WHY COMPETITION IN THE POLITICS INDUSTRY IS FAILING AMERICA

A strategy for reinvigorating our democracy

Katherine M. Gehl and Michael E. Porter
ABOUT THE AUTHORS

Katherine M. Gehl, a business leader and former CEO with experience in government, began, in the last decade, to participate actively in politics—first in traditional partisan politics. As she deepened her understanding of how politics actually worked—and didn’t work—for the public interest, she realized that even the best candidates and elected officials were severely limited by a dysfunctional system, and that the political system was the single greatest challenge facing our country. She turned her focus to political system reform and innovation and has made this her mission.

Michael E. Porter, an expert on competition and strategy in industries and nations, encountered politics in trying to advise governments and advocate sensible and proven reforms. As co-chair of the multiyear, non-partisan U.S. Competitiveness Project at Harvard Business School over the past five years, it became clear to him that the political system was actually the major constraint in America’s inability to restore economic prosperity and address many of the other problems our nation faces. Working with Katherine to understand the root causes of the failure of political competition, and what to do about it, has become an obsession.

DISCLOSURE

This work was funded by Harvard Business School, including the Institute for Strategy and Competitiveness and the Division of Research and Faculty Development. No external funding was received.

Katherine and Michael are both involved in supporting the work they advocate in this report. For purposes of full disclosure:

Katherine is on the Board of The Centrist Project, and a donor and fundraiser for a variety of political reform and innovation organizations. She has donated to and raised funds for the Campaign Legal Center (for its lawsuit against partisan redistricting in Wisconsin). She is also a donor to No Labels; the Fix the Debt campaign; FairVote’s campaign for ranked choice voting in Maine; and Govern for California (which supports selected candidates in California). Before shifting focus to non-partisan political innovation, Katherine was a fundraiser and a member of the National Finance Committee for the 2008 Obama campaign, and a significant donor in 2012. She donates to political candidates.

Michael is a donor to and hosted a fundraiser for The Centrist Project. He has advised, contributed to publications, and spoken at No Labels events. He donates to political candidates.

DISCLAIMER

The views expressed in the paper are the sole responsibility of the authors and are not meant to represent views of Harvard Business School or Harvard University.
PREFACE

Many Americans are disgusted and concerned about the dysfunction and abysmal results from Washington, D.C., and so are we. However, this paper is not about adding to the depressing national dialog about politics, but about how to change the system by taking action that will work.

Too many people—including many pundits, political scientists, and politicians themselves—are laboring under a misimpression that our political problems are inevitable, or the result of a weakening of the parties, or due to the parties’ ideological incoherence, or because of an increasingly polarized American public. Those who focus on these reasons are looking in the wrong places. The result is that despite all the commentary and attention on politics in recent years, there is still no accepted strategy to reform the system and things keep getting worse.

We need a new approach. Our political problems are not due to a single cause, but rather to a failure of the nature of the political competition that has been created. This is a systems problem.

We are not political scientists, political insiders, or political experts. Instead, we bring a new analytical lens to understanding the performance of our political system: the lens of industry competition. This type of analysis has been used for decades to understand competition in other industries, and sheds new light on the failure of politics because politics in America has become, over the last several decades, a major industry that works like other industries.

We use this lens to put forth an investment thesis for political reform and innovation. What would be required to actually change the political outcomes we are experiencing? What would it take to better align the political system with the public interest and make progress on the nation’s problems? And, which of the many political reform and innovation ideas that have been proposed would actually alter the trajectory of the system?

Politics in America is not a hopeless problem, though it is easy to feel this way given what we experience and read about every day. There are promising reforms already gaining traction including important elements of the strategy we propose. It is up to us as citizens to recapture our democracy—it will not be self-correcting. We invite you to personally engage by investing both your time and resources—and by mobilizing those around you—in what we believe is the greatest challenge facing America today.

It is often said that “We in America do not have government by the majority. We have government by the majority who participate.”¹ Today the challenge for Americans is to participate not only as voters, but also to participate in the reform of the political system itself. This is our democracy, and the need is urgent.

This report is about politics, but it is not political. The problem is not Democrats or Republicans or the existence of parties per se. The problem is not individual politicians; most who seek and hold public office are genuinely seeking to make a positive contribution. The real problem is the nature of competition in the politics industry.

Katherine M. Gehl & Michael E. Porter
TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

PART I: SETTING THE STAGE 8

PART II: A PRIVATE INDUSTRY THAT SETS ITS OWN RULES 12

PART III: THE POLITICAL OUTCOMES CITIZENS WANT AND NEED 18

PART IV: HOW THE STRUCTURE OF THE POLITICS INDUSTRY UNDERMINES COMPETITION 20

PART V: WHY HAS THE SYSTEM GOTTEN WORSE? 34

PART VI: REINVIGORATING OUR DEMOCRACY 37

APPENDICES 46

BIBLIOGRAPHY AND RECOMMENDED READING 70
EXECUTIVE SUMMARY

Harvard Business School (HBS) launched the U.S. Competitiveness Project in 2011 as a multiyear, fact-based effort to understand the disappointing performance of the American economy, its causes, and the steps needed by business and government to restore economic growth and prosperity that is widely shared across all Americans.

The Project identified a consensus set of essential policy steps needed to do so. Over the course of the Project, however, we found that Washington is making virtually no progress—and hasn’t made any in decades—in addressing any of these steps. Meanwhile, many other countries are getting better. A similar failure to progress has also afflicted the nation’s social agenda, where America has fallen from being a leader—and often a pioneer—to a position well behind most other advanced countries.

Citizens are beginning to understand that something is deeply wrong with our democracy. Surveys of both Harvard Business School alumni and the general public identified the political system as America’s greatest competitive weakness.

It wasn’t always that way. America’s political system was long the envy of the world. It advanced public interest and gave rise to a grand history of policy innovations that fostered both economic and social progress. Today, however, our political system has become the major barrier to solving nearly every important challenge our nation needs to address.

In this report, we bring a new analytical lens to understand the performance of our political system: the lens of industry competition, used for decades to understand competition and performance in other industries. Competition thinking sheds new light on the failure of politics in America, which has become a major business in its own right. Our political problems are not due to a single cause, but instead the result of the nature of the political competition that the actors have created.

PART I sets the stage by assessing the outcomes that politics is delivering, revealing a broken system that has become the major barrier to progress in America.

PART II shows how the political system is not a public institution but a private industry that sets its own rules. In the process, it has fundamentally diminished our democracy.

PART III describes the essential outcomes we should expect from a well-functioning political system, but are not achieving.

PART IV uses the Five Forces framework to analyze how the evolving structure of the politics industry has led to the failure of political competition to serve the average citizen—and to the antithesis of the outcomes we need to achieve.

PART V explores the deliberate changes that have undermined our political system beginning in the early 20th century.

Finally, PART VI puts forth a strategy for reinvigorating our democracy by addressing the root causes of the political dysfunction we are experiencing. This will require action by our fellow citizens, because our political system will not be self-correcting. We must change it.

Key Findings

The political system isn’t broken. It’s doing what it is designed to do

The starting point for understanding the problem is to recognize that our political system isn’t broken. Washington is delivering exactly what it is currently designed to deliver. The real problem is that our political system is no longer designed to serve the public interest, and has been slowly reconfigured to benefit the private interests of gain-seeking organizations: our major political parties and their industry allies.

This report is about politics, but it is not political. The problem is not Democrats or Republicans. Most individuals who seek and hold public office are genuinely seeking to make a positive contribution. The problem is not the existence of parties, per se, or that there are two major parties. The real problem is the nature of political competition that the current duopoly has created, their failure to deliver solutions that work, and the artificial barriers that are preventing new competition that might better serve the public interest.
By nearly every measure, the *industry* of politics, itself, is thriving. There's just one problem. The people whom the politics industry is supposed to serve have never been more dissatisfied. Public trust in the federal government is hovering at a near 60-year low.

Competition in politics appears intense, which is usually good for customers. But today's competition is failing, delivering gridlock and growing division instead of offering practical solutions to the nation’s problems. The parties compete on ideology and unrealistic promises, not on action and results. The parties compete to divide voters and serve special interests, rather than weigh and balance the interests of all citizens and find common ground to move the country forward. And there is no accountability for results. Those who fail the average citizen year after year remain in control.

There is a long list of culprits commonly blamed for our political problems: the influence of special interests, the role of big money, the decline of bipartisanship, the polarization of the American public, and, most recently, the proliferation of fake news. Many of these play a role, but they are symptoms. The underlying root cause is the kind of political competition that the parties have created, including their insulation from new competition that would better serve the public interest.

The political system is a private industry that sets its own rules

Most people think of politics as its own unique public institution governed by impartial laws dating back to the founders. Not so. Politics is, in fact, an industry—most of whose key players are private, gain-seeking organizations. The industry competes, just like other industries, to grow and accumulate resources and influence for itself. The key players work to advance their self-interests, not necessarily the public interest.

It’s important to recognize that much of what constitutes today’s political system has no basis in the Constitution. As our system evolved, the parties—and a larger political industrial complex that surrounds them—established and optimized a set of rules and practices that enhanced their power and diminished our democracy. These changes—often created behind closed doors and largely invisible to the average citizen—continue to take their toll at both the federal and the state levels.

The politics industry is different from virtually all other industries in the economy because the participants, themselves, control the rules of competition. There is no truly independent regulation of politics that protects the public interest. Free from regulation and oversight, the duopoly does exactly what one would fear: The rivals distort the rules of competition in their favor. Examples of this includes controlling access to the general election ballot, partisan gerrymandering, and the Hastert Rule, which puts partisan concerns above legislating for the public interest.

These biased rules and practices have many competitive consequences, including a sharp decline in legislation passed, the near extinction of moderates in the Senate and the House, declining bipartisan support for laws enacted, and many others.

Citizens should expect four outcomes from a healthy political system—which currently delivers none of them

1. **Practical and effective solutions to solve our nation’s important problems and expand citizen opportunity.** Solutions are policies that address important problems or expand opportunities for citizens. Solutions actually work and make things better in practice. Effective solutions address reality, not ideology. Practical and sustainable solutions are not uni-dimensional, but nuanced, and they integrate the range of relevant and important considerations involved in virtually every good policy. Solutions weigh and balance points of view across constituencies, and make sound tradeoffs in integrating them. Real solutions almost always require compromise and bipartisanship. *While the importance of solutions seems obvious, solutions are almost non-existent in America’s political system today.*

2. **Action.** Legislation that matters is legislation that is actually enacted and implemented. Yet the vast majority of promises made by candidates and political leaders in today’s system never get acted upon. Little serious legislation is even advanced, much less passed.

3. **Reasonably broad-based buy-in by the citizenry over time.** Good solutions should be able to gain over time reasonably broad-based acceptance and consensus across the population. While there will never be 100% support for any policy, true solutions...
(which most often involve bipartisanship) are those that can be accepted over time by a range of constituents across the political spectrum.

For this to happen, political leadership is required and must—at times—be ahead of popular opinion (that’s why it’s called leadership). At its best, political competition should educate, unite, and inspire citizens, rather than dividing them. Today, politics is dividing us, not bringing us together.

4. Respect the Constitution and the rights of all citizens. In our democracy, good solutions reflect the rights and interests of all Americans, rather than simplistic majority rule. This can sometimes make achieving political solutions more complicated, but is part of what has made America the remarkable country it has become.

These desired outcomes seem self-evident, yet many citizens have lost sight of what we want from our political system. This has created a vacuum that has allowed political actors to define success to fit their own purposes instead of public purposes, and mislead citizens in the process.

The structure of the politics industry has created unhealthy competition that fails to advance the public interest

The nature of competition in any industry—and the degree to which it meets the needs of customers—depends on its underlying structure. To understand the failure of politics, we can employ the same tools used to study competition in other fields.

What is the structure of the politics industry? It is a textbook example of a duopoly, an industry dominated by two entrenched players. Around the two major parties, the Democrats and the Republicans, has arisen what we call the “political industrial complex,” an interconnected set of entities that support the duopoly. These include special interests, donors (particularly “big money”), pollsters, consultants, partisan think tanks, the media, lobbyists, and others. The political industrial complex is big business. And virtually all the players in the political industrial complex are connected to one side of the duopoly or the other—the right or the left—which has contributed to failed competition.

In healthy competition, industry actors would be competing to deliver the desired outcomes for customers—fellow citizens—and be held accountable for results. Political rivals who fail to serve the public would be replaced by new competitors who do. Instead, today's political competition is unhealthy competition in which rivals are entrenched, insulated from the pressures to serve customers better, and protected from new competition. The political industrial complex expands and grows, but the nation fails to progress.

The structure of the politics industry

How have political actors distorted competition to serve their interests, not the public interest? There are four essential elements:

1. Who the duopoly serves. A political system is supposed to serve the public interest, so all citizens should be its customers. Instead, customers in the politics industry can be divided into five major segments based on how they engage with the industry: partisan primary voters, special interests, donors, average voters, and non-voters. The parties prioritize the customers that most advance their interests through the two currencies of politics: votes, money, or both. The most powerful customers are partisan primary voters, special interests, and donors. Average voters and current non-voters, the majority of citizens, have little or no influence on policy or outcomes.

The parties do pay some attention to the average voter in order to increase the turnout of their base, depress the turnout of the other side’s base, and capture “swing” voters. But since average voters have only two choices in most general elections, parties appeal to them on the margin. The parties do not compete for average voters by delivering outcomes for their benefit, but rather by seeking to be a little less disliked than—or slightly preferred to—the other party. Parties don’t need to deliver solutions, but only convince average voters to choose them as the “lesser of two evils.” In a normal industry, ignoring such a large group of customers would make a competitor vulnerable to new competition. But in the politics industry, as we will discuss, the barriers to entry are very high, and therefore, new competition does not emerge.

Recent research supports these conclusions about where customer power actually lies. In 2014, researchers at Princeton and Northwestern University examined congressional action on 1,779 policy issues. Their sad finding: “When the preferences of economic elites and the stands of organized interest groups are controlled for, the preferences of the average American appear to have only a minuscule, near-zero, statistically non-significant impact upon public policy.”
2. Controlling the inputs to modern campaigning and governing. There are five key inputs to modern political competition: candidates, campaign talent, voter data, idea suppliers, and lobbyists. Increasingly, most everything required to run a modern campaign and govern is tied to or heavily influenced by one party or the other, including think tanks, voter data, and talent.

This amplifies partisanship and becomes a disadvantage for third-party candidates, independents, and even moderates.

3. Co-opting channels for reaching voters. The parties increasingly control not only direct voter contact and political advertising, but have also coopted both social media and independent media. Mainstream media are less and less independent and have aligned with the duopoly and reinforced partisan competition.

4. Erecting high and rising barriers to new competition. In the politics industry, a sure sign that barriers to entry are high is the fact that no major new party has emerged since the founding of the Republican Party in 1860. And, despite widespread and growing public dissatisfaction with the existing parties, contemporary third parties and independent candidates continue to fare poorly.

Barriers to new competition include economies of scale; a well-developed infrastructure; brand recognition; deep and growing expertise and relationships; privileged access to funding; election rules and practices favoring parties; and governing rules creating party control of the legislative process.

While some of the barriers reflect the inherent nature and cost of modern campaigns and governing, many are artificial and have been created by the parties through the strategic adoption and refinement of a wide array of rules, practices, and choices that preferentially benefit the duopoly.

Even higher barriers to entry confront alternatives to the party system, such as independents. The duopoly has systematically disadvantaged candidates and elected officials who are outside the parties.

Competing in ways that benefit the parties, not average citizens

All these elements come together to affect how the parties compete. To make sense of this competition, one must understand the essential nature of duopolies.

Rivalry in a duopoly is almost always constrained, because the two rivals recognize that head-to-head competition is mutually destructive. Instead, the two rivals seek to compete in ways that reinforce their differentiation and separation from each other.

In a duopoly, rivals also understand that, while they compete, they will both benefit from an “attractive” industry (as defined from their perspective)—one that strengthens and reinforces their way of competing, limits the power of other actors, and increase barriers to entry. In a duopoly, rivals will also cooperate (or collude) to enhance the industry in their favor and avoid undermining it.

How the duopoly competes

Parties differentiate and separate themselves by dividing up customers based on their ideological and partisan interests. This is how the parties populate their respective “bases,” putting the parties in sharp contrast and minimizing target customer overlap and common ground.

The duopoly targets mutually exclusive groups of partisans and special interests that are aligned with their respective ideological and policy stances. Interestingly, each party’s collection of interest groups and partisans—and the policies that appeal to them—are sometimes inconsistent.

Competing on division reinforces the parties’ differentiation from each other while enhancing their core customer loyalty. Competing on partisanship rather than by appealing to a broad range of voters reduces accountability. Appealing to the middle, or to customer groups with overlapping interests, blurs party differentiation while creating more pressure to actually deliver results.

Parties, then, compete to create and reinforce partisan divisions, not deliver practical solutions. The duopoly appeals to its partisan supporters based on ideology, not policies that work.

This partisan and ideological competition presents voters with false choices that frame issues as “either/or”—for example, big government versus small government, free trade versus protectionism, regulation versus...
deregulation. This approach creates artificial divisions, and the parties seek to reinforce these divisions through confusion and by misleading voters on the facts about what they should actually want.

The duopoly avoids compromise. Party rhetoric divides voters based on hostility toward the other side. Rather than working to bring citizens together to further the public interest, each party demonizes the other party’s supporters and their views. The duopoly incites citizens to vote based on anger and fear.

This approach makes real progress on important issues even harder. In today’s political competition, then, serious legislation can often only be passed when one party forces its bill down the throat of the other party during those rare periods when it has enough power to do so.

Cooperation to reinforce party success

The parties work together to improve industry attractiveness and to strengthen and reinforce the way they compete. Over time, the duopoly works together to set numerous rules and practices that reinforce division and enhance separation. A series of election rules and practices—which both sides have advanced—have enhanced and expanded partisan division, resulting in more and more extreme candidates and elected officials. These include partisan primaries; gerrymandered districts; ballot access rules and fundraising biases that disadvantage independents; and governing practices in Congress that amplify partisanship, work against compromise solutions, and discourage bipartisan activity, such as co-sponsorship of legislation or cross-party consultation.

The very existence of the entrenched duopoly in U.S. politics reflects the very high barriers to entry facing new competition, as we described earlier. While remaining fierce competitors, the parties have also cooperated to raise barriers, such as implementing the election and governing rules we discussed earlier, controlling key suppliers, and growing party alignment with the media and party control of other key channels.

The devastating implications for citizens

Today’s political competition rewards special interests and partisans and diminishes the influence of the average voter (much less non-voters.) Today’s rivalry incents divisive rhetoric, gridlock, and unfulfilled promises, not solutions. Today’s rivalry undermines the ability to elect pragmatic and moderate public officials, co-opts the independence of the media, and raises ever-higher barriers to entry for third-party candidates, independents, and even moderates.

Beyond this failure to deliver good outcomes, the structure of the politics industry has resulted in three devastating implications for the citizens:

1. An incentive not to solve problems. Keeping a problem or controversy alive and festering is a way to attract and motivate partisan voters, special interests, and committed donors to each side. Solutions can also mean that voters focused on that particular issue will become less motivated to affiliate with and support the party.

2. No accountability for results. Despite making little or no progress on solving the nation’s problems and serving the American people, the duopoly is not held accountable for results. In politics, accountability would mean voting party leaders and many legislators out of office if progress is not made. However, since there are only two major parties who compete by dividing up and serving partisan voters and special interests, voting out individual legislators means replacing them with others from the same party or the other party who can get elected in the current structure. Nothing really changes.

3. No countervailing forces to restore healthy competition. Despite widespread dissatisfaction and poor results for the average citizen, the duopoly remains dominant, and partisan competition persists. The failure of politics has persisted because the normal checks and balances of healthy competition have been neutralized.

The system has gotten worse over time

While partisanship at some level has existed since our governmental system was created, the structure of the politics industry has changed significantly—for the worse. Of these changes, some were well-intentioned refinements to rules and practices that had unintended consequences. Many other “reforms,” however, were driven by political actors to expand their influence and ensure their growth. Some existing practices were optimized over time to benefit the duopoly. For example,
through the use of much more detailed and precise voter data and better technology, gerrymandering has become far more sophisticated and effective. Finally, broader shifts in American culture, institutions, and demographics have also played a role.

A strategy for political reform

Our political system will not be self-correcting. The problems are systemic and structural, involving multiple factors that are self-reinforcing. This means that the only way to reform the system is by taking a set of steps to change the industry structure and the rules that underpin it—shifting the very nature of political competition.

Our recommended strategy addresses the following four pillars:

• Restructure the election process
• Restructure the governing process
• Reform money in politics
• Open up near-term competition, without waiting for structural reform

1. Restructure the election process

   Establish nonpartisan top-four primaries. The current partisan primary system shifts both campaigns and governance toward the extremes. States should move to a single primary ballot for all candidates, no matter what their affiliation, and open up primaries to all voters, not just registered party voters.

   Institute ranked-choice voting with instant runoff in general elections. This system will ensure that no candidate is elected with less than majority support, resulting in the election of candidates with the broadest appeal to the most voters.

   Institute nonpartisan redistricting. Drawing legislative district boundaries must be non-partisan to eliminate artificial advantages for the party in control.

   Rewrite debate access rules for presidential elections. Current requirements for participation in presidential debates are unreasonable (for anyone except the Democratic and Republican nominees) and anticompetitive.

2. Restructure the governing process

   Eliminate partisan control of House and Senate rules and processes. Legislative and governance rules must align the process with the public interest and reduce the ability of parties to control Congressional deliberations and outcomes simply for partisan gain.

3. Reform money in politics

   The influence of money is distorting competition and biasing elections. Reform is challenging due to the First Amendment, but experts have crafted practical steps to diminish big money's influence (i.e., systems for citizen funding, 100% transparency in political spending, and eliminating loopholes favoring existing major parties in fundraising).

   However, a focus on money alone will not transform our political system. The real answer is to reduce the
attractive return on investment that donors currently enjoy. The systemic reforms detailed in this report will shift the incentives for politicians to respond to constituents, instead of responding to donors.

