

— EDITED TRANSCRIPT —



HUDSON INSTITUTE'S

BRADLEY CENTER

FOR PHILANTHROPY
AND CIVIC RENEWAL

presents

FOLLOWING THE MONEY: PHILANTHROPY AND CAMPAIGN FINANCE REFORM

Tuesday, November 23, 2004

12:00 – 2:00 p.m.

Hudson Institute, Washington, DC

Philanthropic foundations played a pivotal role in nurturing the efforts that made possible the Bipartisan Campaign Reform Act of 2002. Through the McCain-Feingold Act, as it is also known, they sought to “improve disclosure, strengthen enforcement, ban or curtail soft money and regulate issue ads intended to influence elections.”* After the 2004 election season had drawn to a close, the Bradley Center asked a panel of foundation staff and analysts, How do foundations view their participation in campaign finance reform? Did the reforms function as expected? Addressing these questions were Carnegie Corporation’s GERI MANNION, CURTIS GANS of the Committee for the Study of the American Electorate, and STEVE MOORE of the Club for Growth. Hudson Institute’s AMY KAUFFMAN served as the discussion’s moderator.

*from “Juice Worth the Squeeze” in the Pew Charitable Trusts’ magazine *Trust*, Summer 2004 (no. 2).

PROGRAM

11:45 a.m. Registration, lunch buffet
12:00 p.m. Introduction by WILLIAM SCHAMBRA and AMY KAUFFMAN
12:05 Panel discussion
2:00 Adjournment

THIS TRANSCRIPT WAS PREPARED FROM A TAPE RECORDING AND EDITED BY THE PARTICIPANTS. To request further information on this event or the Bradley Center, please contact Hudson Institute at (202) 974-2424 or e-mail Krista Shaffer at krista@hudson.org.

SUMMARY OF THE PROCEEDINGS

Campaign finance reform is one clear example of public policy success for the mainstream foundations involved, even though it is often left unmentioned by the foundation sector and in the media. To draw more attention to this success and its implications, the Bradley Center brought together the Carnegie Corporation's Geri Mannion, Curtis Gans of the Committee for the Study of the American Electorate, and Steve Moore, who at the time was the director of the Club for Growth. (Moore is now president of the Free Enterprise Group.) Hudson Institute's Amy Kauffman served as moderator. Many of the approx. thirty-five audience members, several of whom knew or had worked closely with a panelist or two, actively participated in the discussion.

It should be known that an echo of the reaction to this event can be seen in an article by William Schambra in the May 12, 2005 *Chronicle of Philanthropy* article, "In A World of Bloggers, Foundations Can Expect More Scrutiny."

It should also be known that Sean Treglia, formerly of the Pew Foundation, had initially accepted William Schambra's invitation to participate as a panelist, but was unable to participate.

The Bipartisan Campaign Reform Act of 2002 (BCRA), otherwise known as the McCain-Feingold Act, came after foundations spent \$120 million promoting campaign finance initiatives, began Amy Kauffman's introduction of the panel. It did not quite have the effect that it was intended to have on the 2004 election, which cost a total of \$4 billion (up \$1 billion from 2000). Avenues for spending were not closed off. Corporate money still flowed in torrents. And Internal Revenue Code (IRC) Section 527 organizations [527s] strengthened ideological giving. To panelist Geri Mannion, Kauffman posed this specific question: Have the Carnegie Corporation's goals been realized through its donations? Geri Mannion responded first, followed by Steve Moore and then Curtis Gans.

Since 1992, Carnegie has spent about \$20 million on the issue of campaign finance reform, Mannion began. The foundation focused primarily on disclosure of contributions. Could the money be followed? To this end, Carnegie Corporation funded or founded two research institutes and offered training courses for journalists. In addition, various reforms were tried, and most failed. However, under President Vartan Gregorian, who came to Carnegie in 1997, funding was stepped up and came to include more initiatives at the state and local level. For example, Carnegie helped advocate for reforms such full public financing of state elected offices, now in place in Maine and Arizona. Carnegie has also supported litigation to defend reforms, and has funded research, mostly on soft money at the federal level.

As for BCRA, Mannion disagreed with Kauffman that it has failed. BCRA was never intended to take all of the money out of politics, she argued. It did manage to stop corporate contributions, at least in the form of soft money. There were more small donors. Labor was taken out of the equation. But Mannion also disagreed with William Schambra, who claimed that campaign finance reform was a success on the part of *liberal* foundations. "...[T]he Democrats hated campaign finance reform, and they hated foundations for doing campaign finance reform. We had as many people mad at us on the left as on the right."

The 527s were perhaps the one unanticipated, and bad, consequence—but "*nobody* saw then coming," Mannion told the audience. "And they certainly have become an issue." Mannion went on to point out, however, that "the bigger issue is that fact that we have a Federal Elections Commission that is run by people who are, let's just say, not very good at their jobs. They don't know how to enforce the law."

Carnegie will maintain an interest in campaign finance reform, Mannion concluded. "We see it as an important part of our democracy agenda."

Steve Moore, the next to speak, told the audience of his experience heading one of the largest and most successful 527s of the 2004 election season. The reason for the success of 527s, in Moore's view, is that they brought in money—in some cases even larger donations—from donors who in prior elections gave big contributions to the

parties in the form of soft money. Closing one source of money in politics simply caused another to open. “The campaign finance bill privatized the functions of the parties, in a way,” Moore said. 527s, not the parties, were setting the tone and sending the messages people heard. “I’m not sure it’s a good thing,” he commented.

Moore took the opportunity, however, to point out that money in politics has steeply diminishing returns. You can only pump so much in, and beyond that it loses its effectiveness. You can only run so many ads and print so many posters. The trick is to command voters’ attention, for example by getting your ads in the news.

The biggest threats to democracy today, in Moore’s view, are gerrymandering and incumbency, not the money in campaigns.

All three panelists agreed that redistricting was necessary to stop gerrymandering and make elections more competitive.

