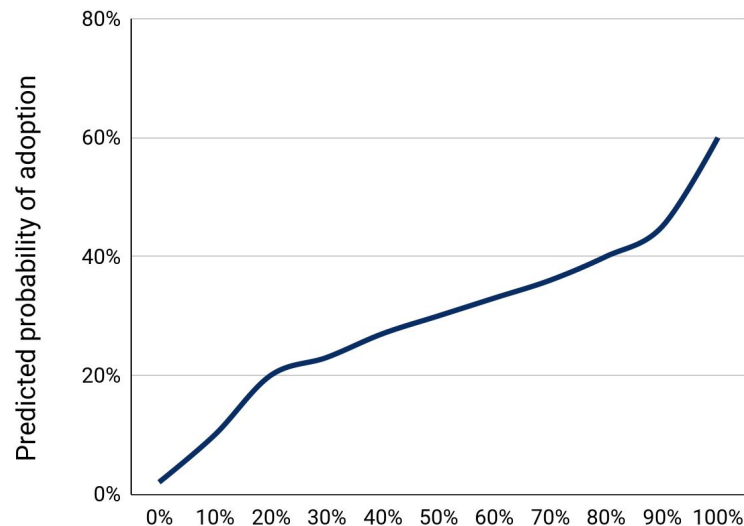
LITTLE CORRELATION BETWEEN CITIZENS' PREFERENCES & PROBABILITY THAT CORRESPONDING LEGISLATION WILL BE PASSED

Average citizens' preferences



As more average citizens support a policy change, they're not any more likely to get what they want

Economic elites' preferences



As more economic elites support a policy change, they are more likely to get what they want

CONTENTS

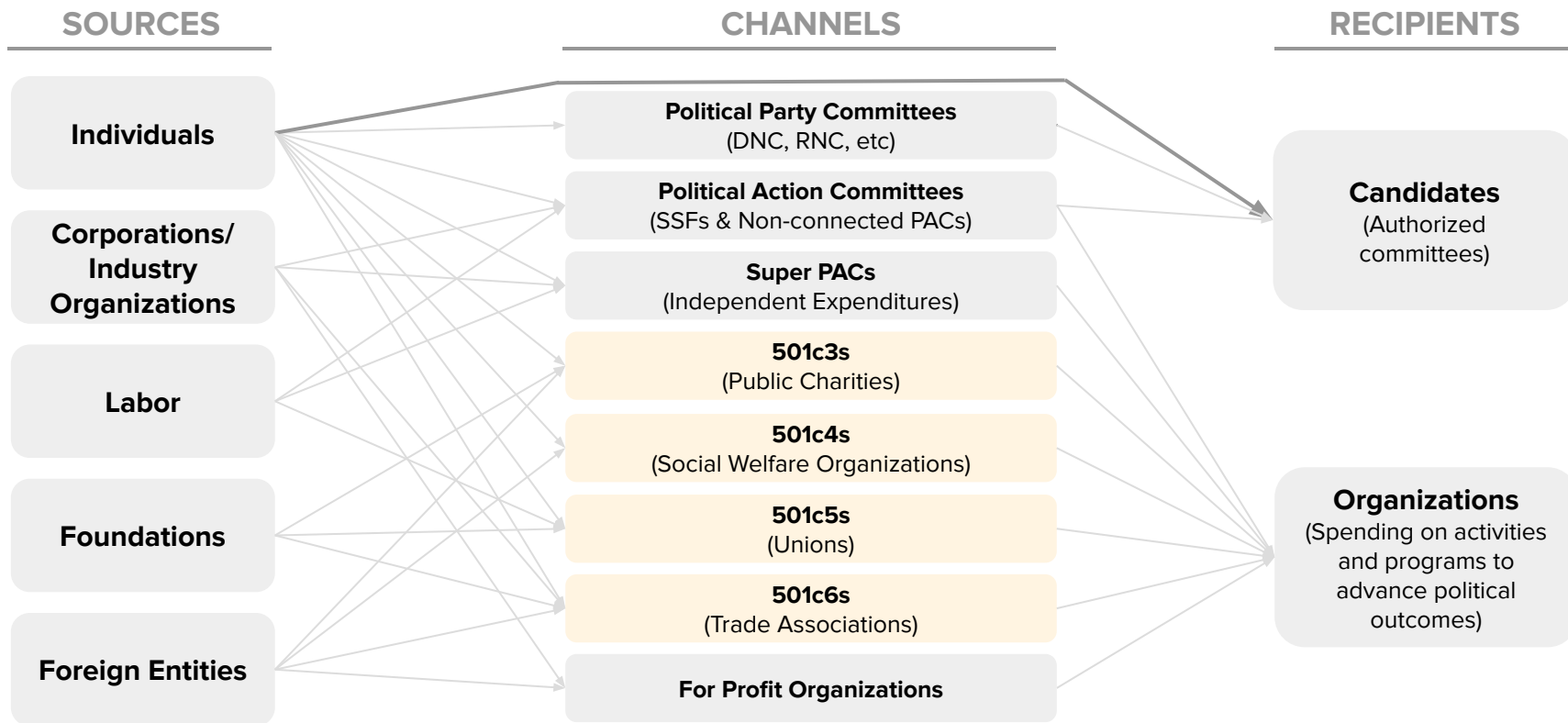
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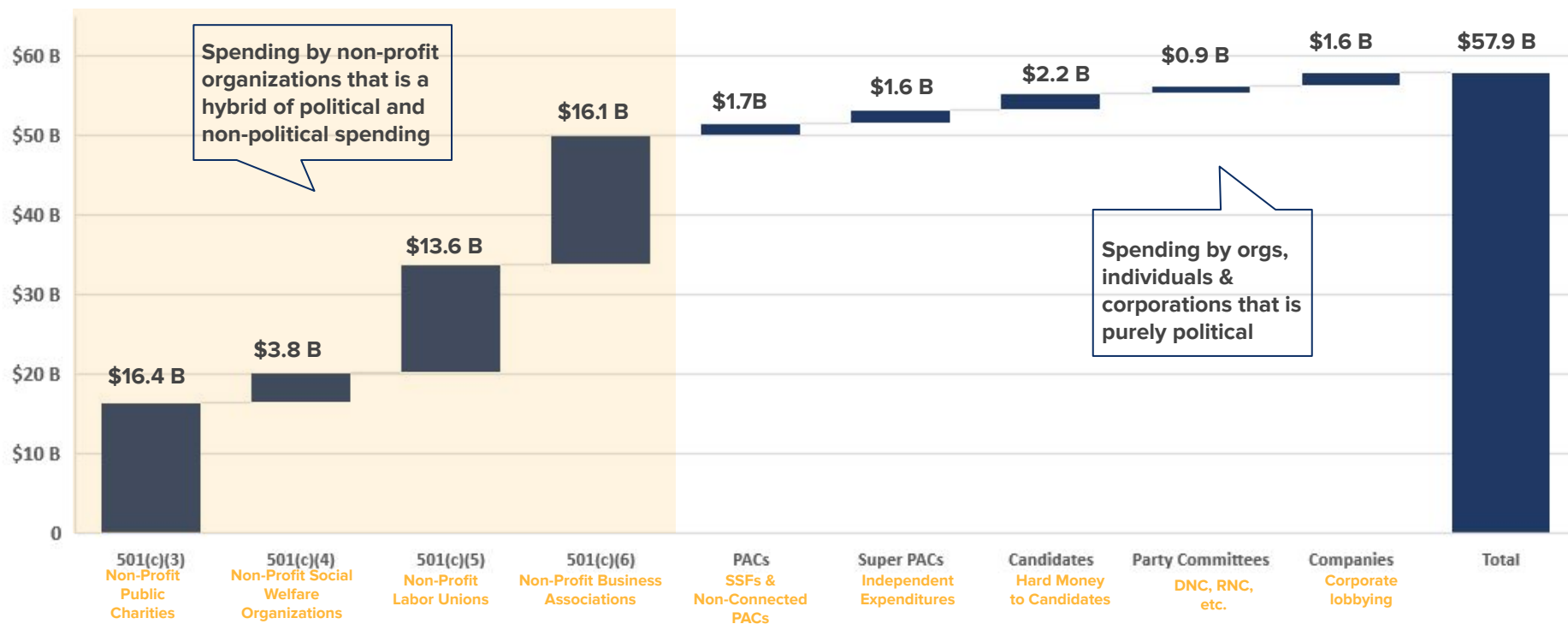
THE MAP OF POLITICAL ORGANIZATIONS AND RESOURCE FLOWS IS COMPLEX



