

Those who sign the checks write the laws
by Ibrahim Warde

In his book *Honest Graft: Big Money and the American Political Process*, journalist Brooks Jackson wrote about Tony Coelho, then a Democratic member of the House of Representatives, who was famous for having perfected the art of shaking down wealthy contributors.

“Like the Tammanys of old (a reference to Tammany Hall, the legendary New York patronage network), Coelho’s machine gave incumbents a firm grip on their jobs and reduced the political opposition to frustrated impotence. It viewed attempts at reform with suspicion. Meanwhile, the House remained a soil where scandals sprang up like weeds. But where the old bosses held sway in a single city or county, Coelho’s machine straddled the entire nation,” he wrote. Facing a scandal over his personal finances, Coelho later resigned from the House, and did what most former legislators do: he parlayed his political experience into a lucrative career as an investment banker, lobbyist and fund-raiser.

A few months ago, Coelho returned to active politics when he was picked by Vice President Al Gore to become chairman of his presidential campaign. This episode illustrates a new reality of American politics: money is by far the most important electoral weapon, and fund-raising skills trump the appearance of impropriety.

In the last few years, the cost of presidential campaigns has grown exponentially, doubling every four years: \$200 million in 1988, \$400 million in 1992, and \$800 million in 1996. In 1996, the total cost for all elections—presidential, legislative, state and local—reached a staggering \$4 billion. The 2000 campaign is poised to shatter all records.

Ironically, the new importance of money in politics is an outgrowth of the post-Watergate reforms of the 1970s, which were designed to “moralize” politics. In order to staunch the flow of unregulated money, the law placed ceilings on individual contributions to specific candidates and imposed new disclosure requirements.

But it had many unintended effects. Loopholes were found, and new legal mechanisms were used most creatively. Thus, Political Action Committees representing every possible industry and cause proliferated, gathering large amounts that were then distributed among “friendly” candidates. The focus also shifted to “soft money,” largely unregulated and unlimited, that went directly to party coffers.

So today, in any major election, the first hurdle really is money. From the exploratory stage, the fund-raising offensive starts, as would-be candidates or incumbents hopscotch their district or the country to amass as much money as they can.

Successful fund-raising establishes credibility. It scares off potential challengers and attracts more donors. Thus in the upcoming presidential election, George W. Bush’s war chest allowed him to be anointed the front-runner among Republicans even before a single vote was cast. His calculation—it remains to be seen whether he was right—was that the primaries would simply be a coronation process before the general election.

There is an “arms race” element to the escalation: if a party or a candidate raises significant amounts of money, the competition is pressured to do the same and preferably better. A barrage of negative television advertisements has to be responded to in kind, and organizational as well as media costs soar accordingly. Appropriately, whenever Bill Clinton expresses unease at the system, he hastens to add that refusing to abide by the current rules would be tantamount to “unilateral disarmament.” Clinton deserves much of the blame for the shamelessness and recklessness now involved in courting major contributors. Early in his administration, Treasury Secretary Lloyd Bentsen would hold breakfast meetings where he would brief party contributors of \$10,000 or more on economic policy. Following the Democratic debacle of November 1994, fund-raising became an all consuming obsession. Having lost both Houses of Congress in the midterm elections, Democrats needed to counter the Republican juggernaut.

Bill Clinton, very much isolated within his own camp, was intent upon warding off any challenge for the 1996 Democratic nomination. Wealthy contributors were invited to the White House for “coffee.” The most generous were even invited to spend the night in the White House in the Lincoln bedroom no less. Bill Clinton himself would, his schedule permitting, serve as White House tour guide.

The 1996 campaign also saw Vice President Al Gore attending a fund-raiser in a Buddhist temple, where nuns fronted for foreign donors who by law cannot make campaign contributions. The surreal quality of this binge was captured by White House aide Harold Ickes who, in justifying ethical lapses, said: “We were like Mad Hatters.”