Curtis Gans, the last to speak, took a moderate stance after placing himself in “the camp that essentially says most of what we have done since 1971 has, because of the limits imposed, created distortions, undermined accountability and limited systemic flexibility.” The greatest problem with reforms, in Gans’ view, is that the money no longer goes to the person who can most easily and most directly be held accountable for it: the candidate. Instead, reforms have seen donations received by political parties and now independent groups—the 527s. “These are people who have no responsibility to the political process; who are the most intransigent people in our politics; [and] who make it less possible to find the middle.”

Gans, like Moore, supports raising individual contributions, as BCRA did to an extent. However, Gans told the audience, “We need a[n]... approach other than limits. ...Labor unions and corporations and individuals with money aren’t necessarily evil... They’re a part of American pluralism... People ought to be able to advocate at any point in the campaign for and against a candidate... People ought to be able to give money.”

Gans went on to identify what he saw as the reasons for the declining interest in politics among the electorate: a lack of civic awareness due to lack of education and little discussion of politics.

Mannion, in response to the panelists’ remarks, proposed a different kind of ideal: “If we actually—all citizens—paid \$6 per voter, we could fund all elections in this country and you wouldn’t have to have special interests engaged.... [I]t could actually be something that would level the playing field and maybe make democracy seem a little bit more relevant to people.”

A lengthy question-and-answer session began with a question from Pablo Eisenberg: “If you had to go back... and write a campaign finance law [from scratch], what are the major ingredients you would include in the bill?” Each panelist took a stab at an answer, and several members of the audience pitched in. For the panelists’ answers and additional questions, please see the full transcript.

PROCEEDINGS

WILLIAM SCHAMBRA: My name is Bill Schambra, and on behalf of the Bradley Center for Philanthropy and Civic Renewal at Hudson Institute, I'd like to welcome you to today's panel, entitled "Following the Money: Philanthropy and Campaign Finance Reform."* Unfortunately, one of our panelists, Sean Treglia, who was responsible for the campaign finance initiative at the Pew Charitable Trusts during his time there and was scheduled to make come today, cannot make it, in fact. But in lieu of that, what I've arranged to do, if Pablo Eisenberg, who is in the audience, happens to have a thought or two at the end of the regular panel discussion, I'm going to invite him to make a couple of comments or ask questions, or whatever he wishes to do.

Hudson has a very solid resource in this area of campaign finance reform in the person of Amy Kauffman, who is going to be chairing our panel today. Amy is the director of the Project on Campaign and Election Laws, and at the Hudson Institute she has been in charge of creating initiatives to reduce the stridency of the current political climate through programs aimed at encouraging debate and discussion between varying ideologies. Prior to joining Hudson in 1999, she was director of Campaign for America, a Washington, D.C., non-profit organization dedicated to campaign finance reform. And she's a person with a great deal of practical experience in this area. She has been a finance director for the campaigns of Senators Mike DeWine, Arlen Specter, Dick Thornburgh, and Bruce Hershenon, and she was the deputy finance director for Senator John Heinz.

The Bradley Center was attracted to this topic in the first place because, as many of you know, we've had some programs on conservative philanthropy and we've had discussions about how seemingly effective conservative philanthropy is. But it has always struck me that in the area of campaign finance reform, we have seen an extraordinary investment of enormous amounts of money by some mainstream foundations—not the savvy conservative foundations, but the allegedly inept mainstream foundations—and they have had an extraordinary impact on public policy. If a small group of conservative foundations had set out to effect public policy relating to elections this directly and this immediately, there would have been a very different reaction from the mainstream press about conservative foundations and their involvement in public policy.

But with that as background, let me turn the discussion over to Amy Kauffman.

AMY KAUFFMAN: A *Washington Post* editorial last week put the cost of the 2004 election at \$4 billion, which is \$1 billion more than it was in the year 2000. And while soft money might have been barred, according to Political Money Line, whose founders, Ken Cooper and Tony Raymond, are with us today in the audience, the 527s collected almost \$500 million in this election cycle.

It has also been estimated that in the last decade the foundations spent a total of \$120 million promoting campaign finance initiatives. Of this \$120 million, \$60 million came directly from the Pew Charitable Trusts. So we unfortunately are at a loss without Sean Treglia here today, I'm sorry to say.

Without this funding, many of these reform organizations might not have come into existence, or at least might not have been able to support reform at the level that they did. Here at Hudson Institute, I actually, in full disclosure, have been the lucky recipient of donations from both Carnegie Corporation and the Pew Charitable Trusts. Hudson Institute's program does not advocate one position; we try to foster a healthy discussion between dissenting positions and bring people together to discuss what can be done.

When the Bipartisan Campaign Reform Act of 2002 [BCRA, otherwise known as McCain-Feingold] was passed into law, many of the new reforms were thought to remove big money from the political process, and many of them did help the system by removing some of that money. But at the same time, the reforms did not close off avenues. Rather, they have strengthened ideological giving through Internal Revenue Code (IRC) Section 527 organizations [hereafter 527s]. And corporate money may not be given directly to the parties, but it is still

* This event was held at Hudson Institute's former Washington office located at 1015 18th St., NW, Ste. 300.

flowing, as we saw this year at the national party conventions; corporations and labor unions both were able to put large sums of money into the convention itself, as well as to parties that were surrounding the conventions.

I'd like to introduce our panelists today, who are going to discuss the role philanthropy has played in campaign finance reform.

Starting on my left is Steve Moore, who is the president of the Club for Growth.* Next to Steve is Geri Mannion, who is the director of the Strengthening U.S. Democracy program at Carnegie Corporation. And to her left is Curtis Gans, the founder of the Committee for the Study of the American Electorate.

Geri Mannion's organization, Carnegie Corporation of New York, was founded in 1911 by Andrew Carnegie. In 2003, it dispensed over \$80 million in grants, and one of its four programs is the Strengthening U.S. Democracy Program, which aims to increase civic participation in the United States.

As the chair of Carnegie Corporation's Strengthening U.S. Democracy program [www.carnegie.org/sub/program/us_dem.html], Geri Mannion brings a wealth of experience with regard to the role of philanthropy in challenging, improving and deepening the civic dialogue. She has chaired this division since 1998, and has a distinguished career of more than 25 years in the field of philanthropy. Before joining Carnegie, she was at the Rockefeller and Ford Foundations.

Again, in full disclosure, Geri has been, and the Corporation, has been, a funder of my work here at Hudson, and she has always supported a healthy discourse, which I'm hoping we'll have today on this panel.