\$57.9B FLOWS INTO POLITICS EVERY YEAR, THE BULK OF WHICH IS NON-PROFIT POLITICAL AND NON-POLITICAL SPEND

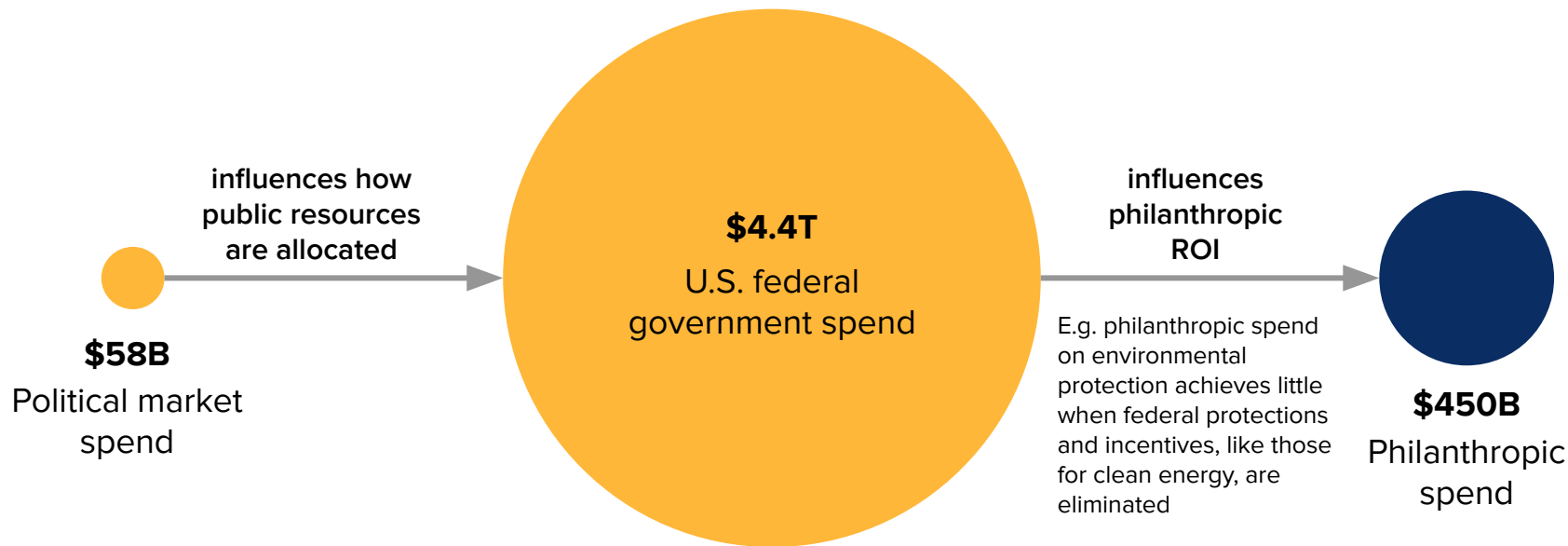
Spending by political nonprofits (2018)

