# The Economic Impact of the Iowa Caucus: Gauging the Worth of Its First-in-the-Nation Position?

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What is the overall economic impact of presidential campaign spending for early caucus or primary states? The general sense, given media coverage and the apparent activity of the candidates, is that Iowa and New Hampshire must benefit strongly from presidential campaign spending. Candidate visits and concomitant coverage by print and broadcast news organizations suggest to us there is a level of vibrancy that obviously translates into tangible economic rewards for the earliest states. The sense, too, is other states were seeking to move up in the queue in order to gain attention for their states, enhance their perceived importance in the electoral process, and to a degree boost campaign spending in their states.

This research is an analysis of third and fourth-quarter campaign filings by the major candidates for President. In specific, their declarations of spending are assessed broadly by category of spending, and more importantly for this analysis, by state of spending. This is not a complete assessment of spending leading up to the Iowa caucuses or the subsequent primaries that occurred in the first quarter of 2008.[1] Rather it is simply a compilation of presidential candidate spending in the quarters running up to the first in the nation caucus in Iowa and primary in New Hampshire. It answers the basic question posed in the first sentence of this report. While the numbers are substantial, all things equal, they are not as large, I suspect, as most people would assume.

## The Data

All candidates for federal office are required to maintain records of their donations and other receipts and of their spending. Compilations are filed quarterly. From these filings we can identify who is supporting a candidate and where they reside. We can also get a sense of candidate spending and

[1] I only look at third and fourth quarter filings with the Federal Election Commission. I also ignore minor candidates. My screen for minor candidates excludes those who had no credible visibility during the early process or who had already discontinued their activity prior to the Iowa caucus. Tommy Thompson and Sam Brownback are examples on the Republican side, as is Tom Vilsack for the Democrats.

All of the spending data in this assessment come from Federal Election Commission reports, although the data were processed by the author for this analysis. Readers are encouraged to wade through that web site at www.fec.gov to find out more about candidate finances. Please refer to the appendix for a list of FEC reports.

where that spending occurs. Energetic analysts can, for example, drill-down into the data and get spending by zip code and by name or kind of vendor or activity in very high detail.[2] Less energetic analysts can identify the state of spending and the broad category of spending.

Data were downloaded for all of the major candidates actively participating in the Iowa caucuses or the New Hampshire primary through the end of the fourth-quarter of 2007. This analysis is only of the third and fourth quarter of 2007 and does not represent all campaign spending through the end of that year. It is important to note, however, that spending prior to those periods, while not insubstantial, did not indicate any overwhelming amount of spending in Iowa. A preliminary analysis of early campaign spending given data that were available at caucus time (through the third quarter of 2007) indicated a surprisingly low amount of spending in New Hampshire and Iowa.[3] As the amount spent in Iowa was so low, comparatively, in the first three quarters, it was logical to suppose that in the run-up to the Iowa caucuses the amount of spending would increase dramatically; hence, this paper.

Overall, the amount of spending by the major candidates is impressive, and by the end of February of 2008 it was approaching three-quarters of a billion dollars, as Table 1 demonstrates. In terms of total spending, Clinton and Obama accounted for 44 percent of the total, while McCain claimed just 8 percent. This analysis, however, is not focused on spending to date; it is looking at the amounts that were spent in the state by the major candidates between 1 July and 31 December of 2007.

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[2] Indeed, there have been accounts of candidate spending on catering or snow shovels for storms that did not materialize in Iowa or New Hampshire. That level of scrutiny is unimportant to this analysis (if not to all analyses). An economy in general really does not care where a candidate spends money so long as the spending is in the state.

[3] A complete accounting of all candidates' spending for the entire election cycle by state is beyond the scope of this analysis or the interest of this researcher. This is not an auditing exercise; it is an exercise in identifying the preponderance of economic outcomes associated with candidates' spending for a limited period of time.