In this frenzied rush for cash, both parties created elaborate programs to cater to different categories of donors, offering special issue briefings, meetings with prominent politicians, retreats in lush locales, and a host of political and symbolic rewards that would appeal to their greed, their vanity, or their desire to shape legislation. Like airlines pampering their frequent flyers, Democrats and Republicans devised a “menu” of options for contributors: from the \$5,000 photo opportunities with the vice president and \$25,000 skeet shoots with Republican committee chairmen to \$10,000 private work sessions with committee staff and \$100,000 retreats in Florida with senior White House staffers. The grand prize was of course the overnight stay in the Lincoln bedroom.

Such unseemly practices violate the spirit, though not necessarily the letter, of the law, since certain citizens become more equal than others. Although there is, for all intents and purposes, a “for sale” sign hanging over the political process, only a “quid pro quo” a direct and explicit exchange of cash for favors would be illegal. Politicians as well as donors are careful, however, to build a wall of plausible deniability between the “quid” and the “quo.” Even when the methods are extortionary (“I’ll make you an offer you can’t refuse”) the exchange is indirect and implicit, and the “or else” element needs not be formulated.

Despite the rituals designed to obscure such exchange, it is hard to believe that politicians are not beholden to those special interests on whom their political survival

depends, or that big corporations at a time of all-around belt tightening are simply driven by patriotism.

All evidence suggests that major donors look at their donations as investments from which they expect significant returns. Indeed, business lobbying has become both an art and a science. Some corporations, such as agri-business giant Archer Daniels Midland are notorious for hedging their bets by giving vast amounts to both parties, meting them out strategically based on Congressional Committee assignments and voting records.

Special interests typically expect some favor or the ability to influence legislation. Thus, Lebanese businessman Roger Tamraz, who gained his 15 minutes of fame when he bought his way \$300,000 to the Democratic Party into the White House “coffee sessions” (despite warnings by the intelligence community that he was a “shady character”) told a Congressional Committee that the only reason for his generosity was “to gain access” because he wanted to promote a pipeline project in the former Soviet Union. Johnny Chung, who is now being investigated for having served as a conduit for Indonesian money, put it even more bluntly: “The White House is like a subway you have to put in coins to open the gates.”

The political and ideological implications of this flow of money is obvious. In many areas, deep-pocketed interests have set the legislative agenda. A careful analysis of the sweeping 1996 Telecommunications Act reveals that the large telecommunications companies, which have long cultivated both influential legislators and the Clinton administration, made out like bandits at the expense of a greatly weakened consumer movement. Similarly, the 1999 bank reform law, the most significant financial legislation since the 1930s, was virtually written by financial industry lobbyists who have been showering key lawmakers with donations for years. In addition to corrupting the political process, money narrows the ideological debate. It is not surprising that on most economic issues, the Clinton administration has co-opted, albeit by cloaking them in a rhetoric of compassion, the Republican positions. A by-product of “honest graft” is the irruption of the very rich on the political scene. The likes of presidential aspirants Ross Perot, Steve Forbes or Donald Trump claim that their wealth protects them from special interests. In a country that worships financial success, they have, paradoxically, a significant populist appeal. Yet they also tend to promote a businessperson’s approach to politics the view that politics is simply a business that is poorly run that further impoverishes the ideological debate, and results in the further indiscriminate “downsizing” of the public sphere.

The beneficiaries of the system donors and recipients alike play down such noxious features and invoke the First Amendment. Yet Senator John McCain said it best: “The current system is nothing less than an elaborate influence peddling scheme in which both parties conspire to stay in office by selling the country to the highest bidder.” McCain ought to know: he was one of the infamous “Keating Five” (five senators who in exchange for campaign contributions by Savings and Loans crook Charles Keating exerted pressure on regulators to keep his S&L in business, at a cost of some \$10 billion to taxpayers). McCain’s current focus on campaign finance may be a way

of atoning for this blemish on his record.

Other members of Congress, complaining that the bulk of their time was spent chasing money, have decided to leave Congress altogether. One of them, Senator Bill Bradley, who lost in his bid to win the Democratic nomination for the presidency, spoke eloquently of the dangers of a system “where those who sign the checks write the laws.”

Ibrahim Warde, a teacher at the Department of Political Science, University of California, wrote this commentary for The Daily Star as part of a series on “American presidential elections: a view from the edge.” His latest book, *Islamic Finance in the Global Economy*, has just been published by Edinburgh University Press