Spending by other political entities (2018)



Notes: [1] Data on PACs, Super PACs, Candidates, and Party Committee spend based on analysis of 2019 FEC data. The “Companies” amount includes an overlap of ~\$320 M with 501(c)(6) reported spending. [2] Dollar amounts for 501(c)s represent total organizational spend. [3] 501(c) data is from 2018, other data is from 2019. [4] Super PAC spending includes IE by hybrid PACs

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

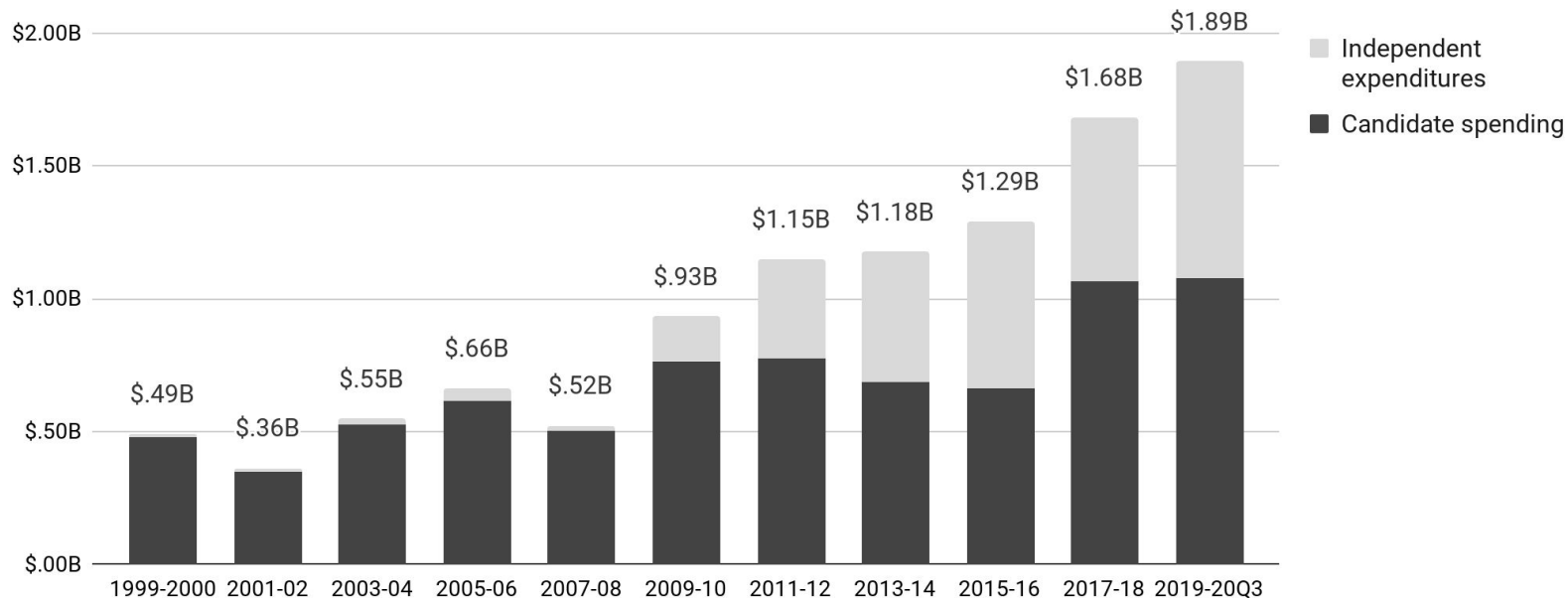


Note: Data for political nonprofits is based on 2018 990 filing

Sources: OpenSecrets - [Cost of Election](#); Leadership Now - Political Nonprofits Database; Congressional Business Office - ["The Federal Budget in 2019"](#); Giving USA - ["Giving USA 2020: The Annual Report on Philanthropy for the Year 2019"](#)

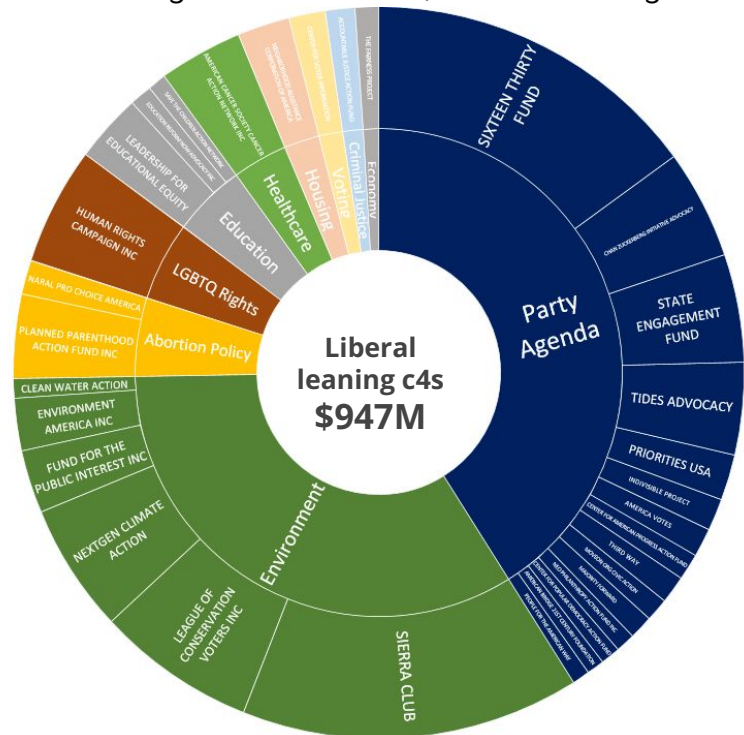
SENATE RACES DEMONSTRATE HOW OUTSIDE GROUPS (501CS AND SUPER PACS) ARE DRIVING INCREASINGLY EXPENSIVE CAMPAIGNS