**Table 1**

**Major Candidate for Presidential Receipts and Spending Totals for the 2007-2008 Cycle**
(as of 2/29/08)

| Candidate | Receipts | Percent of All Receipts | Disbursements | Percent of All Disbursements |
|---|---|---|---|---|
| Obama, Barack | 197,342,946 | 24% | 158,509,856 | 22% |
| Clinton, Hillary Rodham | 173,875,569 | 21% | 140,700,707 | 20% |
| Romney, Mitt | 110,938,682 | 14% | 109,668,499 | 15% |
| Giuliani, Rudolph W. | 63,531,387 | 8% | 60,481,220 | 8% |
| Mccain, John S. | 64,718,147 | 8% | 57,194,006 | 8% |
| Edwards, John | 52,005,039 | 6% | 46,993,414 | 7% |
| Paul, Ron | 34,673,974 | 4% | 29,103,810 | 4% |
| Richardson, Bill | 24,192,977 | 3% | 24,152,038 | 3% |
| Thompson, Fred Dalton | 23,953,944 | 3% | 23,399,733 | 3% |
| Huckabee, Mike | 16,085,012 | 2% | 15,441,252 | 2% |
| Dodd, Christopher J | 16,674,829 | 2% | 15,089,961 | 2% |
| Biden, Joseph R Jr | 12,099,634 | 1% | 10,841,586 | 2% |
| Tancredo, Thomas Gerald | 7,030,264 | 1% | 6,901,497 | 1% |
| Brownback, Samuel Dale | 4,451,259 | 1% | 4,451,709 | 1% |
| Kucinich, Dennis J | 4,370,918 | 1% | 4,421,046 | 1% |
| Hunter, Duncan | 2,623,396 | 0% | 2,578,302 | 0% |
| Vilsack, Thomas J | 1,038,467 | 0% | 1,429,081 | 0% |
| Thompson, Tommy G | 1,225,628 | 0% | 1,225,174 | 0% |
| Gravel, Mike | 428,692 | 0% | 434,695 | 0% |
| Total | 811,260,764 | 100% | 713,017,586 | 100% |

Spending in the U.S. for just the third and fourth-quarters of 2007 revealed that preparatory to the Iowa caucus and the New Hampshire primary in the first weeks of January, the major candidates combined spent $352.5 million. It is logical to assume that for both the Democrats and the Republicans a large fraction of that spending would be in the two first-in-the-nation states. Table 2 gives us the results.

The Republican race had $152.6 million in total reported expenditures, and the Democrats spent $199.9 million. The combined amount of $352.5 million was not spent overwhelmingly in Iowa or in New Hampshire, however. The Republicans allotted $5.8 million to Iowa, just 3.8 percent of total spending, and $6.9 million to New Hampshire, 4.5 percent. New Hampshire ranked 8th and Iowa 11th among the states. For the Republicans, $30.8 million went to Virginia in that quarter, $13.7 million to Florida, $11.4 million to Maryland, $10.6 million to Ohio, and $10.2 million to California.

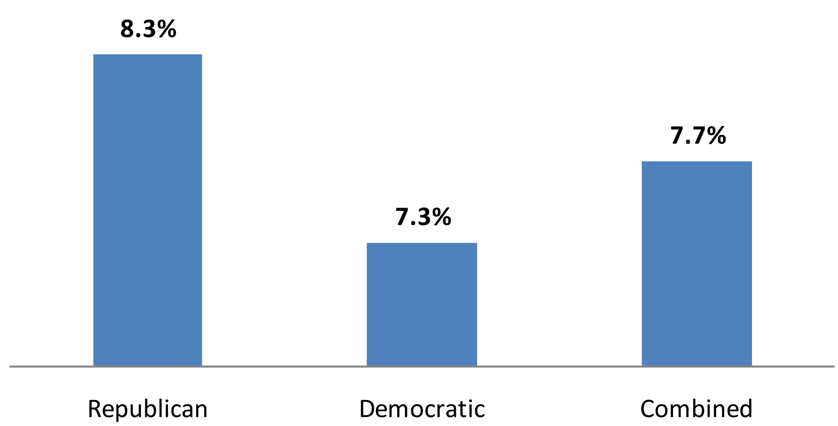
The Democrats spent $9.8 million in Iowa, about 4.8 percent, and just $4.8 million in New Hampshire, 2.3 percent. Iowa ranked 7th and New Hampshire 17th among the states. The District of Columbia led the group with $17.6 million, then $17.1 million in Illinois, $16.6 million in Pennsylvania, $15.7 in Virginia, $13.3 million in North Carolina, and $13.3 million as well in Colorado.

