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Party Foul: Inside the Rise of Spies, Mercenaries, and Billionaire Money-men

By Alex Altman; Zeke Miller

On a cold Saturday in January, a spy slipped into a craft brewery in downtown Des Moines, Iowa, where Hillary Clinton's standing army was huddled in a private room. The 43-year-old operative lurked in the corner with a camera on a tripod, recording the group of old Clinton hands as they plotted her path to the presidency. "Nobody," veteran Democratic strategist Craig Smith told the group, "had ever done it like this before."

Within hours, a clip of the gathering was shipped to the snoop's employer, a for-profit research firm in northern Virginia. From there, it was packaged for a conservative magazine and subsequently went viral online. It was an early score in a presidential election that won't officially begin for another year--and it happened without any involvement from a candidate or either party. The Clintonites were members of Ready for Hillary, a super PAC that is spending millions of dollars to assemble a grassroots battalion for the former Secretary of State's campaign-in-waiting. And the infiltrator was one of more than two dozen "trackers" dispatched across 19 states by a company looking to damage Democrats.

This is the dawn of the outsourced campaign. For decades, elections have been the business of candidates and political parties and the professionals they employed. People with names on the ballot bought their own ads and wielded the ability to smite enemies with a single phone call. But changes in campaign-finance law have atomized the game and sapped the power of party bosses. In a new era marked by unlimited political money, everything from data mining to digital strategy is now increasingly controlled by a band of outside hit squads waging proxy wars. In some ways, the most remarkable aspect of the incident in Des Moines was how routine it has become.

By Election Day 2014, interest groups across the ideological spectrum will have raised more money, run more TV ads and played a greater role in selecting candidates than in midterm elections past. Elected officials, and the parties they control, matter far less. "It's been a shocking evolution," says Scott Reed, who ran the Republican National Committee a generation ago and now serves as chief strategist of the U.S. Chamber of Commerce. "You don't need the party anymore," explains veteran Republican Ed Rollins.

To the outsiders, the migration of money and influence away from the party machines has made the political process more accessible to more people. It has also made it tougher to hold anyone accountable and to track the sources of the cash flooding into elections--and it has made it harder for lawmakers to govern. The surging reliance on outside mercenaries is the "growth industry" of national politics, says Trevor Potter, president of the nonpartisan Campaign Legal Center. "This is a taste of the future."

A Rising Force

The effort to destroy Hillary Clinton's unofficial campaign occupies a spare third-floor suite amid a sea of cookie-cutter buildings in Arlington, Va. The sign on the door reads America Rising, the name of an opposition-research shop that tracks blunders by Democratic candidates and hawks the evidence to Republican campaigns.

Inside, the place has the vibe of an underfunded startup, with a cubicle farm of young researchers in denim. One Friday in January, the staff erupted in applause as executive director Tim Miller awarded a Hello Kitty--themed Chia Pet to the 20-something who unearthed a 2011 clip of embattled Democratic Senator Kay Hagan beaming alongside Barack Obama--a damaging visual in North Carolina, where Obama's approval rating hovers around 40%. The hit drove negative headlines for 24 hours. "With complete information awareness," Miller says later, "we can define and destroy Democrats in 2014 and beyond."

America Rising is run by three blue-chip GOP operatives. Miller and president Joe Pounder are refugees from the Republican National Committee, and the third, Matt Rhoades, managed Mitt Romney's 2012 presidential campaign. Last April, they decided to ditch the party bureaucracy to open a firm unregulated by the Federal Election Commission. The benefit is that they aren't forced to disclose their donors or intentions and can take money from anybody. They can also make a tidy profit. "We can work with the whole constellation of GOP and conservative groups," Pounder says.

America Rising is just one part of the external infrastructure supporting Republicans. A new network of groups that cater to the Tea Party grassroots has been locked in a fight to control the party's direction with a web of organizations that hail from its Establishment wing. Moderate Republican groups like the Chamber of Commerce are mounting an unprecedented campaign to target insurgent conservatives in 2014 GOP primaries. "Some of these outside groups will spend more money in a month than all three of the party committees combined" in 2014, says Reed of the Chamber, which is expected to spend \$50 million in the primaries.