Cost of Senate races over time, candidate expenditures and independent expenditures (as of Oct 19, 2020)

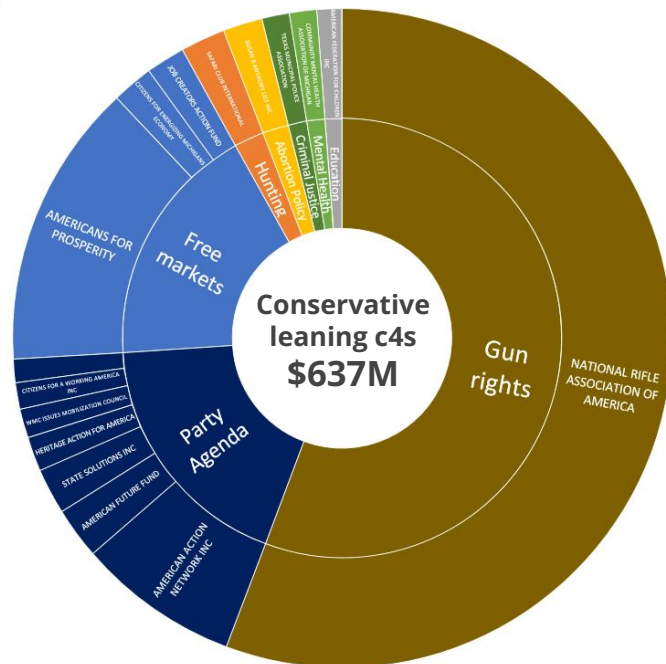


501(C)(4) ORGANIZATIONS WITH A POLITICAL LEAN ARE LARGELY SINGLE-ISSUE

501(c)(4) Spending by Primary Issue Area Focus (2019)*
Partisan organizations with >\$7M annual budget



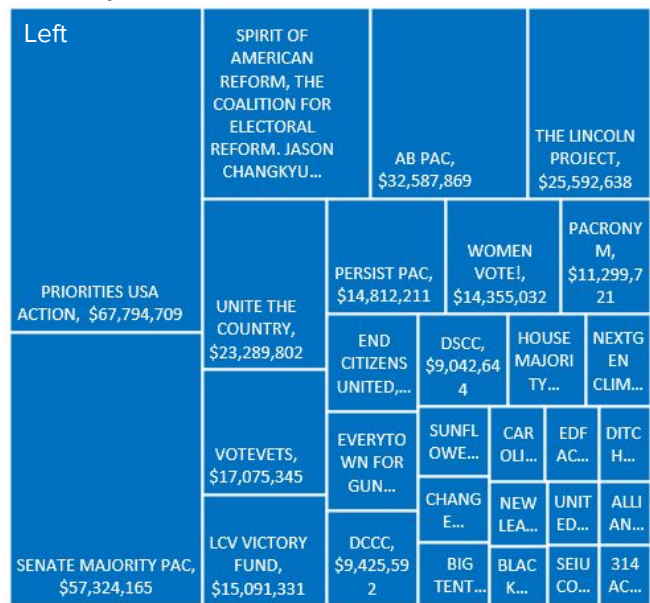
In 2018, conservative c4s spent x% more than liberal c4s. In 2019, we saw this trend reverse.



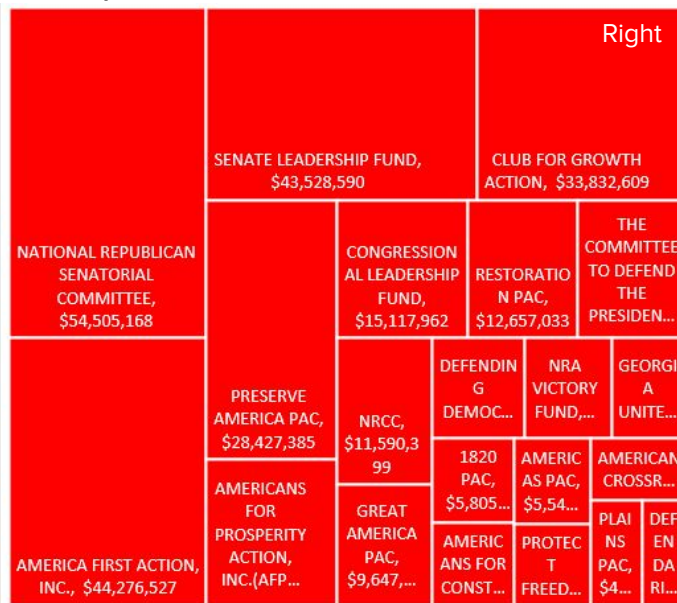
SUPER PAC SPEND IN 2020 ELECTION CYCLE WAS EVENLY DEPLOYED BY BOTH PARTIES AND FUELED BY A TINY GROUP OF DONORS

