

A Rich Man's Game

By Michael Scherer

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Obama campaign manager Jim Messina could have put the staff Ping-Pong table anywhere, but he chose a piece of carpet right outside his office at the Chicago headquarters. "It's part of what I learned when I did my tour of all the tech companies," he says, referring to a trip he took through Silicon Valley in early 2007 to learn how to build the most technologically savvy political campaign in history. "You have got to have fun things for them to do. Because they will stay longer. They will be happier. They will do cool stuff."

Never mind the constant bip-bop, bip-bop of the bouncing ball that can be heard through Messina's walls. "I don't even notice it anymore," he says. That's either because he likes to think of the Obama operation as a sort of Facebook or Google of campaigns or because he has bigger worries on his plate. In politics, high tech is basically synonymous with mobilizing huge numbers of people, which is one of the things the Obama campaign believes it does well. In 2008, digital devices and websites allowed Obama to convene 35,000 volunteer groups, attract 3 million campaign donors and raise more than \$500 million online. Those numbers--never before seen in any presidential campaign--forever changed politics, or so it was thought at the time.

Four years later, Obama for America 2.0 is on track to beat its own records, with a whole new set of mobile and social-networking tricks at its disposal. Through the end of June, the campaign raised \$112 million from donors who gave less than \$200, compared with \$93.6 million from the same group at the same point in 2008. The campaign already boasts 2.4 million donors this cycle, a benchmark it did not hit until late August 2008. Yet Obama's aides are convinced they will lose the money race this time. "We're not scared," Messina explains. "We're realistic."

The reason is simple: the small, online money that dominated the last campaign cannot beat the big money that is about to dominate the current one. Presumptive Republican nominee Mitt Romney has proved to be a formidable fundraiser, mining vast networks of wealthy supporters for lots of large checks. Through June, his campaign raised the maximum contribution of \$2,500 from more than 33,000 Americans, compared with roughly 18,800 who gave that much to Obama. But Romney's real advantage comes from the checks his supporters are writing to outside groups. In June alone, a super PAC supporting Romney raised \$20 million in chunks as large as \$5 million, nearly matching all the money Romney has raised from donors giving less than \$200.

This advantage has called into question the future of the Internet-enabled money machine that was pioneered by Howard Dean in 2004 and lifted Obama to the White House in 2008. In a world of motivated billionaires and court rulings that allow unlimited donations to fund advertising up to Election Day, the people-powered campaigner is no longer king. "After this election's over, it is much more likely that all the candidates in both parties will be meeting with billionaires than figuring out how to mobilize millions of people," says Joe Trippi, who managed Dean's campaign in 2004. "It will be a huge setback."

Obama's aides have been issuing alarms for months in the form of increasingly urgent appeals for cash. The campaign expects to raise more than the \$745 million it raised in 2008, but that will be far less than the \$1.2 billion it foresees Romney and his allies collecting. "We've gotten our behinds handed to us ... by Mitt Romney and his crew," the campaign's chief operating

officer, Ann Marie Habershaw, wrote in a recent e-mail plea for \$3 donations. "I'll refrain from sharing how that really makes me feel."

But it isn't hard to imagine. As the campaign winds on, fundraising appeals have taken on an increasingly desperate tone, with subject lines like "The defeat of Barack Hussein Obama" and "This is potentially devastating." A big shift from the upbeat, sky's-the-limit tone of the 2008 campaign, it is grounded in the realities of a different cycle. The winds of change no longer seem to be blowing in his direction.

Back to the Future

Political fundraising must begin early, and on that score, the Republicans caught the White House flat-footed almost from the start. The defining moment of the money race in 2008 actually came in January 2007, when campaign manager David Plouffe hired Joe Rospars, a 25-year-old veteran of the Dean campaign, to run what was then called new media. From that point on, technology designed to convince huge numbers of people that they had an obligation to give a few dollars became a central part of nearly everything the Obama campaign did.

In the 2012 campaign, the first defining moment occurred in October 2010, with a Federal Election Commission filing from a former campaign lawyer for Romney. Charlie Spies, who served as the chief financial officer of Romney's 2008 campaign, had joined with Romney's old political director, Carl Forti, to create an outside group that would collect checks of any size to advertise on Romney's behalf in the coming campaign.