4. Open up competition, without waiting for structural reforms

The top two parties should always be operating under a potential threat from competitors that better serve the public interest. The innovations in this section can start to open up competition as soon as the 2018 election cycle, and should be implemented now rather than waiting the decade or more it may take to implement all the structural reforms needed.

Implement the Centrist Project’s “Senate Fulcrum Strategy.” Structural reform will take time. A highly leveraged way to break the current political gridlock would be to elect three to five centrist independent U.S. senators to act as a swing coalition and force change from the political center.

Run (centrist) independents at all levels. Solutions-oriented, independent campaigns would bring critical new competition to politics, and can be powerful change agents. Today, it is difficult to run outside the duopoly, and even more difficult to win outside the duopoly. Concerned voters should seek out and actively support such independent candidates.

Establish a shared election and financing infrastructure for independents (and moderates). Shared election infrastructure will be needed to reduce the barriers to entry for independent and moderate candidates. In addition, support structures are needed for solutions-minded center-right and center-left party candidates to help them withstand primary challengers.

Create and expand state-level models, such as “Govern for California,” to shift election outcomes. State legislators have an important role in our political system, both in setting policy as well as election and governing rules. “Govern for California” focuses on state-level reform through leveraging political philanthropy to support candidates who put citizen interests ahead of personal, party, and special interests. Such efforts, as well as others that provide state-level support for independent and moderate candidates and elected officials, should be expanded.

Our responsibility as citizens

We can fix our political system, but it will require sustained citizens’ initiative and significant investment. A new kind of philanthropy, which might be called “political philanthropy,” is needed. Donors who support the collective interest in political reform, innovation, and solutions-oriented candidates will have a huge impact on America’s progress in addressing the many societal needs our nation faces.

We can never forget that the political system we have today was designed by our own elected representatives—the people we voted into office. This system was corrupted over time, and most of us did not even notice. We have the power to reinvigorate our democracy, and we must.

It is easy to become resigned that the system will never change, and that reform is hopeless. However, many of the steps we have described here are beginning to gain traction, as evidenced by the progress in moving to nonpartisan primaries, ranked-choice voting, gerrymandering reform, presidential debate litigation, and others we detail in this report. We can do this.
PART I: SETTING THE STAGE

It is often said that “Washington is broken.” But this widely held belief reflects a common misunderstanding of the problem. In fact, Washington is delivering exactly what it is currently designed to deliver.* The real problem is that our political system is no longer designed to serve the public interest. Rather, with little public awareness or oversight, the system has been slowly reconfigured to benefit the private interests of gain-seeking organizations—our major political parties and their industry allies.

By nearly every measure, the industry of politics, itself, is thriving. Campaigns are now seemingly endless and put to work an immense roster of canvassers, pollsters, and staff; top consultants are in high demand; media interest is endless. And when it comes to elections, overall spending (a normal proxy for an industry’s success) continues to rise.1

There’s just one problem. The people whom the politics industry is supposed to serve have never been more dissatisfied. Public trust in the federal government is hovering at a near 60-year low (see Figure 1). In 1958, three out of four Americans trusted the government. In 2017, this had fallen to one in five. There are many other signs of citizen dissatisfaction and disillusionment (see Appendix A).

What’s going on? Competition in politics appears intense, which is usually good for customers. But competition in America’s political system is failing. It is delivering gridlock and growing division, not practical solutions to the nation’s problems (see the sidebar “Politics Fails to Solve Problems: Simpson-Bowles”). The parties compete on ideology and unrealistic promises, not on action and results. The parties compete to divide voters and serve special interests, rather than weighing and balancing the interests of all citizens and finding common ground to move the country forward.

*We are indebted to Mickey Edwards for this foundational insight. See The Parties Versus the People: How to Turn Republicans and Democrats into Americans (New Haven: Yale University Press, 2012).

POLITICS FAILS TO SOLVE PROBLEMS: SIMPSON-BOWLES

Simpson-Bowles, an effort to create a sustainable federal budget, provides a telling example of the failure to deliver solutions. A substantial majority of Americans agree that our unsustainable federal debt and deficits must be addressed.2 In 2010, President Obama established the National Commission on Fiscal Responsibility and Reform—most often referred to by the last names of its co-chairs, Alan Simpson and Erskine Bowles.

The product of their work was a sound report with a well-crafted compromise solution. The preamble to the report says: “The President and the leaders of both parties in both chambers of Congress asked us to address the nation’s fiscal challenges in this decade and beyond. We have worked to offer an aggressive, fair, balanced, and bipartisan proposal—a proposal as serious as the problems we face. None of us likes every element of our plan, and each of us had to tolerate provisions we previously or presently oppose in order to reach a principled compromise. We were willing to put our differences aside to forge a plan because our nation will certainly be lost without one.”3 (Emphasis added.)

The Simpson-Bowles report provided an actual, comprehensive solution. Why did it go nowhere? While there was bipartisan support from numerous legislators, this wasn’t enough. In practice, neither party was willing to go against its party orthodoxy, or to give up or even compromise on any of its special interests. Instead, Simpson-Bowles died a bipartisan death.

Representative Paul Ryan, who served on the Commission, voted against it. President Obama, who created the Commission, declined to forcefully support it. No other legislators jumped in to save it (though some from both parties were courageous enough to voice public support). Most legislators were unwilling to go against their party line and risk a primary challenge from their right or their left.

Simpson-Bowles also demonstrates another important reality: The duopoly controlling today’s political competition has no accountability for results. Neither Representative Ryan nor President Obama nor Congress paid a political price for failing to deliver a solution to this pressing national problem. President Obama won a second term, Representative Ryan became Speaker of the House, and the re-election rate in Congress was 90%.4
FIGURE 1: DECLINING PUBLIC TRUST IN THE FEDERAL GOVERNMENT
As of April 2017, about one in five Americans trust the federal government always or most of the time.


FIGURE 2: ASSESSMENTS OF ELEMENTS OF THE U.S. BUSINESS ENVIRONMENT IN 2016 (HBS ALUMNI)

Note: Half of respondents were asked to assess the national tax code; the other half were asked to assess the corporate tax code.

FIGURE 3: INCREASING CONGRESSIONAL GRIDLOCK ON IMPORTANT ISSUES

The share of salient issues deadlocked in Congress has risen from about 1 in 4 during the 80th Congress to about 3 in 4 during the 113th Congress.

FIGURE 4: DECLINING BIPARTISAN SUPPORT FOR LANDMARK LEGISLATION

Note: Salient issues for each session of Congress were identified using the level of New York Times editorial attention. Deadlocked issues are ones on which Congress and the president did not take action during the session.

It wasn’t always that way. America’s political system was long the envy of the world. It advanced the public interest and gave rise to a grand history of policy innovations that fostered both economic and social progress. Today, however, our political system has become the major barrier to solving nearly every important challenge our nation needs to address. This was the unexpected conclusion of the multiyear Project on U.S. Competitiveness at Harvard Business School, established in 2011 to understand the causes of America’s weak economic performance and rising inequality that predated the Great Recession. As shown in Figure 2 on page 9, the research revealed that the U.S. business environment has seriously eroded, especially in those areas that are primarily the responsibility of government, while other nations have progressed.

The Project identified a consensus set of essential economic policy steps needed to restore U.S. economic growth and shared prosperity. Our research found, however, that Washington has made virtually no progress in decades in addressing any of them, while other countries have enhanced their policies. Instead, surveys of both Harvard Business School alumni and the general public identified the political system as America’s greatest competitive weakness. (For more detail on the findings of the U.S. Competitiveness Project, see Appendix B.)

A similar failure to progress has also afflicted the nation’s social agenda. In areas such as public education, health and wellness, personal safety, water and sanitation, environmental quality, and tolerance and inclusion, among others, U.S. progress has stalled or gone in reverse. In these areas, where America was often a pioneer and leader, the U.S. has fallen well down the list compared to other advanced countries. Tolerance, inclusion, and personal freedom are registering troubling declines, a sign of growing divisions in our society. (For international comparative data on key areas of U.S. social performance, see the findings from the Social Progress Index in Appendix C.)

In public education, of particular significance for citizen opportunity, in math the U.S. was ranked 31st out of 35 OECD countries (the other advanced economies using the respected PISA process) in 2015, down from 25 in 2009, 20th in reading (down from 14) and 19th in science (down from 17). Instead of progress, then, our government is mired in gridlock and inaction. Increasingly over the decades, Congress has been unable to get things done, especially on important issues (see Figure 3). As political divisions have kept increasing, the ability of the parties to come together on landmark legislation has become a thing of the past (see Figure 4). A broken political system has become the greatest threat to our nation’s future. (See Appendix D for more detail on the distortion of competition in politics.)
PART II: A PRIVATE INDUSTRY THAT SETS ITS OWN RULES

How did this happen? What explains the current state of affairs that not only worries Americans but increasingly others around the world? Republicans blame Democrats, and Democrats blame Republicans. The long list of other suspects usually includes the influence of special interests, the role of big money, the decline of bipartisanship, the polarization of the American public, and, most recently, the proliferation of fake news. Many of these play a role. But we believe that these are symptoms, and not the underlying disease. The root cause of all those symptoms is found in the structure of the politics industry and the kind of competition it has created. And yes, our political system is a major industry, even though that is not the way most of us have thought of it.

Most people think of politics as its own unique public institution governed by impartial laws dating back to the founders. Not so. It is, in fact, an industry—most of whose key players are private, gain-seeking organizations. The industry competes, just like other industries, to grow and to accumulate resources and influence for itself. The key players work to advance their self-interest, not necessarily the public interest.

It’s important to recognize that much of what constitutes today’s political system has no basis in the Constitution. There is no mention of political parties, party primaries, caucuses, ballot-access rules, segregated congressional cloakrooms, party-determined committee assignments, filibuster rules, or the countless other practices that today drive our dysfunctional politics.1

As our system evolved, the parties—and a larger political industrial complex that surrounds them—established and optimized a set of rules and practices that enhanced their power and diminished our democracy. These changes—often created behind closed doors and largely invisible to the average citizen—continue to take their toll at both the federal and the state levels.

The result: America’s political system today would be unrecognizable to our founders. In fact, certain of our founders warned against political parties. John Adams, our second President, said, “There is nothing which I dread so much as a division of the republic into two great parties, each arranged under its leader, and concerted measures in opposition to each other.”2 Our founders—and most Americans today—would be shocked by the extent to which our democracy has been hijacked by the private and largely unaccountable organizations that constitute today’s political industrial complex.

We want to be clear that the problem is not the existence of parties, per se. Parties serve an important role in democracy, and the fact that there are two major parties is not in itself the problem. The real problem is the nature of the political competition that the current parties have created, including their insulation from new competition that would better serve the public interest.

A Problem of Competition

To fix our political system, we must see politics as the major industry it has become, the major economic benefits it provides for its participants, and how today’s political competition is not serving the public interest. And we must understand the politics industry’s underlying structure to see the root causes of this dysfunctional competition and identify what to do about it.

Our politics industry is a textbook example of a duopoly, an industry dominated by two players. Our two major parties, the Democrats and the Republicans, are the rivals at the center of the industry. Around them has arisen what we call the “political industrial complex,” an interconnected set of entities that support the duopoly.3 These include special interests, donors (particularly “big money”), pollsters, consultants, partisan think tanks, Super PACs, the media, lobbyists and the organizations they represent, and others. The political industrial complex is big business (see the sidebar “How Big Is the Political Industrial Complex?”).

Virtually all the players in the political industrial complex are connected to one side of the duopoly or the other—the right or the left. This division of industry actors between the rivals is unusual and contributes greatly to the huge barriers protecting the duopoly from new competition.

We know from studying other industries that it is not individual components of industry structure and competitive choices that drive results. It is how they all interact to drive the nature of competition. In this report, we use the lens of industry structure and competition to understand how the many moving parts of the political system come together—and how the myriad rules, arcane
The politics industry is different from virtually all other industries in the economy because the participants themselves control the rules of competition. There is no federal regulatory agency that acts truly independently from the interests of the duopoly and protects the public interest without partisan concerns. The only federal regulator, the Federal Election Commission (FEC), was created post-Watergate in 1975 to regulate campaign financing. Despite its designation as “independent,” typically the FEC is made up of three members from each major party, and party-line voting results in FEC deadlock. Effectively the Commission is used to protect the duopoly where they can agree—and used as a weapon of partisan warfare where they can’t. In addition, while every state has the theoretical ability to regulate many aspects of politics, in most cases regulatory decisions are biased toward the duopoly rather than the public interest. Overall, politics is a classic example of “regulatory capture.” Exacerbating the problem, the duopoly is not subject to antitrust laws.

This reality helps explain how the industry’s power and influence has grown despite its continued divergence from the public interest. Free from regulation and oversight, the duopoly does exactly what one would fear: The rivals distort the rules of competition in their favor.
How the Industry of Politics Has Undermined Our Democracy

The ability of the politics industry to set its own rules has allowed it to pervert some of the basic principles of what most of us think we know about representative democracy. To begin to understand how the industry works, here are three examples.

Democratic Principle #1: The will of the people will prevail at the ballot box.

Well, not always. Our political system is not as open as most Americans think it is. That is by design—based on specific rules created by and for the duopoly.

Consider the case of Mike Castle. In 2009, Michael “Mike” Castle, arguably the most popular politician in Delaware, was the odds-on favorite to become the next senator from the state. Instead, he suffered a shocking defeat in his Republican primary. A highly partisan Tea Party candidate named Christine O’Donnell won with just 30,000 votes, in a state of 1 million people, because of the typically low voter turnout in primaries.

A logical next step would have been for Castle to then run as an independent in the general election—but he could not. The problem was that Delaware has a sore loser law. If candidates run in a party primary and lose, they cannot be on the general election ballot in November regardless of their popularity with voters. A law created to protect the parties from competition kept Delaware voters from being able to choose the candidate whom they likely would have wanted as their senator.

Democratic Principle #2: One person, one vote.

Well, not always. Many Americans have heard of “gerrymandering,” but few fully understand its significance. Our country is divided into roughly equal congressional districts, and House members are supposed to represent constituents in their district. Districts are redrawn every 10 years after each census in order to reflect the changes in population. In the great majority of states, this task is delegated to the legislature, so the party that controls the state legislature also controls the redistricting process. Redistricting has become a process whereby politicians choose their voters instead of voters choosing their politicians. Thus, the process is anything but nonpartisan, and it is not designed to represent the people. The use of redistricting as a partisan political tool is called “gerrymandering,” named after Massachusetts Governor Elbridge Gerry, who drew a politically motivated district in the shape of a salamander back in 1812.

For example, consider a state that’s controlled by the Democrats. When redistricting takes place, the party analyzes huge amounts of voter data and uses the analysis to draw district lines to create the greatest possible number of districts that are safe for Democrats. This means “packing” Republican voters into as few districts as possible to “waste” their votes, or “cracking” them into different districts where they will be outnumbered by Democrats. In either case, the result is to dramatically reduce the likelihood that Republican votes have any impact whatsoever on election results. Historically, both parties have been about equally guilty of gerrymandering.

Gerrymandering reduces competition by creating “safe seats” for one party, which means that the primary winner of the party for whom the district was made “safe” is virtually guaranteed to win the general election. The effect of this reduction in competition is to reduce the accountability of elected officials to citizens: Representatives from gerrymandered districts answer primarily to primary voters in their own party.

An example of a gerrymandered district is shown in Figure 1, which compares Virginia’s 3rd District in the 83rd and 114th Congresses. For partisan political reasons, what was once a contiguous area became a grossly distorted collection of disparate areas patched together.
Over time, gerrymandering has become increasingly sophisticated, and many congressional districts have been affected. One study published in 2015 by the University of Chicago Law Review stated that “the plans in effect today are the most extreme gerrymanders in modern history.”\textsuperscript{18}

**Democratic Principle #3: The majority rules in legislating.**

Well, not always. The duopoly has infiltrated day-to-day legislating through the establishment of myriad rules and practices. The “Hastert Rule,” for example, is a particularly egregious example of party control taking precedence over the legislature’s ability to work collectively—even when constituents want it. The Hastert Rule has become a well-accepted practice of the Speaker of the House: The Speaker will not allow a floor vote on a bill unless a majority of the majority party (i.e., the Speaker’s party) supports the bill—even if the majority of the entire House would vote to pass it. Unless Speakers ignore this practice (which they do from time to time, but rarely), even legislation supported by a majority of the country or by a majority of the House has no chance of passing.

For example, in 2013, the U.S. government shut down from October 1 to October 16. The shutdown could have been averted or ended earlier if then-Speaker John Boehner had allowed a floor vote on legislation passed by the Senate and supported by a majority of the House (i.e., virtually all Democrats and a minority of Republicans). The shutdown ended only when the Speaker broke with his party—and broke the Hastert Rule—to allow the vote. Effectively, this “made up” rule cements majority party control in a legislature that is
supposed to represent all U.S. citizens, and it allowed a small number of extreme partisans to hold the country hostage for 16 days in a shutdown.

The Consequences for Our Government

As these examples so vividly illustrate, the duopoly has used its power to set the rules of engagement in both elections and governing to enhance its own self-interest and power, at the expense of the public interest. These biased rules and practices have many competitive consequences including a decline in legislation passed,\textsuperscript{19} the near extinction of moderates in the Senate and the House, and declining bipartisan support for laws enacted (see Figures 2, 3, and 4).

While many individual industry practices such as these are familiar to political insiders, the understanding of their collective implications has been hazy at best, and has become our central challenge—and opportunity.

We can recapture our democracy, but first we must understand how competition in the politics industry actually works. We will turn to this in the next two Parts. Note that most of our analysis in this report will focus primarily on the federal government; however, much of the industry structure and practices also apply at the state level.

But truly reinvigorating our democracy will require more than just analysis. We must be willing, as citizens, to put that understanding to work. As political activist Doris Haddock said, “Democracy is not something we have; it’s something we do.”\textsuperscript{20} We will put forward a strategy to reform our political system in the last section, Part VI.

---

**FIGURE 2: FEWER LAWS ENACTED BY CONGRESS**

Number of laws enacted has trended downward from 772 during the 93rd Congress (1973-74) to 329 during the 114th Congress (2015-16).

---

FIGURE 3: DECLINING PROPORTION OF MODERATES IN THE SENATE
As of the 114th Congress (starting 2015), 14% of Democrats and 4% of Republicans in the Senate are moderates. In 1951, roughly 50% of Republicans and 80% of Democrats were moderates.

Note: “Moderates” within each party are defined as -0.25 to +0.25 on the first DW-NOMINATE dimension, which represents the ideological (liberal (-1) to conservative (+1)) spectrum.
Source: Data from Professor Keith Poole, University of Georgia, voteview.com, accessed August 2017.

FIGURE 4: DECLINING PROPORTION OF MODERATES IN THE HOUSE OF REPRESENTATIVES
As of the 114th Congress (starting 2015), 11% of Democrats and 1% of Republicans in the House are moderates. In 1951, roughly 60% of both Republicans and Democrats in the House were moderates.

Note: “Moderates” within each party are defined as -0.25 to +0.25 on the first DW-NOMINATE dimension, which represents the ideological (liberal (-1) to conservative (+1)) spectrum.
Source: Data from Professor Keith Poole, University of Georgia, voteview.com, accessed August 2017.
As we have described, competition in our political system is delivering outcomes that diverge from the public interest. As one casual observer said to us, “It’s simple. We [our government] used to be able to solve problems, and now we can’t.”

Why is this? Before we consider the causes, we need clarity on what the desired outcomes look like. In business, the key outcome is clear: profit. But what are the essential outcomes we citizens should expect from our elected officials?

Despite the fundamental importance of this question, there is surprisingly little discussion of outcomes in politics, much less consensus on which outcomes we want. Instead, there is endless commentary on the drama of politics and who did what to whom. This has created a vacuum that has allowed political actors to define success in ways that fit their own purposes, not the needs of citizens.

What we should want from our political system is simple. In a democracy, a healthy political system should deliver four key outcomes:

1. **Practical and effective solutions to solve our nation’s important problems and expand opportunity**

   Solutions are policies that address important problems or expand opportunities for citizens. A solution is a policy approach that actually works and makes things better in practice. While the importance of solutions seems obvious, solutions are almost non-existent in America’s political system today.

   What do we know about the nature of effective policy solutions? While there is no simple way to determine the “best” solution, and there are many opinions, a solution has some essential characteristics.

   Effective solutions address reality, not ideology. True solutions rarely arise from applying stylized ideological principles—that often makes things worse. Effective solutions are almost never purely “right” or purely “left.” For example, the question is not “big government” or “small government,” but how to strike the right balance across the various roles that government must play. Similarly, the issue is not “regulation” or “no regulation,” but how to craft regulations that deliver the desired social or economic benefits (e.g., less pollution) without inflicting unnecessary cost on the stakeholders being regulated or on citizens, who ultimately have to pay for it.

   Practical and sustainable solutions are not unidimensional. They are nuanced and integrate the range of relevant and important considerations. Solutions weigh and balance points of view across constituencies and make sound tradeoffs in integrating them. Solutions almost always require compromise and bipartisanship.

   Good solutions are fair and acceptable to the greatest number of people possible. The challenge is that everyone cannot get everything they want from government, especially in a democracy. The tradeoffs involved in good solutions mean that some individuals or groups will benefit more than others from a given policy, and some will bear more (or less) of the cost. Yet the overall outcome needs to be perceived over time, as balanced and fair. Good solutions are achieved when no group or faction is promised or led to expect everything it might want, or think it wants, in every respect.

   Finally, solutions make real progress, but rarely achieve everything at once. The key test, then, is: “Have we made things better?” Effective solutions often initially require partial steps in the right direction, with improvements over time.

   The Simpson-Bowles plan to create a sustainable budget, discussed in Part I (see the sidebar on Page 8) was a practical solution. However, our political system killed it.

2. **Action**

   Legislation and executive action that matters must be actually enacted and implemented. Our system today often delivers gridlock, not action. Politicians have little incentive to put the public interest first if they believe that blocking legislation is rewarded by their party and inaction is not penalized by voters.