Top 50 highest spending super PACs in 2019-20 (as of Sept 2020, \$840m)

Total: \$417M



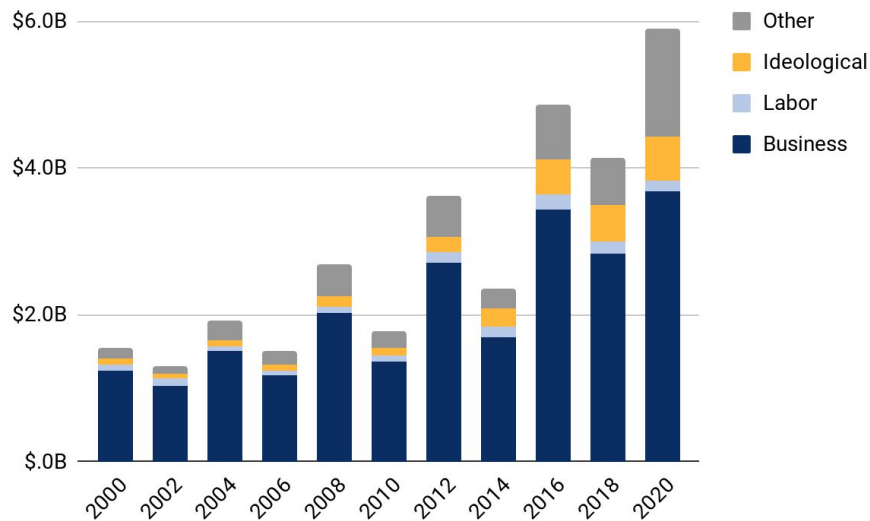
Total: \$339M



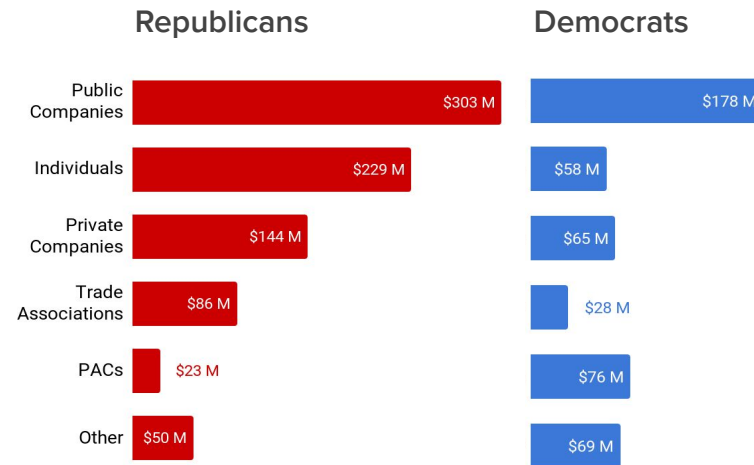
**1% of donors
make up
93.6% of
Super PAC
donations**

BUSINESSES AND BUSINESS PROFESSIONALS ARE THE LARGEST POLITICAL CONTRIBUTORS AT THE FEDERAL AND STATE LEVELS

[Federal] Donations to Federal Candidates, Committees, and Outside Spending Groups



[State] Donations to State Political Committees (2009-2020)

