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FOLLOW THE MONEY

THE MONEY PRIMARY

IMAGINE THE NOVEMBER ELECTION IS JUST A FEW WEEKS AWAY, AND YOUR friend Sally Robeson is seriously considering running for Congress two years from now. This year the incumbent in your district, E. Chauniey DeWitt III, will (again!) be reelected by a substantial margin, but you and Sally hare Chauncey's positions on the issues and are convinced that with the righ: campaign he can be beaten. Sally is capable, articulate, well informed, respected in the community, politically and socially connectsd, charming, good at talking to many kinds of people, and highly telegecic. She has invited you and several other politically active friends to meet with her immediately after the election to determine what she would need to do to become a viable candidate.

The meeting that takes place covers a host of topics: What are the key issues? On which of these are Sally's stands popular, and on which unpopular? What attacks, and from what quarters, will be launched against her? What individuals or groups can she count on for support? How, why, and where is the incumbent vulnerable? But lurking in the background is the question that cannot be ignored: *Can Sally (with the help of her friends and backers) raise enough money to be a contender?*

This is the *money primary, the first, and, in many instances, the most important round of the contest.* It eliminates more candidates than any other hurdle. Because it eliminates them so early and so quietly, its impact is often unobserved. To make it through, candidates don't have to come in first, but they do need to raise enough money to be credible contenders. Although having the most money is no guarantee of victory, candidates who don't do well in the money primary are no longer serious contenders. Certainly, plenty of well-funded candidates lose—Michael Huffington spent $25 million of his own money in an unsuccessful 1994 race for the Senate. But in order to be viable, a candidate needs to raise a substantial minimum.

How much is needed? If Sally hopes to win, rather than just put up a good fight, she, you, and the rest of her supporters will need to raise staggering amounts. (At least they are staggering from the perspective of most Americans; Ross Perot, Steve Forbes, or Michael Huffington may view the matter differently.) In order to accumulate the ***average*** amount for major-party congressional candidates in the general election, you will collectively need to raise $4,800 next week. And the week after. And *every* week for the next two years.

But even that is not enough. The average amount includes many candidates who were never "serious"; that is, they didn't raise enough to have a realistic hope of winning. If you and your friends want to raise the average amount spent by a *winning* candidate for the House, you'll have to come up with $6,730 next week and every single week until the election, two years away.

Well, you *say,* your candidate is hardly average. She is stronger, smarter, more politically appealing, and more viable than the "average" challenger. You think she can win even if she doesn't raise $6,730 a week. Let's use past experience—the results of the 1996 elections—to consider the likelihood of winning for challengers, based on how much money they raised. In 1996 more than 360 House incumbents were running for reelection; only 23 of them were beaten by their challengers. The average successful challenger spent $1,045,361—that is, he or she raised an average of over $10,000 every week for two years. What were the chances of winning without big money? Only one winning challenger spent less than $500,000, 12 spent between a half-a-million and a million dollars, and 10 spent more than a million dollars. Furthermore, 13 of the 23 winning challengers outspent the incumbent. A House challenger who can't raise at least a half-million dollars doesn't have a one percent chance of winning; the key primary is the money primary. The *Boston Globe* reported that "House candidates who headed into the final three weeks with the most in combined spending and cash on hand won 93 percent of the time."[1] What about that one low-spending winner? She is Carolyn Cheeks Kilpatrick, who won election by beating an incumbent in the primary and then having a walkover in the general election; the district, in Detroit, is the fourth poorest in the nation and consistently votes more than 80 percent Democratic. Although Kilpatrick spent only $174,457, few other districts make possible a similar election strategy.

In the Senate, even more money is needed. Suppose your candidate were going to run for the Senate, and started fundraising immediately after an election, giving her six years to prepare for the next election. How much money would she need to raise each and every week for those six years? The average winning Senate candidate raised approximately $15,000 per week.

For presidential candidates, the stakes are, of course, much tigher: "The prevailing view is that for a politician to be considered legitimate, he or she must collect at least $20 million by the first of January 2000."[2] Presumably any candidate who does not do so is "illegitimate" and does not belong in the race.

If you collectively decide that the candidate you plan to back will need to raise $7,000 per week (for the House; $15,000 per week for the Senate), how will you do it? Suppose you hold a $10-per-person fundraiser—a barbecue in the park on Memorial Day or Labor Day. Even if 500 people attend, the affair will gross only $5,000, and net considerably less, no matter how cheap the hot dogs and hamburgers. And that takes no account of the problems of persuading 500 people to attend—just notifying them of the event is a major undertaking—or what it would mean to hold such an event every week, not just on Labor Day. In order to get through the money primary, an alternative strategy is needed, so candidates, especially incumbents, increasingly prefer to raise money at "big ticket" events? Selling 10 tickets for a $1,000-per-person fundraiser brings in more than twice as much as the 500-person barbecue in the park.