Spies and Forti's outfit, Restore Our Future, is not the only outside group, of course, to take advantage of court rulings that allow unlimited donations to advertise for or against a candidate up to Election Day. But it is almost certain to be the most crucial to Romney's fortunes. During the primaries, Restore Our Future spent nearly \$34 million on advertising, almost as much as the Romney campaign and all of Romney's Republican rivals combined. It is not too much to say that, if nothing else, Restore Our Future secured Romney's.

The other defining moment came on the Democratic side, when Obama unilaterally disarmed. For most of the past two years, the Obama campaign has refused to play the new big-money game, sticking to the quaint line that big money has no place in national politics or the President's cause. Unlike Romney, who appeared at Restore Our Future events, Obama refused to lend his support to any outside spending efforts on his behalf. It was noble and idealistic, perhaps popular with his base, and practically ripped from a West Wing script about how Democrats should behave. And it was totally unrealistic. By February 2012, the no-big-money line had been dropped. Messina reversed course, announcing that the campaign would "face the reality of the law as it currently stands" and support the fundraising efforts of Priorities USA Action, a Democratic super PAC focused on the presidential election.

By then it was too late to catch up. Ever since, the group has been struggling to meet its modest goal of \$100 million (current total: \$20.1 million). Democratic officials acknowledge privately that one of the group's weaknesses is the lack of a key fundraiser from the Obama inner circle. Another is its lack of established relationships with the party's moneyed elite. Instead, Priorities' senior strategist, Bill Burton, is a former deputy White House press secretary who led the charge against big money in 2008 on behalf of the Obama campaign. "If people want to support our campaign, they should do it through our campaign," Burton said back then.

Obama's zigging and zagging over whether to accept big money is a mistake no Democratic campaign is likely to repeat under the current legal regime. "When you go to set up a campaign in 2016, you are going to peel off a third of your senior staff," explains Scott Reed, the campaign manager for Bob Dole's 1996 run, "and say, 'Go start a super PAC. We'll see you after the campaign.'" Reed should know: he is currently advising the U.S. Chamber of Commerce, which has set up its own eight-figure outside spending effort for the fall campaign.

While breaking all records for big-dollar donations, the Romney campaign has by no means abandoned the job of raising money in small amounts, even though it is less successful at this point in the campaign than John McCain was in 2008. The campaign has mimicked the Obama strategy of asking for \$3 donations and holding raffles for microdonors to meet the candidate, and it has produced a smart-phone app to drive donations around the coming vice-presidential announcement. In the days after the Supreme Court upheld Obama's health care law, Romney's campaign tripled the number of servers for its website to handle the 55,000 donations it received (worth \$5.5 million) from Republicans warming to Romney's "repeal and replace" message. "We will bring in a substantial amount of low-dollar money this cycle," says Zac Moffatt, who is running the campaign's digital strategy. "You would be crazy not to do that."

Burn Rate

Every now and then at Obama headquarters, a slow clap disrupts the office din, overwhelming even the pings and pongs of table tennis. It begins with a few staffers, grows faster and then spreads to the hundreds of 20- and 30-somethings who sit hunched over laptops at long tables in the main room overlooking Grant Park. This is the Obama campaign's way of collectively sending off one of its own to join the ranks of organizers in some swing state.

It's also a reminder that Obamaland, with more than 700 staffers, has invested heavily in grassroots organizing to keep the race close in an unforgiving political year. The campaign has a high burn rate, aides admit, but they insist that it will pay off in the final months. The strategy borrows heavily from George W. Bush's 2004 re-election campaign: Spend the summer defining your opponent as subpar through a series of ads that establish the race as a choice. Hit your marks at the convention. Do well in the debates. And then surprise the opposition with a historic turnout effort built on years of data mining, identifying voters and getting them to the polls. That's the entire Obama fall campaign in a few sentences.

In the short term, this expensive strategy has created a remarkably negative campaign, with Obama trying to tear down Romney as a credible leader of the country and Romney trying to tear down Obama by making the election a referendum on the economy. The effect has been to drive up negative public opinion of both men, a particular risk for Obama, who will depend on his high personal-favorability rating to win over voters.

But at some point, the campaign's strategies will diverge. As Election Day approaches, Romney is counting on most undecided voters to break in his direction, driven by the economic doldrums and a massive barrage of advertising in swing states, paid for in part by large donations to super PACs. And Obama is counting on another swell of volunteers and last-minute donations to push Democratic turnout high enough to overwhelm the power of the super PACs. "The way we are going to combat this is by millions of people coming together," Messina says, as a Ping-Pong ball continues to bounce in the background. It is a strategy that may work one last time. But don't look for many candidates in 2016 to try to copy the same playbook.