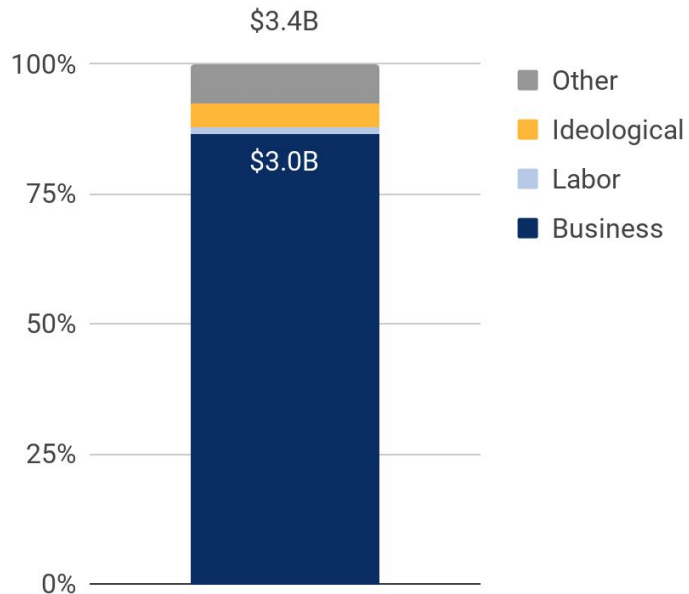


Source: Center for Responsive Politics, New York Times

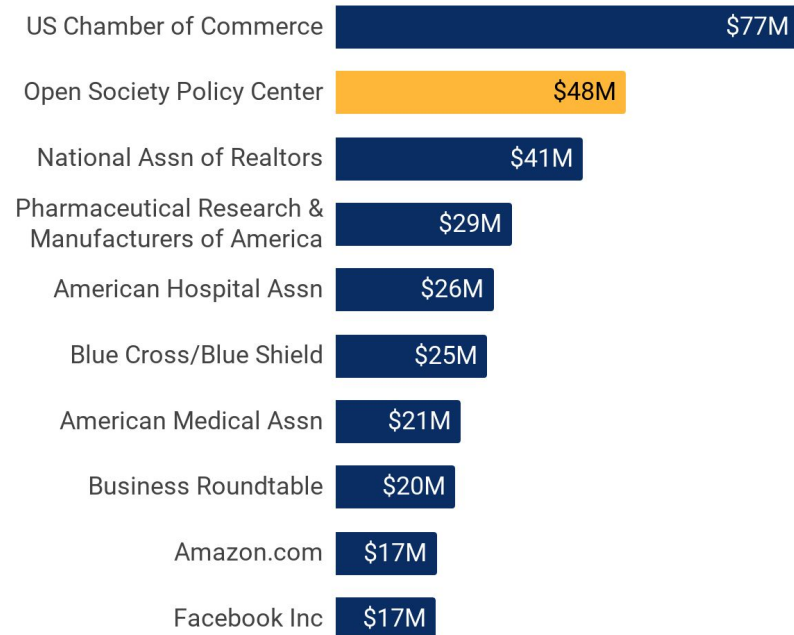
Notes: [1] "Business" contributions from individuals are based on the donor's occupation/employer. Since nearly everyone works for someone, and since union affiliation is not listed on FEC reports, totals for business are somewhat overstated, while labor is understated. Still, the base of large individual donors is predominantly made up of business executives and professionals. [2] State political committees refer to state-level 527s

BUSINESS INTERESTS REPRESENTED 88% OF THE \$3.4B LOBBYING SPEND IN 2019

Mix of lobbying spend, 2019



Top 10 lobbying spenders, 2019



CONTENTS

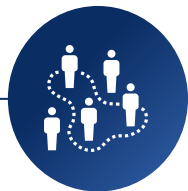
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LEADERSHIP NOW TARGET ISSUES 2018-2020



VOTING RIGHTS

Leadership Now supports safe access to the ballot for all and is working to prevent voter suppression and encourage voter participation



ELECTORAL SYSTEMS

Leadership Now is working to end gerrymandering, create independent redistricting committees, and promote ranked choice voting



MONEY IN POLITICS

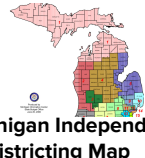
Leadership Now promotes open transparency and accountability within our campaign finance system



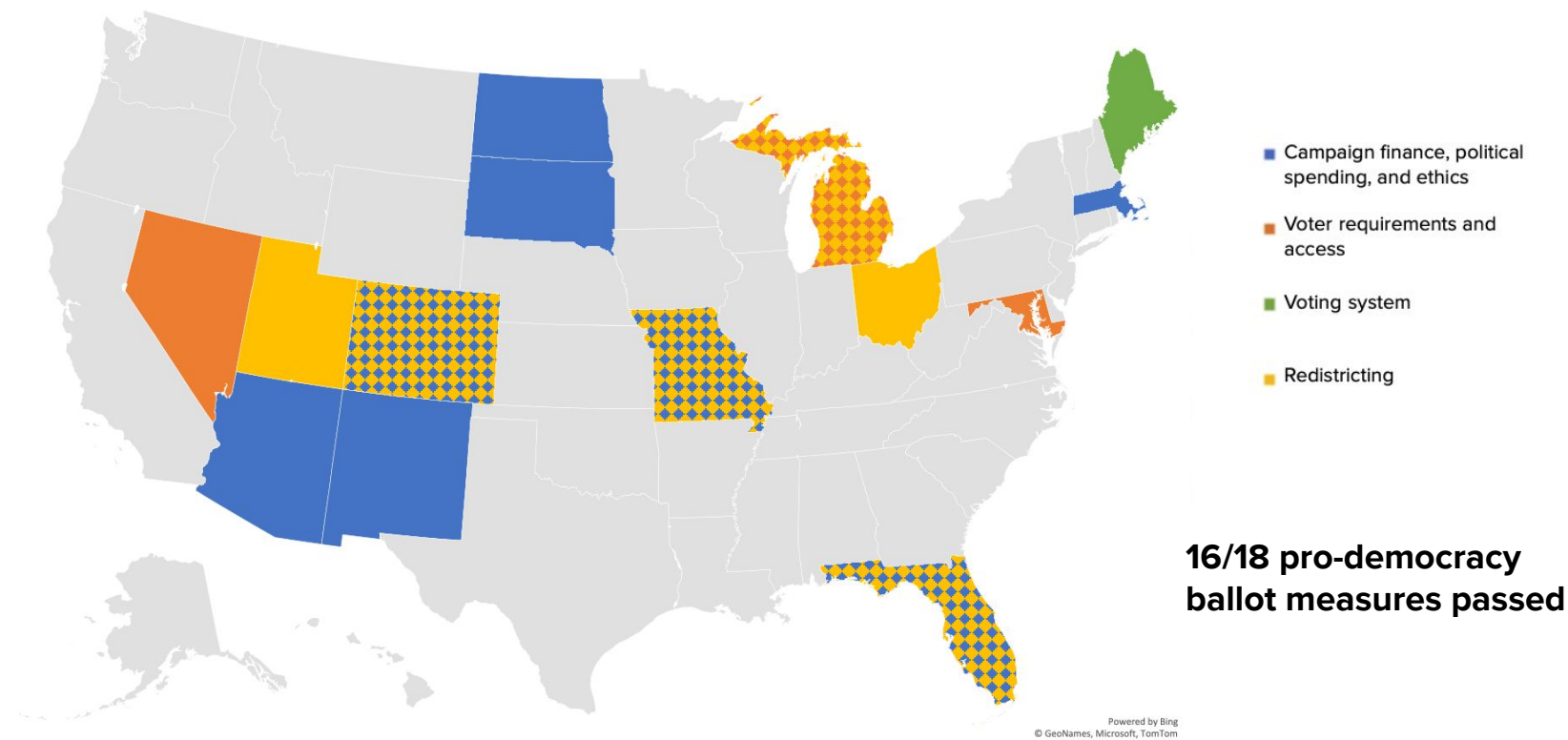
LEADERS AND TALENTS

Leadership Now endorses a slate of diverse candidates who are strong on issues of democracy reform and supports democracy entrepreneurs