Geri is so well regarded in this field that even people whom she does not fund still greet her and still give her thumbs up for everything that she does there.

While Carnegie Corporation's interest in supporting campaign finance reform have been primarily at the state and local levels most recently, they have also been supportive of initiatives at the federal level, such as encouraging disclosure, banning soft money, and FEC reform. And one of the questions that we have today is, have the foundations' goals been realized through their donations? We're going to let Geri start off by answering that question.

Thanks, Geri.

GERI MANNION: Thank you, Amy.

It's funny. When Bill introduced the panel, he mentioned that Carnegie Corporation is seen as so strategic and thoughtful, and that we've been so successful in campaign finance reform. Yet when we first started, I don't think any of us would have thought we were going so strategic or that we would be successful. It has been an uphill battle for many years.

Carnegie Corporation has been involved in the democracy area for decades—well before I got there. John Gardner was our president at one time, and some people would suggest that maybe it's in our blood or something, given that he went on to found Common Cause, particularly at the time of the Watergate reforms, and was then at Common Cause many, many years—obviously, championing the issue of money and politics.

And, actually, even though I wasn't there at the time, we made a very early grant—actually, in 1968—to Herb Alexander, who was one of the patresfamilias of the campaign finance reform movement. We then didn't make another grant until 1988 or 1990. So, we've been, say, at least uneven, maybe, in how we've pursued this issue,

* Shortly after this transcript was recorded, Stephen Moore left Club for Growth to form a new advocacy group, Free Enterprise Group, that will lobby for Republican positions on economic issues like tax reform and Social Security.

but we've looked at it as part of our overall goal of increasing civic engagement, activities which have included encouraging people to vote, but other forms of engagement as well.

And for many years we've thought that one of the issues that have increased the public's cynicism about government and politics, in general, is what they perceived as the role that money played in politics.

Certainly over the years as it has become an arms race for how much money you have to raise in order to run for office, even at the state legislature level, it has become increasingly difficult for people from a variety of walks of life to even contemplate running for political office.

Even state legislative offices can now cost half a million dollars or more. There was a judicial campaign this year alone for an elected judicial position that was \$8 million. That's a lot of money to try to raise. And for people of modest means, who don't necessarily feel that they can call on a variety of folks to give them even \$1,000, \$2000, to make a contribution, it's a barrier.

So we started to fund more steadily in this area around 1992, and since then have spent about \$20 million on the issue of campaign finance reform. We primarily focused initially on the question of disclosure: who exactly was making the contributions; what did it get them; was there a quid pro quo, per se; was there at least a way to follow the money?

Initially, we started at the same place a lot of foundations start—with the basic infrastructure. We funded the Center for Responsive Politics [www.opensecrets.org]. We funded—we actually founded—the National Institute on State Money and Politics [www.followthemoney.org], which is the only national organization compiling data on the campaign financing records of all 50 states, and can actually track different areas of funding, to see who's giving to the gaming industry, who's giving to the agricultural industry—not only at the federal level, but at the state and local level—and how that giving impacts particular races and policy development, for example.

We also put some money initially into helping educate journalists. So if, in fact, there has been an increase in the number of journalists looking at this issue, it is a result of training sessions that Carnegie and other foundations supported—because it wasn't easy, especially since a lot of the data at the state and local level is difficult to attain and therefore, it is difficult for journalists to “get” this issue and to follow the money.

At the federal level, it's a little bit easier because the FEC mandates how campaign contributions have to be filed. But even so, it's not easy because you have to figure out who the donor is; what industry, if any, he represents; and whether he is bundling the money or is it coming from a variety of different sources.

And that's what the CRP and other people, other organizations at the national level, have been able to do. They've been able to massage the databases, and they've made it easier, frankly, for reporters to do the kind of investigative journalism that they continue to do now in every campaign.

Ten years ago or so, Brooks Jackson was probably the only one following the money in campaigns. Now there are very few reporters who don't at least come to some sort of cursory understanding of where a candidate is getting his or her funding, whether it's his own wealth or whether it's wealth that has accumulated through campaign contributions. So that is something we have been able to support the development of over the years.

Many different reforms were tried, looking back. Some of them were really difficult to understand: partial public financing limits; contribution limits; spending caps. Your eyes would glaze over, frankly, if you had to read through all of them.

And most of them failed—\$100 limits and a whole range of others. Some of the ones that haven't, however, are some forms of public financing, especially at the local level.

Vartan Gregorian was very interested in the whole issue of campaign finance reform even before he came to Carnegie in 1997. And we stepped up our support after he became president, with increases specifically at the

state and local level. And through that, we have been able to help advocate for reforms such as those now in place in Maine and Arizona—basically, full public financing of state elected offices

We now have the first statewide office held by someone elected under public financing—Janet Napolitano, the Governor of Arizona. And many other states have followed the public financing mandate, but there have also been a lot of challenges to it, to say the least. So we've also supported litigation to defend the reforms. That has been another area, which we've been able to support.

Finally, we've been able to expand the constituency for campaign finance reform, and that includes the business community—Charlie Kolb and Mike Petro are here from the Committee for Economic Development [www.ced.org], and some other, very, very respected grantees of ours are in the room today as well. The constituency now includes people from across a wide range of categories, from minority communities to young people. For example, we fund Democracy Matters [www.democracymatters.org], which was actually started by Adonal Foyle, who is an NBA player, because he thought that the role of money in politics was really an impediment to young people getting engaged in politics. So he founded his organization with his own money, and he's been organizing college-based efforts around the country to encourage young people to get engaged in the whole issue of campaign financing. And we've also supported, as I said, the business community, civil rights groups, and other constituencies to get involved with supporting campaign finance reform. We try to encourage folks to see why there's a need to get interested in how campaigns are financed.

Now, we have also done a little bit at the federal level, and continue to, and that is primarily in support of the soft money research. We have funded a lot of research related to the issue of soft money over the years. Primarily, David Magleby [Center for the Study of Elections and Democracy, Brigham Young University] has done research, and Tony Corrado [Charles A. Dana Professor of Government at Colby College, also a visiting fellow at Brookings Institution]—good academic research.