| Table 2. 3rd and 4th Quarter 2007 Presidential Campaign Spending | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| State | Republican | Rank | State | Democrat | Rank | State | Total | Rank |
| VA | 30,836,345 | 1 | DC | 17,599,584 | 1 | VA | 46,572,162 | 1 |
| FL | 13,736,305 | 2 | IL | 17,079,953 | 2 | DC | 21,719,161 | 2 |
| MD | 11,403,981 | 3 | PA | 16,582,561 | 3 | CA | 19,034,991 | 3 |
| OH | 10,589,815 | 4 | VA | 15,735,817 | 4 | FL | 18,531,506 | 4 |
| CA | 10,157,142 | 5 | NC | 13,324,250 | 5 | IL | 18,372,120 | 5 |
| MA | 9,332,790 | 6 | CO | 13,267,575 | 6 | PA | 18,362,006 | 6 |
| TX | 7,671,662 | 7 | IA | 9,770,898 | 7 | IA | 15,552,401 | 7 |
| NH | 6,914,806 | 8 | CA | 8,877,850 | 8 | MD | 15,266,534 | 8 |
| VT | 6,059,821 | 9 | GA | 8,105,443 | 9 | MA | 14,462,694 | 9 |
| NY | 5,885,073 | 10 | NY | 7,528,869 | 10 | CO | 14,024,577 | 10 |
| IA | 5,781,504 | 11 | NJ | 6,766,892 | 11 | NC | 13,696,819 | 11 |
| UT | 5,328,559 | 12 | OR | 5,854,830 | 12 | NY | 13,413,942 | 12 |
| DC | 4,119,577 | 13 | MO | 5,655,864 | 13 | OH | 12,540,576 | 13 |
| AZ | 3,647,337 | 14 | MA | 5,129,904 | 14 | TX | 12,260,758 | 14 |
| NJ | 3,063,541 | 15 | NM | 4,847,459 | 15 | NH | 11,693,469 | 15 |
| GA | 2,428,124 | 16 | FL | 4,795,201 | 16 | GA | 10,533,567 | 16 |
| PA | 1,779,446 | 17 | NH | 4,778,663 | 17 | NJ | 9,830,433 | 17 |
| IL | 1,292,167 | 18 | TX | 4,589,096 | 18 | UT | 9,185,056 | 18 |
| SC | 1,240,652 | 19 | MD | 3,862,553 | 19 | MO | 6,189,493 | 19 |
| MI | 1,127,508 | 20 | UT | 3,856,498 | 20 | VT | 6,155,581 | 20 |
| MN | 986,478 | 21 | SC | 3,412,520 | 21 | OR | 6,007,686 | 21 |
| TN | 941,906 | 22 | NV | 2,934,480 | 22 | NM | 4,877,599 | 22 |
| OK | 932,407 | 23 | WI | 2,391,470 | 23 | SC | 4,653,172 | 23 |
| AR | 810,340 | 24 | OH | 1,950,761 | 24 | AZ | 4,579,232 | 24 |
| CO | 757,002 | 25 | MN | 1,900,991 | 25 | NV | 3,663,293 | 25 |
| NV | 728,813 | 26 | CT | 1,241,446 | 26 | MN | 2,887,469 | 26 |
| CT | 656,858 | 27 | DE | 1,236,878 | 27 | WI | 2,719,269 | 27 |
| MO | 533,628 | 28 | WA | 1,176,776 | 28 | CT | 1,898,304 | 28 |
| SD | 477,267 | 29 | AZ | 931,896 | 29 | DE | 1,425,466 | 29 |
| NC | 372,569 | 30 | RI | 692,066 | 30 | WA | 1,420,375 | 30 |
| WI | 327,799 | 31 | AR | 476,725 | 31 | MI | 1,386,142 | 31 |
| AL | 325,775 | 32 | ME | 313,340 | 32 | AR | 1,287,065 | 32 |
| IN | 323,243 | 33 | TN | 292,076 | 33 | TN | 1,233,982 | 33 |
| KS | 302,397 | 34 | OK | 283,151 | 34 | OK | 1,215,558 | 34 |
| NE | 248,622 | 35 | MI | 258,633 | 35 | RI | 696,352 | 35 |
| WA | 243,599 | 36 | KY | 215,192 | 36 | SD | 562,684 | 36 |
| DE | 188,589 | 37 | AL | 207,314 | 37 | AL | 533,088 | 37 |
| OR | 152,856 | 38 | NE | 190,090 | 38 | IN | 497,318 | 38 |
| WV | 134,492 | 39 | IN | 174,074 | 39 | NE | 438,713 | 39 |
| KY | 129,481 | 40 | LA | 107,549 | 40 | KS | 389,434 | 40 |
| WY | 79,371 | 41 | VT | 95,760 | 41 | KY | 344,674 | 41 |
| LA | 76,785 | 42 | KS | 87,037 | 42 | ME | 327,031 | 42 |
| MT | 63,564 | 43 | SD | 85,417 | 43 | WV | 200,369 | 43 |
| ID | 56,472 | 44 | WV | 65,877 | 44 | LA | 184,334 | 44 |
| NM | 30,140 | 45 | MT | 60,315 | 45 | MT | 123,879 | 45 |
| MS | 30,038 | 46 | HI | 53,709 | 46 | ID | 88,104 | 46 |
| ME | 13,691 | 47 | MS | 45,037 | 47 | WY | 81,172 | 47 |
| AK | 9,335 | 48 | ID | 31,631 | 48 | MS | 75,075 | 48 |
| ND | 7,813 | 49 | AK | 8,247 | 49 | HI | 54,952 | 49 |
| RI | 4,286 | 50 | ND | 2,216 | 50 | AK | 17,582 | 50 |
| HI | 1,243 | 51 | WY | 1,801 | 51 | ND | 10,029 | 51 |
| All Other | 287,977 | 99 | All Other | 928,408 | 99 | All Other | 1,216,385 | 99 |
| Grand Total | 152,630,990 | | | 199,862,644 | | | 352,493,634 | |