THERE IS INCREASING MOMENTUM FOR REFORM

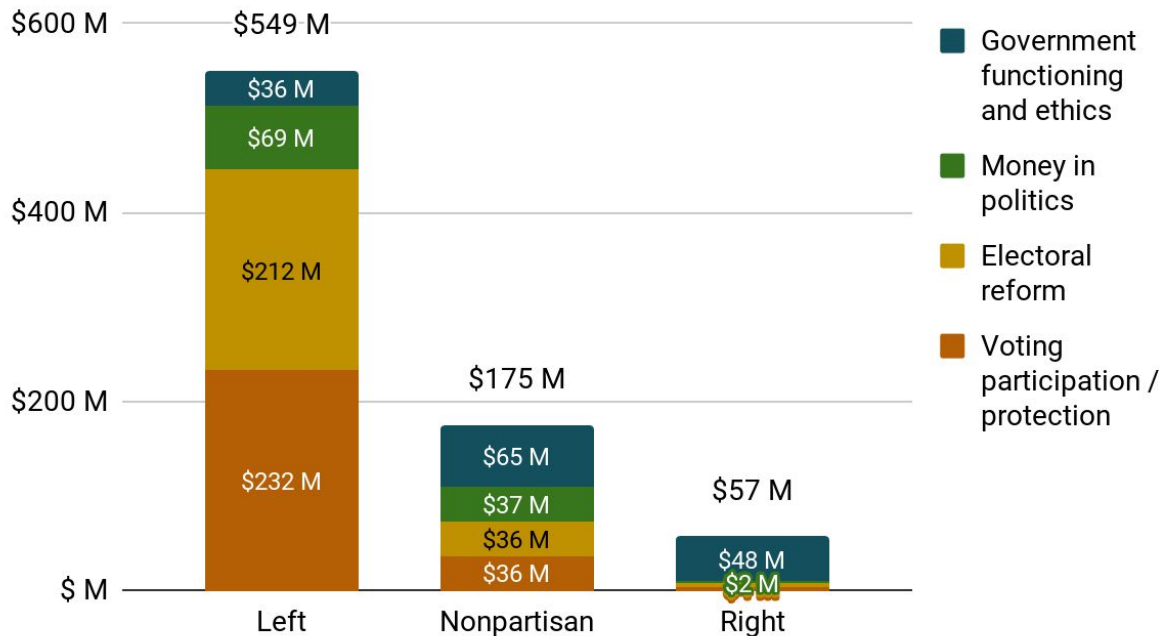
	Challenge	Opportunities (not comprehensive)	In practice (examples)
	Voter turnout is low	✓ Automatic voter registration ✓ Day off for voting; weekend voting ✓ Mail-in ballots; online voting	Automatic voter registration: 16 States & DC 100% Vote by Mail: 9 states & DC 
	Election outcomes don't reflect citizen preferences	✓ Objective redistricting ✓ Ranked choice voting ✓ Open primaries ✓ Electoral college reform	 
	Money has undue influence in politics	✓ Vouchers ✓ Public financing, matching funds ✓ Limits on contributions/sources	  Seattle Democracy Vouchers Denver Fair Elections Fund
	Elected officials are not representative of American population	✓ New candidates from outside politics with diverse backgrounds	 

2018 BALLOT MEASURE SUCCESSES INDICATE PUBLIC DEMAND FOR REFORM



<1% OF THE \$58B IN POLITICAL SPEND ADVANCES THESE KEY REFORMS

Spending of top 50 reform orgs by issue and lean

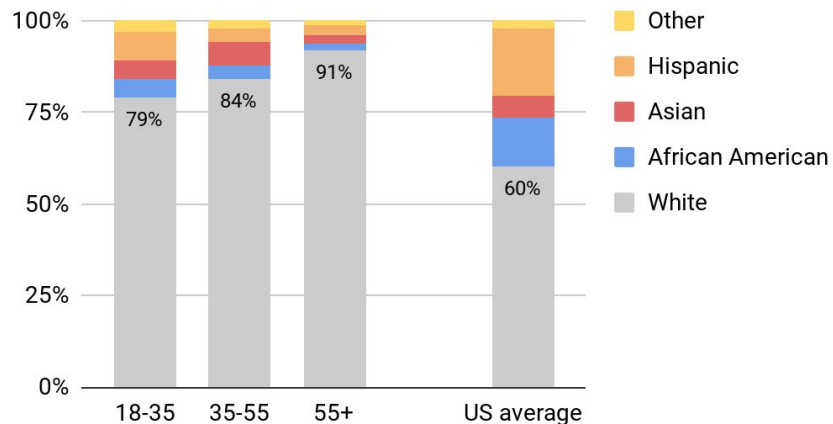


CONTENTS

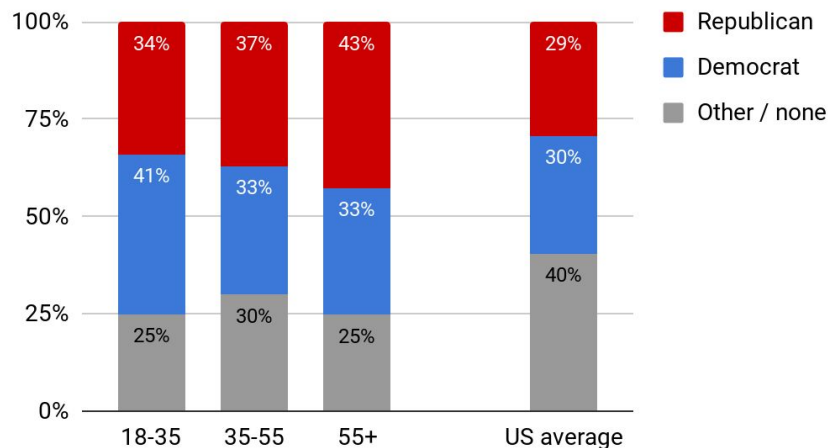
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NEW GENERATION OF BUSINESS LEADERS IS MORE REFLECTIVE OF AMERICA'S DIVERSITY AND INCLINED TO CHANGE