   The vast majority of promises made by candidates and political leaders in today’s system never get acted upon. Too often, not even an attempt is made to move a promise toward legislation with a chance of passage. Unrealistic promises and talk without action are worthless. They benefit only political actors, not citizens.
3. Reasonably broad-based buy-in by the citizenry over time

Good solutions should be able to gain—over time—reasonably broad-based acceptance and consensus across the population. While there will never be 100% support for any policy, true solutions (which most often involve bipartisanship) can be accepted over time, by a range of constituents across the political spectrum. This can occur when the political dialog helps citizens understand the facts and realities of policy options and the rational compromises needed for a solution to work.

This is not to say that elected officials should only respond to public opinion. Political leadership is required and must—at times—be ahead of popular opinion in order to move the country forward or to do “the right thing” (that’s why it’s called leadership). At its best, political competition educates, unites, and inspires citizens, rather than dividing them.

4. Respect the Constitution and the rights of all citizens

Finally, good solutions reflect the rights and interests of all Americans. Our constitution is designed to protect the rights of individuals and minorities, rather than for simplistic majority rule. Good political outcomes incorporate these principles and reflect the type of society America stands for, even though this can sometimes make achieving political solutions more complicated.

* * *

What kind of political system is necessary to deliver these outcomes? How can political competition drive good outcomes? These are questions we turn to next.
PART IV: HOW THE STRUCTURE OF THE POLITICS INDUSTRY UNDERMINES COMPETITION

In healthy competition, industry actors would be competing to deliver the desired outcomes we just discussed in Part III—and be held accountable for those outcomes. However, as we have seen in earlier sections, today’s political competition fails to deliver the desired outcomes and diverges sharply from the public interest. To understand how and why this is so, we can employ the same tools and concepts used to study countless other fields. The nature of competition in any industry—and the degree to which it is healthy or unhealthy competition—depends on its underlying structure.

Industry structure starts with rivals, or the competitors themselves. The rivals have relationships with and to four additional competitive forces: buyers (customers, channels),* suppliers, new entrants, and substitutes.

The rivals compete to serve buyers. In many industries, channels are used to reach end customers, such as supermarkets for food. Channels act as an intermediate buyer between rivals and the end customer. To access the inputs they need to compete, rivals depend on suppliers of things like talent, raw materials, and technology. Rivals are also subject to new entrants, or potential new competitors. New entrants come into an industry if they see an opportunity to serve customers better. Finally, every industry also faces the threat of substitutes. Substitutes are different ways of meeting the same customer needs, such as online news versus print newspapers.

An industry’s structure is the overall configuration of these five competitive forces and the power relationships between rivals and each of the other forces.** This web of dynamic relationships determines how an industry competes, the value it delivers to its customers, and who has the power to capture that value. Industry structure explains how rivals or other actors can thrive even while customers are dissatisfied—as is the case in the politics industry.

In healthy competition, rivals compete fiercely to better serve customer needs. Channels reinforce this by educating customers and pressuring rivals for better service. Suppliers compete to provide better inputs that allow rivals to improve their products or services. In healthy competition, if rivals fail to serve customers, new entrants come into the industry and compete in new ways, offering better value. Or substitutes shrink

*There can be multiple levels of buyers. In this industry, there are two levels: end customers (citizens) and channels.


FIGURE 1: THE STRUCTURE OF THE POLITICS INDUSTRY

Source: Author analysis.
the opportunity for rivals—and even replace them altogether—by meeting needs in a new and better way.

Healthy competition is win-win. Both rivals and customers do well, and rivals are continually motivated to better meet customer needs.

In unhealthy competition, entrenched rivals are dominant, protected from new competition and insulated from pressure by channels or suppliers to improve products and better serve customers. In unhealthy competition, customers lack the clout to pressure rivals to improve. Here, rivals concentrate on the customers who best serve the rivals’ own interests, rather than addressing the needs of all customers. Unhealthy competition is win-lose. Rivals win, but at the expense of customers overall.

Industry Structure in Politics

The five competitive forces in the politics industry are shown in Figure 1, and we will examine each of them and their implications. Before we begin, we note two interesting aspects of the politics industry that distinguish it from other industries. First, competition in politics takes place on two levels: contesting elections and governing. These occur together and reinforce each other. Second, the politics industry has two currencies—votes and money.

Customer Power Is Skewed Against the Average Citizen

The nature of competition is manifested in the target customers that rivals choose to serve and who, thus, have the most power to shape outcomes. A political system is supposed to serve the public interest, so all citizens should be its customers. But, in fact, the industry does not aim to serve all customers equally. Just as savvy businesses often choose to prioritize their most profitable customers, the duopoly chooses to prioritize the customers that most advance its interests.

Customers in the politics industry can be divided into five major segments based on how they engage with the industry: partisan primary voters, special interests, donors, average voters, and non-voters. The most important customers for the political industrial complex are those who reliably deliver votes or money (or both)—the two currencies that matter in this industry. Three powerful customer groups shape today’s political competition: partisan primary voters, donors, and special interests. They are often overlapping, as shown in Figure 2. The weakest customers are average voters and non-voters. Let’s examine each segment in turn.

Partisan primary voters: The first of the three powerful customer groups, partisan primary voters, are the “guardians” at the gate—any candidate must pass by them to get elected. These voters, then, are a key part of the “base” that parties cultivate.

Primary voters, as a group, are distinctly different from the average voter. They are more engaged, more partisan, and farther to the left or right within their respective parties. They can also be counted on to turn out in the general election.

In gerrymandered congressional districts and even non-gerrymandered districts where one party has a plurality, the partisan primary is the only election that really matters. In 2016, fewer than 10% of U.S. House races and only about 28% of Senate general election races were competitive. The rest were in safe seats, and the winner was effectively decided in the primary.

The strong influence of partisan primary voters is problematic, because this influence is disproportional to their number. For example, only 29% of eligible voters participated in the 2016 presidential primaries. In midterm primaries, turnout is typically even lower: Only 19% of eligible voters participated in U.S. Senate primaries in 2010, and 18% in 2006. Yet this relatively small group of primary voters has a disproportionate impact on elections.

*Voters whose views are either “consistently conservative” or “consistently liberal” are significantly more likely to vote in primaries than those who are “mostly liberal,” “mixed,” or “mostly conservative.” Primary voters are not only more ideological, but more often are “very interested in politics.”
Donors: The third customer group—donors—is powerful because parties seek to maximize the dollars raised. Donors were traditionally wealthy individuals who made direct contributions to candidate campaigns. Since the Supreme Court rulings on campaign finance in *Citizens United v. Federal Election Commission* and *McCutcheon v. Federal Election Commission*, however, the distinction between donors and special interests has blurred, as individuals and special interest groups (including corporations) can make unlimited donations not only to Super PACs but also to social welfare organizations, unions, and trade associations. All of these groups can use these funds for the purpose of influencing elections and public policies.

There is no question that donors continue to enjoy major access to and influence in the duopoly. It’s also true that some donors have, more recently, taken some power from the parties and candidates through the use of the new independent spending organizations. However, the fruits of donor spending still accrue to one side of the duopoly or the other. Hence, the barriers to entry facing new competitors and the ability of the duopoly to keep out new competitors are not substantially diminished.

Average voters: The fourth customer group is average voters. Average voters represent a substantial proportion of voters who don’t vote in primaries and are not regular donors. Average voters include voters making up part of the turnout of the other side’s base, and capture “swing” voters. But since average voters have only two choices in most general elections, parties appeal to them on the margin. The parties do not compete for average voters by delivering outcomes for their benefit, but rather by seeking to be a little less disliked than—or slightly preferred to—the other party. *Parties don’t need to deliver solutions, but only convince average voters to choose them as the “lesser of two evils.”*

In a normal industry, ignoring such a large group of customers would make a competitor vulnerable to new competition. But in the politics industry, as we will discuss, the barriers to entry are very high, and, therefore, new competition does not emerge. The parties,

*Rules governing closed primaries vary greatly between states. They take three basic forms. (1) Closed primaries limit voting only to registered party members, and voters must declare their party affiliation in advance, before arriving at the polling place. (2) Semi-closed primaries vary in how they treat unaffiliated voters. For example, some states allow the party to choose if non-members can vote; other states consider voting in a primary as a form of party registration. (3) In a caucus system, the state or political party arranges a meeting where participants vote by openly showing support for a candidate (for example, by raising hands or clustering into groups). Caucuses can be open or closed. According to FairVote, as of May 2016, Republicans held closed or semi-closed presidential primaries or caucuses in 29 states, compared with 26 states for Democrats. For congressional races, Republicans and Democrats held 26 closed or semi-closed primaries.
thus, concentrate on delivering value to their powerful partisan primary voters, donors, and special interests, instead of to average voters.

**Non-voters:** The final customer group, which includes the least powerful customers of all, is the non-voters. Almost 40% of eligible Americans did not vote in the 2016 general election. Those who don’t vote have no influence and, thus, have ceded their customer power to the duopoly and its allies. These individuals, perhaps not surprisingly, tend to be more moderate and more independent.\(^{11}\)

\(* * *\)

Overall, average voters and non-voters represent up to 70% of citizens eligible to vote—the majority.\(^{12}\) Yet elected officials can’t afford to support policy positions based on how popular they are overall with citizens in their districts, or with the public. Instead, they have strong incentives to focus on the opinions of the small set of primary voters who will disproportionately affect their next election, and on the legislative priorities of the donors and special interests who fund them and, in some cases, provide their post-public-service employment.

Recent research supports these conclusions about where customer power actually lies. In 2014, researchers at Princeton and Northwestern examined congressional action on 1,779 policy issues. Their sad finding: “When the preferences of economic elites and the stands of organized interest groups are controlled for, the preferences of the average American appear to have only a minuscule, near-zero, statistically non-significant impact upon public policy.”\(^{13}\)

This perverse influence of customer power on the nature of rivalry has become self-perpetuating. The more voters drop out in disgust and don’t vote, the more power is ceded to the parties, partisan voters, special interests, and big money. Yet, a major reason that so many citizens do not vote is a direct result of the nature of the competition the parties have created. Many non-voters are turned off by Washington. They believe their vote will make little difference.\(^*\)

Also, many candidates, and policy solutions that would appeal to less ideological citizens, are driven out by today’s political competition. Thus, more and more average voters drop out. Or—and this may be worse—voters acquiesce and play the game that the duopoly has created of advancing their special interests and making donations. Outcomes only get worse.

*Overall, then, most of the customers our political system should be designed to serve—citizens—have the least power to influence its results. Until this changes, bad outcomes will persist.*

**Channels Have Been Co-opted by the Duopoly**

Channels are the means by which rivals in an industry reach customers. In healthy competition, channels help customers better understand and access the products and services that meet their needs. At the same time, channels help competitors better serve customers. Independent channels often play a significant role in objectively informing and influencing customer choices, which improves the vitality of competition.

When existing channels poorly serve customers, new channels often emerge and can be a disruptive force in shaking up the competition and pressuring rivals to better meet customer needs.

Channels in the politics industry are the means by which parties, elected officials, and candidates reach customers with information and persuasion. In the politics industry, there are four major channels: paid advertising, traditional independent media, social media, and direct voter contact.

**Paid advertising:** Created and paid for by candidates, parties, and (increasingly) other outside groups, paid advertising takes place primarily in the media, such as TV, radio, and digital media, to whom the money flows. Paid political advertising is regulated to some extent.

This channel is largely controlled by candidates and parties, and hence is not independent. The recently increased ability of independent organizations to advertise in elections creates the opportunity for a truly independent voice. But so far, most of the “independent” organizations are simply other members of the same duopoly.

**Traditional independent media:** The traditional independent media report and offer editorial opinions on candidates, elections, and governing. The independent media include established mainstream organizations—

\(^*\)According to a 2006 Pew Research Center survey, of the 22% of age-eligible Americans who were not registered to vote, 33% believed that “voting doesn’t change things,” 43% were “bored by what goes on in D.C.,” and 22% were “angry with government.” For the 23% of Americans who were registered but rarely voted, the corresponding figures were 30%, 42%, and 14%, respectively. According to a 2014 Census Bureau survey, the top reasons why registered voters did not vote in the midterm election were: “too busy” (28%), “not interested” (16%), “illness/disability” (11%), “out of town” (10%), “forgot to vote” (8%), and “disliked candidates/issues” (8%). See Pew Research Group, “Who Votes, Who Doesn’t, and Why,” October 18, 2006, http://www.peoplepress.org/2006/10/18/who-votes-who-doesnt-and-why/, accessed March 2017; and Scott Clement, “Why don’t Americans vote? We’re ‘too busy,’” Washington Post, July 7, 2015, https://www.washingtonpost.com/news/the-fix/wp/2015/07/17/why-dont-americans-vote-were-too-busy, accessed March 2017.
television networks, radio, magazines, and newspapers—but also newer online media such as Real Clear Politics, Ryot, and Vice.

**Social media:** New channels include Twitter and Facebook as well as numerous blogs. Many of these new channels are independent, but the duopoly has aggressively embraced them as well. The new channels have become major low-cost conduits for reaching, informing, lobbying, and soliciting money from voters. This channel has also made possible the proliferation of fake news and news bubbles to a degree not previously possible.

**Direct voter contact:** This takes place through face-to-face meetings, rallies, fundraisers, knocking on doors, and phone calls. This traditional channel is largely controlled by the parties. While not growing substantially, the parties take advantage of better voter data to make direct voter contact far more efficient, and to micro-target individuals who are likely to vote.14

* * *

Why have the traditional channels in politics not been more effective in supporting the public interest? Why have the traditional independent media not held the duopoly accountable for results in terms of solutions, or even presenting the facts accurately? Why have supposedly “disruptive” new independent channels like social media mostly reinforced partisanship and the existing political industrial complex, and done little to shake up competition?

_The problem is that many channels are not independent, and even those that are—both the new and old—benefit financially by aligning with the duopoly and embracing the partisan competition it has created._

Political advertising is often negative and reinforces partisan, zero-sum competition. Since political advertising accounts for an important part of media revenue in election years,15 partisanship has become good for media spending and social media traffic regardless of an organization’s journalistic approach.

An independent media should be the loudest voice for the public interest and the hardest for the parties to control. However, partisanship has become too profitable for the media’s business. Viewers and readers are drawn to the bitter fights, to the edgy debates, to who is up and who is down. The 24/7 coverage turns complicated policy into sound bites and efforts at compromise into instant controversy. The 2016 presidential campaign has been compared with a reality TV show, a proven success model for television. The sad thing is that this particular reality TV show really matters for our country.

Although there are certainly exceptions to this, the mainstream media have, in many cases, become less of an independent force holding the parties accountable, and more a part of the political industrial complex. Many media have moved away from journalism into opinion shows (which are good for viewership). And importantly, more media have aligned themselves with the duopoly—for example, MSNBC versus Fox. This amplifies partisanship, rather than acting as a force for independent truth-telling that could promote the accountability of parties and elected officials for results. In addition, independents, moderates, and third-party candidates face major challenges in being taken seriously by the media and getting coverage, because such candidates risk attracting fewer viewers, listeners, and readers.

Even those media aspiring to provide objective, truthful, and independent political coverage are prone to capture by today’s interpretation of “fairness” and “balance,” and by political correctness. In practice, this means that the media often feel they must cover “both sides” of every story, devoting roughly the same amount of time and perceived legitimacy, even when one side is demonstrably ridiculous. Called “false equivalence,” this trend is an increasing problem.16

Not surprisingly, public trust in the media has declined markedly over the last several decades (see Figure 3).

The new Internet and electronic technology should have opened up communication and provided a vehicle for voter education, allowing independents and other non-party candidates to reach voters and donors with potentially less need for party infrastructure. In many other industries, electronic communication and social media have been a tool to provide better service to customers (think flight information updates in the airline industry).

In the politics industry, however, new technology and “democratization” of media have so far mostly exacerbated the existing dysfunctional competition. Like partisan television coverage, partisan social media posts get more hits. Also, the political industrial complex has aggressively embraced this new channel, and the duopoly uses social media to bombard citizens with inflammatory and divisive messages aimed at mobilizing angry partisan voters and commentators.

Citizens increasingly self-select both duopoly-connected and “independent” electronic media that reinforce
FIGURE 3: DECLINING PUBLIC TRUST IN THE MASS MEDIA

As of September 2016, 32% of the American public overall trusted the mass media either a “great deal” or “fair amount,” versus a high of 72% in 1976.

their beliefs. Greg Orman, author of A Declaration of Independents, describes this phenomenon as the self-segregation of voters into “partisan cyber ghettos, where they spend their days reinforcing their preexisting political views while demonizing those with whom they disagree.”17 Sadly, then, the net effect of the new electronic and social media seems to have been to reinforce partisanship and division, and purvey questionable and even fake news.

Finally, effective direct voter contact and person-to-person campaigning require a substantial and expensive infrastructure maintained by the parties and made available only to their candidates and elected officials. Parties now deluge voters with calls, equip volunteers with technology-enabled walk lists to knock on doors, and carefully target the base in get-out-the-vote efforts. Efforts to reach voters with bipartisan messages are virtually non-existent.

Suppliers Are Controlled by the Duopoly

Suppliers provide the key inputs that enable industry competition. In most industries, suppliers help improve products and stimulate greater industry efficiency, while often encouraging and supporting new competitors to reduce the clout of incumbent rivals. Suppliers usually make competition better in serving customer needs.

In the politics industry, however, most everything necessary to run a modern campaign and govern is tightly connected to—and often controlled by—the duopoly. Suppliers, then, have limited power to shape competition, but face strong pressures to align with one side of the duopoly. In fact, as elections and governing become more complex and partisan, suppliers prosper and their revenues grow. Rather than supporting solutions and finding common ground, suppliers make partisanship worse.

In the political industrial complex, there are five key supplier groups: candidates, specialized talent, voter data suppliers, idea suppliers, and lobbyists.

Candidates: Most candidates, with the exception of individuals with celebrity status or significant self-funding ability, have little independent clout. They depend heavily on their party for legitimacy, money, infrastructure, a field force, voting lists, debate access, and all the other requirements of a modern campaign. Non-party candidates face major obstacles given the lack of such support. The parties also get to decide which of their
candidates to aggressively support, and most often back those who are most tightly aligned with their platforms. No wonder the number of moderates elected to office has fallen to historic lows.

**Talent:** This includes campaign managers, political consultants, pollsters, public relations staff, data analysts, social media directors, ground staff, and the staff supporting elected officials. The skills for running a modern campaign and governing are highly specialized and getting even more so, but talent works only for one side or the other—it comes with a Democrat or Republican modifier. Independent and third-party candidates face major challenges in hiring the experienced, highly qualified staff increasingly necessary for modern campaigns, because those who work outside the duopoly risk being banished.

**Voter data organizations:** Gathering, maintaining, and analyzing voter data is crucial to modern campaigns, and requires a large and sustained investment. Candidates and elected officials depend heavily on massive voter files to cultivate supporters, raise money, decide on issues to target, turn out the vote, and guide priorities in governing. However, these data are not independently available to just any candidate. Instead, duopoly-linked companies have amassed the best proprietary voter databases and voter lists. These companies decide to whom those data are made available, and at what cost. Party-supported candidates thus reap substantial advantages.

**Idea suppliers:** These are organizations and individuals that develop, pitch, and advocate the policy ideas that get incorporated into party platforms, policies, and legislation. Key idea suppliers are academics and think tanks such as the American Enterprise Institute, the Brookings Institution, the Hoover Institution, and many others. The U.S. has a deep array of such organizations—an estimated 1,835 U.S. think tanks have total budgets in the billions of dollars. This has been a benefit historically by creating vigorous competition on ideas and diverse voices.

Today, however, many idea suppliers have become more and more aligned with one side of the duopoly or the other. Out of 35 leading U.S. think tanks focused on public policy, about 70% can be identified as partisan or partisan leaning. While there are clearly exceptions, Democrats tend to source ideas from the likes of the Economic Policy Institute and Brookings, and Republicans from such organizations as the Hoover Institution and the Heritage Foundation. Many think tanks are far more partisan than these. Some think tanks have developed political action units rather than focus solely on policy analysis. More partisan funders have also reduced incentives for think tanks to develop bipartisan or compromise policy positions.

Even some academics, traditional defenders of independence and free speech, have become aligned with the political industrial complex and provide regular partisan political commentary. While we are not saying that partisan leanings of think tanks are inappropriate or unethical, this reality only reinforces the dysfunctional political competition.

There are some bipartisan organizations, and dissatisfaction with politics will perhaps increase their numbers. However, some crucial and explicitly nonpartisan policy-analysis organizations within government have been losing ground. For example, the Government Accountability Office and the Congressional Research Service, which provide nonpartisan policy and program analysis to lawmakers, have seen a 41% decline in staffing levels between 1979 and 2015.

**Lobbyists:** Lobbyists advocate for special interests and often control significant donations. This also makes them a key industry “customer” as we described earlier regarding special interests. (Note: Some lobbyists are employed by issue-advocacy groups, whose goals are largely to promote their view of the public interest, but many lobbyists are employed by narrow special interests without relationship to the public interest, and that’s the problem we’re discussing.) Lobbyists have become key purveyors of issue research, policy ideas, and legislative support. They are the hired guns who pitch ideas to increasingly overstretched congressional staffs. While congressional committee staff have been cut by 38% since 1979, lobbying expenditures have risen dramatically.

Lobbying has become a huge business in its own right. Reported lobbying spending, which significantly understates actual spending, was $3.15 billion in 2016.

Numerous studies show that spending on lobbying can produce a high return on investment for the spender (see Appendix D). Lobbying, then, often incentivizes partisanship and works against true solutions. The clout of these “suppliers,” who are often looking out for their own interests and not for the public interest, can present the possibility of distorted legislation and even corruption.

---

Overall, most everything required to run a modern campaign and govern is now tied to the duopoly and has become part of the political industrial complex. Suppliers, then, amplify partisan competition.
**High and Rising Barriers to Entry**

Industries that fail to serve their customers are ripe for new entrants that improve value for customers and shake up the market. Barriers to entry determine the extent to which new competitors pose a threat, and are an essential part of the structure of every industry.