And I should say, too, frankly, that when I started in this area years ago, there was almost no research done on the role of money in politics. And that has been another interesting change over time. A lot more academics are following the money. A lot more are looking at whether it actually makes a difference or not in whether people choose to run, and whether it makes a difference in whether a race is competitive or not. The research agenda has changed.

On the issue of Bipartisan Campaign Reform Act, McCain-Feingold, we did come in to defend BCRA, in a way. We gave some support to the Brennan Center for Justice [at New York University School of Law, www.brennancenter.org] and helped convene some of the groups that were organized basically to defend the BCRA, the failure of which is cited by many. Frankly, I don't think it has failed. Even the *Wall Street Journal* has cited many of the successes of BCRA. But, you know, BCRA was only supposed to ban soft money contributions. I mean, none of the funders or advocates, for that matter, ever expect to take all money out of politics.

Money has been in politics since George Washington ran; it'll be in politics long after I'm dead. But the question is how it's regulated, and how it is disclosed—and can we, in fact, at least understand its role in the political system? This is something I think we as a foundation have certainly supported.

Since Sean is not here, I will say just a few more quick things on BCRA. It stopped corporations from giving. A lot of corporations didn't give any funding in the 2004 cycle, at least in the way they did with soft money, over the years. And in fact, they liked not having the arm put on them. They liked that for once, it wasn't suggested that they have to contribute or they're not going to have the influence that they would like to see with their legislators.

The political parties did not die. The Democrats are still with us, as I understand, and in fact actually have gotten stronger. Bill suggested that this was perceived as a liberal sort of agenda, but in fact, the Democrats hated campaign finance reform, and they hated foundations for doing campaign finance reform. We had as many people mad at us on the left as on the right. I mean, folks on the left just thought it was going to ruin life as they

have known it. But what has happened in the last year is the parties—both of them—have gotten stronger. They've been able to really increase their donor base of small contributors, especially through the Internet, which John McCain was very good to stimulating in 2000. Many more small donors are engaged than there ever were before. Labor was taken out of the equation, as well, so they didn't have the same ability to make contributions as in previous elections.

Certainly there are problems. Frankly, until this last election year, I had never even heard of 527s before. Nobody saw them coming. And they certainly have become a real issue. But the bigger issue is the fact that we have a Federal Elections Commission that is run by people who are, let's just say, not very good at their jobs. They don't know how to enforce the law. In fact, I think that was pretty much evident, given that a federal judge, Judge Kollar-Kotelly, said, basically, that the FEC failed to implement 15 of the regulations suggested by the court's decision. There's something radically wrong with the FEC as an oversight agency, I think.

I'll end by saying that Carnegie Corporation will probably maintain an interest in campaign finance reform. We have a bipartisan board, and they want us to stay involved. They believe that the problem with money in politics is a real one and that there needs to be something done about it. And that's everybody from Tom Kean to Jim Hunt to Sam Nunn. These former elected officials realize the costs of raising money. For a Senate reelection campaign, it means raising money for six years, right from the time they are elected. They hate it. They actually liked to make legislation and talk to voters—imagine that!

So, our interest in this area will continue. We see it as an important part of our democracy agenda.

AMY KAUFFMAN: Next up is Club for Growth [www.clubforgrowth.org]. Club for Growth had a banner year in 2004. Their membership went from 1,500 to 9,000 members this year alone. They won 17 out of the 19 races that they got involved in. Eight of those were primary victories, and 12 of the 33 new Republican Congressmen received backing from the Club for Growth.

Presently, they are the largest source of Republican funding outside of the Republican Party. The Club for Growth supports free-market candidates who support issues such as cutting taxes, cutting federal spending, creating personal accounts for Social Security, and just basically getting the government out of our everyday lives.

Stephen Moore is the president of the Club for Growth.* Previously, he was at Cato Institute, where he was director of Fiscal Policy. He remains a senior fellow there. And he served in the government as a senior economist for the Joint Economic Committee, under Dick Armey. He also served on two presidential commissions, and in his spare time he is a contributing editor to *National Review* and has written eight books, I think it is.

Since Steve is the president of one of the largest 527s on the scene today, he is going to talk to us about why they've had such a large impact—why this election cycle was the year for 527s.

STEPHEN MOORE: Great. Well, thank you, Amy. It was a very good election from our standpoint. If you want to crystallize the election and the involvement of money, I think that *National Review* probably said it best on the cover of last week's issue, on which there was a picture of George Soros with a T-shirt striking out George Bush, and the caption read, "I spent \$26 million and all I got was this lousy T-shirt."

I thought I would just talk a little bit about 527s and from a personal perspective, about how they emerged in this election, why they emerged, and how they intersect with the campaign finance laws.

* Shortly after this transcript was recorded, Stephen Moore left Club for Growth to form a new advocacy group, Free Enterprise Group, that will lobby for Republican positions on economic issues like tax reform and Social Security.

And I would start with reiterating a point that you made, Amy, about the law of unintended consequences, because I don't think there's any question that this is probably one of the best examples in modern times of a law, the consequences of which were nearly the opposite of what was intended.

I'll give you just one little anecdote. On the Senate floor, when the campaign finance bill was being debated, John McCain was asked why it was necessary to put restrictions on outside groups. And he said, well, we have to do something about these groups like the so-called Club for Growth that are spending money on these campaigns and nobody knows who they are.

We use that, by the way, in every one of our fundraising pitches. I was really pleased that McCain mentioned us by name. It's a perfect example of the law of unintended consequences, because he thought that this would put groups like ours out of business and I don't think he really probably understood his own bill—because, in fact, for better or for worse, it was exactly groups like the Club for Growth that actually benefited from the law because of the restrictions on money that went to political parties.

And so, when you look at these groups like Swift Boats [www.swiftvets.com] and Progress for America [www.progressforamerica.com/pfa] and Moveon.org and Club for Growth, one big reason that so much money was captured by groups like these was because their funders are just the people who used to give big contributions to the parties. And so what happened was just a shift of the money that used to go to the parties; it now goes to the 527s. And if anything, even bigger checks were written for voter education campaigns.

I don't know if, before McCain-Feingold, there were restrictions on what a person could give to a party—

AMY KAUFFMAN: Yes, \$25,000, I think.