Combined, Iowa claimed $15.55 million of third and fourth-quarter spending placing it 7th among the states. New Hampshire claimed $11.7 million placing it 15th. Nationally, Virginia realized the most spending at $46.57 million, the District of Columbia next at $21.7 million, followed by California, Florida, Illinois, and Pennsylvania at the $18 million to $19 million levels, and all greater than Iowa. As Figure 1 demonstrates, combined, the candidates measured spent just 7.7 percent of their funds in either New Hampshire or Iowa in the third and fourth quarters of 2007.

The logical question, of course, is what gives? How could it be that the tremendous run-up to the Iowa caucus and the New Hampshire primary only found 7.7 percent of direct spending occurring in the "battleground" states? The answer is mostly, I suspect, that the process of running for office involves much more than simply barnstorming across a state collecting voters.

**Figure 1. Percent of 3rd & 4th Quarter Spending in Iowa and New Hampshire**




Candidates create exploratory committees to test the waters. They engage first in fund-raising. Candidates raise money where there is money. Comparatively speaking that is not Iowa or New Hampshire. Candidates require election specialists to assist them. Those specialists, veterans from other campaigns mostly, will reside in major cities or in and around the Washington, D.C., area. In consequence, we would expect higher levels of organizational spending in the states of Virginia, Maryland, the District of Columbia, and, to lesser degrees, Pennsylvania and New York. We would also expect more spending in the home states of the candidates as the candidates will all tap into the professional network that helped get them elected to statewide or federal office originally. In all of these instances, then, both Iowa and New Hampshire are at disadvantages.

Still, given all of the media attention and the overall push, especially in the final month, one would expect a tremendous amount of spending to flow into all types of candidate related activities. There of course would be media buys for advertisements and travel costs. Direct printing and organizing costs would also start to mount, as would personnel payments for workers on the ground in the states. Again, we find that we are probably confusing cause with effect and also confusing spending in a particular state versus spending on behalf of the candidates' efforts in particular states.