In the politics industry, the barriers to entry are extremely high. A sure sign of this is the fact that no major new party has emerged since the founding of the Republican Party in 1854. The Progressive Party (1912) and the Reform Party (1992), both serious efforts, elected only a small number of candidates and disbanded within a decade. Despite widespread and growing public dissatisfaction with the existing parties (see Figure 4), contemporary third parties and independent candidates continue to fare poorly.23

Today’s entrenched duopoly owes its dominance, in large part, to the high barriers to entry that confront any new competition, many of which have been created by the duopoly itself. The key entry barriers are the following:

- **Economies of scale:** The national scope of the two major parties allows them to spread the large fixed investments needed in infrastructure, data, specialized skills and other functions across elections nationally, creating major economies of scale. This leaves emerging parties and independents contesting one or a few races at a severe disadvantage.

- **Incumbency advantages in brand recognition, relationships, expertise, and infrastructure:** The major parties have universal brand recognition, credibility, talent, resources, and long-term voter relationships. The parties have also built up substantial campaign experience and infrastructure over many years, which are hard for third parties or independents to replicate.

- **Access to key suppliers and channels:** As we have discussed, the duopoly now controls much of what is needed to run a modern campaign, which makes it difficult for non-affiliated candidates to run successfully. The duopoly also has preferential access to or control of the channels, which severely disadvantages non-party rivals seeking a voice and voter access.

- **Access to funding:** Raising the major funding needed for a new party, or even for an independent candidate, is challenging because the new competitors have limited donor lists and fundraising infrastructure relative to those of the parties. Making matters worse is enormous skepticism that a new party or independent candidates are even viable, which discourages donors. Campaign financing rules are also stacked against

---

**FIGURE 4: INCREASING DESIRE FOR A THIRD MAJOR PARTY**

As of September 2016, nearly 6 in 10 Americans believe that a third major party is needed, relative to 4 in 10 in October 2003.

![Graph showing increasing desire for a third major party](image_url)

Note: The first poll in which Gallup asked whether a third party is needed was October 10-12, 2003. This was followed by a poll in 2006; two polls in 2007; 2008; 2010; two polls in 2011; and then annual polls starting in 2012.

independent candidates, such as the rule that allows a donor to contribute $847,500 annually to a national political party, but only $5,400 per election cycle to an independent candidate committee.\textsuperscript{24} While the relatively recent ability to give unlimited sums to Super PACs could help some non-party candidates amass significant funding, they are still at a disadvantage to party candidates, since the duopoly also has access to the same Super PACs structures, as well as traditional party funding.

**Election rules and practices:** Partisan primaries are the main route to the general election ballot, creating a major barrier to entry that every candidate must overcome. Partisan primaries, gerrymandering, onerous general election ballot access rules for non-major-party candidates, and other rules like the sore loser laws we described earlier, create major disadvantages for third-party candidates, independents, and even moderates within the major parties.

**Governing rules:** Numerous rules, like the ones we described in Part II, give parties substantial control over the governing process. This adds to barriers to entry for third parties and independent candidates, because voters hesitate to support them, fearing (sometimes legitimately) that such candidates will be marginalized in governing.

**Positioning of new competitors as “spoilers”:** The parties also work hard to persuade voters to dismiss third-party candidates and independents, portraying them as “spoilers” who cannot win, but will only split the vote and benefit the “other side.” The parties also ensure that new competitors will also have little influence in governing, and portray them this way. Even capable independents can then be dissuaded from running by such voter skepticism.

\* \* \*

All these barriers to entry are made even more formidable by the *winner-take-all* nature of competition in elections. In politics, capturing a non-plurality share of votes leads to a lost election, not to influence or to a position on which to build. Thus, new competitors must surmount the entry barriers and win, not just make a good showing.

**While some of the barriers to entry facing new competition in politics reflect the inherent nature and cost of modern campaigns and governing, many are purely artificial.** They have been created by the parties through the strategic adoption and refinement of a wide array of competitive choices, rules, and practices that preferentially benefit the duopoly. And the parties have often explicitly or implicitly cooperated to create and sustain these artificial entry barriers, which block new competition.

With little threat of new competition, better aligning political competition with the public interest is an uphill battle at best.

**Few Practical Substitutes**

A final potential force for shifting industry competition is substitutes, which offer entirely different ways of competing than those of incumbent competitors. In an industry with entrenched rivals, real competition must often come from substitutes. In many industries where customer needs are poorly met, substitutes emerge and can shake up even dominant competitors. Think, for example, of what happened to large bookstore chains in the face of new online competitors.

What are the substitutes to the current two-party system?

**Independents unaffiliated with a party:** Independents could be a major force for shifting competition, but they face similar barriers to entry as new parties do. At the federal level, Ross Perot was the last major independent presidential candidate in 1992. In practice, electing independents at any scale will require major dedicated funding pools and shared infrastructure, as we will discuss later. Also, even a totally self-funded independent candidate experiences a strong pull to affiliate with a party to tap into its other resources and advantages. And if elected, independents are incentivized to caucus with one of the parties to gain access to committees and have influence.

**Organizations that overlay the existing major-party model:** Consider No Labels, a bipartisan organization whose goal has been to bring incumbent elected officials together to find common ground and solve problems. While this is a laudable effort that has attracted significant support, delivering solutions through this approach is challenging, given the strong partisan incentives in the current industry structure. A call for bipartisanship—no matter how inspiring—is usually less powerful (when crunch time or reelection or difficult votes come up) than the clout of the parties and the strong competitive incentives to appeal to partisan primary votes and special interests. Allies of No Labels are launching a promising new strategy that addresses some of the root causes of today’s dysfunctional competition (see the discussion of the new approach in Part VI) and this will likely make them a more effective substitute.
Self-funded candidates running through the parties: A form of substitute is heavily self-funded candidates who will have greater independence. However, party support remains indispensable in running and governing. The Trump election is a notable example of the benefits of an “outsider” with resources running within the party, instead of as an independent (see more on the election of President Trump on page 36). And even if elected through the parties, moderate or centrist politicians can find that party ties complicate their agendas.

Coalitions of independent candidates with similar views: A group of like-minded legislators can become a swing coalition and have the power to influence the process of governing. This is particularly true if their numbers are sufficient to deny either major party a majority on its own. The coalition can then negotiate with the existing parties to shape legislation by offering, in return, the votes needed to pass legislation. (We discuss an innovative example of such an approach in Part VI on reform.)

Why haven’t more effective substitutes emerged in politics despite the poor results? The most important reason is that any substitute faces virtually all the same entry barriers as forming or growing a significant new party. In addition, politics is different from other industries, where substantially new ways of competing are possible. Disrupting or radically reshaping political competition is highly constrained by the fact that there is only one government structure. A new competitor in politics can’t simply choose to create an alternative government structure and different rules. (The largely symbolic independence movements in a few U.S. states are futile efforts to do just that.)

Why Political Rivalry Fails to Serve the Public Interest

All the elements of industry structure we have discussed come together to shape the intensity of industry rivalry and the dimensions on which rivals compete. In healthy political competition, industry actors would be competing to deliver the desired outcomes we discussed in Part III. But these are far from the outcomes Americans are getting. Instead, the political system is delivering outcomes that benefit the political industrial complex, but fail to serve the public interest.

Why the disconnect? Our political outcomes are not an accident, but the logical result of the industry structure the duopoly has created. They reflect deliberate choices the two parties have made.

The Nature of a Duopoly

The root causes of our poor political outcomes start with the fundamental nature of a duopoly—an industry with two dominant competitors. Where competitors in any industry have market power, we know that competition can diverge from customer interests. In a duopoly, this divergence can be substantial.

How do duopolies work? In a duopoly, rivalry can appear intense, and that is certainly the case in U.S. politics. But what looks like intense competition to the casual observer is not at all what it appears to be. Rivalry in a duopoly is almost always constrained, because the two rivals recognize that head-to-head competition is mutually destructive. Instead, the two rivals seek to compete in ways that reinforce their differentiation and separation from each other.

In a duopoly, rivals also understand that while they compete, they will both benefit from an “attractive” industry as defined from their perspective—one that strengthens and reinforces their way of competing, limits the power of suppliers and customers, and is protected by high barriers to entry. In a duopoly, rivals also depend on each other to take steps to enhance the attractiveness of the entire industry and avoid undermining it.

The Duopoly Seeks to Enhance Differentiation

To avoid head-to-head competition and enhance differentiation, the duopoly pursues three key competitive practices: choosing which customers to serve; competing on ideology and advancing partisan interests, not solutions; and avoiding compromise.

1. Choosing Which Customers to Serve

The fateful and fundamental strategy choice made by the duopoly has been the types of customers they have chosen to prioritize and serve. As we discussed earlier, customers in the politics industry are not all the same; they are segmented. The duopoly has prioritized those attractive customer groups who best serve their interests—partisan primary voters, special interests, and donors, many of whom often overlap.

Parties differentiate and separate themselves by dividing up customers based on their ideological and partisan interests. This is how the parties populate their respective “bases.” This puts the parties in sharp contrast, and minimizes target customer overlap and common ground. Over time, each party evolves its coalition of partisans and special interests to maintain parity or plurality, as “market conditions” in terms of voter sentiments and interests evolve.
The duopoly has been able to divide up and serve customers this way because of the absence of new competitors that compete in a different way. This allows self-serving competition that fails to advance the public interest to persist.

The duopoly targets mutually exclusive groups of partisans and special interests that are aligned with their respective ideological and policy stances. Interestingly, each party’s collection of interest groups and partisans, and the policies that appeal to them, are sometimes inconsistent. For example, Democrats cultivate teachers’ unions but also champion low-income inner-city residents who suffer greatly from the failure to improve public education. Republicans tout individual liberty, yet they advocate government intervention into citizens’ personal choices. Republicans emphasize fiscal responsibility but advocate defense spending that exceeds the combined defense spending of the next eight highest-spending countries.26

Party platforms, tools with which parties collect and cement their allegiances with their target voters, are similarly often incoherent or inconsistent. This is because they are heavily based on ideology or appealing to partisan interests, as we will discuss further.

The parties separate voters to reduce accountability. They choose to compete on partisanship and division, rather than by appealing to many or to the middle. They fail to forge the broad-based consensus that we want our political system to achieve, as we discussed in Part III. Competing on division reinforces the parties’ differentiation from each other while enhancing their core customer loyalty.

The parties have little interest in targeting the middle, or customer groups with overlapping interests, because this would blur their differentiation. This would also create more pressure to actually deliver real solutions to voters. This fundamental competitive dynamic in a duopoly is what some political theorists have misunderstood in predicting that the parties would move to the middle.

Average voters are not completely ignored, because the parties compete to turn out their base in the general election and suppress the turnout of the other side’s base. The parties also compete to attract swing voters in the middle. However, steps to attract such voters do not come at the expense of focusing on core customers. Because there are only two choices in today’s system, parties don’t need to deliver solutions to the middle, but appeal to such voters as the “lesser of two evils.”

2. Competing on Ideology and Advancing Partisan Interests, Not Solutions

Parties compete to create and reinforce partisan divisions, not deliver the practical solutions that are the most important outcome we need our political system to achieve, as we discussed in Part III. The duopoly appeals to its partisan supporters based on ideology, not policies that work. Ideology offers simplistic and polarized approaches to addressing issues. The definition of ideology includes words such as “beliefs,” “perspectives,” and “doctrine,” not words like “reality,” “objective analysis,” and “facts.” Ideological stances appeal to partisan believers but rarely, if ever, provide an actual solution.

Ideology almost always oversimplifies issues, and ignores the multiple dimensions and complexity of most solutions. Low taxes, for example, is an ideological perspective but not a guide to actual tax policy, which must incorporate the reality of the nation’s (or a state’s) fiscal situation and must recognize the many ways in which it affects citizens differently. The same can be said for small government, reducing income inequality, and many other issues that are part of today’s political debate.

Today’s partisan and ideological competition presents voters with numerous false choices that frame issues as “either/or”—for example, big government versus small government, cutting taxes versus raising taxes, free trade versus protectionism, supporting lower-income citizens versus supporting higher-income citizens, regulation versus deregulation, and protecting the environment versus protecting business from environmental regulation, to name just a few.

Given that most issues are complicated, nuanced, and involve multiple valid viewpoints, the parties seek to confuse and mislead voters on the facts and what they should want. The duopoly works to make issues simple and divisive through careful selection of “facts,” which are often incomplete and misleading if not completely incorrect. This allows the sides to make voters think that ideology is relevant. On trade, for example, Democrats have tended to describe it as negative—a job killer—despite a large body of evidence that on balance open trade improves the standard of living for all levels of income, and also creates economic growth and jobs. Republicans attack mandates to buy health insurance as usurping individual liberties, whereas insurance mandates are a feature in many industries (such as car insurance) and a fair and just policy to avoid free-riding by some citizens who avoid paying their share of costs and who inflict costs on other citizens.
Finally, given the failure of ideology to deliver solutions, it is no surprise that today’s political competition favors talk over action, and relies on making unrealistic promises that are rarely, if ever, fulfilled. Action and progress are critical outcomes that we want our political system to achieve, but, as we discussed in Part III, this is not what our political competition is now designed to achieve.

3. Avoid Compromise

Most real solutions require finding common ground, compromising, and taking steps to move policy agendas forward over time, rather than achieving everything at once. The ability to compromise is even more important in America, because the U.S. Constitution is designed to protect the rights of individuals and minorities—our governmental system is not designed for simplistic majority rule. Our founders sought a political process that could incorporate the interests of many groups, not just cater to the dominant interests and ideological perspectives of the day. Today’s political competition violates this fundamental principle.

Despite the essential role of compromise in finding true solutions and making progress on the issues, today’s political competition treats compromise as failure. It is no surprise that bipartisanship, finding common ground, and compromise—fundamental principles of good political outcomes—have become anathema to the duopoly. Even in areas where the sides agree, they fail to pass legislation that would represent progress, and instead hold out to deny the other side any victory.

Party rhetoric divides voters based on hostility toward the other side. Rather than working to bring citizens together to further the public interest, the duopoly demonizes the other side’s supporters and their views. It incites citizens to vote based on anger and fear. The duopoly emphasizes hot-button, divisive issues that appeal to emotion to rally supporters and motivate donors. This approach makes real progress on important issues even harder. It portrays other points of view as illegitimate, and even dangerous. Many Tea Party Republicans, for example, made “no compromises” their mantra. Today, there are strong pressures on Democrats to do the same thing—reject any policy put forward by the Trump administration.

In today’s political competition, then, serious legislation can often only be passed when one party forces its bill down the throat of the other party during those rare periods when it has enough power to do so. The results are usually disastrous for the nation (see the sidebar “How Unwillingness to Compromise Fails the Public: The Affordable Care Act”).

The Duopoly Seeks to Enhance Industry Attractiveness

The parties work together to improve industry attractiveness and to strengthen and reinforce the way they compete. (For a historical overview of many of the steps that have shifted industry structure, see Part V.) To do so, the duopoly pursues three additional key competitive practices: set industry rules and practices that reinforce partisan division; raise barriers to new competition; and cooperate when both sides benefit. We will examine each in turn.

1. Set Industry Rules and Practices that Reinforce Partisan Division

The duopoly has worked over time to set numerous rules and practices to reinforce partisan divisions and enhance party separation. A series of election rules and practices—which both sides have advanced, as we have discussed—have expanded partisan division and resulted in more and more extreme candidates and elected officials.

Partisan primaries, in which candidates are selected by a relatively small proportion of voters—who tend to be more extreme and politically focused and engaged—push candidates to the left or the right.

HOW UNWILLINGNESS TO COMPROMISE FAILS THE PUBLIC: THE AFFORDABLE CARE ACT

The Affordable Care Act (often referred to as “Obamacare” or the ACA) was passed by Democrats, including two independents affiliated with Democrats, with no Republican votes. This led to seven years of Republican efforts to repeal the bill, rather than efforts to improve it. After regaining power in the 2016 election, Republicans endeavored to repeal and replace Obamacare, without real engagement with Democrats. So far, their efforts have been unsuccessful. After the failure of an early House bill in March 2017, Speaker Paul Ryan said, “We were a 10-year opposition party, where being against things was easy to do. You just had to be against it.” What an admission!

Today, almost a decade has gone by since the ACA was passed, and we still lack a realistic and effective health care solution, a vital national priority. Such a destructive, zero-sum pattern of overreach and payback is repeated all too often, resulting in bad outcomes for the nation.
This partisanship is reinforced and amplified by gerrymandered districts that virtually guarantee that one party will always win and, therefore, tend to lead to even more partisan candidates. Sore loser laws, which both parties have advanced, can keep moderate candidates—who cannot win the primary—from running in the general election, as we discussed in Part II.

Ballot access rules and fundraising biases invariably disadvantage independents, third-party candidates and often moderates as well. This may even discourage such candidates from entering the race at all. As we have seen, pragmatic moderates in both parties are becoming an endangered species in Congress (see Figures 3 and 4 in Part II).

Governing rules and practices have also evolved to amplify partisanship and work against compromise solutions. Party leaders have created powerful levers to reward “loyal soldiers” and to discipline those who stray from ideological purity. Party leaders decide committee assignments and choose committee chairs (positions formerly based on seniority). Legislators who are considered insufficiently loyal can be kept off important committees, limiting their influence. They can also be denied party funding for reelection.

While partisan differences between and within parties have increased in recent decades, bipartisanship has been in secular decline. Leadership discourages bipartisan activity, such as co-sponsorship of legislation or cross-party consultation. Party leaders have suppressed reconciliation, the process by which bipartisan conference committees reconcile House and Senate legislation. Parties hold separate discussions, often restricted to party leadership. Bipartisan-minded legislators can be marginalized and threatened with a primary challenge in their next election.

2. Raise Barriers to New Competition

The very existence of the entrenched duopoly in U.S. politics reflects the very high barriers to entry facing new competition, as we described earlier. The parties have taken major steps to increase and widen the barriers to entry. The election and governing rules and practices we just discussed substantially increase barriers to entry facing new parties and independents. The tight connections forged between parties and the key suppliers needed to contest elections and govern also raise barriers to new competition. So does the growing party alignment with the media and party control of other key channels. The barriers have not only blocked new parties, but also different kinds of competitors, such as independents and even moderates within the parties.

As we noted in Part II, the industry’s freedom to set its own rules and competitive practices has tightened its stranglehold over the competition.

3. Cooperate When Both Sides Benefit

Rivals cooperate on steps that improve industry growth and influence and protect their collective market power. Barriers to new competition—especially new competitors that compete differently—are essential to sustaining competition that fails to deliver good outcomes for most voters. In the case of politics, a duopoly and barriers to new competition have made the separation and divisive rivalry we experience today almost inevitable.

While the parties fail to serve the public interest, they cooperate where they mutually benefit. This cooperation has taken the form of ballot access rules, fundraising rules, debate access rules, and many others we have described. These raise barriers to new types of competition and reinforce today’s partisan competition.

The duopoly also makes deals where both parties benefit, even agreeing on legislation that is inconsistent with party principles. Cooperation occurs when both sides benefit in serving their own interests and those of their core customers. An important example is budget bills, which almost always increase spending and are “deficit financed” (i.e., increased spending is not offset with spending reductions). Budget bills are often passed at the 11th hour before a government shutdown. These bills are touted as an accomplishment, when they are actually a failure of responsible governance. Both Republicans and Democrats tuck their preferred spending and tax adjustments into these bills to please their respective core constituencies (while looking the other way on what the other side “gets,” even if it conflicts with party principles). For example, the deficit goes up, while Republicans are supposedly for fiscal responsibility; and tax breaks are part of the bill, even though Democrats are supposedly against “tax breaks” for business. The national debt continues to grow irrespective of the party in power.28
Conclusions

The structure of the politics industry, and the nature of the competition that has been created, have failed to serve the public interest and deliver the outcomes most citizens want and need. There are cases where some progress occurs, or individual legislators are able to deliver real solutions in special cases. These are exceptions, not the rule. Despite widespread dissatisfaction with our political system, things are getting worse, not better, as we will discuss in Part V.

The nature of the political competition we observe, and its failure to deliver results for citizens, is not an accident. It is the direct result of the competitive choices the parties have made and the industry structure that the duopoly has created. The abysmal outcomes we are experiencing are the logical result of the nature of competition in this industry. Today’s political competition rewards special interests and partisans, and diminishes the influence of the average voter (much less non-voters). Today’s rivalry incents divisive rhetoric, gridlock, and unfulfilled promises, not solutions. Today’s rivalry undermines the ability to elect pragmatic and moderate public officials, co-opts the independence of the media, and raises ever-higher barriers to entry for third-party candidates, independents, and even moderates.

Beyond this failure to deliver good outcomes, the structure of the politics industry has resulted in three devastating implications for the citizens. First, the parties have an incentive not to solve the nation’s problems; second, there is no accountability for results; and third, there are no countervailing forces that will naturally restore healthy competition.

1. An Incentive Not to Solve Problems

In today’s partisan political competition, there is actually an incentive not to solve problems. Keeping a problem or controversy alive and festering is a way to attract and motivate partisan voters, special interests, and committed donors to each side. Neither party, for example, has strong competitive incentives to solve the problem of immigration, because a comprehensive compromise solution would disappoint some of both parties’ most fervent supporters and reliable donors. Additionally, once an issue is “solved,” voters focused on that particular issue may become less motivated to affiliate with and support the party.

2. No Accountability for Results

Most amazing is that despite making little or no progress on solving the nation’s problems and serving the American people, the duopoly is not held accountable for results.

Healthy competition involves accountability for results. If rivals fail to deliver the outcomes customers want and need, they lose market share or go out of business. In politics, accountability would mean voting party leaders and many legislators out of office if progress is not made, not just the marginal shifts we have observed in recent decades.

In our political system, neither side has real accountability for failing to deliver solutions that advance the public interest. There are only two major parties, who compete by dividing up and serving partisan voters and special interests. This means that voting out individual legislators means replacing them with others from the same party or the other party who can get elected in the current structure. Replacements from either side will perpetuate the current competition or be neutralized if they try to act differently.

Frustration votes, then, can shift the balance from one party to the other, but nothing really changes. The parties continue to compete on partisan division, the absence of compromise, and talk, not action.

The parties have learned that, to win, they merely need to play the game they have created, not deliver solutions. The parties have made us believe that such competition is normal, and educated us to go along. The duopoly wins. The loser is our democracy.

