Letters

PACs

TO THE EDITOR:

In separate articles in your May/June issue, Professor Epstein and Mr. Malbin contend that it is premature to fret about corporate or other kinds of PACs' playing a dominant role in political funding. We at COPE must be way ahead of schedule, for we are concerned *now*—about the PACs of corporations, trade associations, and the "new right wing." We feel they will become one super-PAC, or close to it.

It does not require a consuming case of paranoia to anticipate, as we do, widespread coordination of support to candidates by these kinds of PACs. Already, their representatives join frequently in political and legislative planning sessions.

Their funding potential is enormous. Among them, they ponied up more than $22 million in 1978, more than twice what labor PACs managed to do—with the bulk of it coming from corporate and trade association PACs. This omits the many millions of dollars in small direct contributions generated by the "new right" mailings to vast lists of true believers—which pulled in, for example, $5 million for ultraconservative Senator Jesse Helms and lesser, though still bountiful, amounts for Senators John Tower, Roger Jepsen, William Armstrong, and other right-wing pets.

There is nothing sinister in the fact that corporate, trade association, and right-wing PACs converge behind these candidates: they share common goals. Some of them might stay at arm's length from the more passionate issues of the "new right." But they will all be together—in memory of Millard Fillmore, perhaps—behind candidates sworn to take "big government's shackles" off business and to dump on trade unions and other forces "alien to our shores."

How much will these PACs pump into 1980 campaigns? Given continuing explosive growth in their numbers, and the savvy gained by having a campaign or two under their belts, the sky's the limit. Few eyebrows would be raised—certainly not ours—should their combined contributions in 1980 exceed $75 million. . . .

The AFL-CIO believes in elections, not auctions, for public office. We believe public financing of congressional campaigns makes sense. Epstein and Malbin seem to think this is just labor's sour grapes, suggesting we discovered public financing only after the new toughs moved into the block with more muscular (in terms of aggregate funding) PACs than our own. The writers have not done their homework.

In 1956, when labor PACs practically had a monopoly of the field—except for some trade association committees—AFL-CIO President George Meany urged public financing of all federal campaigns. The federation continues to believe that even a flawed public funding system will be healthier for the electoral process than the wild scramble by PACs to raise and dispense money—and the wilder chase by candidates to get their hands on some of it—that is already well under way.

Ben Albert,
Committee on Political Education

TO THE EDITOR:

The Epstein/Malbin commentaries helped a great deal in setting the record straight about the role of corporate, labor union, and other political action committees in the 1978 congressional elections. . . .

Some observers have erred in the specific portions of nonlabor/nonparty money they attributed to the corporate world. Epstein was careful not to lump this money into the "corporate" category, per se. Yet he may have inadvertently lent support to those who do by his contention that—on the basis of a "very conservative estimate"—half of it came from "business-related" committees. We think that estimate is inflated. Not one of the top ten contributors to candidates in the overly broad category of trade/membership/health groups was a corporate-based PAC. Rather, they all represented doctors, dentists, lawyers, insurance agents, auto dealers, realtors, gun owners, and various "conservative" groups.

The problem may lie in definitions of what is "corporate" or "business" or "business-related." We contend that one ought to distinguish clearly between company PACs per se and other PACs that relate more to trade/professional/membership/health activities.

Epstein referred to the large potential for PAC growth among the 1,500 trade and professional associations headquartered in Washington, D. C. If the laws and regulations were favorable, that large potential might be there. But the legal and regulatory restraints are formidable—especially for those associations whose members are companies rather than individuals. The requirements that these associations obtain permission from their member companies to solicit the executives of these companies and that only one trade association may receive this permission from a given company each year seriously restrict the potential for trade association PACs.

Both Epstein and Malbin refer to the potential for growth in corporate and labor union PAC dollars. Looking to the 80s, the most aggressive efforts to raise funds may not come from the corporate, trade association, and professional groups but rather from labor unions. The United Auto Workers and the Communications Workers of America are discussing with management the possible use of a payroll deduction system to raise dollars for the union PACs. In 1978, the UAW PAC (with about 1.5 million members) spent nearly $1.1 million (about $500,000 more, incidentally, than the combined spending of eleven corporate PACs in the auto/heavy machinery industry). If only half the UAW's members would allow a one-dollar-per-month payroll deduction for a two-year period, that could translate into $18 million in campaign contributions.

BIPAC's studies of the 1978 PAC contributions focused on the 210 of the *Fortune 500* companies that have PACs. In contrast to corporate PACs in general, the PACs of these companies were more interested in challengers and open-seat races than in incumbents. With the exception of House of Representatives' leaders John Rhodes and Jim Wright, who appeared on the list of top ten House recipients of all corporate and *Fortune 500* PAC dollars, the results support Malbin's conclusion that corporate PACs are willing to take risks. Not one of the other incumbents receiving the largest contributions from *Fortune 500* corporate PACs won election.