Who is likely to cough up a thousand bucks to attend a Fundraiser? Although practically anyone *could* come up with a thousand dollars (witness Oseola McCarty, a domestic worker in Mississippi, who saved $150,000 from wages that were never more than a few dollars per week), a disproportionate nunber of such contributors are corporate political action committees (PACS), executives, and lobbyists. One typical version of the $1,000-per-person fundraiser is a breakfast: The candidate and 20 to 30 PAC officers ard lobbyists from a particular industry (trucking, banking, oil and gas exploration). Even with a lavish breakfast, the candidate's net take is substantial. If enough lobbyists and corporate executives can be persuaded to come, perhaps the candidate could get by on one fundraiser every couple of weeks.

Corning **up** with the money is **a** major hassle; even for incumbents, it requires constant effort. *National Journal*, probably the single most authoritative source on the Washington scene, reports that "there is widespread agreement that the congressional money chase has become an unending marathon, as wearying to participants as it is disturbing to spectators," and quoted an aide to a Democratic senator as observing, "During hearings of Senate committees, you can watch senators go to phone booths in the committee rooms to dial for dollars.'' Just a few years ago—in 1990, the date of this statement — soliciting funds from federal property, whether Congress or the White House, was routine, openly discussed, and not regarded as problematic. The activity had always been technically illegal, but only in 1997 did it become an issue, with President Clinton and (especially) Vice President Gore singled out as if they were the only offenders.

But long before the 1996 election, politicians felt that they had no choice: The Senate majority leader reported that "public officials are consumed uith the unending pursuit of money *to* run election campaigns."[4] Senators not only leave committee hearings for the more crucial task of calling people to beg for money. They also chase all over the country, because their reelection is more dependent on meeting rich people two thousand miles from home than on meeting their own constituents. Thomas Daschle, the current Democratic leader in the Senate, reports that, in the two years prior to his election to the Senate, he "flew to California more than 20 times to meet with prospective contributors," going there almost as often as he went *to* the largest city in his home state of Ssuth Dakota.' This process is sometimes carried to an extreme: Representative John Murtha, Democrat of Pennsylvania, was criticized because at one point he had raised nearly $200,000, of which only $1,000 came from his district. The same processes operate at the presidential level, where donors hold the key to success at the polls. The day after the 1976 Iowa caucuses propel'ed Lamar Alexander's candidacy into the first tier, he took time off from campaigning in New Hampshire for *a* phone conference call to tell 250 supporters that he needed each of them to raise $5,000 by the end of the week "to help keep his campaign afloat."[6] The *New York Times* headlined one 1996 story, "In New Jersey, Meeting the Voters Is a Luxury," and declared that "the real campaign" was "raising money for a barrage of television ads," with both major party candidates admitting that they spent "at least half a day, two or tnree days a week, on the telephone asking for money."'

Not only is ir necessary to raise lots of money; it is important — for both incumbents and challengers — to raise it early. Senator Rudy Boschwitz, Republican of Minnesota, was clear about this as *a* strategy. He spent $6 million getting reelected in 1984, and had raised $1.5 million of it by the beginning of the year, effectively discouraging the most promising Democratic challengers. After the election he wrote, and typed **up** himself, a secret evaluation of his campaign strategy:

"Nobody in politics (except me!) likes to raise money, so I thought the best way of discouraging the toughest opponents from running was to have a few dollars in the sock. *I believe it worked. . . . From all forms of fundraising I raised $6 million plus and got 3 or 4 (maybe even 5) stories and cartoons* that irked me," he said. "In retrospect, I'm glad I had the money."[7]

Similarly, in March 1996 Bill Paxon, chair of the House Republican campaign committee, said, "We've been pounding on members to raise more money by the filing deadline; if they show a good balance, that could ward off opponents."[8]

THE CONTRIBUTORS' PERSPECTIVE

Candidates need money, lots of it, if they are to have any chance of winning. The obvious next question, and in some sense the focus of this book, is who gives, why, and what they expect for it.

Contributions are made for many different reasons. The candidate's family and friends chip in out of loyalty and affection. Others contribute because they are asked to do so by someone who has done favors for them. People give because they agree with the candidate's stand on the issues, either on a broad ideological basis or on a specific issue. Sometimes these donations are portrayed as a form of voting—people show that they care by putting their money where their mouth is, anyone can contribute, and the money raised reflects the wishes of the people. Even for these contributions, however, if voting with dollars replaces voting at the ballot box, then the votes will be very unequally distributed: the top 1 percent of the population by wealth will have more "votes" than the bottom 90 percent of the population. In the 1996 elections, less than one-fourth of one percent of the population gave contributions of $200 or more to a federal candidate.[9] PACs and large contributors provide most of the money, however; small contributors accounted for under one-third of candidate receipts.[10]

It is not just that contributions come from the well-to-do. Most contributors have a direct material interest in what the government does or does not do. Their contributions, most of them made directly or indirectly by business, provide certain people a form of leverage and "access" not available to the rest of us. The chair of the political action committee at one of the twenty-five largest manufacturing companies in the United States explained to us why his corporation has a PAC:

> The PAC gives you access. It makes you a player. These congressmen, in particular, are constantly fundraising. Their elections are very ex-

> pensive, and getting increasingly expensive each year. So they have an ongoing need for funds.
>
> It profits us in a sense to be able to provide some funds because in the provision of it you get to know people, you help them out. There's no real quid pro quo. There is nobody whose vote you can count on, not with the kind of money we are talking about here. But the PAC gives you access. Puts you in the game.
>
> You know, some congressman has got X number of ergs of energy and here's a person or a company who wants to come see him and give him a thousand dollars, and here's another one who wants to just stop by and say hello. And he only has time to see one. Which one? So the PAC's an attention getter.