3. No Countervailing Forces to Restore Healthy Competition

Finally, despite widespread dissatisfaction and delivery of poor results for the average citizen, the duopoly remains dominant, and partisan competition persists. The failure of politics has persisted because the normal checks and balances of healthy competition are neutralized (as they can be in duopolies). In other industries, countervailing forces that make up industry structure would keep competition aligned with the needs of customers. Customers who were poorly served (i.e., the majority of customers in politics) would rebel and look for new kinds of competitors. Powerful channels or suppliers would apply pressure on rivals to serve customers better. And new competitors or substitutes would emerge that met customer needs better.

In politics, however, these forces have been co-opted or eliminated. This is because in politics, the normal checks and balances in healthy competition have been neutralized, as we have discussed. What looks like intense competition to the casual observer is not at all what it appears to be.

The failed competition in politics is perpetuated most of all by the very high barriers to entry, many of which are artificial and intentionally constructed to deter new competition and substitutes. New competitors could bring new ideas, new solutions, and new ways of serving customers. New competitors could break down the partisan separation by winning over the majority of voters and non-voters who are not as partisan.
PART V: WHY HAS THE SYSTEM GOTTEN WORSE?

Why have the outcomes and nature of competition of our political system worsened over the last decades, especially since the 1960s? While partisanship at some level has existed since our governmental system was created, the structure of the politics industry has changed significantly—for the worse.

Figure 1 identifies some of the most significant industry structural shifts starting in the 20th century. This analysis is not meant to be exhaustive, but to highlight the many important changes that have moved competition in the direction of increased partisanship, gridlock rather than practical solutions, and substantially higher barriers to entry for new competition. (See the sidebar “Milestones in Political Competition and Polarization” for a brief overview of some of the important changes that have led to today’s industry structure.)

Of these changes, some were well-intentioned refinements to rules and practices that had unintended consequences. Many other “reforms” were driven by political actors to expand their influence and ensure their growth. Some existing practices were optimized over time to benefit the duopoly. For example, through the use of much more detailed and precise voter data and better technology, gerrymandering has become far more sophisticated and effective. Finally, broader shifts in American culture, institutions, and demographics have also played a role.

An example of a well-meaning reform with unintended negative consequences was the establishment of partisan primaries, which were intended to give citizens greater influence. The idea was that voters would democratically select the parties’ candidates, instead of the parties doing so in “smoke-filled back rooms” or caucuses.

However, as we have discussed, an unfortunate effect of partisan primaries has been to foster more extreme candidates and to leave many general election voters with what they perceive to be unacceptable choices.

More recent congressional reforms with unintended consequences include the elimination of earmarks* and rules and norms discouraging closed-door, anonymous votes in committees. These would seem to be clearly positive steps. But, in a polarizing system in which the parties were more and more partisan and entrenched, these changes removed some of the last remaining ways to secure compromise. Earmarks served two purposes: They were a “currency” to get deals done, and they allowed legislators to get credit in their districts for benefits they delivered which could help offset the political cost of compromise. Closed-door, secret votes also helped insulate compromises from attack by partisan extremes. While we do not advocate a return to these particular practices, it will be necessary to change the industry structure in other ways to shift competition towards finding common ground and delivering practical solutions.

FIGURE 1: POLITICS INDUSTRY STRUCTURE CHANGES FOR THE WORSE

<table>
<thead>
<tr>
<th>Partisan primaries for Congress</th>
<th>Governing reforms</th>
<th>Advancing 24/7 partisan media</th>
<th>Escalating money in politics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerrymandering gains strength</td>
<td>Republican shift right</td>
<td>New governing rules and norms</td>
<td>End of earmarks</td>
</tr>
<tr>
<td>Move to partisan talent</td>
<td>Improving data analytics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proliferating special interests</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voter turnout begins to decline</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern realignment</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The order and placement of the events roughly correspond with the chronology.
Source: Author analysis from multiple sources. See endnote 1, Part V, for details.

*Definitions of earmarks vary, but a good basic definition comes from the Leonore Annenberg Institute for Civics: Earmarks are “allocations of revenue in a bill that are directed to a specific project or recipient typically in a legislator’s home state or district. […] They are often slipped into bills without the review typically given to pending legislation.” See Annenberg Classroom, “Earmarks,” http://www.annenbergclassroom.org/term/earmarks, accessed March 2017.
### MILESTONES IN POLITICAL COMPETITION AND POLARIZATION

Numerous changes in rules, practices, norms, legal decisions, party realignments, and the nature of associated institutions such as the media and think tanks have collectively shifted the structure of the politics industry and the nature of the political competition over the last half-century. Here we summarize some of the notable changes; this list is not meant to be exhaustive.

<table>
<thead>
<tr>
<th>Period</th>
<th>Event Description</th>
</tr>
</thead>
</table>
| Early 20th Century | **PARTISAN PRIMARIES FOR CONGRESS**  
Progressive Era reform seeks to weaken party and back-room control of selecting candidates through the institution of direct primaries. |
| 1960s        | **DEMOCRATIC PARTY SOUTHERN REALIGNMENT**  
Conservative Southern Democrats largely disappear, leaving a more homogeneous left-of-center party. |
| Beginning in the mid-1960s | **DECLINING VOTER TURNOUT**  
Overall voter turnout declines. Turnout in presidential years declined from 64% in 1960 to 52% in 1996, rebounding somewhat to 59% by 2012. Voter turnout in midterm election years declined from 49% in 1966 to 36% in 2014. |
| Beginning in the 1960s | **PARTISAN TALENT**  
Specialized political media and campaign staff emerge and almost always work with one party or even one wing of a party. National party committees often played a role in talent matchmaking. |
| Beginning in the 1960s | **GERRYMANDERING**  
Gerrymandering became increasingly sophisticated and widespread. |
| Beginning in the 1960s | **SPECIAL INTERESTS**  
Special interest groups proliferate. |
| Beginning in the 1970s | **PARTISAN THINK TANKS**  
Early think tanks emerge in the Progressive Era to foster professional and objective analysis. By the 1970s, new think tanks are increasingly partisan and move into advocacy. Think tanks become holding organizations for the parties' elected and appointed officials. |
| Late 1960s–1970s | **PARTISAN PRIMARIES FOR PRESIDENT**  
Partisan primaries spread to presidential elections (led by Democrats). |
| 1970s, 1980s, and 1990s | **GOVERNING REFORM**  
Many of the key rule changes in the House and Senate take place in the 1970s, initially led by the Democratic Congress. Over the 1980s and 1990s, leadership moves to more aggressive use of power and resources to enforce party loyalty. These shifts involve both parties. |
| Beginning in the 1980s–1990s | **PARTISAN MEDIA**  
Political attacks on the independent media trigger a shift to more partisan coverage. This is amplified by media fragmentation and the growth of new media, which increased competition. The rise of highly partisan talk radio and other shows can be traced to the 1987 abolition by the Federal Communications Commission of the Fairness Doctrine, which had required balanced coverage of all political opinions. The overall tone of news coverage becomes increasingly negative and less focused on issues. Public confidence in the media starts declining dramatically in the early 1970s. |
| Late 1960s–1990s | **REPUBLICAN SHIFT RIGHT**  
Republican Party thinking shifts to the right, including neo-conservatives, the Christian right, and the low-tax movement. The Republican Party shifts from a minority party that cooperated and compromised, having a meaningful impact on the legislative process, to a highly partisan and confrontational party. |
| Beginning in the 2000s | **NEW MEDIA**  
Social media proves to reinforce partisanship, as individuals seek out or are targeted with information reinforcing their partisan leanings. |
| Beginning in the 2000s | **DATA ANALYTICS**  
Major improvements in voter data and analytics lead to far more sophisticated targeting of information to voters and of campaign interventions, making partisan approaches more effective. |
| 2010s | **MONEY IN POLITICS**  
Citizens United v. FEC opens up unlimited spending by companies, individuals, and unions to advocate for candidates. |
| 2010s | **EARMARKS**  
The elimination of earmarks reduces mechanisms for achieving compromise, as does the end of closed-door votes. |

Note: See endnote 1 for sources.
Outside factors and changes in related institutions also played a part in creating more partisan competition and less solutions-orientation over time. For example, the decline of major newspapers and the once-dominant big three TV networks has contributed to making independent media less influential. The advent of 24/7 media coverage and more partisan media has made any compromise visible and subject to instant attack, as media increasingly thrive on controversy. The rise of social media has proved to be a powerful tool to bombard voters with divisive and sometimes misleading messages that have reinforced partisanship and made divisions worse.5

As is common in complex systems, the collective effect of these changes has become increasingly self-reinforcing. Election changes helped encourage media evolution, which increased politicians’ attacks on the media. The consequences of shifts that led to fewer moderates being elected emboldened the partisanship of winners. And so on. The degradation of the system has sped up over time.

As this historical evolution highlights, transforming political competition will require a comprehensive strategy rather than isolated steps. Structural reforms will be needed in multiple areas to alter incentives now embedded in today’s system and shift the nature of competition. Our challenge is to trigger a new set of self-reinforcing changes that will bring political competition back into alignment with the public interest and not the duopoly’s partisan interests.

---

**THE ELECTION OF PRESIDENT TRUMP**

Has the election of Donald Trump changed the structure of our political system, or our analysis, conclusions, or recommendations?

On the contrary, it is a direct reflection of them. The Trump election and presidency only reinforce our conclusion that political competition is dysfunctional, and fail to deliver the outcomes that advance the public interest. The election provides a striking indication of the level of public dissatisfaction with the status quo, as the voters clearly tried to reject the political industrial complex by electing someone from “outside the system.”

In the end, they were not successful. Trump ran within the existing duopoly, correctly recognizing that a truly independent bid would not be successful, due to the very high barriers to entry facing an independent. This, not coincidentally, is the same conclusion Michael Bloomberg is said to have reached as he considered his own run as an independent.6

Does Trump’s election signal a shift in the nature of rivalry and the end of party influence? We do not think so. In fact, partisan rivalry and division are likely to increase. Despite initial skepticism by the Republican party establishment, the Trump election became a victory for the Republican side of the duopoly—not for new competition.

President Trump can be understood as a hybrid substitute to the traditional party system, but, not truly new competition. He ran as a Republican, albeit with mixed party support, and utilized the party system and its advantages to campaign, get on the primary and general election ballots, and win.

Trump’s ability to win reflected a very specific personal and political context. His high brand recognition provided two key benefits: 1) unprecedented free media access because his campaign style attracted viewers7 and 2) his ability to go directly to the public using social media (which was a new innovation as well). These lowered the cost of his campaign and, combined with his self-financing ability, lowered his barriers to entry.

Running as an “outsider” within a party may emerge as a strategy others may imitate. However, the Trump success is likely to be more an anomaly due to his unique personal circumstances. Having said that, it is likely that Trump’s election and presidency will cause adjustments and disruption within both the Republican and Democratic Parties which may be significant.

**But neither the structure of the politics industry nor its incentives have fundamentally changed.** In fact, it is probable that the specter of the 2018 partisan primaries will increase congressional dysfunction, because Republicans who speak up for anything contrary to the Trump administration’s line will fear primary challenges (unless and until Trump’s support among Republican primary voters drops significantly from current levels). The same will be true for Democrats who are seen to be anything less than completely obstructionist—no matter what the administration proposes.8

The Trump presidency provides striking support for our belief that the current political industrial complex is dysfunctional. Washington, D.C. has been unable to so far get much if anything done, despite one-party control. Gridlock continues. The duopoly and the broader political industrial complex remain intact.

Finally, the parties will likely be better prepared in the future for such “outsider” contenders, and will likely find ways to restore greater party control. The need to reform our political system to create healthier competition and better outcomes remains unchanged.
Many Americans now understand that, no matter whom we elect—and we’re always hoping for that next great candidate—political outcomes seem to get worse. And some of the most capable people we have elected to public office have quit out of frustration because they have no impact.

One thing has become abundantly clear: Our political system will not be self-correcting. The problems are systemic and structural, involving multiple factors that are self-reinforcing. This means that the only way to reform the system is with a set of steps to change the industry structure and the rules that underpin it and, therefore, shift the very nature of political competition. We need to move from today’s unhealthy competition to healthy competition that holds elected officials accountable for delivering the desired outcomes in politics: solutions, action, and broad-based consensus.

We admit to a bias that moderate, compromise-oriented politicians have an important value in crafting and delivering solutions to the nation’s problems. We are not suggesting, however, that moderates are the only valuable kind of elected official. Historically, transformational changes in the U.S. have often begun at the fringes—in decidedly non-moderate camps.

Eventually, however, change must be enacted by a majority in democratically-elected legislative bodies. It is here that bipartisan, pro-problem-solving, consensus-seeking moderates are crucial for delivering practical solutions, and it is precisely this genre of elected officials that our current political competition has rendered almost extinct. We believe reinvigorating electoral opportunities for the rational middle must be a central premise of political reform.

**What Will (and Won’t) Work**

There are a growing number of political reform initiatives involving a wide variety of approaches. The question is: In which ones should we invest? Which reforms and innovations have the greatest potential to fundamentally alter the ability of the political system to deliver outcomes that matter for the common good? In order to produce real change, our analysis of political competition suggests a set of key principles for reform.

**Reforms must be both powerful and achievable.** For a reform to be powerful and, therefore, have real impact, it must attack the root causes of poor political outcomes, not just the symptoms. For example, we cannot change the system just by electing “better” people (though that certainly never hurts). Even promising candidates would continue to disappoint, because they would be trapped in a system that no single individual can overcome.

Many well-meaning reform ideas—such as promoting bipartisanship, instituting a national primary day, improving civics education, and establishing bipartisan issue-advocacy groups—won’t matter much absent changes in the underlying industry structure. Deeper systemic changes that alter the structure of the politics industry and the parties’ competitive dynamics will be required to produce real impact.

Even powerful reforms, however, must also be achievable within a reasonable time frame. The need is too urgent to be distracted by reforms that, while theoretically powerful, are not likely to be achievable in the next decade or two. For example, a constitutional amendment for campaign-finance reform may be desirable, but it is highly unlikely to pass.

Conversely, some reforms may be achievable, but not powerful. Term limits are a good example, because they do not sufficiently change the structure of competition. New candidates would face the same pressures to move to the extremes as incumbents do, while newly elected officials would still face the same obstacles to achieving solutions.

No matter how well intentioned, then, only reforms that are at the intersection of powerful and achievable will make a difference. We shouldn’t waste our time on reforms that aren’t both (see Figure 1). Note that “achievable” doesn’t mean “easy.” Unfortunately, there are no reforms at the intersection of powerful, achievable, and easy!

**FIGURE 1: THE NARROW INTERSECTION OF POWERFUL AND ACHIEVABLE**

---

**PART VI: REINVIGORATING OUR DEMOCRACY**
There is no one silver bullet. Given the nature of industry structure, reforms on multiple fronts will be necessary to shift political competition sufficiently so that it results in good outcomes. For example, campaign-finance reform, which has consumed so much recent attention, is surely needed. However, money is not the only problem. As we have discussed, partisanship and gridlock are structural issues created by much more than campaign-finance rules. Reforms must address multiple aspects of the structure.

Reforms are needed in both elections and governing. Election and governing rules are both key parts of the industry structure, and improving each will be mutually reinforcing. Reforming elections will provide opportunities for new kinds of candidates who are accountable to voters instead of to the duopoly and its core customers. But election reform will be more effective if governing reform also gives all legislators more influence. And support for governing reform will be greater if a shift in elections results in less partisan candidates not beholden to the duopoly.

Reforms should be cross-partisan. The reform movement should engage citizens across the ideological spectrum. It should not be used as a Trojan horse for partisan advantage. Historically, both sides of the duopoly have sometimes championed changes to the system under the guise of “reform,” when they were really trying to change the system in ways that were more likely to disproportionately benefit their side.

Many reforms will need to be enacted state by state, and will require state-specific strategies. State constitutions and legislatures are responsible for most of the rules that enable the duopoly’s core control of elections, so it is not possible (in most cases) to simply mandate changes once at a federal level. Each state will need to follow its own laws and constitutional provisions to enact reform. Therefore, reformers will need to evaluate each state individually and tailor winning strategies state by state.

Depending on the issue and circumstances in an individual state, reformers can utilize three major approaches to implement the needed reforms:

- **Ballot initiatives or referendums** in which citizens vote for new rules. These can be very effective, because they are forms of “direct democracy” and, therefore, bypass the elected legislature. Some form of ballot initiative or referendum is available in 27 states.¹

- **Legal challenges.** Certain reforms have the best chance of success through court action that challenges the constitutionality of existing practices. Or, court action may be a complementary strategy for referendums or legislative action.

- **Legislative action.** This requires the support of the state legislature and governor and can be the most challenging, since it can require elected officials to vote against the self-interests of the duopoly. However, we should remember that, in the end, state legislators work for the voters. If enough voters want reform and organize to demand it, legislators will respond.

Shortcuts that work around the current politics industry structure will be beneficial. There are steps (described later in this section) that can build momentum and deliver important near-term benefits, even before more systemic changes are enacted at scale. Some wins can show that change is possible—reversing the vicious cycle of citizens dropping out of politics—and generate a sense of hope that will lead to further progress.

A Strategy to Reform Politics

Since much of the design of our political system is not specified in the Constitution, we can change it. While progress has already begun, a realistic time frame for systemic reform is a decade or even two. And the ever-present risk that special interests find new ways to optimize the system around their interests, instead of those of the public, means the task of protecting healthy political competition will never be complete. Ongoing vigilance will be required.

Already, many outstanding, dedicated, and passionate activists are working to improve our system. Together they are creating a strong organizational foundation on which to build, and many are addressing reforms that are at the intersection of powerful and achievable as we just described.

Our analysis highlights those reforms that will be the most powerful in addressing root causes and discusses how to combine them into an overall strategy. The reforms fall into four areas:

- Restructuring the election process
- Restructuring the governing process
- Reforming money in politics
- Opening up near-term competition—without waiting for structural reform

In each area, we include links to the websites of specific organizations that are working on it.
1. Restructure the Election Process

Changes to the election process are needed to open up competition from outside the duopoly.

**Institute nonpartisan top-four primaries.** As we have seen, the current partisan primary system is perhaps the single most powerful obstacle to achieving outcomes for the common good. Instead, states should move to a single primary ballot for all candidates, no matter what their affiliation, and open up primaries to all voters, not just registered party voters. The top four vote-getters from such a single non-partisan ballot would advance to the general election, instead of one winner from each duopoly party. This incentivizes all candidates to present themselves to a general electorate, not just appeal to a small cadre of party-partisan voters.

Note that in a nonpartisan primary in a heavily Democratic or Republican district, it may be possible for multiple Democrats or Republicans to advance. In such a case, however, all candidates will be far more incentivized than in the current system to appeal to a broader base of voters and to compete on solutions.

Top-two nonpartisan primaries have already been implemented in some states. However, we recommend top-four primaries in order to create more opportunity outside the duopoly (see http://www.fairvote.org/top4#why_top_four for more information about the benefits of top-four primaries).

Nonpartisan primaries may also lower the barriers to entry for independents, such as current ballot access rules and the challenge of getting attention in the media. An independent who makes it out of a top-two or top-four primary would command more media coverage versus the candidate on the general election ballot that no one had ever heard of.

Nonpartisan primaries would also lower barriers to running and create a clearer path for moderates or candidates not adhering in full to their party’s orthodoxy—for example, a fiscally conservative Democrat or a socially liberal Republican. Today, such candidates often can’t make it out of either a Democratic or a Republican primary, and a nonpartisan top-two or top-four primary will give them more opportunity to advance.

Nonpartisan primaries would also empower legislators to build records of sensible compromise and of getting things done. For example, federal legislators who were considering voting “yes” on bipartisan legislation, like Simpson-Bowles, would be more willing to do so in a nonpartisan primary system, because they would still have a path to be one of the top-two or top-four vote-getters in the primary (instead of being virtually guaranteed to lose their partisan primary). Once through the primary, they would then be able to appeal to the broader general election electorate based on having done something to advance the public interest.

Nonpartisan top-two primaries have recently been instituted in two states: Washington and California. These are major steps forward, and we must build on them. These states changed their primary systems through voter referendums—proving that it can be done. The Independent Voter Project played a major role in securing top-two primaries in California (see www.independentvoterproject.org).

In moving toward nonpartisan primaries, an initial and interim step can be to move from “closed” party primaries (which allow participation by party members only and which are the rule in many states) to “open” party primaries (in which everyone can vote without being required to register with a party). This will work to reduce the partisanship of primary voters and build momentum toward a fully nonpartisan primary system (see www.openprimaries.org).

**Institute ranked-choice voting with instant runoff in general elections.** In most cases, our current voting system is “first-past-the-post, winner-take-all,” which can easily result in a candidate winning with only a plurality (not a majority). For example, in a three-way race, a candidate can win with as little as 34% of the vote (with the other two candidates each receiving 33%), which indicates that 66% of the voters preferred someone else.

Ranked-choice voting is a different approach, designed to elect the candidate with the broadest appeal to the most number of voters. Candidates who are opposed by a majority of voters can never win under this system, and no votes are ever “wasted.”

Here’s how ranked-choice voting works: In a four-candidate general election, the voter would have the choice to rank candidates in order of preference, from first choice to last choice. If no candidate receives a majority in the first round, the candidate with the fewest first choices is eliminated and voters who liked that candidate the best have their ballots instantly counted for their second choice. This process repeats until one candidate reaches a majority and wins. (See https://www.facebook.com/IVN/videos/10153216413332465/ for a quick video that explains ranked-choice voting.)

With ranked-choice voting, citizens can vote for the candidate they like the best without worrying that their
vote will help elect the candidate they like least. Thus, ranked-choice voting eliminates the "spoiler" argument.

Under this system, candidates no longer focus exclusively on securing first-choice support, because broader support may be necessary to win. This encourages a focus on the issues and reduces incentives for negative campaigning, because candidates must avoid alienating other voters whose second- and third-place support they may need. Candidates in this system are less likely to run scorched-earth campaigns.3,4

Like nonpartisan primaries, ranked-choice voting is also no longer just an idea. Maine became the first state to adopt this reform in a November 2016 ballot initiative (see http://www.fairvote.org/rcv#rcvbenefits and www.rcvmaine.com and www.represent.us).