Epstein's observation that business and labor might work together against other forces in the political arena is highly speculative. We note the differences between the candidates supported by labor and those supported by business in 1978 House races. Over ninety candidates for the House received more than $25,000 from union PACs in 1978; fifty candidates for the House received over $25,000 from corporate PACs. Only four candidates were on both lists—two of them being defeated and one elected in a three-way race with less than 50 percent of the vote.

Bernadette A. Budde,
Business-Industry Political Action Committee

TO THE EDITOR:

Edwin Epstein argues that the recent boom in political campaign contributions from business-associated political action committees (PACs) represents an ironic and unanticipated consequence of election reform. In a companion piece, Michael Malbin contends that the substantial increase in PAC campaign giving is nothing to get excited about because it is not a proportional increase when measured against the growth of campaign giving by all other sources.

Epstein, who has spent years documenting the history of the PAC movement, has made an important contribution to our knowledge of the subject. His *Regulation* article, however, misperceives the key legislative battle that opened the door for the explosive growth in the number of PACs, particularly corporate PACs.

The 1974 federal campaign act amendments included a provision that authorized government contractors to establish PACs. This provision overturned a thirty-four-year ban on government contractors' making either direct or indirect campaign contributions to federal candidates. The effort to enact it was led by labor and backed by business. Labor organizations were concerned that, without the change, their government manpower training contracts would make their existing PACs illegal. Business supported the provision because it would enable corporations to establish new PACs.

Epstein cites this effort as one example of how election reform has led to unanticipated consequences—in this case the enormous growth in business-related PACs. . . . But the provision was *not* a reform and its consequences were not unanticipated. Indeed, Common Cause strongly opposed it, *precisely because its potential consequences were obvious.* Senators William Proxmire (D-Wisc.) and Robert Stafford (R-Vt.) led the fight on the Senate floor, but lost 36 to 51. The passage of this "non-reform," along with the defeat of public financing for congressional races, has allowed PACs to flourish in congressional races. In contrast, PACs played a minor role in the 1976 presidential election, which was financed primarily by public funds and smaller private individual contributions.

Malbin's argument—that we have nothing to fear about PACs but fear itself—simply does not hold up. He takes great solace from the finding that PAC giving to congressional candidates in 1978 did not significantly increase over 1976, when viewed as a percent of total funds raised. But the story does not end there, it only begins. PAC giving to congressional candidates nearly tripled between 1974 and 1978, rising from $12.5 million to $35 million. In the same years, PAC funds as a percent of total amounts raised by House candidates also rose substantially, from 18 percent to 25 percent.

PAC contributions have a very special quality. They are most often associated with organized lobbying programs and, unlike most small individual contributions, generally are donations with a purpose. Thus when, for example, the National Automobile Dealers Association increases its donations from $14,000 in 1974 to almost $1 million in 1978, . . . that increase has enormous potential impact on decisions in Congress, regardless of comparative increases in other sources of funds.

The bulk of PAC gifts benefits incumbents, who receive $3 for every $1 that goes to challengers. PAC giving as a percentage of total funds substantially increases when we examine incumbents. In 1978, House incumbents received from PACs approximately 32 percent of the total funds they raised, up from 21 percent in 1974. Of particular concern is the fact that there are 136 members of the House today whose PAC contributions represented more than 40 percent of their campaign receipts in 1978. Also, an examination by the *New York Times* of the most powerful group in the House, the committee chairmen, reveals that PACs accounted for 56 percent of the campaign funds they spent in 1978.

The record shows that PACs already present a clear and present danger to our political system. As for the future, Epstein points out that "the market for potential PAC formation is virtually untapped" by business and that "the 1978 operations of corporate PACs reveal just the tip of the iceberg." Congress should move immediately to reduce substantially the amounts PACs can contribute to congressional candidates, as proposed in a bill introduced by Representatives David Obey (D-Wisc.), Tom Railsback (R-Ill.), Frank Thompson (D-N.J.) and more than 120 other House members. Congress should also extend the public financing concept to congressional races.

Fred Wertheimer,
Common Cause

MICHAEL MALBIN responds:

Fred Wertheimer is correct when he says that PAC contributions were a greater proportion of the total contributions received by House candidates in 1978 than in 1974, but he is wrong in the significance he attaches to the figures.

The proportion of PAC contributions for House candidates has grown steadily from 14 percent in 1972 to 25 percent in 1978, while over those same years, large contributions exceeding $100 dropped from 39 percent to 22 percent of all House contributions. These two figures obviously are interrelated outgrowths of the 1974 law. Before January 1, 1975, individuals were allowed to contribute as much as they wished, but federal contractors could not form PACs. After 1975, individual contributions were limited but PACs were allowed to grow. Since scholars agree that most (not all) large contributors come from the world of business, and since the decline in large individual contributions more than negates the increase from PACs, I still fail to see any reason for the excitement.

Wertheimer should be proud of his role in helping to bring business participation in politics above the table. Instead, he complains because PAC contributions are contributions "with a purpose." Indeed they are, as were most of the large contributions, legal and illegal, of the pre-Watergate years. His unhappiness leads one to suspect that his aim goes beyond that of opening up and cleaning up politics, to creating a world in which people do not try to use politics to achieve private ends—or, at least, not private economic ends. Such a world, alas, is not to be. "If men were angels, no government would be necessary," James Madison reminded us in *Federalist* No. 51.