So-called soft money, where the amount of the contribution is unlimited, might appear to be an exception: Isn't $100,000 enough to buy a guaranteed outcome? We will argue that it is not, at least not in any simple and straightforward way. PAC contributions are primarily for members of Congress; they are for comparatively small amounts, but enough to gain access to individual members of Congress. The individual member, however, has limited power. Soft money donations are best thought of as a way of gaining access to the president, top party leaders, and the executivebranch. These individuals are more powerful than ordinary members of Congress, so access to them comes at a higher price. That privileged access is invaluable, but, as we will try to show, it does not—and is not expected to—guaranteea quid pro quo. The following example illustrates how corporations becefit from this "access" and how they use it to manipulate the system.

WHY DOES THE AIR STINK?

Everybody wants clean air. Who could oppcse it? "I spent seven years of my life trying to stop the Clean Air Act," explained the vice president of a major corporation that is a heavy-duty polluter. Nonetheless, he was perfectly willing to make campaign contributions to members who voted for the act:

> How a person votes on the final piece of legislation often is not representative of what they have done. Somebody will do a lot of things during the process. How many guys voted against the Clean Air Act? But during the process some of them **were** very sympathetic to some of our concerns.

In the world of Congress and political action committees thing? are not aluays what they seem. Members of Congress all want to vote for clean air, but they also want to get campaign contributions from corporations, and they want to pass a law that business will accept as "reasonable." The compromise solution is to gut the bill by crafting dozens of loopholes. These are inserted in private meetings or in subcornrnittes hearings that don't get much (if any) attention in the press. Then the public vote on the final bill can be nearly unanimous. Members of Congress can reassure both their constituents and their corporate contributors: constituents, that they voted for the final bill; corporations, that they helped weaken it in private. *Dollars and Votes* analyzes how this happens, clean air, and especially the Clean Air Act of 1990, can serve as an introduition to the kind of process we try to expose.

The public strongly supports clean air, and is unimpressed when corporate officials and apologists trot out their normal arguments — "corporations are already doing all they reasonably can to improve environmental quality," "we need to balance the costs against the benefits," "people will lose their jobs if we make controls any stricter." The original Clean Air Act was passed in 1970, revised in 1977, and not revised again until 1990. Although the initial goal was to have us brsathing clean air by 1975, the deadline has been repeatedly extended — and the 1990 legislation provides a new set of deadlines to be reached sometime in the distant future.

Corporations control the production process unless the government specifically intervenes. Therefore, any delay in government action leaves corporations free to do as they choose; business often prefers a weak, ineffective, and unenforceable law. The laws have not only been slow to come, but corporations have also fought to delay or subvert implementation. The 1970 law ordered the Environmental Protection Agency (EPA) to regulate the hundreds of poisonous chemicals that are emitted by corporations, but, as William Greider notes, "In twenty years of stalling, dodging, and fighting off court orders, the EPA has managed to issue regulatory standards for a total of seven toxics."[13]

Corporations have done exceptionally well politically, given the problem they face: The interests of business are diametrically opposed to those of the public. Clean air laws and amendments have been few and far between, enforcement is ineffective, and the penalties minimal. On the one hand, corporations *have* had to pay *billions* for cleanups; on the other, the costs to date are a small fraction of whar would be needed to actually clean up the environment.

This corporatestruggle for the right to pollute has taken place on many fronts. The most visible is public relations: the Chemical Manufacturers Association took out a two-page Earth Day ad in the *Washington Post* to demonstrate its concern; coincidentally, the names of many of the corporate signers of this ad appear on the EPA's list of high-risk producers.[14] Another front is expert studies that delay action while more information is garhered. The federally funded National Acid Precipitation Assessment Program took ten years and $600 million to figure out whether acid rain was in fact a problem. Both business and the Reagan administration argued that nothing should be done until the study was completed.[15] Ultimately, the study was discredited: The "summary of findings" minimized the impact of acid rain, even though this did not accurately represent the expert research in the report. But the key site of struggle was Congress. For years, corporations successfully defeated legislation. In 1987 utility companies were offered a compromise bill on acid rain, but they "were very adamant that they had beat the thing since 1981 and they could always beat it," according to Representative Edward Madigan (Republican–Illinois).[16] The utilities beat back all efforts at reform through the 1980s, but their intransigence probably hurt them when revisions finally came to be made.