Institute nonpartisan redistricting. As we discussed in Part II, gerrymandering is the process of drawing legislative district boundaries that create artificial advantage for the party in control. Thirty-seven states currently give redistricting power to the state legislature—effectively handing over control of this crucial part of our democratic process to whichever party is in power.5 Gerrymandering reduces competitive seats and, thereby, minimizes accountability for elected officials (which is exactly the type of behavior one would expect from a self-serving duopoly).

Independent commissions should take over redistricting, an approach which has been instituted in Arizona, California, Idaho, and Washington. So progress is taking place.6 Gerrymandering reform across the country will likely require multiple approaches that include litigation and ballot initiatives, among others, because the redistricting power is delegated to states, and each state may need a different strategy for change.

Several ballot initiatives to reform redistricting are underway, and progress is also being made on the litigation front. In October 2017, the U.S. Supreme Court will hear oral arguments in Gill v. Whitford, a case brought by Wisconsin voters against the State of Wisconsin challenging the state's Assembly district lines. In November 2016, a three-judge federal panel in Wisconsin struck down the state assembly district map in question, ruling for the first time in 30 years that a state legislative redistricting plan was an unconstitutional partisan gerrymander. A key part of the case is the plaintiffs' rigorous three-part statistical methodology for identifying partisan gerrymanders, designed to provide an objective standard to evaluate if a partisan gerrymander has occurred. Previous cases were found to lack a manageable standard. If this ruling is upheld by the Supreme Court, the plaintiffs’ three-part test to provide a standard for identifying partisan gerrymanders will constitute an important tool to fight this political practice across the country (see http://www.campaignlegalcenter.org; and, specifically, see the Campaign Legal Center’s report on partisan gerrymandering at http://www.campaignlegalcenter.org/document/make-democracy-count-ending-partisan-gerrymandering).

Rewrite debate access rules for presidential elections. Today there is almost no way to mount a serious bid for the U.S. presidency outside of the duopoly. According to Peter Ackerman, Chairman of Level the Playing Field, “this state of affairs is the product of collusion between operatives from the Democrat and Republican parties who—through the design of hidden rules—jealously guard the perpetuation of their duopoly.”7 One of these hidden rules involves access to the fall presidential debates. A person running as a Democrat or Republican knows that if they win the nomination they will be guaranteed a place in the debates. The Commission on Presidential Debates (CPD), a private organization dominated by partisan loyalists, requires every other candidate to meet a 15% polling hurdle in a three-way race decided just seven weeks before the election. While 15% may seem reasonable, the poll taken so late in the election cycle creates an insurmountable “Catch-22.” The practical effect of this rule is to create a major anticompetitive barrier to any candidates outside the duopoly, and that is why there hasn’t been a third candidate on the Presidential debate stage since 1992.

Level the Playing Field filed and won (in early 2017)8 the first stage of a federal lawsuit to change this rule and open the debates, and the litigation is moving through the courts on pace for a resolution in time for the 2020 election. Success in this lawsuit would be an important step to inject competition debates from those outside the duopoly into the debates. (see www.changetherule.org).

2. Restructure the Governing Process

Political outcomes are affected not just by who wins elections but also by the rules set by the parties to control the legislative and governing process.

Rewrite legislative rules. Party control over day-to-day legislating and governance needs to be significantly reduced. It is clear that today’s process has been designed to enhance the power of the two major parties to control outcomes, rather than to make legislating a process that is most likely to serve the public interest. (For more detail on the hidden partisanship in legislating, see Mickey Edwards' book The Parties Versus the People.)
As a first step toward devising a better system, we propose the establishment of an independent Legislative Reform Commission to design a new set of legislating and governing rules and produce a public report of its recommendations. The Commission should bring together a consortium of leading experts who are independent of the parties and government. We suggest that an alliance of universities jointly create and sponsor this commission.

The Commission’s mandate should be threefold:

- Identify the partisanship hidden in the current legislative system;
- Design a set of rules that liberates the process of lawmaking from partisan control and that are designed to support and encourage truly democratic and solution-oriented debate, vote-taking, and legislative solutions;
- Determine a process (i.e., action steps by constituency) by which existing rules can be changed in order to implement the recommendations of the Commission. This process will likely require intense public pressure on Congress, since Congress controls its own rules.

3. Reform Money in Politics

The influence of money is distorting political competition by biasing elections, influencing policies, and creating barriers to new competition. Practical steps are needed to address this.

Campaign-finance reform has been limited by Supreme Court rulings such as Citizens United v. FEC. Fortunately, motivated and creative experts have come together to craft a feasible (though clearly challenging) strategy to diminish, over time, the role of big money in our politics, with a heavy reliance on state and local action.9

In reducing the role of money in politics, including not just campaign-giving but lobbying and post-retirement employment of elected and appointed officials, the perfect should not be the enemy of the good: We should reform all we can in the near term, while we craft and wait for changes in jurisprudence over time to overturn troubling court rulings.10

Here are some critical reforms that can be undertaken now:

- Enact citizen-funding systems to incentivize small donors. For example, the government could match small, private contributions that a candidate raises up to a set amount—either dollar for dollar or at a certain multiple.
- Establish 100% transparency in political spending—including for currently “dark” spending (i.e., donors are secret), such as spending by 501(c)(4) organizations and Super PACs.
- Eliminate fundraising loopholes that favor existing parties over independents. Fundraising rules should apply equally to all candidates, including independents and affiliates of third parties.

Contact www.represent.us to participate in an activist group pressing for campaign finance reforms across the country. Also read “Blueprints for Democracy” (http://www.blueprintsfordemocracy.org/download-pdf-1), a promising, comprehensive strategy to reform money in politics, jointly developed by the Campaign Legal Center and Issue One (see www.issueone.org).

Having said this, diminishing the influence of money alone cannot be expected to transform our political system. The real answer is to dramatically reduce the attractive return on investment that donors currently receive. When we enact the systemic reforms detailed above, the incentive for politicians to respond to constituents will prevail over responding to donors and special interests, thereby reducing the incentive for their spending.

4. Open Up Near-Term Competition—Without Waiting for Structural Reform

As we have described, barriers to new competition from new parties, independent candidates, and even moderates are prohibitive.

While the structural, systemic reforms above are essential, they will take time. In the meantime, we should also pursue steps with more immediate potential to shift political competition in the right direction—even prior to widespread adoption of our recommended structural changes. These steps—some of which were introduced briefly in Part IV’s discussion of “substitutes”—will provide important near-term benefits (as soon as the 2018 elections) while also building momentum for structural and systemic change.11

Implement The Centrist Project’s “Senate Fulcrum Strategy.” A highly leveraged way to break the current political gridlock would be to elect three to five centrist independent U.S. senators with a problem-solving agenda. Ideally, such a group would be large enough to deny either party an outright majority, and thereby become the most powerful swing coalition (i.e., the “fulcrum”) in the Senate. Depending on the policy issue, this coalition could then align with either party, or bring
subsets of both parties together, to create a majority to pass legislation providing real solutions to our nation’s toughest challenges.

The Centrist Project’s plan includes strategically identifying a small number of states with a political climate favorable to candidates from “the sensible center,” recruiting promising candidates, and supporting them with a campaign infrastructure, as we discuss further on. The genius of this plan is that, while challenging, it is eminently doable because the number of seats required to deny either party a majority is small. This political innovation could bring transformational change to the U.S. Senate as soon as 2018 with a relatively small investment—sooner and for less cost than the longer-term structural reforms we detail in this section.

The Centrist Project, which describes its effort as an “insurgency of the rational,” would use the leverage of the fulcrum to force change from the political center. Similar approaches could be taken at the state level (see www.centristproject.org).

Run (centrist) independents at all levels. Solutions-oriented, independent campaigns would bring critical new competition to politics, and can be powerful change agents. Today, it is difficult to run outside the duopoly and even more difficult to win outside the duopoly. Concerned voters should seek out and actively support such candidates who are running outside the duopoly and who are committed to staying outside it—rather than viewing them as spoilers. Success in some independent campaigns would reduce voter and media obstacles in others, encourage more and more candidates to seriously explore independent campaigns, and generate more funding and election support (see http://independentvoting.org/about-us/).

Establish a shared independent (and moderate) election infrastructure. Substantially increasing the number of independents and moderates who run and win will require building an effective shared election infrastructure to help independents (and moderates) surmount the barriers to entry created by the parties. Such infrastructure should include raising large, dedicated campaign-financing pools for independents; building a pool of expert political strategists and talented campaign staff; establishing networks and resources to mobilize volunteers; raising resources to surmount obstacles to ballot access; assembling a core of sophisticated media and marketing talent to execute branding initiatives and media strategies, and to build credibility with voters; and investing in access to shared voter data and analytics capabilities. Ideally, this effort should include Super PACs dedicated to supporting independents (see www.centristproject.org).

Create support structures for solutions-minded center-right and center-left party candidates in overcoming primary challengers. Allies of No Labels—a group formed to address Washington dysfunction by getting Democrats and Republicans to work together in a bipartisan fashion—have launched a Super PAC effort for the 2018 election cycle with a dual mandate of protecting pragmatic problem-solving U.S. House members, who are facing primary challenges from the left or right, while also working to defeat the most obstructionist legislators in their primaries. Innovations such as this can change incentives to reward problem solving and penalize obstruction, and can help build a coalition of more results-oriented politicians.

This effort will not provide funding for general elections so that it can work with both sides. Innovations such as the establishment of this Super PAC can substantially reduce the barriers to new kinds of competition, while simultaneously altering incentives to reward problem-solving and penalize obstructionists. The result could be a coalition of more collaboration-minded party members who then have access to critical financial support not previously available in primaries. So far, this approach has prevailed in two 2016 races, and the organizers plan to expand it significantly in 2018 (see www.nolabels.org).

Expand the “Govern for California” model of state-level innovation. Elections for state legislatures have tended to fall off the radar of most citizens. Yet state legislatures have an important role in the design of our political system, because they control many of the rules governing political competition, not to mention the important state level policies they oversee. The political industrial complex pays close attention to state legislatures, but most citizens are barely engaged. Govern for California is an organization focused on state-level reform by leveraging political philanthropy to support the election of candidates to the California state legislature, whom they select based on non-ideological criteria. Criteria include financial literacy and courage to take a stand, the latter defined by Govern for California’s founder, David G. Crane, as “the demonstrated willingness to stand for something greater than oneself.”

Govern for California’s ultimate goal is to shift outcomes in the California state legislature by electing courageous, independent-minded, and effective legislators. So far, Govern for California has helped finance 14 successful legislative candidates. Such efforts, as well as other
state-level support models for independent and moderate candidates and elected officials should be expanded (see www.governforcalifornia.org).

Reform is Possible

It is easy to succumb to a “learned helplessness,” as Charlie Wheelan, founder of The Centrist Project and author of *The Centrist Manifesto*, describes a common outlook on politics. We must reject such passivity.

Many of the approaches we have described are beginning to gain traction, as evidenced by the progress in moving to nonpartisan primaries and ranked-choice voting, as well as the gerrymandering and presidential debate litigation we detailed above. These examples are a promising start and prove it can be done.

However, taking back our political system will require a large-scale national effort. Since the 2016 election, frustration with politics has triggered widespread concern and even public protests. Turning these protests into broad-based political reform that addresses the root causes of today’s broken system will translate this general frustration into powerful and achievable change for America’s citizens. (See sidebar on “Implications for Business Leaders,” on Page 44.)

It is worth repeating that the problem in our politics is not the existence of parties, per se. While we support reforms that create opportunities for independents, we believe parties are essential for the system, and parties can help brand and win support for policies, organize voters, and support candidates.

The structural reforms we have proposed could lead to a new, more centrist third party. Our purpose here, however, is not to advocate for any particular party or a proliferation of parties. The real problem is the nature of the political competition that the current major parties have created and their insulation from new competition. What is needed is to change the way parties compete, which should lead to their better serving the public interest.

*The top two parties should always be operating under the potential competitive threat from an upstart that better addresses the public interest.* The steps we advocate are designed to create the conditions for healthy (i.e., solutions-oriented and not self-serving) competition, and to hold incumbents accountable for serving the public interest. Then our democracy can take over, with existing parties transforming themselves or a new party coming into being, if that’s what voters want.

Let’s not forget that the health of competition between our major political parties has eroded substantially in the last several decades (see Part V). Historically, other parties, including the Federalist, Whig, American (“Know-Nothing”), and Free Soil Parties were all prominent.

*The idea that we are—or should be—stuck forever with the Republicans and Democrats in their current form is just historically unsupported.* Given that today’s parties have become self-serving—to an extent that may well be unprecedented, just like those corporate executives who have enriched themselves at the expense of their shareholders—it is time to open up competition to bring politics back to serving the public interest.
IMPLICATIONS FOR BUSINESS LEADERS

Business has a major stake in the success of our political system: in the nation’s ability to take the steps necessary to support economic growth, to improve the U.S. business environment, and to better prepare citizens for participation in the economy. Business cannot be successful unless America is successful.

Companies should be advocating for policies that make the environment better for all businesses. A good example is Simpson-Bowles, which we discussed in Part I. This plan would have put America’s federal budget on a sustainable path and created a far better macroeconomic environment for investment and stability.

Given the nature of today’s political competition, however, too many businesses have become special interests instead of advocates for the general interest. They pursue special benefits for their companies and their industries, and they fail to put their weight and influence behind policies and steps that benefit business in general and the communities in which they operate. Lobbying by business and industry associations has become a huge business in its own right, but contributes to eroding competitiveness in America, while undermining public support for business. Companies and their trade associations have also increasingly hired sympathetic former members of Congress who sit on key committees to gain influence, in a process that distorts policies and regulations.

We believe that companies have increasingly moved in the direction of seeking special benefits from government, because that is the way today’s game is played. And it works. This is the game that the duopoly wants business to play. Studies show that the ROI on lobbying in today’s political system is high, as we discussed in Part II. Companies too often fall into the trap of believing that, if they fail to play the special interest game, their business will suffer, or they will lose access.

Yet the duopoly’s game is not a good game for America—or for business. It has led directly to many of the weaknesses in America’s business environment that we discussed earlier. A convoluted and uncompetitive tax code is the result of decades of business success in winning special exemptions and favors, resulting in a high overall tax rate and capital frozen overseas. Industries have advocated for their pet government projects, but the overall infrastructure in the U.S. is badly lagging and driving up costs for all businesses.

The current political game has undermined trust in the fairness of business and diminished public support for pro-business policies, which are increasingly seen as subsidies and special treatment. As we have emphasized in this paper, we must change this game.

Business leaders have the clout—and the responsibility—to play a lead role in shifting the nature of competition of the politics industry. It starts with opting out of the existing party influence game and shifting support toward broader business and community interests, and away from narrow special interests. Companies can do much to exert pressure to modify the current process of governing, support candidates who are moderates and problem solvers, and get behind changes in election rules and practices, such as nonpartisan primaries and the other steps we have outlined.

The next generation of business leaders—the Millennials—are disgusted with today’s political system. It is time for today’s leaders to recognize the failure of today’s business-government relationship and change it. Today’s CEOs also need to redefine corporate purpose in ways that align strategy and business competition with the needs of society, which will mean a different relationship with government.

Business leaders must create a very different set of government priorities for advancing the economy, establishing a whole new relationship between business and political leaders, and generating pressure for action.
Our Responsibility as Citizens

Historically, America’s political system was the envy of the world and a crucial foundation of our nation’s success. The system advanced the public interest and gave rise to a long history of policy innovations. But today, our political system is divisive and stands in the way of progress on virtually every important issue our nation needs to address. We believe it has become our nation’s single greatest challenge.

By looking at our political system as the major industry it has become, the root causes of the failure of political competition become clear. The system is delivering what it has been designed to deliver—primarily, for the benefit of the duopoly and the political industrial complex that has grown around it. Most troublingly, many of the major actors in the system are thriving, even as close to 80% of Americans are dissatisfied, and political outcomes are abysmal.17

We can fix the political system, but it will require sustained citizens’ initiative and sustained investment. A new kind of philanthropy in America, which might be called “political philanthropy,” will be needed (see the sidebar “The Power of Political Philanthropy”).18

In 1961, President Dwight D. Eisenhower, in his farewell address to the nation, warned against the influence of what he called the military industrial complex. “In the councils of government,” he said, “we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.”19

Today, the influence and the perverse incentives of the political industrial complex have become our greatest threat. Our political system will not be self-correcting. It is doing what it is designed to do. Structural change is required to reestablish healthy political competition that advances the public interest and delivers solutions.

We citizens bear the ultimate responsibility for knowing what is good for our society and insisting on change. We can never forget that the political system we have today was designed by our own elected representatives—the people we voted into office. This system was corrupted over time, and most of us did not even notice.

We have the power to fix it, and we must. Reinvigorating our democracy will not be easy—but it is doable, and the need is urgent. We must not forget the words of Benjamin Franklin. When exiting the Constitutional Convention in 1787, he was reportedly asked, “Well, Doctor, what have we got—a republic or a monarchy?” Franklin replied, “A republic, if you can keep it.”20

THE POWER OF POLITICAL PHILANTHROPY

America has a great philanthropic tradition. U.S. philanthropic giving was $390 billion in 2016, addressing a wide range of social challenges such as health care, education, and poverty.21 However, U.S. states (excluding federal funds) collectively spend that much in less than four months, and our federal government spends that much in just over five weeks.22 Philanthropy is no substitute for effective government.

Given our failing political system and its effect on virtually every social and community issue, we need a new kind of philanthropy in America. It might be called “political philanthropy” where donors (to political reform, political innovation, and solutions-oriented candidates) prioritize the general interest over any personal or special interest.23 Substantial investments will be required to achieve the reforms outlined in this report: changing the rules in Washington, and even state by state, and creating the infrastructure and financing necessary to support independents and moderates.

Arguably, political philanthropy offers the best potential return on investment of any form of philanthropy today. As David Crane, co-founder of Govern for California, makes clear in his work, success in improving government effectiveness, policy choices, and policy implementation would result in more effective spending of public resources and have a major impact on the actual progress our country makes on improving health care, public education, and anti-poverty efforts, to name a few.

Now is the time for concerned donors to redirect a portion of their philanthropic resources to the cause of revitalizing our democracy. In the end, political philanthropy may well now have the greatest impact on advancing our society.
Many indicators help show that politics is failing to meet the needs and expectations of citizens. While no single measure is perfect, and there is debate about how to interpret individual measures, the overall pattern of public dissatisfaction with politics suggests deep concerns with the system.

Public trust in the federal government is near an all-time low since at least 1958, with a peak after the 9/11 attacks, but then a resumption of a steady decline, with recent stagnation around 20% (see Figure 1).

Congressional approval ratings, which have averaged under 20% in every calendar year since 2010, stand at 20% as of August 2017 (see Figure 2).

A large proportion of the general public have an unfavorable opinion of both parties, and this proportion is at a near all-time high (see Figure 3). (Note that the recent modest improvement in favorability is typical in a presidential election year.)

Despite rising partisanship in Congress since 2009, the percentage of Americans who identify themselves as independents has been substantially greater than the percentage who identify themselves with either major party (see Figure 4 on page 48).

Finally, a clear majority of Americans believe that a third party is necessary (see Figure 5 on page 48).

There are many more signs of dissatisfaction, disillusionment, and frustration with the effectiveness of our political system. All point to the large and growing divergence between what our political system delivers and what citizens actually want and need.

**FIGURE 1: DECLINING PUBLIC TRUST IN THE FEDERAL GOVERNMENT**

As of April 2017, about one in five Americans trust the federal government always or most of the time.


FIGURE 2: LOW CONGRESSIONAL JOB APPROVAL RATINGS IN PAST DECADE
As of August 2017, 16% of Americans approve of the way Congress is handling its job.

Note: The first poll in which Gallup tracked congressional approval was April 12-15, 1974. Survey frequency increased over time; since 2001 surveys were conducted often, but not always, on a monthly basis.

FIGURE 3: INCREASING UNFAVORABLE OPINION OF THE MAJOR PARTIES
As of January 2017, nearly half of the public holds an unfavorable opinion of the Democratic and Republican parties.

Note: The first poll in which Pew tracked party favorability was July 9, 1992. Favorability surveys for Republican Party and Democratic Party conducted via national sample that includes those who identify as Republican/Lean Republican and Democratic/Lean Democrat.
FIGURE 4: RISING PROPORTION OF AMERICANS IDENTIFYING THEMSELVES AS INDEPENDENTS

As of 2016, nearly 4 in 10 Americans identify as Independent, relative to roughly 3 in 10 for both Democrats and Republicans.

![Graph showing party identification trends from 1939 to 2016.](image)

Note: Data are yearly averages and are based on the general public response. Starting in 1988 (bold lines), Gallup party identification data was collected via telephone polling. Interviews were previously conducted via in-person polling. The mode change limits comparability of data before and after this period. Data unavailable for 1941. Independent data unavailable for 1951-1956.


FIGURE 5: INCREASING DESIRE FOR A THIRD MAJOR PARTY

As of September 2016, nearly 6 in 10 Americans believe that a third major party is needed, relative to 4 in 10 in October 2003.

![Graph showing public opinion on the need for a third major party from 2003 to 2016.](image)

Note: The first poll in which Gallup asked whether a third party is needed was October 10-12, 2003. This was followed by a poll in 2006; two polls in 2007; 2008; 2010; two polls in 2011; and then annual polls starting in 2012.

Growing inequality and a falling sense of economic opportunity has emerged as perhaps the central challenge of our time. The American Dream, a bedrock of America’s uniqueness is under threat.

Why is this? The U.S. economy has registered disturbing performance since well before the Great Recession. Since 2011, the U.S. Competitiveness Project at Harvard Business School, co-chaired by Michael E. Porter and Jan W. Rivkin, has studied the root causes and conducted annual surveys of business leaders (HBS alumni) and periodic surveys of the general public. The most recent survey on the strengths and weaknesses is shown in Figure 2 in Part I. As we have noted, both HBS alumni and the general public identified our political system as a major weakness and deteriorating.

Based on the survey findings in 2011 and discussions with business leaders and policymakers, the Project created an “eight-point plan” for Washington that identified the eight most critical policy areas to restore U.S. competitiveness and economic growth (see Figure 1). These were policies in key areas of weakness, where the federal government led policy (unlike, for example, public education where policy is set by the states). The areas identified were also chosen because there was wide consensus among experts on what needed to be done.*

The latest survey (2016) found overwhelming, bipartisan consensus among HBS alumni on seven of the eight points, and majority support for the eighth (see Figure 2 on page 50). Despite a highly partisan and often misleading political dialog around these areas (we discuss how this occurs in Part IV), the general public supported four of the eight areas, and support was close to 50% on two others.