The candidates do buy massive amounts of media time. But they buy that time in blocks using media consultants and other media specialists who in turn make highly targeted buys from the sales managers of the companies that own radio and TV stations, nearly all of which are out of our study states. Advertising, print, and multi-media products and activities are also very likely to be produced external to our first states. In short, while large amounts of funds are spent in support of a candidate's total effort, which begins in Iowa and New Hampshire, precious little, comparatively, of the direct spending is actually in those early states (see Appendix 2 for a discussion of media payments and the states in which they were made). Similarly, the candidates' travels are likely to be coordinated centrally through travel specialists. The candidates do not walk up to the airline counter in Des Moines, Manchester, Concord, or Sioux City and buy tickets; therefore, and again, no local sales.

We know of course that candidates set up campaign offices and hire workers in support of their organizing efforts, and our subsequent analysis will break down the spending by kind for the state of Iowa. First, a look is taken at just who spent how much in Iowa.

Table 3 demonstrates relative third and fourth quarter effort among our candidates. Romney accounted for 52 percent of the $5.8 million in Republican outlays in Iowa among the seven candidates for whom data were obtained. The next closest was Tancredo at 21.5 percent, behind whom was Paul at 10.7 percent and Huckabee at just 6.1 percent. By the way, Huckabee won.

Among the seven Democrats studied, Obama's $3.3 million was 34 percent of the Democrat's total. Clinton outlays were 27.1 percent followed by Edwards at 19.9 percent. Here the spending roughly matches the results for Iowa where Obama won, followed by Edwards and Clinton at nearly a tie for runners-up.

**Table 3. Third & Fourth Quarter Candidate Spending in Iowa by Candidate**

| Republicans | Amount | Percent of Total | Democrats | Amount | Percent of Total |
|---|---|---|---|---|---|
| Giuliani | 110,245 | 1.9% | Biden | 474,386 | 4.9% |
| Huckabee | 354,839 | 6.1% | Clinton | 2,647,720 | 27.1% |
| McCain | 183,159 | 3.2% | Dodd | 639,370 | 6.5% |
| Romney | 2,996,605 | 51.8% | Edwards | 1,948,185 | 19.9% |
| Paul | 617,373 | 10.7% | Kucinich | 28,799 | 0.3% |
| Tancredo | 1,243,213 | 21.5% | Obama | 3,323,185 | 34.0% |
| Thompson | 276,070 | 4.8% | Richardson | 709,253 | 7.3% |
| | 5,781,504 | | | 9,770,898 | |

Combined the two slates of candidates spent $15.5 million directly in Iowa. The next question is, broadly, how did the candidates spend their money in Iowa? Answering that question is somewhat subjective. There are no standard spending classifications in the FEC reporting forms. For example, one candidate listed a large amount in bank card payments, which of course obscures just where that bank card was used and for what. Another listed carbon offsets and solid waste fees. Similarly, payroll costs might be combined with payroll withholding, or they might not. Those values might be listed as employee costs or labor costs. There were no standards. Advertising might be called media buy or promotions, and there are scores of rental entries for which it is unknown in general just what was being rented, although office and office equipment rentals were segregated into office costs. Overall, it is a coding mess requiring the use of key words to filter the findings into useful categories.

Table 4 lists the major categorical groupings and the amount of spending in Iowa.[4] From this listing we find that 35 percent of all spending in Iowa was payroll related (wages, salaries, and benefits). All identified travel costs were the next most important category at $2.23 million, followed by printing and related costs at $1.99 million. Down the line we find cumulative event costs (building rentals, etc), and media costs (advertising, media buys, etc.) at just 7.2 and 5.7 percent of spending, respectively. Again, the latter results seem to fly in the face of our evening's TV viewing – there just had to be more media

[4] Some of the categories are broad groupings of information. The utilities category contained both electrical, gas, and all telecommunications spending. Rentals include equipment, devices, and many unidentified rentals (clowns, jugglers, who knows?) but do not include office space, which were coded under an office cost category. Consultants were another problem group. Is a translator for the deaf a consultant, a rental, or an education professional (a service)? Anything to do at all with printing and distribution was classed as printing, although all delivery costs were coded USPS (postal service) regardless of how they were delivered.

spending than what is listed, and there was. But as mentioned before, it is likely that those purchases and those actual payments were made out of state on behalf of the Iowa (or New Hampshire) efforts.