The stage was set for a revision of the Clean Air Act when George Bush, "the environmental president," was elected, and George Mitchell, a strong supporter of environmentalism, became the Senate majority leader.[17] But what sort of clean air bill would it be? "What we wanted," said Richard Ayres, head of the environmentalists' Clean Air Coalition, "is a health based standard—one-in-1-million cancer risk," a standard that would require corporations to clean up their plants until the cancer risk from their operations was reduced to 1 in a million. "The Senate bill still has the requirement," Ayres said, "but there are forty pages of extensions and exceptions and qualifications and loopholes that largely render the health standard a nullity."[18] Greider reports, for example, "According to the EPA, there are now twenty-six coke ovens that pose a cancer risk greater than 1 in 1000 and six whers the risk is greater than 1 in 100. Yet the new clean-air bill will give the steel industry another thirty years to deal with the problem."[19]

This change from what the bill was supposed to do to what it did do came about through what corporate executives like to call the "access" process. The principal aim of most corporate campaign contributions is to help corporate executives gain "access" to key members of Congress and their staffs. In these meetings, corporate executives (and corporate PAC money) work to persuade the member of Congress to accept a predesigned loophole that will sound innocent but effectively undercut the stated intention of the bill. Representative John D. Dingell (Democrat–Michigan), who was chair of the House committee, is a strong industry supporter; one of the people we interviewed called him "the point man for the Business

Roundtable on clean air." Representative Henry A. Waxman (Democrat–California), chair of the subcommittee, is an environmentalist. Observers had expected a confrontation and contested votes on the floor of the Congress.

The problem for corporations was that, as one Republican staff aide said, "If any bill has the blessing of Waxman and the environmental groups, unless it is totally in outer space, who's going to vote against it?"'" But corporations successfully minimized public votes. Somehow, Waxman was persuaded to make behind-the-scenes compromises with Dingell so members, during an election year, didn't have to side publicly with business against the environment." Often the access process leads to loopholes that protect a single corporation, hut for "clean" air most of the special deals targeted not specific companies but entire industries. The initial bill, for example, required cars to be able to use carefully specified, cleaner fuels. But the auto industry wanted the rules loosened, and Congress eventually incorporated a variant of a formula suggested by the head of General Motors' fuels and lubricants department.[22]

Nor did corporations stop fighting even after they gutted the bill through amendments. Business pressed the EPA for favorable regulations to implement the law: "The cost of this legislation could vary dramatically, depending on how EPA interprets it," said William D. Fay, vice president of the National Coal Association, who headed the hilariously misnamed Clean Air Working Group, an industry coalition that fought to weaken the legislation.'? As one EPA aide working on acid rain regulations reported, "We're having a hard time getting our work done because of the number of phone calls we're getting" from corporations and their lawyers.

Corporations trying to get federal regulators to adopt the "right" regulations don't rely exclusively on the cogency of their arguments. They often exert pressure on a member of Congress to intervene for them at the EPA or other agency. Senators and representatives regularly intervene on behalf of constituents and contributors by doing everything from straightening out a social security problem to asking a regulatory agency to explain why it is pressuring a company. This process—like campaign finance—usually follows rules of etiquette. In addressing a regulatory agency, the senator does not say: "Lay off my campaign contributors or I'll cut your budget." One standard phrasing for letters asks regulators to resolve the problem "as quickly as possible within applicable rules and regulations."[24] No matter how mild and careful the inquiry, the agency receiving the request is certain to give it extra attention; only after careful consideration will they refuse to make any accommodation.

Soft money — unregulated megabuck contributions — also shaped what happened to airquality. Archer Daniels Midland argued that increased use of ethanol would reduce pollution from gasoline; coincidentally, ADM controls a majority of the ethanol market. To reinforce its arguments, in the 1992 election ADM gave $90,000 to Democrats and $600,000 to Republicans, the latter supplemenred with an additional $200,000 as an individual contribution from the company head, Dwayn: Andreas. Many environmentalists were skeptical about ethanol's value in a clean air strategy, but President Bush issued regulations promoting wider use of ethanol; we presume he was impressed by the force of ADM's 800,000 Republican arguments. Bob Dole, the 1996 Republican presidential candidate, helped pass and defend special breaks for the ethanol industry; he not only appreciated ADM's Republican contributions, but presumably approved of the more than $1 million they gave to the American Red Cross during the period when it was headed by his wife, Elizabeth Dole.[25] What about the post-1994 Republican-controlled Congress, defenders of the free market and opponents of government giveaways? Were they ready to end this subsidy program, cracking down on corporate welfare as they did on people welfare? Not a chance. In 1997, the Republican chair of the House Ways and Means Committee actualy attemptsd to eliminate the special tax breaks for ethanol. Needless to say, he was immediately put in his place by other members of the Republican leadership, including Speaker Newt Gingrich and most of the Senate, with the subsidy locked in place for years to come,[26] in spite of a General Accounting Office report that "found that the erhanol subsidy justifies none of its political boasts."[27] The Center for Responsive Politics calculated that ADM, its executives and PAC, made more than $1 million in campaign contributions of various types; the only thing that had changed was that in 1996, with a Cemocratic president, this money was "divided more or less evenly between Republicans and Democrats."[28]

The dispariry in power between business and environmentalists looms large during the legislative process, but it is enormous afterward. When the Clean Air Act passed, corporations and industry groups offered positions, typically with large pay increases, to congressional staff members whc wrote the law. The former congressional stiff members who now work for corporations both know how to evade the law and can persuasively claim to EPA that they know what Congress intended. Environmental organizations pay substantially less than Congress and can't afford large staffs. They are seldom able to become involved in the details of the administrative process or to influence implementation and enforcement.[29]