Madison was no stranger to the idea of "special interests." In *Federalist* No. 10, Madison argued that the best way to avoid the tyranny of a majority faction over a minority—the major danger in a democracy—was to create a modern commercial society in which competing factional interests would flourish. Letting "special interests" participate in politics in an open and limited way is, thus, an essential part of Madison's solution to the problem of democracy.

I agree with Wertheimer that we do not live in a perfectly competitive open-market world; we would probably also agree that the public good does not equal merely the sum of private interests. That is why I support some forms of partial public financing, such as a voucher system, or aid to the parties, that would help enfranchise those people who are too easily overlooked in the present system. But Congress never has been offered a vote on public financing without expenditure limits, and limits—every political scientist who has ever studied the problem agrees—would favor incumbents and hurt challengers. The $50,000 overall limit in the Obey-Railsback amendments would also favor incumbents, although less so than an overall spending limit.

If we truly want to decrease the influence of particular interests, we should listen to Madison and let them be fruitful, multiply, and compete. Increase everyone's resources, and the resources of any one becomes less important. Limiting the PACs will do nothing to help the disenfranchised, and will favor those groups that use other, less accountable, methods to press their political point of view, such as constitutionally protected independent expenditures, "soft-money" spent on registration or getting out the vote, or influence over the media. I find it hard to believe that Fred Wertheimer of all people, or Common Cause of all organizations, would want us to go back to a pre-Watergate world in which the advantage returns to people whose power is not disclosed and is not publicly accountable.

EDWIN M. EPSTEIN responds:

While I am pleased that such thoughtful political practitioners as Ben Albert of COPE, Bernadette A. Budde of BIPAC, and Fred Wertheimer of Common Cause find my analysis persuasive in at least some areas, I consider it important to address items of disagreement.

Ben Albert takes me (and Mr. Malbin) to task for underestimating business-PAC dominance in political funding and for attributing labor's support for public financing to political expediency. First, one point of my article is that the rapid development in the number and size of PACs, *particularly those of a corporate and business-related variety,* warrants our scrutiny in order to ensure that they do not achieve a disproportionately favored position in the electoral process. Therefore, on the question of excessive business influence, I take a "wait and see" approach. Second, I do not doubt there are labor leaders, including AFL-CIO president George Meany, who support public funding on the basis of a principled view of the potential benefits to the electoral process resulting from such financing. However, the enthusiasm and frequency of labor's calls for public funding have increased dramatically during the past few years, particularly since 1976—precisely when labor's position under the FECA and its amendments has most visibly eroded. Principle and interest are frequently well tied together.

Bernadette Budde considers "inflated" my "very conservative estimate" that half of the noncorporate, nonlabor PAC contributions (from cooperatives, trade/membership/health, nonstock corporations, and nonconnected associations) emanate from business-related committees. However, PACs organized by the National Association of Realtors, the National Automobile Dealers Association, the National Association of Life Underwriters, the American Bankers Association, the Chicago Mercantile Exchange, and the National Association of House Builders—each of which were among the leaders in various trade/membership/health categories according to FEC data for Campaign '78—clearly are business related. Indeed, BIPAC (Business-Industry Political Action Committee) itself is registered as a "nonconnected" organization. Moreover, despite the restrictions noted by Ms. Budde, trade association electoral efforts have increased substantially in the past few years and appear likely to grow in the foreseeable future. While she is undoubtedly correct in suggesting that labor will seek aggressively to increase the number of PAC dollars contributed by its members, I am doubtful it will come anywhere near its goal of $1 per member per month. Indeed, both COPE's and UAW's receipts, as well as expenditures and contributions, declined from 1976 to 1978.

True, as Ms. Budde says, corporate PACs were less incumbent-oriented in 1976 than 1978—and so too was labor. I repeat, unions and companies in a given industry may have the same needs (Chrysler and the UAW are today both calling for federal assistance to the former), and thus may well both support the same candidates (irrespective of party or incumbency) who are sympathetic to such needs.

Because Fred Wertheimer and Common Cause have been catalysts in producing the regulatory framework governing federal campaign financing, Wertheimer's criticism warrants careful consideration. He argues, in essence, that the legislative efforts "led by labor and backed by business" to permit corporations and labor unions that were government contractors to establish PACs (an ambiguity in the 1971 FECA) was not a reform effort with unintended and undesired consequences; rather it was really a contra-reform thrust by business and labor, opposed by true reformers such as Common Cause. Yes, some reform groups *did* recognize that the proposed campaign finance laws would benefit the electoral position of certain groups, but it is doubtful that knowledge of this was particularly widespread within the Congress, the press, the informed public or, insofar as it applied to corporate PACs, among labor leaders. The emergence of the business PAC was—and I imagine Wertheimer will agree—neither anticipated nor desired by the large majority of campaign "reformers."

In any event, I thank my critics for their serious and stimulating comments. ■