MBAs / executives by age and ethnic group



MBAs / executives by age and politics





LEADERSHIP NOW GUIDING PRINCIPLES

1. We must protect our democracy while renewing it
2. Our economy must work for all
3. Facts and science matter
4. Diversity is an asset



PORTFOLIO ORGANIZATIONS

**VOTING
RIGHTS
LAB**



STUDENTS
LEARN
STUDENTS
VOTE



**Everybody
Votes**

**BACK
VOTERS
MATTER**



**Protect
Democracy**



represent Us

VOTE at HOME

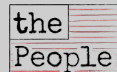


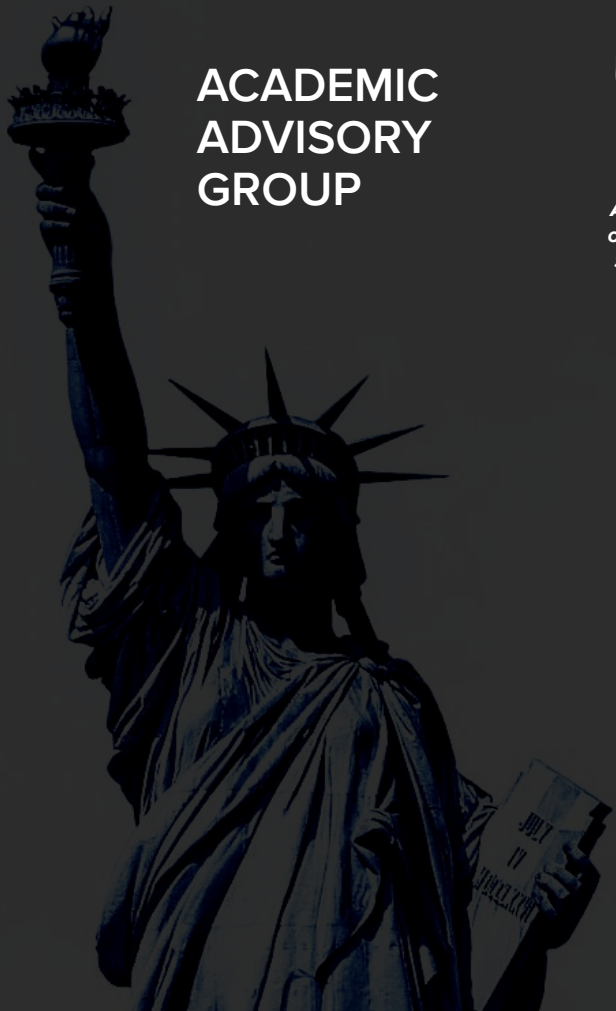
**END
CITIZENS
UNITED**



defending democracy
TOGETHER

newpolitics





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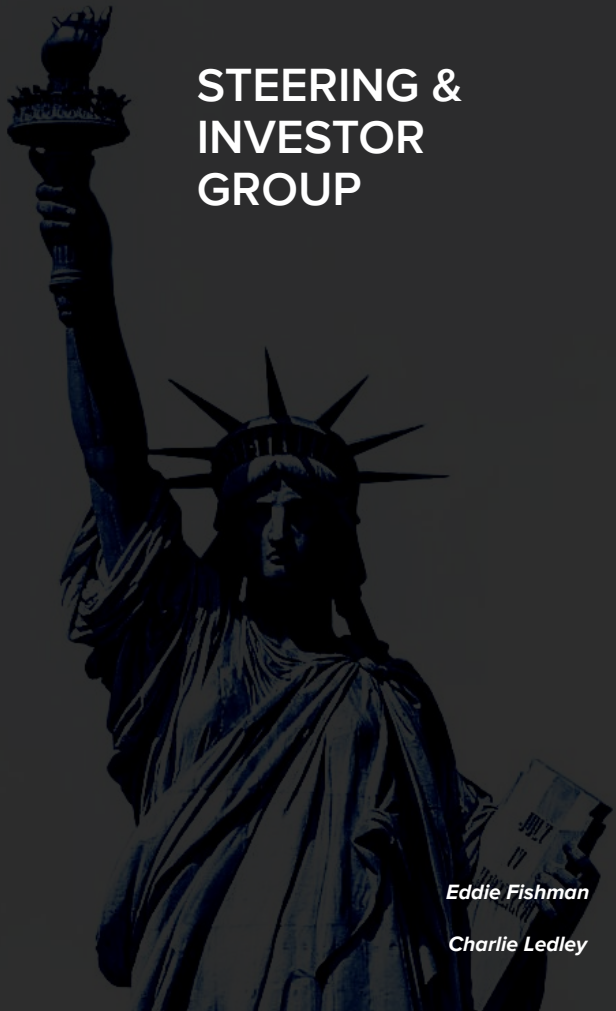
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