Having pushed Congress and ths Environmental Protection Agency to allow as much pollution as possible, business then went to the Quayle council for rules allowing even more pollution. Vice President J. Danforth Quayle's council, technically known as the "Council on Competitiveness," was created by President Bush specifically to help reduce regulations an business. Quayle told the *Boston Globe* "that his council has an 'open door' to business groups and that he has a bias against regulations."[30] During the Bush administration, this council reviewed, and could override, all regulations, including those by the EPA setting the limits at which a chemical was subject to regulation. The council also recommended that corporations be allowed to increase their polluting emissions if a state did not object within seven days of the proposed increase. Corporations thus have multiple opportunities to win. If they lose in Congress, they can win at the regulatory agency; if they lose there, they can try again at the Quayle council (or later equivalent). If they lose there, they can try to reduce the money available to enforce regulations, or tie the issue up in the courts, or plan on accepting a minimal fine.

The operation of the Quayle council would probably have received little publicity, but reporters discovered that the executive director of the council, Allan Hubbard, had a clear conflict of interest. Hubbard chaired the biweekly White House meetings on the Clean Air Act. He owned half of World Wide Chemical, received an average of more than $1 million a year in profits from it while directing the Quayle council, and continued to attend quarterly stockholder meetings. According to the *Boston Globe,* "Records on file with the Indianapolis Air Pollution Control Board show that World Wide Chemical emitted 17,000 to 19,000 pounds of chemicals into the air" in 1991.[31] At that time the company did "not have the permit required to release the emissions," was "putting out nearly four times the allowable emissions without a permit, and could be subject to a $2,500-a-day penalty" according to David Jordan, director of the Indianapolis Air Pollution Board.[32]

This does not, however, mean that business always gets exactly what it wants. In 1997, the Environmental Protection Agency proposed tough new rules for soot and smog. Business fought hard to weaken or eliminate the rules: hiring experts (from pro-business think tanks) to attack the scientific studies supporting the regulations and putting a raft of lobbyists ("many of them former congressional staffers," the *Washington Post* reported[33]) to work securing the signatures of 250 members of Congress questioning the standards. But the late 1990s version of these industry mobilizations adds a new twist—creating a pseudo-grassroots campaign. For example, business, operating under a suitably disguised name (Foundation for Clean Air Progress), paid for television ads telling farmers that the EPA rules would prohibit them from plowing on dry windy days, with other ads predicting the EPA rules "would lead to forced carpooling or bans on outdoor barbecues—claims the EPA dismisses as ridiculous."[34] Along with the ads, industry worked to mobilize local politicians and business executives in what business groups called a "grass tops" campaign.

Despite a massive industry campaign, EPA head Carol Browner remained firm, and President Clinton was persuaded to go along. Of course, industry immediately began working on ways to undercut the regulations with congressional loopholes and exceptions—but business had suffered a defeat, and proponents of clean air (that is, most of the rest of us) had won at least a temporary and partial victory. And who leads the struggles to overturn or uphold these regulations? Just as before, Dingell and Waxman; Republicans "are skittish about challenging" the rules publicly. "so they gladly defer to Dingell as their surrogate."[35] Dingell's forces have more than 130 cosponsors (about one-third of them Democrats) for a bill to. in effect, override the EPA standards.

In business–government relations most attention becomes focused on instances of scandal. The real issue, however, is not one or another scandal or conflict of interest, but rather the *system* of business–government relations, and especially of campaign finance, that offers business so many opportunities to craft loopholes, undermine regulations, and subvert enforcement. Still worse, many of these actions take place beyond public scrutiny. *Dollars and Votes* analyzes not just the exceptional cases, but the day-to-day reality of corporate government relations.

WHY BUSINESS?

Dollars and Votes focuses on business and the way it uses money and power to subvert the democratic process. This runs counter to the conventional wisdom, which treats all campaign contributions as equally problematic. A "balanced" and "objective" approach would, we are told, condemn both business and labor; each reform that primarily restricts business should be matched by one that restricts labor. We've heard these arguments, thought them over, and rejected them. They assume that what we have now is "balance" and that all changes should reinforce the existing relations of power. We see no reason to accept that as an a priori assumption.

Why are business campaign contributions more of a problem than contributions by labor (or women, or environmentalists)? First, because business contributes far more money. According to a study by the Center for

Responsive Politics,[36], in the last election business outspent labor by an 11 to 1 margin. Most reports about campaign finance give the impression that labor contributes roughly as much as business—a distortion of the reality.

Second, as we argue in Chapter 6, beyond the world of campaign finance, business has far more power than labor, women's groups, or environmentalists.

Third, business uses campaign contributions in a way few other groups do, as part of an "access" process that provides corporations a chance to shape the details of legislation, crafting loopholes that undercut the stated purpose of the law. Other groups do this on rare occasions; business does so routinsly. Businesses are far more likely than other donors to give to *both* sides in a race; nearly all the soft money donors who gave to both sides were corporations (see Chapter 4).