STEPHEN MOORE: Well, the RNC had a designation—Club 100 or something similar—for people who gave over \$100,000. And these people who were giving unlimited soft dollars to the party gave even more unlimited money this year to these 527s for voter education campaigns.

For example, if you look at the 2000 election cycle, I don't think there were too many donors who gave more than \$1 million to the Republican or Democratic Party. But if you look down the list of people who give money to organizations like Progress for America or these other groups, there were lot of seven-figure contributors.

So, if the intention of the law was that it was going to take big money out of politics, I would argue that it failed just because the numbers show what you were talking about, Amy.

The second point I'd want to make is that I'd just like to take on this myth that the \$4 billion spent on the 2004 elections was too much money. \$4 billion is a little more than I thought; I had seen estimates on the presidential race alone that about \$1.2 billion was raised. Is that about accurate?

AMY KAUFFMAN: \$4 billion for the entire cycle—527s, parties, every spending for the entire—

STEPHEN MOORE: Well, let's just take the presidential race because that obviously was in the spotlight the most. The latest figure I saw was a little over \$1 billion spent on the presidential race. And the question is, is that too much? And I would make the case that it wasn't, not hardly. I mean, just to give you an indication, \$1.2 billion is about what Americans spend to go to the movies in a month.

To put it in a different context, \$1.2 billion is about what the federal government spends about every three hours. So is \$1.2 billion too much to determine who is going to have control of a \$2.5 trillion enterprise? Probably not.

In fact, I'm still mystified that more money isn't spent, given how high the stakes are—especially when you're determining the head of the free world, for example.

AMY KAUFFMAN: Three billion was spent on Halloween this year.

STEPHEN MOORE: The third point I'd like to make to you all is that there is no question that when it comes to campaign spending, there is just no question about it that there are steep declining returns. I always argue that a candidate has to reach a threshold level of funding to be competitive, but pouring additional dollars beyond that does little good; the return really falls off pretty quickly.

For example, Tom Daschle was so hated by conservatives. If Thune wanted to, he could have probably raised ten times as much money as he did. But the truth is, there was just nowhere to spend it in South Dakota. I mean, if you lived in South Dakota, and you were watching *Desperate Housewives*, you'd literally see a John Thune ad followed by a John Thune ad followed by a John Thune ad, or a Daschle ad interspersed in that. And so, people were just completely tuning them out.

So, money obviously has an impact in elections, but there are really steep declining returns, especially when the ads are just non-stop. The kind of trick for a group like ours is getting people to pay attention to you. The dirty little secret of the Swift Boat Veterans is that they didn't even spend much money. They had this ad that they produced for \$50,000, and then they showed it to the media and for two weeks the media showed it nationally for free. And that's when they raised their money, of course, because instantly they were able to get 20,000 members.

We've had successes at a smaller level. The point is, sometimes the best ads you don't have to spend money on at all because the media takes note of them and they take on a life of their own.

The next point I would make is that the campaign finance bill privatized the functions of the parties, in a way, and I'm not sure it's a good thing. It benefited our organization, but I am a strong believer in the importance of the two-party system, and the fact is, the parties couldn't control the message, nor could the candidates as much. Whether or not that's a good thing I think we should have some further discussion on. But I do think that the parties were very much hurt. They just didn't have as much money as they might have had, and that meant that the power was sort of dispersed among other groups.

Another point I would make is the hypocrisy of the Bush Republicans. One of the things that really hurt Bush and almost cost him the election was that the groups like Moveon.org sprang into action very early in the year. And if you look at what was happening in January and February and March, it was Moveon.org and a few of these other Democratic-leaning groups that were crowding the air waves with ads. There was sort of silence on the Republican side. At that time, we were sending letters out to donors saying, look, you know, this is an unlevel playing field; you're letting George Soros spend all this money on these ads and there's no response from our side. That was a good fundraising pitch, by the way. But there was this chilling effect from the suit that the RNC brought against Moveon.org and these other groups, saying they can't do this. And Republican donors weren't donating, because they said, well, we can't donate; you know, a lot of this is illegal.

And that, in my opinion, gave Kerry and Edwards about a three-month lead in the money game. Republicans should have sided with Moveon groups in the argument that this was free speech and they should be able to spend the money. They lost the suit, as we expected they would, and therefore all that happened was that the left got a big head start.

The next issue is the future for 527s. I really don't know what our future is. I mean, I think there's a good chance the FEC and the Congress is going to try to change the law to restrict us, to treat us like political committees.

But if you limited contributions to \$5,000, we'd still have a broad-based number of people from whom we could raise money. So, relatively, we would benefit from that law change. Whether or not they'll be able to get that through is another issue.

Two final points and then I'll close this off. One issue that I'm really concerned about is this issue of a Congress of millionaires and how you get around that problem. I do think that if we go this route of really trying to restrict

campaign donations, you're only going to get more millionaires and billionaires in Congress because the person who can fund his or her own campaign is going to have a gigantic advantage.

And, you know, you were exactly right that the one thing Congressmen hate to do is raise money. They don't like spending every minute of their day dialing for dollars.

And so, one of the advantages of raising the hard-dollar cap, which we did in the campaign bill, was that now a donor can give \$2,000 rather than \$1,000. And to the extent that people don't want to make phone calls, twice as much money can be raised with a \$2,000 limit. So one thing I would favor is to continue raising that limit to at least, you know, \$5,000 or \$10,000.

And, finally, there is the issue of how can we improve our democracy. In my opinion, there are two problems that are the biggest threats to democracy we have right now. One is the gerrymandering, which is just outrageous. I mean, there are just very few competitive races. The Founding Fathers intended the House to be the place where you had competitive races, whereas in the Senate, you'd have stability. But in recent years, it has gotten to the point that you have more competitive Senate races than House races because candidates can't gerrymander an entire state.

We really do need to do something about the injustice of gerrymandering. It's a huge problem because it disenfranchises voters, in my opinion. In effect, 80 percent of voters don't really have a choice in their vote for Congress.