Despite wide consensus, however, the stunning reality is that Washington has made zero meaningful progress on any of the eight areas in decades. Project leaders made multiple trips to Washington to meet with senators and members of Congress to discuss the eight-point plan. Legislators from both parties all agreed that the steps were necessary, but cautioned that making progress would be challenging.

The lack of progress on these eight policy areas reflects a political system incapable of addressing America’s essential economic challenge. This is why business leaders and the general public, in our most recent

---

*Healthcare policy was not included in the eight-point plan because in 2012, as in 2017, there was no clear consensus on what needed to be done.
(2016) survey, identified the U.S. political system as among the nation’s greatest weaknesses.* By a huge margin, business leaders believed that the political system was obstructing U.S. growth and competitiveness versus supporting it.

This extreme degree of gridlock is not inevitable in politics, but the result of an American political system misaligned with the public interest.


### FIGURE 2: SUPPORT FOR PROPOSED FEDERAL POLICIES IN 2016

<table>
<thead>
<tr>
<th>U.S. business leaders</th>
<th>General public</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All</strong></td>
<td><strong>Liberal</strong></td>
</tr>
<tr>
<td>Corporate tax reform</td>
<td>76%</td>
</tr>
<tr>
<td>Sustainable federal budget</td>
<td>76%</td>
</tr>
<tr>
<td>High-skill immigration</td>
<td>81%</td>
</tr>
<tr>
<td>Streamlined regulations</td>
<td>77%</td>
</tr>
<tr>
<td>Infrastructure investments</td>
<td>85%</td>
</tr>
<tr>
<td>International trading system</td>
<td>70%</td>
</tr>
<tr>
<td>Responsibly develop our unconventional energy advantage</td>
<td>66%</td>
</tr>
<tr>
<td>Territorial tax code</td>
<td>73%</td>
</tr>
</tbody>
</table>

Note: U.S. business leaders represent HBS alumni. Respondents who identified as moderate/middle of the road are included in the “All” category. Respondents who answered “Don’t Know” or “Refused to Answer” for a federal policy are excluded from analysis. “Liberal”/“Conservative” includes HBS Alumni who self-identified as “very” liberal/conservative or “somewhat” liberal/conservative. General public ideological designation includes those who self-identified as “Extremely liberal/conservative,” “liberal/conservative,” or “slightly liberal/conservative.” Support is defined as respondents “strongly” or “somewhat” agreeing with policy proposals. For full description of respondent political ideologies, questions and response choices, see methodology at http://www.hbs.edu/competitiveness/Documents/USComp-SurveyMethodology2016.pdf.

APPENDIX C: U.S. SOCIAL PERFORMANCE VERSUS OECD COUNTRIES

The Social Progress Index is the most comprehensive international benchmarking tool for social and environmental performance of countries. It covers a broad set of measures of social progress, all of which are outcomes or results-based. Indicators are drawn from well respected organizations and have been consistently calculated.

While the U.S. has traditionally been a leader, and often a pioneer, in many of these areas, current U.S. performance is weak versus other advanced countries.

Figure 1 compares U.S. social performance with the other OECD (Organisation for Economic Co-operation and Development) countries, the set of advanced economies on a global basis.

The U.S. ranks near the bottom in many areas. Our performance has also declined substantially in a number of areas in recent years, especially in tolerance, inclusion, rights and freedom.

### FIGURE 1: SELECTED U.S. SOCIAL PERFORMANCE INDICATORS: RANK VERSUS 35 OECD COUNTRIES

<table>
<thead>
<tr>
<th>Education</th>
<th>2017 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary School Enrollment</td>
<td>33</td>
</tr>
<tr>
<td>Primary School Enrollment</td>
<td>23*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environment</th>
<th>2017 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wastewater Treatment</td>
<td>33</td>
</tr>
<tr>
<td>Rural Access to Improved Water Source</td>
<td>30</td>
</tr>
<tr>
<td>Greenhouse Gas Emissions</td>
<td>28</td>
</tr>
<tr>
<td>Biodiversity and Habitat</td>
<td>28</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Health</th>
<th>2017 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maternal Mortality Rate</td>
<td>30</td>
</tr>
<tr>
<td>Child Mortality Rate</td>
<td>30</td>
</tr>
<tr>
<td>Premature Deaths from</td>
<td>29</td>
</tr>
<tr>
<td>Non-Communicable Diseases</td>
<td>29</td>
</tr>
<tr>
<td>Life Expectancy at 60</td>
<td>26</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Safety</th>
<th>2017 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic Deaths</td>
<td>32</td>
</tr>
<tr>
<td>Homicide Rate</td>
<td>32</td>
</tr>
<tr>
<td>Political Terrorism</td>
<td>27*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tolerance and Inclusion</th>
<th>2017 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious Tolerance</td>
<td>27</td>
</tr>
<tr>
<td>Discrimination and Violence</td>
<td>25</td>
</tr>
<tr>
<td>against Minorities</td>
<td></td>
</tr>
<tr>
<td>Tolerance for Homosexuals</td>
<td>18**</td>
</tr>
<tr>
<td>Tolerance for Immigrants</td>
<td>13**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rights and Freedom</th>
<th>2017 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political Rights</td>
<td>26</td>
</tr>
<tr>
<td>Press Freedom</td>
<td>25</td>
</tr>
<tr>
<td>Freedom Over Life Choices</td>
<td>25</td>
</tr>
<tr>
<td>Community Safety Net</td>
<td>23</td>
</tr>
<tr>
<td>Private Property Rights</td>
<td>18</td>
</tr>
</tbody>
</table>

Notes: * Indicates missing data for some countries, which results in rankings involving fewer than 35 countries. The U.S. Political Terrorism rank of 27, for example, is compared to 34 countries, while Primary School Enrollment rank of 23 is versus 32 countries.

** The U.S. has made major strides in tolerance and rights for homosexuals, but this progress has regressed significantly since 2014. The historical U.S. tolerance for immigrants has also declined substantially.

Many indicators of the nature of political competition illustrate the growing disconnect between political competition and the public interest.

The number of bills actually passed and signed into law has fallen dramatically, bumping up against an all-time low since consistent data have been available (see Figure 1).*4

Highly salient policy matters, such as health care or immigration, remain stalled for years, bills become more complex, and one Congress punts the decision to the next (see Figure 2). Other research suggests that major legislation is also declining.

The laws actually passed are becoming more and more partisan (see Figure 3). Traditionally, conference committees brought together Republicans and Democrats from the House and Senate to reconcile differences in the bills passed by both houses. Today, voting is more partisan on bills, as shown by the rising proportion of “party unity votes,” the declining bipartisan support for landmark legislation, and conference committees that are nearly extinct. Parties rarely invite each other to participate in reconciling differences.

The party in power increasingly pushes through important legislation, with little or no support from the minority party.

The share of bills introduced with bipartisan co-sponsorship from 2013–2015 was just 35% for the median Representative and 30% for the median Senator. Bills introduced by Representatives in safe seats (vulnerable only to a primary challenge) appear to be less bipartisan than those in competitive seats.5

Lastly, the number of moderates in Congress has declined dramatically over the last several decades. The basis for bipartisan compromise has eroded sharply.

*The numbers are worse than they look here, because many of the laws that do get passed are not substantive—for example, post offices or anniversary commemorations.

**APPENDIX D: HOW POLITICAL COMPETITION HAS BEEN DISTORTED**

**FIGURE 1: FEWER LAWS ENACTED BY CONGRESS**

Number of laws enacted has trended downward from 772 during the 93rd Congress (1973-74) to 329 during the 114th Congress (2015-16).

FIGURE 2: INCREASING CONGRESSIONAL GRIDLOCK ON IMPORTANT ISSUES

The share of salient issues deadlocked in Congress has risen from about 1 in 4 during the 80th Congress to 3 in 4 during the 113th Congress.

![Graph showing increasing congressional gridlock on important issues.](image)

Note: Salient issues for each session of Congress were identified using the level of New York Times editorial attention. Deadlocked issues are ones on which Congress and the president did not take action during the session.


FIGURE 3: THE DECLINE IN BIPARTISANSHIP (CONFERENCE COMMITTEE REPORTS)

Number of conference committee reports has trended downward from 67 during the 104th Congress (1995-96) to eight during 114th Congress (2015-16).

![Graph showing the decline in bipartisan conference committee reports.](image)

Note: A conference committee reconciles differences in legislation that has passed both the House of Representatives and the Senate. The committee proposes the legislative language to reconcile the bills from each chamber before a final vote on the legislation.

FIGURE 4: INCREASING PROPORTION OF PARTY UNITY VOTES

Party unity votes in the Senate and House have risen from about half of all roll-call votes in 1953 to 69% in the Senate and 75% in the House as of 2015.

Note: Data are for all roll-call votes. Source: Congressional Quarterly Weekly Report, various issues. Most recent update from Party Unity Tables, CQ Almanac, 2015.

FIGURE 5: DECLINING BIPARTISAN SUPPORT FOR LANDMARK LEGISLATION

Note: The number of members of each party has fluctuated over time. Percentages indicate the share of House members of the given party who voted for the legislation. The bills above specifically refer to H.R. 7260, H.R. 10660, H.R. 7152, H.R. 6675, H.R. 3734, H.R. 3590, H.R. 4173, respectively. Source: GovTrack.com, accessed August 2017.
Why Competition in the Politics Industry Is Failing America

Figure 6: Low Share of Bipartisan Legislation Introduced in Congress, Legislative Years 2013 to 2015

Percent of bills introduced by legislators in a given legislative year which had both a Democratic co-sponsor and a Republican co-sponsor.

<table>
<thead>
<tr>
<th></th>
<th>All Members</th>
<th>Republicans</th>
<th>Democrats</th>
<th>Serving 10+ Years</th>
<th>Sophomores</th>
<th>Safe Seats</th>
<th>Competitive Seats</th>
<th>Chairs/Ranking Members</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>House of Representatives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>35%</td>
<td>42%</td>
<td>28%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>45%</td>
<td>37%</td>
</tr>
<tr>
<td>Observations</td>
<td>640</td>
<td>330</td>
<td>310</td>
<td>301</td>
<td>115</td>
<td>571</td>
<td>69</td>
<td>85</td>
</tr>
<tr>
<td><strong>Senate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>30%</td>
<td>29%</td>
<td>32%</td>
<td>31%</td>
<td>28%</td>
<td>N/A</td>
<td>N/A</td>
<td>31%</td>
</tr>
<tr>
<td>Observations</td>
<td>253</td>
<td>109</td>
<td>139</td>
<td>145</td>
<td>40</td>
<td>N/A</td>
<td>N/A</td>
<td>105</td>
</tr>
</tbody>
</table>

Note: Observations only include Members of Congress who sponsored more than 10 bills in a legislative year. Sophomores are Members of Congress whose first term (in the same chamber) was the preceding Congress (e.g., a House sophomore in the 113th Congress would have served his or her first term in the House in the 112th Congress). A ranking member is the senior-most member of a committee not in the majority party. Each observation represents the percentage of bipartisan legislation introduced by a given Congress member.


Figure 7: Declining Proportion of Moderates in the House of Representatives

As of the 114th Congress (starting 2015), 11% of Democrats and 1% of Republicans in the House are moderates. In 1951, roughly 60% of both Republicans and Democrats in the House were moderates.

Note: “Moderates” within each party are defined as -0.25 to +0.25 on the first DW-NOMINATE dimension, which represents the ideological (liberal [-1] to conservative [+1]) spectrum.

Source: Data from Professor Keith Poole, University of Georgia, voteview.com, accessed August 2017.
FIGURE 8: DECLINING PROPORTION OF MODERATES IN THE SENATE

As of the 114th Congress (starting 2015), 14% of Democrats and 4% of Republicans in the Senate are moderates. In 1951, roughly 50% of Republicans and 80% of Democrats were moderates.

Note: “Moderates” within each party are defined as -0.25 to +0.25 on the first DW-NOMINATE dimension, which represents the ideological (liberal -1) to conservative (+1) spectrum.

Source: Data from Professor Keith Poole, University of Georgia, voteview.com, accessed August 2017.
APPENDIX E: THE SIZE OF THE POLITICAL INDUSTRIAL COMPLEX

I. Total Size of Political Industrial Complex

1. Overview

To estimate the size of the politics industry at the federal level, we identified four categories of spending connected to the political-industrial complex, where data was available: election spending (including paid political advertising); lobbying activity; partisan leaning, public-policy-focused think tank revenue; and television advertising revenue from political coverage (excluding political advertising). We estimated total spending/revenue from each of these categories and summed them to arrive at our total estimate, ≈$16 billion in direct spending over the recent two-year election cycle at the federal level.

Below, we describe the periods during which we collected spending/revenue figures, the definition we employ of each category, and the procedure we use to determine the size of each category.

2. Time Frame

Our estimates for a single election cycle, the 2015–2016 election cycle or the most recent two years of data available:

<table>
<thead>
<tr>
<th>Category</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Election spending</td>
<td>2015–2016</td>
</tr>
<tr>
<td>Lobbying activity</td>
<td>2015–2016</td>
</tr>
<tr>
<td>Think tank revenue</td>
<td>Two most recent fiscal years available</td>
</tr>
<tr>
<td>Non-political advertising from political coverage</td>
<td>2015–2016</td>
</tr>
</tbody>
</table>

3. Definition of Spending Categories, Sources and Methodology

A. Campaign Finance (Federal Only)

Spending in the 2016 election reflects the cumulative disbursements reported to the Federal Election Commission (FEC) from the following entities:

- **Candidate committees**
  Types of Spending Included: Authorized committee expenditures for presidential, Senate and House candidates across all parties

- **PACs (including Super PACs)**
  Types of Spending Included: Coordinated and independent expenditures (not including electioneering communications or communications costs)

- **Party committees**
  Types of Spending Included: Coordinated and independent expenditures (not including electioneering communications or communications costs)

- **Social welfare organizations; Unions; Trade associations; Other (e.g., corporations, individual, people, other groups, etc.) excluding parties and Super PACs**
  Types of Spending Included: Independent expenditures, communication costs, electioneering communications

Notes:

- Intra-system money movements: Only disbursements from the “final spender” are accounted for within committee spending, per FEC Beta's methodology (which can be found here: https://beta.fec.gov/data/#spending). In other words, intra-system money movements (contribution refunds, loan repayments, and transfers, etc.) are netted out. Spending from the last group described above report outside spending via Form 5, which ensures no double counting with spending from candidate committees, PACs, and party committees (which report spending via Form 3, Form 3P and Form 3X).
- Not included in our election spending estimate are: any disbursements that did not need to be reported to the FEC, which include spending on “issue
“ads” by the 501(c)s listed above;* and campaign committees and PACs with financial activity below FEC reporting thresholds which are not required to report disbursements to the FEC.

- Activity from federal committees of state and local parties are included in our estimate.

**B. Lobbying**

Lobbying activity includes lobbying-related income from registered lobbying firms, and lobbying-related expenditures from organizations employing in-house lobbyists that are reported to the Secretary of the Senate’s Office of Public Records. Lobbying firms are not required to report income from clients spending less than $3,000 in a quarter, while organizations with in-house lobbyists are not required to report expenditures totaling less than $12,500 in any quarter (increased to $13,000 starting January 1, 2017). Lobbying activity will also not capture what is known as “shadow lobbying,” or activity that is similar to lobbying but does not require disclosure, such as strategic policy consulting. Importantly, the Center for Responsive Politics avoids double counting from amended reports and screens for errors in individual reports. For a full methodology on how lobbying activity is calculated, see https://www.opensecrets.org/lobby/methodology.php.

**C. Think Tank Revenue**

Think tank revenue was gathered for public policy focused think tanks (i.e., U.S. policy on domestic and foreign matters) with a partisan orientation. We used the following procedure.

First, we gathered a comprehensive list of influential think tanks. The base list of think tanks includes all those included in James McGann’s “Top Think Tanks in the United States” in his 2015 Global Go-To Think Tank Index Report, published February 9, 2016.

Second, we determined political orientation of think tanks, and excluded any think tanks that did not have a partisan leaning. To determine partisan leanings, we consulted three sources, each of which label think tanks with a political orientation using around five categories: left; left-leaning; non-partisan/centrist; right-leaning; and right. The three sources were:

a. James McGann’s categorizations in Table 3.5 of *Think Tanks and Policy Advice in the US: Academics, Advisors and Advocates*, published in 2007

b. A 2012 study by FAIR (for details of method for determining political orientation, see http://fair.org/extra/fair%E2%80%8Bstudy-think-tank-spectrum-2012/

c. InsideGov.com (http://think-tanks.insidegov.com/)

Where multiple political orientations were given for a single think tank, priority was given to source (a) followed by source (b).

Third, we excluded think tanks that had little or no focus on U.S. policy specifically. This analysis was conducted via study of each think tank’s mission/description from the organization’s website.

The final list included 24 think tanks: Center for American Progress (left), Economic Policy Institute (left), Institute for Policy Studies (left), Demos (left), Center for Economic and Policy Research (left), Institute for Women’s Policy Research (left), Brookings Institution (left-leaning), Urban Institute (left-leaning), Center on Budget and Policy Priorities (left-leaning), New America Foundation (left-leaning), Center for Strategic and International Studies (right-leaning), Cato Institute (right), Heritage Foundation (right), American Enterprise Institute for Public Policy Research (right), Hoover Institution (right), Hudson Institute (right), Foreign Policy Research Institute (right), Manhattan Institute for Policy Research (right), Mercatus Center (right), Reason Foundation (right), Pacific Research Institute (right), Competitive Enterprise Institute (right), Mackinac Center (right), Tax Foundation (right).

Finally, we compiled revenues from the two most recent annual revenue figures available via Guidestar or annual reports.

**D. Non-political advertising from political coverage**

*We thank Kantar Media for providing advertising revenue data.*

Total advertising revenue was estimated for political coverage aired by television shows in 2015 and 2016, with an emphasis on politics.

We used the following procedure:

First, we determined a list of political television shows based on author analysis of all shows aired on ABC, CBS, CNN, Fox/Fox News, MSNBC, and NBC.

Second, we categorized TV shows based on level of political coverage. We divided them into three groups:

- Debate/convention/political event coverage: These shows focused exclusively on politics.

Note: Advertising dollars from debate/convention/political event coverage aired during regular programming for the shows listed below were deleted to avoid double counting.

- Politically-focused shows: These were shows with the majority of coverage focusing on elections as well as politics more generally.
  
  The list of shows classified as “politically-focused” are: 11th Hour With Brian Williams; AM Joy; Andrea Mitchell Reports; Face The Nation; The Five; Fox News Sunday; Chris Wallace; Fox News Sunday; Hannity; Hardball Weekend; Hardball With Chris Matthews; Inside Politics; Kelly File; Last Word with Lawrence O’Donnell; Meet The Press; Morning Joe; Morning Joe At Night; MSNBC Live with Steve Kornacki; MTP Daily; O'Reilly Factor; Politicsonation; Rachel Maddow Show; Situation Room; Smerconish; Special Report with Bret Baier; State Of The Union; This Week with George Stephanopolous; With All Due Respect; Wolf.

- Mixed coverage: These heavily covered politics and the election, but had segments covering other topics (sports, weather, and/or pop culture, and so on).
  
  The list of shows included as “mixed coverage” are: All In With Chris Hayes; America's News HQ; Anderson Cooper 360; At This Hour With Berman; CNN Tonight; CNN Tonight With Don Lemon; Fox And Friends; Fox And Friends First; Fox And Friends Saturday; Fox And Friends Sunday; Lead With Jake Tapper; MSNBC Live; MSNBC Live With Andrea Mitchell; MSNBC Live With Craig Melvin; MSNBC Live With Hallie Jackson; MSNBC Live With Jose Diaz; MSNBC Live With Kate Snow; MSNBC Live With Stephanie Ruhle; MSNBC Live With Tamron Hall; MSNBC Live With Thomas Roberts; New Day-CNN; Tucker Carlson Tonight.

Third, we applied a conservative adjustment factor to avoid including advertisements aired during non-political segments.

The adjustment factors, by category, are displayed in the table below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Adjustment Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debate/convention/political event</td>
<td>No downward adjustment</td>
</tr>
<tr>
<td>Politically-focused</td>
<td>80% of advertising revenue</td>
</tr>
<tr>
<td>Mixed coverage</td>
<td>50% of advertising revenue</td>
</tr>
</tbody>
</table>

Fourth, to calculate the political advertising aired on these shows, we employed the following procedure.

A. Determine proportion of total political advertisements aired on shows for which we collected revenue. Using the Political TV Ad Archive’s full dataset for 2016 elections (https://politicaladarchive.org/data), we then counted the total number of political advertisements aired on our shows and divided it by the total number of political advertisements in the database.

B. Apply this proportion to estimated total political advertising costs. We applied this proportion of total advertisements to the total cost of ads aired during the 2015-2016 election cycle for presidential ($854 million), House ($335 million), and Senate ($655 million) races on broadcast television and national cable. This estimate was extracted from Table 1 in Erika Franklin Fowler, Travis N. Ridout, and Michael M. Franz, “Political Advertising in 2016: The Presidential Election as Outlier?,” The Forum 14, no. 4, 2016. This estimate used Kantar Media/CMAG data and is based on analysis by the Wesleyan Media Project.

E. Summing spending

We summed total spending across each category to arrive at our ≈$16 billion figure.

There are other categories of the political industrial complex’s spending for which it was not possible to construct reasonable estimates, such as radio shows and podcasts covering politics, political websites, and social media.
II. The Return on Investment from Lobbying

Direct spending in the political industrial complex does not capture to the full extent the economic influence that politics has on other industries. Researchers have identified several types of “returns” associated with lobbying activity, such as federal tax savings, the enactment of more favorable regulations, delayed fraud detection for corporations, and the allotment of increased federal resources. We group such findings into six broad categories in the list below. While the list is not exhaustive, these studies collectively provide compelling evidence that lobbying is a financially effective mechanism to influence public policy.