Fourth, there is a fundamental difference between corporate and labor PAC contributions. That difference is democracy; unions have it, corporations don't. This overwhelmingly important distinction is concealed by almost all public discussion. No one talks about it, no one seems to take it seriously. There is a virtual embargo on any mention of this fact, but it merits serious consideration.

The original legislation ratifying the creation of PACS, passed in 1971 and amended in 1974 after Watergate, intended that corporations and labor unions be treated in parallel fashion. In each case, the organization was permitted a special relationship to the group that democratically controlled it—stockholders in the case of corporations, members in the case of labor unions. The organization was permitted to communicate with those individuals and their families on any issue (including political issues), to conduct registration and get-out-the-vote campaigns, and to ask those people for voluntary contributions to a political action committee.

In the 1975 SUN–PAC decision, the Federal Election Commission, for almost the only time in its existence, took a bold step. In fact, it essentially threw out a key part of the law and then rewrote it, permitting corporations to solicit PAC contributions not just from their stockholders but also from their managerial employees. This had two consequences. First, corporate PACs—but no others—are able to coerce people to contribute. Second, corporate PACs are not, even in theory, democratically controlled. Each of these consequences needs to be examined.

Neither stockholders nor union members can be coerced to contribute—the organization doesn't have power over them, they have power over the organization. Managers, however, can be coerced. As a result, virtually all corporate PAC money comes from employees rather than stockholders.

If your boss comes to you and asks for a contribution, saying he or she hopes that all team players will be generous, it's not easy for you, an ambitious young manager, to say no. Some companies apparently do not pressure employees to contribute, but others do. For example, at one company we studied, the head of government relations told us that each year he and the company's lobbyist go to each work unit and hold an employee meeting: "We talk about the PAC and what it means to the company and what it means to them as individuals, and we solicit their membership; if they are members, we solicit an increase in their gift." Then the employees' boss is asked "to get up and say why they are members and why they think it's important for an employee to be a member." The upper-level manager clearly has no confidentiality, which in itself sends a key message to others. A number of coercive elements converge in this solicitation: The meeting is public, employees are to commit themselves then and there in the public meeting, the boss recommends that subordinates contribute, and an impression is probably conveyed that the boss will be evaluated on the basis of his or her employees' participation rate. The PAC chair insists there is no pressure, but admits employees feel differently:

> And yet regardless of how many times you say that, there's always going to be some employees who feel that you got them into that meeting to put pressure on. But if they feel pressure it's self-imposed from the standpoint of the solicitation. Because there will be several of us, including myself, who will get up and say, we want you to be a member and here's why.

However, even his definition of "no pressure" is cause for concern: "But as far as a manager or anybody getting up and telling you that if you don't participate we're going to fire you, . . . there's no pressure." No one is told they will be fired for failing to Contribute, but it seems probable that they will assume their boss will be disappointed and that their Contribution or noncontribution will be remembered at promotion time.

The second consequence of the 1975 SUN–PAC decision is even more important. Corporate PACs are *not* democratic. Many corporations have steering committees that vote to decide to whom the PAC will contribute, but the committees are appointed, the corporate hierarchy selects individuals who are expected to take the corporate purpose as their own, and managers know that they will be evaluated on their performance on the committee. As one senior vice president explained: "Policy is made by the top of the company, and it filters down. They tell you what they want, and you do it."

The internal functioning of corporate PACs suggests how they relate to and value democracy. Most aspects of the political system are beyond the *direct* control of corporations, but they can determine how their PACs operate and make decisions. As a result, in all but a handful of corporate PACs democratic control is not even a theoretical possibility. The PAC raises its money from employees, but employees do not and cannot vote on the leadership or direction of either the PAC or the corporation. The PAC officer who is responsible for the day-to-day details of running the PAC is appointed. *No* corporation elects its PAC officer—any more than corporate employees elect any other official. While PACs do sometimes change political direction, this happens because the corporation is acquired or because a new CEO takes office, not because contributors are dissatisfied."

Not only the PAC officer is appointed. Virtually all PAC steering committees are appointed, not elected. The chair of one of the handful with elections explained:

> We have a steering committee that's elected by ths members. We send out ballots for the steering committee. It's a Russian election'' admittedly—there is a slate of nominees and there is an opportunity for people to write in but as a practical matter it's almost impossible for a write-in to win.

The onlycorporation that reported having *some* contested elections agreed that, in general: "It is an elected-appointive; it's kird of a pseudo-election I guess is what it amounts to."

We might expect those ideological corporations rhat stress general principles of support for democracy and the "free" enterprise system to be exceptions to the undemocratic organization of corporate PACs. Not at all. At one corporation that boasted about its wholehearted support of the "free enterprise system," the chair of the PAC Committee matter-of-factly noted: "If our [company] chairman said we are going to have a certain kind of PAC, then we'd have an option of resigning or doing it the way he wanted. At another ideological corporation, *all* members of the PAC committee are among the top ten corporate officers. In PAC committee deliberations, we were told, "It's never heated because it's not a very democratic system."