And the second danger to democracy is incumbency. We have a system now that leads to 95 to 98 percent of incumbents winning. I happen to be a strong fan of term limits, partly for that reason—because I think it would be a good thing. I don't know if term limits is the answer, but I do think we need to find ways to have more competitive races and to take away the advantage of the incumbents. And the only problem I have with limiting money for campaigns is that I think it only enhances the advantage that incumbents have.

So I will end with that.

AMY KAUFFMAN: Thanks, Steve.

Last is Curtis Gans. And Curtis, for those of you who don't know, is the big man of voting in the United States. He is the ranking expert on voter turnout and participation. On matters of voting, he has become the primary source for newspapers, television reporters, wire services, columnists. So whatever you can say, everybody goes to Curtis for his opinion. In fact, on election night ABC News constantly quoted his analysis during the night to try to shed light on what was unfolding throughout the evening.

When reporters want to know who is going to the polls and why they're going, Curtis is the man whom they call first. He has appeared on numerous television and radio shows, as well as college campuses. He founded the Committee for the Study of the American Electorate 28 years ago, and before he began his scholarship he was involved in Democratic politics where he served as staff director for Eugene McCarthy in his race for President against Richard Nixon.

CURTIS GANS: I want to thank Amy and Bill for inviting me. I don't know how they got me out of their Rolodex, but I'm glad to be here. I want to thank Geri for always tolerating my apostasy.

The two things that I'm just going to throw out to start off is that Amy had been running a discussion group of people with diverse points of view on campaign finance, and shortly before the passage of the McCain-Feingold bill I distributed Robert Southey's poem called "The Battle of Blenheim." It has a repeating refrain at the bottom, which says "Twas a famous victory."

And the second thing I would start off with is to say that nobody should make long-term judgments about the amount of money that can be raised by parties based on this election. This election was so emotionally polarized that I, who can't raise money for my own organization, could have raised several million for each political party.

I have always believed that the campaign finance community, like Caesar's Gaul, is divided into three parts. The first group of people are really concerned about the corrupting, or potential corrupting, effects of big money in the political process; believe that elections are won or lost on the basis of big money; believe that public policy is determined by big money; and I think given the fairly one-sided sponsorship of proposals involving limits, believe that their favorite programs get blocked by big money.

I am not of that school. If you look at what Social Security, Medicaid, Medicare, welfare as we knew it, OSHA, the Environmental Protection Agency, Clean Air, Clean Water, the Voting Rights Act, and the Civil Rights Act, among other pieces of legislation have in common, you'll see that they essentially they were enacted when people could give unlimited and undisclosed amounts of money, often in brown paper bags.

You can look at this election this year and 27 out of 28 self-financed millionaires lost their election. We have lots of famous examples—Michael Huffington, Ronnie Lauder, Mark Dayton, Claytie Williams, Rudy Boschwitz, Steve Forbes and John Conally—all spent millions of dollars, much of it their own money, outspent their opponents by as much as 9 to 1 and all lost. The overwhelming body of evidence is that, money doesn't win elections, but lack of money will lose it.

So that's one group.

I think my male colleague to the right, is probably part of the second group, which is essentially more or less First Amendment absolutists.

STEPHEN MOORE: I stand convicted.

[Laughter.]

CURTIS GANS: I will agree that it takes money to have your voice heard; that speech limited excessively by monetary constraints is free speech undermined. On the other hand, I sort of agree with Dave Mason, who is not one of the most liberal FEC Commissioners, when he says that it's not clear that the First Amendment allows eight-figure contributions. So I'm not part of that camp either.

The camp I'm part of is the camp that essentially says most of what we have done since 1971 has, because of the limits imposed, created distortions, undermined accountability and limited systemic flexibility.

Now, how does that play out in the context of the thing that most foundations funded, BCRA—although [Carnegie] only gave a small part to it?

GERI MANNION: BCRA was a fluke, too.

CURTIS GANS: It wasn't a fluke because a lot of people spent a lot of money pushing it through. And the Democrats supported it despite the fact that they knew it wasn't in their interest.

What we have right now has created a system in which the only people who have access to candidacies are the people who have millions of dollars of their own or who have access to a number of large contributors. We no longer have the people who, in my incarnation as staff director of the 1968 McCarthy campaign, can bankroll a campaign because it's important.

Our campaign wouldn't have happened, were there not large contributors. And we can, I think, reasonably argue that a better representative of the supply side economic view would have been Jack Kemp rather than Steve

Forbes. But Forbes couldn't contribute to Kemp and Kemp didn't have that type of money. You can go on with other examples.

As far as accountability is concerned, we have essentially moved money from the most accountable source, which is the candidate, through to the political party and now to independent expenditure groups, the 527s. These are people who have no responsibility to the political process; who are the most intransigent people in our politics; who make it less possible to find the middle. And that's essentially how we have moved money.

I agree with Steve that the best thing out of BCRA was the increase in the \$2,000 limit. And I agree with him that we should increase it, but I also share with Geri and others the idea that we ought to be able to provide some floor funding for competition either through a tax credit or public financing.

The "stand by your ad," which was part of BCRA, did wonderful things. This was the dirtiest presidential campaign in American history in volume and virulence despite the "stand by your ads." In 1988, you could point to Willie Horton. In 1964, you could point to the little girl with the daisies. In this campaign, there are thousands of ads you could point to. So that particular reform did nothing to reduce the volume and virulence of the ads. The 60-day provision did nothing to reduce the volume and virulence of the ads. We had a campaign that was essentially demeaning to the office of President and it was due essentially to empowering 527 groups.

We also had a campaign—and this is an aside—in which most of the ads were totally ineffective, at least on the presidential level. The initial set of ads that Bush did and needed to do to undermine Kerry's credibility, and the swift boat ads—because Kerry did not respond in the right way, which would have been outraged, and outraged with his fellow swift boat comrades.

They were the only effective ads. \$600 million was spent on Presidential campaign advertising in battleground states and, if the polls are to be believed, nothing moved in terms of citizen preferences.

I have been arguing in Amy's group and other places that we need a different approach other than limits; that labor unions and corporations and individuals with money aren't necessarily evil; that they're part of American pluralism; that people ought to be able to advocate at any point in the campaign for and against a candidate; that people ought to be able to give money.