**Table 4. Third and Fourth Quarter Campaign Spending in Iowa by Kind of Spending**

| | Total | Percent of Total |
|---|---|---|
| Consultants | 964,220 | 6.2% |
| Event | 1,123,309 | 7.2% |
| Food | 309,452 | 2.0% |
| Insurance | 24,817 | 0.2% |
| Lodging | 215,435 | 1.4% |
| Media | 883,772 | 5.7% |
| Misc | 538,875 | 3.5% |
| Office | 500,530 | 3.2% |
| Payroll | 5,485,080 | 35.3% |
| Printing | 1,993,712 | 12.8% |
| Rent | 822,708 | 5.3% |
| Services | 14,769 | 0.1% |
| Technical | 69,170 | 0.4% |
| Travel | 2,229,973 | 14.3% |
| USPS | 254,486 | 1.6% |
| Utilities | 122,096 | 0.8% |
| Total | 15,552,401 | 100.0% |

Estimating the Economic Impacts

We can calculate a statewide economic impact to all of this. Our justification for this is that the Iowa caucus is an attraction that entices spending in the state that otherwise would not have happened. Accordingly, *but for the Iowa caucus* as the first in the nation test, there would be negligible campaign spending in Iowa. So the position of the state creates the conditions of net new spending in Iowa; therefore, an economic impact.

The assessment of an economic impact assumes that there was a bump in demand for services provided by Iowa firms in all of the categories measured. Those categories can be entered one-by-one into a model to simulate the overall economic value to the state of increased production by those supplying sectors. When we do that, we get an estimate of the effects in Iowa of increased purchases by the campaigns. As those sectors that supply goods and services will see a bump in their sales (or their output), they in turn will need more supplies, which in turn stimulates sales in *their* supplying sectors, and so on.  This is what is known as the multiplier effect.  An increase in demand for a good or service in an economy requires the production of more goods and services in all supplying sectors.

The data in Table 5 summarize the findings.  There are four categories of information: output is the sum of all sales that were either made by the campaign or the estimated purchases in the economy by all persons receiving a paycheck from the candidates.  Those purchases generate value added.  Value added is composed of all wages and salaries, returns to proprietors, returns to investors, and indirect tax payments.  Value added is the same as gross state (domestic) product.  Labor income is a subset of value added.  It includes the payments to wages and salary and those to proprietors.  Last we have jobs.  Jobs are jobs, not the number of employed persons.  A person can have more than one job.

Next summarized are the data by level of activity.  The direct data are the estimated purchases by the campaign or the campaign workers along with the associated value added, labor income, and job requirements associated with those purchases.  After that are the indirect data.  When we boost demand in the direct sector, we get indirect impacts as firms that supply the direct sectors increase their sales.  Then we get the induced effects: these occur when the workers in the direct and the indirect sectors convert their labor incomes into household consumption.  This in turn stimulates additional output, value added, labor income and jobs.  We sum the direct, indirect, and induced activity to get the total economic impacts.

Last is the multiplier.  It is simply and only the ratio of the total amount divided by the direct amount.  An output multiplier of 1.5 means that for every direct dollar's worth of activity, there was $.50 in activity sustained in the rest of the economy, given all of the assumptions in our modeling system.  A value added multiplier of 1.5 means that for ever dollar's worth of direct value added generated, an additional $.50 in value added was sustained in the rest of the economy.  The same analogy holds for labor income.  A jobs multiplier of 1.5 means that for every job in the direct industry, there is 5/10$^{th}$ of a job in the rest of the economy.

The findings in Table 5 indicate that, in all, out of $15.55 million in campaign spending in Iowa for the last two quarters of 2007, about $13.1 million became some kind of Iowa-based purchase.  That number is much less than the total because the payments to campaign workers result in payments to taxes that are external to Iowa as well as substantial purchases by households outside of the Iowa economy.[5]  In generating $13.1 million in output that quarter, all of those supplying firms to the campaigns and to the campaign workers' households needed 144 jobs with labor incomes of $4.77 million.

[5] For example, my car insurance payment might go to Illinois, my mortgage could be held by a Kentucky company, and of course, I increasingly purchase more and more things via the internet.