The rondemocratic character of corporate PACs is consistent with the principles guiding the corporarion as a whole. Corporations are not run on democratic principles; employees don't vote on corporate leadership or policies. Many corporate executives are dubious about democracy in general. Leonard Silk and David Vogel attended a set of meetings organized by the Conference Board for top executives They concluded:

> While critics of business worry about the atrophy of American democracy, the concern in the nation's boardrooms is precisely the opposite.

> For an executive, democracy in America is working all too *well—that is the problem.*[39]

Campaign contributions are (part of) the solution to the "problem" of democracy.

OUR RESEARCH

Because of business's uniquely important role, because corporate PACS are nondemocratic in a way that other PACS are not, and because business is by far the most important factor in the "access" process, most of our research focuses on corporations. We have been studying campaign finance for fifteen years, and this book draws on at least five sources of information. First and foremost, we draw on 38 in-depth interviews with corporate executives, most of them conducted in 1988 and 1989, each roughly an hour long; 79 percent of them were tape-recorded and transcribed, yielding hundreds of pages of transcripts. The corporations we interviewed are a representative sample; their PACS are similar to those of all large corporate PACS in terms of contributions to Democrats versus Republicans and incumbents versus challengers.[40]

To encourage candor, we promised our informants that we would maintain the confidentiality of both the individuals and the corporations involved. The most common question we were asked while arranging the interviews, a question repeated again at the beginning of the interview itself, concerned confidentiality. People emphasized they were willing to talk either with or without confidentiality, but made it clear they would be more forthcoming with a promise of confidentiality. The main question was some version of: "Am I going to be seeing this on *60 Minutes* or reading it on the front page of the *Washington Post*?"[41] Informant confidentiality is appropriate in this study because our focus is not on one or another specific instance of abuse, but rather on the systematic abuses that are inherent in the everyday operation of the campaign finance system. The corporate executives we interviewed made some revealing statements; we were impressed by the extent to which they were willing to be candid and honest. Did they tell us everything? No way. In our interviews, people rarely named names or revealed specifics. We're sure that, if some PAC officer switched sides and *really* told all, the material would be much juicier. But we wouldn't advise you to hold your breath waiting for that to happen, and it's amazing what corporate officials *did* tell us.

A second source of information is our analysis of all the "soft money" donations for 1992, 1994, and 1996 (the only years for which the data are publicly available). We analyzed not only donations by corporations, but also by labor unions, individuals, trade associations, women's groups, environmentalists, single-issue organizations—you name it. These are the donations that have attracted the most attention of late, and have been the focus in Clinton's campaign finance scandals. For a variety of reasons, above all, the difficulty of working with the data, far less systematic attention has been paid to these contributions than to PACs; what little attention has been given to soft money has focused on a handful of the largest donors. Although they are important, that focus distorts the larger picture.

Third, we have analyzed the PAC donations of the largest corporate PACs for every election from 1976 through 1996, an average of more than 20,000 donations per election.[42] Fourth, we occasionally draw on a mail survey of a random sample of corporate PAC directors, conducted in 1986, with a response rate of 58 percent (much higher than most surveys of PACs). Finally, we read everything we can get our hands on, search the Web, and in general collect every miscellaneous piece of information we can find on campaign finance.

Dollars and Votes uses corporate executives' own words to explain how business uses campaign finance and the access process to influence and subvert—our word, emphatically not theirs—the democratic system. The remainder of this chapter reviews the current state of campaign finance law, briefly sets out what will be covered in the remainder of the book, and introduces three theoretical issues that are important to our argument.

THE CURRENT LAW

The most provocative and also probably the most accurate beginning point is that there is, in effect, no law. Or, rather, an untold number of laws and regulations exist, but a determined donor can get around them. The morass of regulations creates enormous hassles for both candidates and donors, makes life more difficult for those attempting to use money to dominate the system, and provides a significant measure of public disclosure. But it does nor prevent outrageous abuses, and it sanctions a system whose normal operation involves exchanging money for special influence. In practice, campaign finance is today *less* regulated than it has been at any time since 1907 (when the Tillman Act was passed). That is the starting point for any discussion of the law; the rest should be thought of as a map showing the obstacles placed in the way of smart lawyers, candidates, and donors.

We won't try to cover all the technicalities of the current law; the outlines are confusing enough. *Individuals* may contribute $1,000 per candidate per election. But since most candidates face both a primary and a general election, that limit doubles; the creative use of family members can further expand it. No individual may contribute more than $25,000 in total (to all candidates) per year, though people may also contribute $5,000 per year to a PAC.

Political action committees, or PACs, are entities that collect money from many conuibutors, pool it, and then make donations to candidates. Corporations, unions, ard trade associations may sponsor PACs, paying all of their operating expenses (rent, phone, mailings, the salaries of individuals who work only on the PAC), but they can't put their own money directly, into the PAC, because all PAC money must come from voluntary donations. PACs may contribute up to $5,000 per candidate per election (with primaries again doubling the limit), and may give an unlimited total amount.

Candicates must *disclose* all PAC donations (of any size), the names of all individuals who donate $200 or more, and the total amount spent and received (including the amounts received from donations of less than $200). PACs must disclose all donations, and report the names of all individuals who contribute $200 or more.