And since most money goes to people who are sympathetic with the donor's ideas, donors don't buy votes; they buy support for what they believe in. While Chuck Lewis [author of *The Buying of the President 2004* (Center for Public Integrity, <http://www.publicintegrity.org/bop2004/default.aspx>)] does wonderful research, he doesn't show changes in votes caused by money. He shows a lot of people getting money.

We ought to be retooling our campaign finance laws so that the people who can be accountable should be accountable. That means going back to funding candidates. We should be aiming at strengthening political parties.

I was a supporter of soft money prior to, I guess, 1992 because it was essentially limited to party-building and grass-roots activity. I actually liked the district court ruling that essentially justified soft money only if it was limited to those things. But I couldn't hold a brief for soft money when it was used for the same advertising garbage that everybody else was using.

I don't know what more to say here. I could say a lot more, but the one place I think all three of us on this panel are agreed, and probably everybody else in the room, is that if there is a procedural reform that needs to be done, it is changing the way we draw districts not only for Congress, but for state legislature. We need to do a better job of enhancing competition and making the general elections in those districts *the* important election, *not* the primary.

AMY KAUFFMAN: Before we turn it over to the audience to ask questions, I've asked each of the panelists to pose a question to their fellow panelists or to one specific panelist so that they can discuss some things among themselves about which they might have questions.

CURTIS GANS: I'm actually going to ask the question of Steve, which is, would you be willing, in return for substantially lifting the limits on individual contributions, to provide floors in terms of some campaign subsidy—say, public financing?

STEPHEN MOORE: I'm not a fan of taxpayer-funded campaigns, so I probably wouldn't be for that. But I might be for something that would raise the hard-dollar limits in exchange for putting a cap on the soft-dollar contributions.

CURTIS GANS: Not useful.

AMY KAUFFMAN: Geri, do you want to add anything before I let Steve ask his question?

GERI MANNION: It's not really a specific question particularly, but I do think public financing, done correctly, actually does broaden the number of people who are able to run.

I also think it energizes campaigns. It makes people—especially candidates—feel that they don't have to spend all their money going to big donors, but rather actually going out and talking to citizens. In Arizona in particular, where you have to show a breadth of support in \$5, the candidate has to ask a wide range of citizens to contribute to make the match. That's pretty easy. Most of us could give a dollar or five dollars. It doesn't make people feel that they have more added influence than other folks.

And if you could see how, at least in the initial results—it is still very early on—it has been actually very competitive for both the Democrats and the Republicans. I think in both Maine and in Arizona, it's about 50-50 who have been able to run with public financing, and increasingly more and more want to run with full public financing as opposed to having to always be out there asking for more money.

The issue which one always hears about is “welfare for politicians”—people ask, why should we be subsidizing them? But, frankly, some of my people who have come to see me said that if we actually—all citizens—paid \$6 per voter, we could fund all elections in this country and you wouldn't have to have special interests engaged.

It doesn't seem that much, per-person, and it could actually be something that would level the playing field and maybe make democracy seem a little bit more relevant to people.

STEPHEN MOORE: Well, all I'd say in response to that is, special interest groups should not be prohibited from being involved in campaigns. I mean, these are big issues that affect every group from the Boy Scouts to Boeing. And since these elections are going to have a big impact on these special interest groups, what's wrong with them banding together and spending money to influence the elections?

GERI MANNION: No, I don't mind—

CURTIS GANS: This is a place where I agree with Mitch McConnell; there is no such thing as a special interest. There are only interests. Special interests are the guys you don't like.

STEPHEN MOORE: Exactly.

CURTIS GANS: And I do believe interests should have a role, but I also believe you have to have a way for people whose interests do not have the same monetary leverage to get into the game. And that's why I favor either eliminating or raising the limits, but also finding a way to have floor funding so that people can get into the game.

STEPHEN MOORE: I get visited by literally a hundred candidates every year in my office and the first thing you ask them is, can you ante up? I mean, you know, there is an ante-up.

AMY KAUFFMAN: Yes. Can you raise the money?

STEPHEN MOORE: I mean, if you can't raise the threshold level of money, then you're out of the game. And, look, what could be a better job than being a Congressman? You get a camera in front of your face everyday. I mean, everybody wants to be a Congressman.

CURTIS GANS: No. Everybody wants to be a Senator.

[Laughter.]

STEPHEN MOORE: Yes, or a President. So, you know, this is just how the game is played. Now, you have to be able to raise this threshold amount of money, and if you can't, you're going to have to find another profession.

On the issue of Arizona public financing, I don't know a lot about it. There has been a lot of abuse with it, too. There are these stories about guys getting on the ballot who are in college and having keg parties with the money that they got from public financing. So there is abuse to that system, too.

GERI MANNION: There was also the libertarian candidate whose ads were basically about doing pin-up calendars. But that's what's called democracy—so a lot of people get the chance to run because they raise the breadth of support, and then they can actually make their case. And the *voters* decide whether they're in or they're out based on that.

But the idea is that you have a variety, at least, as opposed to the usual suspects. Frankly, few people run against incumbents anymore. So you don't even know who's out there and you feel that it's the same two white guys. And particularly for women and for minorities, it's very hard to raise those funds, you know, to get out there and to do it.

CURTIS GANS: If somebody is deciding to run, representing the poorer amongst us—the welfare recipients who aren't getting child care right now, the people in poverty, the children who can't get into Head Start, all those types of things—the sources of money for them are much more limited than the sources of money for people who support your point of view.

And because I don't believe it needs to be equal, I'm not essentially talking about either a hundred percent financing or some level of spending or contribution limits. I'm talking about letting people get into the game who don't have access to your people.

AMY KAUFFMAN: Do you have a question for the panel?

STEPHEN MOORE: Well, just, when I was talking about the issue of both incumbency and the problems of gerrymandering, you both sort of nodded agreement.

GERI MANNION: Oh, yes, totally.

STEPHEN MOORE: And I would be wondering what you all would propose as solutions to those two problems.

CURTIS GANS: What?—

GERI MANNION: Redistricting, redistricting solutions.

STEPHEN MOORE: Incumbency; you know, the advantage that incumbents have and, separately, the problem of gerrymandering.

CURTIS GANS: Do you want to answer first?

GERI MANNION: Well, I just want to say that I was very happy to hear you say that about redistricting because I think that's going to be one of the next issues that we want to take on at Carnegie.