On the Democratic side, a similar shift has occurred, though without the brutal civil war. At the end of 2013, the five top-grossing super PACs, which can raise and spend unlimited money on politics, all backed Democrats. Ostensibly independent, these groups will fund much of the TV advertising in the 2014 elections.

Ready for Hillary, an independent grassroots group that already claims more than 33,000 supporters, has rented Clinton's 2008 campaign mailing list to freshen it up for her potential campaign. It has also armed itself with Big Data tools from Catalist, a company funded by billionaire George Soros among others, which has long served

Democratic campaigns. Priorities USA, a super PAC created in 2011 to secure Obama's re-election, is now devoted to making Clinton his successor. American Bridge 21st Century, a Democratic super PAC formed to sink Republican candidates--and upon which America Rising is modeled--launched an outfit called Correct the Record just to parry anti-Clinton attacks.

The growing clout of these outside groups has changed the behavior of candidates as well. Instead of courting party chairmen or local bigwigs, would-be Congressmen make pilgrimages to Washington to visit the private operators who can sway activists back home.

When retired Air Force colonel Rob Maness decided to run for the Republican Senate nomination in Louisiana, the first calls he made were not to GOP officials. They went, Maness recalls, to the heads of five outside groups that endorse and fund staunch conservatives: the Club for Growth, FreedomWorks, the Madison Project, the Senate Conservatives Fund and Heritage Action for America. Not long after, he wound up at a scuffed wooden table in the suite the Club for Growth occupies in an office building near the White House, where three or four staffers put him through a grueling policy murder board. "They want to know whether you have the principled perspective of no compromise on certain things," Maness says.

The Club has interviewed more than 100 Republican candidates this cycle. So far, it has endorsed just five. (At this point, Maness is not among them.) Party grandees moan that the Club's habit of targeting moderate Republicans makes it an unwitting ally of Democrats. But the carping is "music to our members' ears," says Chris Chocola, the group's silver-haired president. "Think about what they're saying: we're more effective with a staff of 11 people than they are with thousands."

The Secret Meetings

As Clinton's army mustered in Iowa this winter, another mercenary force was gathering 1,600 miles away at a posh resort in the California desert. The private conclave, convened by the billionaire Koch brothers Charles and David, is a biannual rite for conservative magnates and hedge-fund managers, an opportunity to hobnob and plot strategy. The agenda and attendees are normally shrouded in secrecy. But this time somebody goofed.

An agenda for the summit was left behind by a guest. The document offers a rare peek into the intricate political empire the Kochs have assembled, which links deep-pocketed conservatives with an array of nonprofit political groups that the Kochs use to cloak contributions. The bigger the player, the more exclusive the meeting, according to the list published by Mother Jones. While some in attendance met with midlevel functionaries in the resort lobby, top donors--like Boston hedge-fund magnate John Childs, who gave \$4.2 million to super PACs in 2012, or Dallas businessman Robert Rowling, who gave \$3.6 million--were scheduled to receive a private audience at a nearby Koch residence, the document suggests.

It's all a reflection of the larger shift away from the parties, which once served as the gatekeepers. The Koch political network raised an estimated \$400 million in 2012, according to the Center for Responsive Politics, and

its impact in 2014 is already being felt. Americans for Prosperity, a Koch-backed nonprofit outfit that seeds the conservative grassroots with cash, has spent more than \$27 million since August battering vulnerable Democrats over the rocky rollout of the Affordable Care Act, including some \$8 million in ads against Hagan in North Carolina. If Republicans retake the Senate in November, the group--and its policy goals--will get much of the credit.

The Kochs aren't alone. On the left, billionaire Bay Area activist Tom Steyer, who forked over millions as part of a quest to enact environmental protections, has launched a larger effort to support politicians focused on combatting climate change. Steyer subscribes to what he calls the "acceleration theory of politics," says top adviser Chris Lehane, in which money can drive a national movement outside the party structure.

A defining feature of most of these efforts is the anonymity of the donors behind them. America Rising, which sent the spy to an Iowa brewery, has not disclosed the names of those behind its anti-Clinton effort. And while politicians can usually figure out whose money is working against them, the electorate is often left to guess. "Secret money," says Fred Wertheimer, president of Democracy 21, a campaign-finance watchdog group, "is only secret from voters." In the postparty era, the paymasters of American politics are often as anonymous as the spies who now toil in its trenches.



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