By far the most important recent change in campaign finance is the explosion of so-callec soft money (analyzed in Chapter 4). "Hard money" refers to donarions made (more or less) within the framework of the law as it was originally intended; "soft money"—which could equally well be called "loophole money"—is money that escapes the requirements of federal law. Like most such distinctions, it's less clear than it seems—for example, a 1991 federal regulation requires that soft money contributions be reported: That reporting is itself a (minimal) form of regulation.

Soft money differs from hard money in two critical ways. First, there is absolutely no limit on the amount of the contribution. A corporation can jive one hundred thousand dollars, a million dollars, or more. Second, corporations, unions. and other organizations can take the money directly from their central treasuries. PACs must get their money from (at least supposedly) voluntary donations by individuals to the PAC. That placed some limit on corporate giving. Stockholders contributed very little, and although corporations could successfully coerce the money out of their managers, doing so became, at least, a problem. Now corporations may take the money directly out of their treasuries—and they have astonishingly deep pockets.

The Federal Election Commission (FEC) is supposed to monitor candidates and contributors and enforce the rules, but it is underfunded and takes—literally—years to reach decisions. In terms of action, the FEC is paralyzed on most important issues, since by law its commissioners are evenly balanced—three Democrats and three Republicans—but it requires a majority vote to act. Typically, the FEC takes (roughly) forever to officially consider a violation. Then it either fails to reach any decision or imposes a mininal fine. In one typical case, Republican Conrad Burns's 1988 election victory inaolved apparent campaign finance violations. His six-year Senate term was nearly over before the FEC managed to consider the case.

> The FEC commissioners eventually agreed that tens of thousands of dollars had improperly poured into the race in violation of federal statutes. But there the matter stalled as the commissioners deadlocked along party lines through 15 inconclusive votes on how to proceed.[43]

In the end, of course, the FEC did what it usually does—nothing. Burns is now well into his second term. He probably doesn't lie awake nights worrying about some fearsome punishment he might face for his campaign finance violations.

OVERVIEW

Chapter 2 analyzer the campaign contribution itself—how it should be understood, the criteria corporations use in deciding on donations, what corporations give aver and beyond reported donations. We argue that PAC contributions—and even huge soft money donations—are best understood as gifts, not bribes They create a generalized sense of obligation and an expectation of mutual back-scratching. We also look at the way corporations present money to candidates: Whit really goes on at a fundraiser?

In Chapter 3, we investigate the "access" process. These are the donations observers find most troubling. A corporation plays on a member's sense ofindebtedness for past contributions in order to gain access to that member. In committee hearirgs and private meetings, the corporation then persuades the member to rnzke "minor" changes in a bill—changes, say, that exempt a particular company or industry from some specific provision.

Chapter 4 looks at soft money, the inregulated area whose megabuck donations are at the center of recent campaign finance scandals. We argue these are another form of "access" donztions, but here the access is to the president or to parry leaders, so the entry cost increases dramatically. Business dominates this form of giving.

Even some corporations are troubled by this "access" approach, and

Chapter 5 considers the alternative: donations to close races intended to change the ideological composition of the Congress. In the 1980 election a substantial group of corporations pursued an ideological strategy. We argue this was one of the reasons for the conservative successes of that period, and we examine why many of these corporations changed to access-oriented behavior. Thereafter, however, only a small number of corporations used this as their primary strategy, though most corporations make some such donations. Corporate mobilization was *not,* however, the key to 1994 Republican congressional victories. This is a paradox we explore.

Chapter 6 investigates the degree of political unity among corporations. Do competing firms or industries oppose each other in Washington, so that one business's political donations cancel out those of another corporation or industry? More generally, how much power does business have in our society, and how does its political power relate to its economic activity?

The book concludes with an examination of the Clinton scandals, the incidents that have renewed interest in campaign contributions and spawned a host of investigations, and of the possibilities for reform. Corporate executives are not worried about reform. They don't expect any meaningful changes, and they assume that if "reforms" are enacted, they will be easily evaded. We use the analysis developed throughout the book to indicate briefly why most reform proposals would be ineffective. We end by sketching a proposal that we believe would lead to meaningful and enduring reform. It won't be easy to enact such a reform, but we hope that if people understand how the current system operates and what would be needed to clean it up, they will demand significant change. One promising development is a movement to place real reform proposals on state ballot initiatives, thus appealing directly to voters and circumventing Congress's usual strategy of burying reforms in committee.

In developing our analysis, in the remainder of this chapter and in most chapters in this book, we further explore three points. First, power is exercised in many loose and subtle ways, not simply through the visible use of force and threats. Power may, in fact, be most effective, and most limiting, when it structures the conditions for action—even though in these circumstances it may be hard to recognize. Thus campaign contributions can and do exercise enormous influence by creating a sense of obligation, even if there is no explicit agreement to perform a specific service in return for a donation. Second, business is different from, and more powerful than, other groups in society. As a result, corporations and their campaign contributions frequently produce effects that other groups could not match simply by raising equivalent amounts of money. Third, this does not mean that