The direct effects, though, are only a part of the story. All of the direct sales providers stimulated $3.8 million in indirect output among suppliers, further boosting jobs by 39 and labor incomes by $1.23 million. When the direct and the indirect workers spent their paychecks, they induced $4.43 million in output, requiring 46 more jobs making $1.34 million in total. We can sum the three values. In all, a half a year's activity by the 14 presidential candidates measured yielded $21.3 million in total output in Iowa, of which $11.01 million was value added, and $7.34 million was labor income to 229 jobs.

**Table 5. Third & Fourth-Quarter Campaign Spending Economic Impacts in Iowa**

| | Direct | Indirect | Induced | Total | Multiplier |
|---|---|---|---|---|---|
| Output | 13,074,392 | 3,814,644 | 4,431,846 | 21,320,882 | 1.63 |
| Value Added | 6,570,289 | 1,878,793 | 2,558,691 | 11,007,773 | 1.68 |
| Labor Income | 4,766,952 | 1,231,381 | 1,343,560 | 7,341,893 | 1.54 |
| Jobs | 144 | 39 | 46 | 229 | 1.59 |

When we talk about the "economic impact" of campaign spending, we do not cite the output statistic, although it is bigger and much more likely to be quoted. Instead we look at the value added number as it aligns with the gross domestic product calculation, which is how we measure the size of an economy. The job numbers, too, are temporary job equivalents, as those job values only last so long as the spending lasts. When the spending ceases, as it did on caucus day, then so too do those jobs. Still, for the two quarters measured, the state realized the equivalent of a 229 job boost and an $11.01 million addition to its state product. This jobs number does not include campaign workers as we do not know how many campaign workers there were. But we do capture their incomes and their spending, which in the end is how we normally count an economy.

A discerning reader will note immediately that the media spectacle that print and broadcast organizations and their reporters and technicians make of the Iowa caucuses is not included in this estimate. They are dead right. This researcher has absolutely no way of calculating exactly how much spending accrued in Iowa because of media coverage, and does not know of any reliable estimate of the scope, frequency, and duration of visits by media. That they purchase lodging, rental cars, meals, and drinks, in the main, is known. We also know that some media organizations may use production and satellite facilities in the state, but we do not know how much. In the days just prior to the caucus, there were reports of more than 2,500 media representatives in the state.

An indexed table of expected impacts per $1,000,000 of visitor (the media) spending can be compiled for per diem costs assuming that 50 percent goes to lodging, 25 percent to meals, and 25 percent to in-state car rental or other incidentals. Per million dollars of per diem spending, our media visitors would sustain $1.48 million in total output and $385,188 in labor income to 15 jobs. If average per diem per day is $300 per visitor, the results in Table 6 explain 3,333 media visitor days (or about 9 media visits per day for a year). How many media visitor days there were, though, is not known, nor the media's demand for technical services while encamped in the state.

**Table 6. Total Media Impacts per $1,000,000 of Per Diem Spending**

| | |
|---|---|
| Output | $1,480,685 |
| Value Added | 690,572 |
| Labor Income | 385,188 |
| Jobs | 15 |

## Conclusions

What have we learned? First, there is likely a huge gap between perceived spending directly in Iowa and the actual amount spent. Iowa received just 4.4 percent of all campaign spending by the measured candidates during the last six months of 2007. The same holds for New Hampshire, which claimed only 3.3 percent of spending. It is important to distinguish spending in support of a candidacy and actual spending by a candidate in an early battleground state, which is what this analysis for Iowa did.

Second, despite the comparatively lower than expected values, there is a discernible, although only modest boost to the state's overall economic activity for a time. Nearly $7.34 million in labor incomes to 229 jobs are substantial by any measure, but one must remember that this is a quadrennial event: the annualized values would be much lower when divided by four. And as this is cyclical activity peaking in just the months prior to the caucus, the phrase here today gone tomorrow applies. The economy expands such as it did, and then it contracts when the spending and activity cease – there is no meaningful economic afterglow to speak of.

Third, the economic impact of candidate spending is a very small portion of the overall Iowa economy. The state of Iowa will have a gross domestic product value of around $130 billion in 2007, so the amount of value added listed in Table 5 would be less than 1/100$^{th}$ of one percent of the state's annual domestic product (the actual amount is .0085 percent of state GDP). Add the media visitors and you boost that some, but it is still a very, very small value. The Iowa caucuses are not a meaningful driver of the state's economy, which would come as no surprise to anyone who had actually looked at the size and composition of the Iowa economy.