1. Lobbying and Tax Savings from the American Jobs Creation Act


2. Lobbying and Trade Policy


3. Lobbying and Legal Leeway (Fraud Detection, SEC Enforcement)


4. Lobbying and Troubled Asset Relief Program Support


5. Lobbying and the Public Sector (Education Institutions, Cities)


6. Lobbying and the Energy Sector

III. Number of Jobs Involved In the Political Industrial Complex

To gauge the direct economic influence of the political industrial complex, we investigated the number of people employed at above minimum wage, in its key components: federal campaigns; federal government lobbying; partisan or partisan-leaning think tanks; and political media.

Methodology

The data were collected from a variety of sources. The sources used and methodology employed for each category are discussed below.

1. Jobs Related to Lobbying the Federal Government (n = 11,166)

The number of unique registered lobbyists was collected from the Center for Responsive Politics' lobbying database.


2. Jobs Related to Leading Partisan and Partisan-Leaning Think Tanks (n = 4,171)

Definition: Think tank jobs were gathered for public-policy-focused think tanks (i.e., U.S. policy on domestic and foreign matters) with a partisan orientation. See procedure from Section I above. For this list of think tanks, we gathered the most recent annual employment figure available (2015/2014) via Form 990s.

3. Jobs Related to Federal Campaigns (n = 3,840)

A. Individuals on payroll and independent consultants

The number of jobs via payroll and independent consultants reflect an estimated number of unique individuals who earned at least $15,080 in payroll or consulting receipts in 2016. We caution interpretation here: our analysis is rough due to narrow restrictions we place on keyword searches (see below). Our estimate is likely a substantial under-estimation.

We used the following procedure:

Step 1: Download pre-processed disbursement data from Federal Election Commission (data has been categorized and coded by the FEC) with:

a. A "transaction time period" of 2016;
b. A disbursement description by the filer that includes "payroll" or "consult" (or both). That is, if the filer does not include "payroll" or "consult" in the purpose of disbursement, then the disbursement was not counted in this analysis. Keywords such as "salary" and "wage" would significantly add to our results.
c. Entity type categorized as "Individual."

Step 2: Clean the data. FEC forms for reporting disbursement data have a number of complexities for this analysis. In particular:

a. Disbursements are reported periodically, according to the filer's reporting schedule, and there is no unique identifier for the individual receiving the disbursement. As a result, with each filing of a disbursement, the name of a single individual can be reported in multiple ways (e.g., the inclusion or exclusion of a middle initial or middle name; a period or comma after a middle initial or name; abbreviated first names; a suffix after a last name; honorifics), which makes identifying total receipts from unique individuals complex.

To clean these data, we employed the following general assumption:

We sum expenditures from disbursement form recipients with identical first and last names, unless the last name is commonplace (e.g., Smith) or the middle initial or names differ.

Important notes:

- If two recipients have the same first and last names, but one has a middle initial identified, while the other does not, then disbursement recipients are assumed to be the same individual.

- Given a last name that is commonplace (e.g., Smith), if the first and last name matches across multiple disbursement forms, and the recipient address is from the same ZIP code, then we assume only one individual.

In addition, we manually searched names to identify potential spelling errors in names. Spelling errors come in two forms: improper recognition of letters from the physical form in FEC’s online database; or misspelling by the filer. These cases were dealt with on a case-by-case basis, and reference to the recipient ZIP code was generally utilized.

Step 3: Count unique names with total disbursement of at least $15,080. This cut-off represents the annual earnings for a full-time minimum-wage worker at the current federal minimum wage of $7.25.
B. Organizations with major consulting contracts (n = 1,036)

**Step 1:** Download pre-processed disbursement data from Federal Election Commission (data has been categorized and coded by the FEC) with:

- A “transaction time period” of 2016
- A disbursement description by the filer that includes “consult.” That is, if the filer does not include “consult” in the purpose of disbursement, then the disbursement was not counted in this analysis.
- Entity type categorized as “Organization” or left blank (since the overwhelming majority of blank entity types are organizations).

**Step 2:** Clean the data. FEC forms for reporting disbursement data have a number of complexities for this analysis. In particular:

- Disbursements are reported periodically, according to the filer’s reporting schedule, and there is no unique identifier for the organization receiving the disbursement. As a result, with each filing of a disbursement, the name of organization can be reported in multiple ways (e.g., abbreviations, the inclusion of organizational structure, different spacing), which makes identifying total receipts from unique organizations complex.

To clean these data, we evaluated each potential match on a case-by-case basis. Generally, we considered organizations that have nearly identical names (see variations above) and are from the same state to be identical.

- For any recipient with an entity type not identified by the filer, we deleted disbursements to those which appear to be to an individual. In addition, we deleted all disbursements to political action committees (PACs).

**Step 3:** Count unique names with total disbursements of at least $50,000.
WHY COMPETITION IN THE POLITICS INDUSTRY IS FAILING AMERICA

ENDNOTES

Preface
1 This quotation is often attributed to Thomas Jefferson, although it has never been found in his writings. See the Thomas Jefferson Foundation, https://www.monticello.org/site/research-and-collections/government-majority-who-participate-spurious-quotations#footnote1_g10ty41, accessed August 2017.

Part I
1 For example, according to the Center for Responsive Politics, the total cost of elections during presidential cycles increased 60% from the 1999–2000 cycle to the 2015–2016 cycle, after adjusting for inflation. As noted by the Center for Responsive Politics, 2016 total cost projections include spending by PACs on overhead expenses, which are attributed to Congressional races. The total cost accounts for “all money spent by presidential candidates, Senate and House candidates, political parties, and independent interest groups trying to influence federal elections.” Source: Center for Responsive Politics, “Cost of Election,” https://www.opensecrets.org/overview/cost.php, accessed February 2017.

Part II
1 Work by Mickey Edwards has helped to highlight this observation. See The Parties Versus the People: How to Turn Republicans and Democrats into Americans (New Haven: Yale University Press, 2012).
9 Estimate represents advertising revenue from political coverage on major television shows primarily covering politics. Based on author analysis of advertising revenue data provided by Kantar Media.
10 Industry size determined by value added as a percentage of gross domestic product for “Government” (the combined value added


14 According to Ballotpedia, 43 states participate in redistricting following the completion of each census, while the remaining states only have one congressional district. “As of June 2017, congressional redistricting was the province of the state legislatures in 37 [of the 43] states. In four states, independent commissions were responsible for congressional redistricting. In two states, the task fell to politician commissions.” Ballotpedia, “State-by-state redistricting procedures,” https://ballotpedia.org/State-by-state_redistricting_procedures, accessed August 2017.

15 This observation was made by President Obama in his remarks to the Illinois General Assembly on February 10, 2016, in Springfield, Illinois. See https://obamawhitewhitehouse.archives.gov/the-press-office/2016/02/10/remarks-president-address-illinois-general-assembly.

16 According to one recent study of the geographic compactness of congressional districts since the “original gerrymander” (a Massachusetts State Senate district in 1812), “20% of all districts ever drawn ... are less compact than the original gerrymander.” Furthermore, the authors found that “the geographic integrity of congressional districts has worsened in the United States since the 1960s.” See Stephen Ansolabehere and Maxwell Palmer, “A Two Hundred-Year Statistical History of the Gerrymander,” Ohio State Law Journal 77, no. 4 (2016): 741–762.

17 A trial court first ruled that this map showed an unconstitutional racial gerrymander on October 7, 2014. This decision was later vacated by the U.S. Supreme Court, but the trial court reaffirmed its earlier decision on June 5, 2015. A new court-drawn congressional map was imposed on January 7, 2016. On May 23, 2016, the Supreme Court dismissed an appeal by three Republican representatives challenging the court ruling. The number of districts in Virginia increased from 10 in the 83rd Congress to 11 in the 114th Congress. Virginia's apportionment population was 8,037,736 in 2010 (2.6% of U.S. apportionment population total) and 3,318,680 in 1950 (2.2% of total). Apportionment population from Kristin D. Burnett, “Congressional Apportionment,” U.S. Census Bureau, November 2011, https://www.census.gov/content/dam/Census/library/publications/2011/dec/c2010br-08.pdf, accessed March 2017; and Michel L. Balinski and H. Peyton Young, Fair Representation, (Washington: Brookings Institution, 2001). For legal history through June 2015, see Dawn Curry Page, et al. v. Virginia State Board of Elections, no. 3:13cv678, Mem. Op. & J., June 5, 2015.


19 We recognize that a count of the numbers of laws passed gives an incomplete picture of Congress’s legislative productivity. As noted by political scientists J. Tobin Grant and Nathan J. Kelly, “Scholars interested in legislative productivity have rightly noted that simply counting laws without accounting for their content is likely to produce measurement error when attempting to measure policy production. Not all laws are created equal in their contribution to policy change.” Still, the authors state that because “lawmaking in general is an aspect of policy production,” the number of laws enacted “measures one conceptual aspect of legislative productivity.” See J. Tobin Grant and Nathan J. Kelly, “Legislative Productivity of the U.S. Congress, 1789–2004,” Political Analysis 16, no. 3 (Summer 2008): 303–323.


PART IV


3 The numerator is total votes counted (different from total ballots cast in that it excludes rejected ballots) for all states that have a
WHY COMPETITION IN THE POLITICS INDUSTRY IS FAILING AMERICA


4 Turnout for 2010 is as of September 1, 2010. Data for 2014 were not available. The numerator is total ballots cast (versus counted) for U.S. Senate for all states that have a statewide primary (excludes caucuses and conventions). The denominator is the population of age-eligible U.S. citizens (does not exclude felons). Data from Center for the Study of the American Electorate, http://www.electproject.org/media/upload/2010_PrimaryTurnoutData_webversion.pdf, accessed March 2017.


7 According to a recent study, nearly 60% of senators and 40% of House members who left their posts in 2012 went on to register as lobbyists (up from about 5% in 1976, the first year for which data were available). See Jeffrey Lazarus, Amy McKay, and Lindsey Herbel, “Who walks through the revolving door? Examining the lobbying activity of former members of Congress,” Interest Groups & Advocacy 5, no. 1 (March 2016): 85.


12 Nickerson and Rogers (2014) explain how campaign data analytics can yield key competitive advantages. They note that “campaign data analysts … develop predictive models that produce individual-level scores that predict citizens’ likelihoods of performing certain political behaviors, supporting candidates and issues, and responding to targeted interventions. The use of these scores has increased dramatically during the last few election cycles.” Further, they found that campaigns “use these [predictive] scores to target nearly every aspect of campaign outreach: door-to-door canvassing; direct mail; phone calls; email; television ad placement; social media outreach (like Facebook and Twitter); and even web page display.” The authors’ model shows that targeting persuasive communications at voters with a responsiveness score in the top quintile produces three times as many votes as would untargeted efforts. See David W. Nickerson and Todd Rogers, “Political Campaigns and Big Data,” Journal of Economic Perspectives 28, no. 2 (Spring 2014): 51–74.

13 For example, Comcast notes in its Form 10-K, “Advertising revenue [for its Cable Communications segment] increased 9.6% in 2016 primarily due to an increase in political advertising revenue. In 2015, advertising revenue had decreased 3.8% over the previous year, primarily due to a decrease in political advertising revenue.” See Comcast Corporation, December 31, 2016 Form 10-K (filed February 3, 2017).

14 A recent study, which analyzed newspaper and television news coverage of the 2016 general election, concluded that “false equivalences abound in today’s reporting.” The study showed that pervasive, “indiscriminate” criticism of Hillary Clinton and Donald Trump overshadowed “important distinctions” in several allegations constituted to the two candidates. Clinton and Trump received an identical proportion of negative (87%) and positive (13%) news reports related to their “fitness” for office. See Thomas E. Patterson, “News Coverage of the 2016 General Election: How the Press Failed the Voters,” Harvard Kennedy School’s
PART V

1 For more information on each topic presented in Figure 1, please see the following sources. Partisan Primaries (for congressional

24 Total is for 2017–2018 cycle and includes Advisory Opinion 2014-12 (which allows separate contribution limits for national


18 Number of think tanks from James G. McGann, “2015 Global Go To Think Tank Index Report,” February 9, 2016, http://repository.upenn.edu/cgi/viewcontent.cgi?article=1009&context=think_tanks, accessed December 2016. Budget estimate based on author analysis using the most recent revenue data available for U.S. think tanks identified in Table 7 in McGann. Revenue data are available for just 64 of the think tanks from McGann’s list, totaling more than $2 billion. Revenue data from Guidestar and annual reports.


17 Greg Orman, A Declaration of Independents: How We Can Break the Two-Party Stranglehold and Restore the American Dream (Austin, TX: Greenleaf Book Group Press, 2016), p. 158.

17 Greg Orman, A Declaration of Independents: How We Can Break the Two-Party Stranglehold and Restore the American Dream (Austin, TX: Greenleaf Book Group Press, 2016), p. 158.

16 Number of think tanks from James G. McGann, “2015 Global Go To Think Tank Index Report,” February 9, 2016, http://repository.upenn.edu/cgi/viewcontent.cgi?article=1009&context=think_tanks, accessed December 2016. Budget estimate based on author analysis using the most recent revenue data available for U.S. think tanks identified in Table 7 in McGann. Revenue data are available for just 64 of the think tanks from McGann’s list, totaling more than $2 billion. Revenue data from Guidestar and annual reports.


17 Greg Orman, A Declaration of Independents: How We Can Break the Two-Party Stranglehold and Restore the American Dream (Austin, TX: Greenleaf Book Group Press, 2016), p. 158.
WHY COMPETITION IN THE POLITICS INDUSTRY IS FAILING AMERICA

According to Ballotpedia, 43 states participate in redistricting following the completion of each census, while the remaining states participate in a variety of other methods. Louisiana has had a form of a nonpartisan primary system since 1978 (with the exception of the years 2008–2010). There, all congressional candidates irrespective of party affiliation compete in a general election. If no candidate receives at least 50% of the vote, the top two compete in a runoff election in December. For more details, see Chris Hughes, “Louisiana’s Cajun Primary: An Innovative Primary Undone by Electoral Stagnation,” FairVote, November 20, 2015, http://www.fairvote.org/louisiana-cajun-primary-an-innovative-primary-undone-by-electoral-stagnation, accessed March 2017.


According to Ballotpedia, 43 states participate in redistricting following the completion of each census, while the remaining states
only have one congressional district. “As of June 2017, congressional redistricting was the province of the state legislatures in 37 (of the 43) states. In four states, independent commissions were responsible for congressional redistricting. In two states, the task fell to politician commissions.” Ballotpedia, “State-by-state redistricting procedures,” https://ballotpedia.org/State-by-state_redistricting_procedures, accessed August 2017.

In Iowa, nonpartisan legislative staff members in the Legislative Services Agency work with an independent commission to submit district maps for the state, but the Iowa legislature retains final authority to implement redistricting maps. For details, see Justin Levitt, “All about Redistricting—Iowa”; http://redistricting.lis.edu/states-IA.php, accessed March 2017. Many states will find it easiest to adopt Iowa’s approach so that they do not have to change their state constitution. Congressional districts drawn by independent commissions from Ballotpedia, “State-by-state redistricting procedures,” https://ballotpedia.org/State-by-state_redistricting_procedures, accessed August 2017.

Peter Ackerman, Chairman of Level the Playing Field, email message to author, August 29, 2017.

The ruling requires the Federal Election Commission to reconsider two administrative complaints filed by Level the Playing Field (and other plaintiffs) against the Commission on Presidential Debates (CPD). These allege that, in violation of FEC regulations, the CPD was nonpartisan and that “the CPD-sponsored debates had amounted to illegal corporate contributions to the campaigns of the 2012 general election presidential candidates who participated.” The FEC was required to issue a new decision that adequately responds to the evidence presented in the complaints, as well as to reconsider a petition for rulemaking filed by Level the Playing Field which had asked the FEC to amend its rules to prohibit the CPD from using a polling threshold as the sole criterion for accessing general election presidential and vice-presidential debates. On April 6, 2017, the FEC issued its decision that it would not take enforcement action against the CPD and that it would “defend, rather than change, its current rules, which give the debates’ sponsor broad leeway to decide who can participate.” Source: FEC, “Level the Playing Field, et al. v. FEC,” http://www.fec.gov/law/litigation/LPF.shtml, accessed April 2017; and Kenneth P. Doyle, “FEC Nixes Enforcement Against Presidential Debates Sponsor,” Bloomberg BNA, April 6, 2017, https://www.bna.com/fec-nixes-enforcement-n57982086312/, accessed April 2017.


Legal systems are shaped by “three relatively distinct yet intersecting elements—ideas, interests, and institutions,” over time. A historical analysis of laws, their interpretation, and their enforcement shows that these elements must align before major changes can be seen. Much of the time, the application of the law is not circumscribed by the theoretical frameworks, but rather by institutional capacities that may limit even-handedness or coherence. Certain structures like an appeals system through which particular aspects of the law can be tested and interpretations of the law can be made, as well as universally held legal principles based on established norms or scientific understanding (such as the presumption of an individual’s innocence unless proven otherwise) need to be sufficiently developed in order for the law to function as well as it should in a purely theoretical framework. This analysis is based on changes in jurisprudence related to criminal responsibility in English law since the eighteenth century. For a more detailed discussion, see Nicola Lacey, “Jurisprudence, History, and the Institutional Quality of Law,” Virginia Law Review 101, no. 4 (June 2015): 919–946.

We raised such approaches in Part III as potential substitutes to the existing party-dominated system.

The founder of The Centrist Project, Charles Wheelan, attributes the phrase to David Brooks of the New York Times and defines it as “a generation of Americans who are fed up with the current political system, who believe we can do better, and most important, who are ready to do something about it.” See Charles Wheelan, The Centrist Manifesto (New York: W. W. Norton & Company, Inc., 2013), p. 24.


Ibid.

David G. Crane, conversation with author.

Andrew Crutchfield, Director at Govern for California, email message to author, February 19, 2017.


March 2017; author analysis.


APPENDICES A–E


5 Observations only include Members of Congress who sponsored more than 10 bills. Statistics for 2013 legislative year are as of December 1, 2014; 2014 legislative year are as of January 12, 2015; 2015 legislative year are as of January 9, 2016. Sophomores are Members of Congress whose first term (in the same chamber) was the preceding Congress (e.g., a House sophomore in the 113th Congress would have served his or her first term in the House in the 112th Congress). A ranking member is the senior-most member of a committee not in the majority party. Source: Govtrack.us, accessed November 2016; author calculations.
BIBLIOGRAPHY AND RECOMMENDED READING

While all of these publications are valuable, we have starred works that are particularly germane to the thesis.


WHY COMPETITION IN THE POLITICS INDUSTRY IS FAILING AMERICA


ACKNOWLEDGMENTS

Many thoughtful individuals have recognized the problems in our political system, and there is an extensive literature on both problems and proposed solutions. There are also an array of promising initiatives underway directed at political reform. We are indebted to many others for their research, insight and leadership in taking action—particularly Mickey Edwards (whose pioneering work on the role of parties in our system jumpstarted our effort), Charlie Wheelan, Greg Orman, David Crane, Maya MacGuiness, Ruth Greenwood, Nancy Jacobson, and Peter Ackerman.

We also recognize and have benefited from the efforts of the many leaders in the political reform and innovation community, including Nick Troyano, Chad Peace, Jim Jonas, John Opdycke, Josh Silver, Rob Richie, Elizabeth Beck Reynolds, Gerry Herbert, Nicholas Stephanopoulos, Mike Murphy, and Cara McCormick. Many individuals more knowledgeable than we are, in so many ways, generously answered our calls and questions. We especially thank Evan Bayh, David Gergen, Steve Fraidin, Brendan Nyhan, and Charles “Rick” Rule. Bill Ackman, Jim Hagedorn and Michael Fisch provided feedback and hosted important events on the research.

We also appreciate the counsel of many who read drafts and provided helpful comments along the way including Michael Anders, JoAnne Anton, Elizabeth Brenner, Edward Chapman, Andrew Crutchfield, Kathryn Flores, Adam Hanft, Adi Ignatius, Johnny Johns, Christian Ketels, David Lubar, Peter Mahler, Greg Marcus, Bill McNabb, Michael Moskow, Don Peck, Austin Ramirez, Gus Ramirez, Tom Rossmeissl, Lynde Uihlein, Susan Yackee, Nick Zeppos, and Robert Zimmer.

Michael’s colleagues at Harvard Business School (HBS) contributed in important ways to this work. Jan Rivkin, co-chair with Michael of the U.S. Competitiveness Project, was instrumental throughout from conception to synthesis. David Moss helped inspire this work with his thought-provoking article “Fixing What’s Wrong with U.S. Politics,” published in the March 2012 special issue of Harvard Business Review on U.S. competitiveness. We thank the participants in an HBS faculty seminar on this research early this year for their many, very helpful, comments. Finally, this research would not be possible without support and comments from Nitin Nohria, Dean of the Faculty.

We are very grateful to the team at Harvard Business School for its contribution on this multi-year effort, starting with Manjari Raman for her project leadership, insights, and editorial support; Andrew Speen and Alexandra Houghtalin for their invaluable assistance in the research underlying this paper; Ilyes Kamoun for help with literature review and data collection; Stuart Gardner for assistance in manuscript development and production; Gabriel Ellsworth for copyediting and proofreading; and Jill Hogue for just about everything.

Joan Magretta provided invaluable editorial guidance, as did Alan Murray, Clifton Leaf, and their Fortune colleagues on an early version of these ideas published in Fortune, March 2017. We also appreciate the expertise and counsel of Katie Boyce, who supports Katherine on her political reform efforts. Finally, Richard Edelman and his colleagues provided invaluable guidance in helping us disseminate this work to the media and other stakeholders.

While all these individuals deserve our great appreciation, they do not necessarily agree with our analysis, conclusions, or recommendations. We alone bear full responsibility for this research and its findings.

FOR FURTHER INFORMATION: Visit Harvard Business School’s U.S. Competitiveness Project at http://www.hbs.edu/competitiveness/

Please direct inquiries to Manjari Raman (mraman@hbs.edu).

Report design: Terberg Design, LLC

Corrigendum: This report was updated on November 20, 2017 to correct the federal government spending statistic on page 13.