But the Iowa caucuses do provide exposure that the state, its businesses, and its boosters would find very expensive to obtain otherwise. For free, and for a time, the word "Iowa" is used continuously in national and international mass media, and that continuous, and often sensational, coverage of the political campaign and the communities of Iowa has to be, as the ad says, priceless.

**Appendix 1 – A discussion of the data**

This analysis relied solely on electronically filed FEC Form 3. There are versions of this form that can be filed as amendments to previous reports, so I chose the most recent filing for the quarter analyzed.

FEC Form 3 is the Report of Receipts and Disbursements and it contains several major subsections:

**Schedule A contains**

An itemized list of contributions from individuals, committees, political organizations, or PACs.

A summary of candidate contributions.

A listing of any loan payments or transfers from other sources.

**Schedule B** of that form lists all itemized disbursements, to include the date, the vendor or recipient, the zip code, the state, the amount, and the purpose of the disbursement.

**Schedule C** is a list of all loans.

**Schedule C1** is an identification of lines of credit.

**Schedule D** isolates all indebtednesses and obligations.

**Forms 3Z and 3Z1** are consolidated summaries of receipts and disbursements.

This analysis looked only at data from Schedule B. There are restatements and corrections to earlier filings, as well as disbursements that may not be identified. As indicated earlier, this is not an audit. That is the government's job. This exercise assessed the preponderance of spending by the 14 major Republican and Democratic candidates. The data are accurate in so far as they were filed correctly, reported correctly, coded correctly, formatted correctly, and ultimately downloaded and organized by me appropriately.

## Appendix 2 – Accounting for Those Pesky Media Buys

The candidates' filings were filtered for any spending containing the word "media". Those filtered results were then sorted and summed by the state in which those "media" related disbursements were made. The following table contains those results. Over $21 million, a third of all spending, was in Virginia, followed by Pennsylvania at $15.3 million, Colorado at $10.3 million, and Georgia and Maryland at $6.3 million and $6.1 million respectively. Spending according to this filter was just $619,003 in Iowa and a paltry $46,493 in New Hampshire. There obviously was a tremendous amount of media activity in Iowa and New Hampshire. Those buys, however, were handled and brokered, in the main, outside of those states and impossible to identify or track. The extent to which those purchases in any way supported direct economic activity in Iowa and New Hampshire is probably quite small – TV and radio stations did not add employees, they did not produce many if any of the commercials, and, importantly, as this run-up to the state's political activity coincided with Christmas, one must assume that a very large fraction of that advertising time during those weeks preceding the votes had or would have been sold nonetheless. It is also important to note that the advertising charges to candidates have to reflect the prevailing lowest rates (typically the rates charged large users and the best customers) in the 60 day period preceding the votes. The radio and TV stations do not realize major price windfalls although they are able to package more advertisements in a given broadcast day. They are not allowed to gouge candidates.

**Candidate Media Spending by State, 3rd and 4th Quarters, 2007**

| | | | |
|---|---|---|---|
| VA | 21,026,145.65 | MA | 25,358.53 |
| PA | 15,344,463.99 | UT | 17,595.11 |
| CO | 10,269,495.47 | NV | 10,454.23 |
| GA | 6,256,233.40 | RI | 9,167.00 |
| MD | 6,057,856.24 | NC | 2,363.75 |
| DC | 1,403,861.44 | AZ | 2,363.45 |
| MO | 624,667.50 | WA | 2,144.03 |
| IA | 619,002.98 | NE | 1,974.50 |
| SC | 420,403.04 | CT | 1,500.00 |
| NY | 366,179.25 | AR | 1,228.88 |
| IL | 228,776.86 | MN | 500.00 |
| TX | 185,016.98 | ME | 300.00 |
| CA | 180,130.45 | MI | 300.00 |
| FL | 85,832.47 | OH | 300.00 |
| NH | 46,493.22 | WV | 200.00 |
| | | OK | 108.17 |
| **All Media Spending** | **63,190,416.59** | | |