STEPHEN MOORE: Good. Let's talk.

GERI MANNION: We would love to have you help us with it because truthfully, although we support the Reform Institute and other groups working on this and other democracy reform issues, we need to build a broad coalition to take on such an entrenched, political issue. The political barriers are enormous. Incumbents don't want to change anything. You think campaign finance reform was hard? I mean, this is the, you know, the Holy Grail of politics.

The only thing I think is—and I don't know enough about it, truthfully, but—the Iowa system is the one that seems to work and is nonpartisan.

STEPHEN MOORE: Yes, it's a good system.

GERI MANNION: It's a good system. It's non-partisan. There's a way to do it outside the system. But, the question is, how are you going to get the other states to decide to do it?

And with regard to the incumbency issue, I'm not necessarily sure I like term limits; in some of the states that have had it the longest period of time, it turns out the representatives don't run their offices anymore. The staffers do, because people aren't in office long enough to actually know the political system and how to work it.

Take New York. I work in New York. And the New York state legislature is broken; it's a mess, and you can't figure out how to get anything to be done about reforming the system. There has got to be ways to break the hold on these sorts of state legislatures, but how do you do it?

One of the things that we haven't talked about, which I'd be happy to hear you both discuss, is the fact that in many ways this was a great election. It may have been dirty, but there was a lot of engagement.

STEPHEN MOORE: I agree.

GERI MANNION: People were really into it.

STEPHEN MOORE: Absolutely.

GERI MANNION: I've never in my lifetime seen people standing on line for four hours or five hours to vote. Now, to me, that's what I work for. I often think that my Strengthening the U.S. Democracy program is failing constantly. And when turnout is in the single digits in most local elections for the most part, the energy in 2004 was a great change. If we can keep this energy going beyond 2004—I mean, if we could get the public as engaged around redistricting, around the issues of local elections, I would be a happy woman.

And that's the big question I would ask you both: can we keep this energy when it isn't such a divisive election? The divisiveness was what got people so engaged; can we keep turnout this strong in future elections? 60 percent of the electorate turned out this year, which is huge—a lot of new voters. How do we keep them engaged when there's no one out there sort of encouraging them? That's my question.

CURTIS GANS: I'll deal with Steve's question first. I like the Iowa system, too, and Arnold Schwarzenegger is proposing a similar system in California that will be on the ballot in 2006. In the initiative and referendum states you can get this on the ballot fairly easily and get it passed fairly easily.

STEPHEN MOORE: In California?

CURTIS GANS: Yes.

GERI MANNION: I don't know.

CURTIS GANS: Well, most of the Democrats will be for it, and David Dreier is for it, and Bill Thomas is for it.

STEPHEN MOORE: But the problem with California—is that there are something like 150 state legislators, and this year there was zero turnover. The Republicans who are deeply in the minority don't have any incumbents. They like having their 65-percent seats even though that puts them in the minority permanently. It's a big problem. Maybe you're right that the only way to change it is through this ballot initiative.

GERI MANNION: Maybe we tie it to Arnold running for President.

CURTIS GANS: No, no. I will be speaking to this issue, at a conference in Maui with the top legislators of each party in the Western states, all of whom can do this. And I think there will be great receptivity there to the initiative. The harder places to do it are where this requires legislation by the state, but still I think you can build a relatively massive lobby on this issue.

On the other hand, on the general issue of incumbency, I believe that the benefit of the doubt ought to go to incumbents—that unless they're guilty of moral turpitude or there's a sea change in public attitudes and the incumbent is on the wrong side, he or she ought to be given the benefit of the doubt.

What you sacrifice in term limits is people who have developed over time into leaders. You throw some bad people out, but you can throw a lot of good people out, too, and what you leave as a residue is staff and lobbyists running the state. And I don't think that's healthy.

Now, on turnout, we had a turnout this year that was driven by George Bush. Kerry's vote was anti-Bush; it wasn't pro-Kerry. And the Bush vote was pro-Bush; it wasn't anti-Kerry. That's sustainable so long as we have polarization. But one should remember that in 1992, turnout jumped up from 51 percent to 58 percent, and by '96 it was down to 53 percent, and amongst young people it was down below where it was in 1988. The long-term problems underlying civic disengagement have not gone away.

GERI MANNION: Right.

CURTIS GANS: And unless we deal with those problems—the decline in the quality of public education, the decline in civic education within public education, the decline in newspaper-reading amongst the young, the decline in training institutions, the fact that young people are now growing up in a majority of homes with parents who do not vote and a large majority don't discuss politics—

STEPHEN MOORE: I was going to say it's not just children who aren't reading newspapers, by the way.

CURTIS GANS: No. I understand that.

GERI MANNION: They're watching Jon Stewart.

CURTIS GANS: The weakening of integrating institutions, whether that's the schools, the churches, the unions, the political parties; the essential misalignment right now of the political parties, the fact that they don't have grassroots, or at least the Democrats don't; the abdication of the network broadcast industry from the coverage of politics; that three-hour outrage about the conventions; the way we conduct our campaigns in 30-second attack ads which run two hours a day on every major broadcast outlet—all this tells you how awful everybody is.

The fragmenting effects of television. They like to say they bring the world community into your living room. But they bring *you* into your living room; that's the most profound societal effect. And the fragmenting effects of cable and satellite, by which you can watch 180 channels and get no intersection with politics and public affairs, and the fragmenting effects of the Internet, as well as other issues.

My judgment is that unless we deal with those issues, we're not going to have durable restitution of civic engagement. We're going to have, the occasional election built out of anger. I would also add, since Pablo [Eisenberg] is here in the audience, that the growing gap between rich and poor leaves the poor without hope.

GERI MANNION: Voting machines don't work.

CURTIS GANS: Well, we need some federal standards for federal elections.

GERI MANNION: Thank you.

CURTIS GANS: But that is not central to the decline in motivation of people to participate in politics and we've got—

AMY KAUFFMAN: Curtis, I'm going to stop you here so that Geri can ask her question and then we can do—

GERI MANNION: Actually, that was my question. I think that this is exactly where I wanted the discussion to go, because the Corporation only sees campaign finance reform as one small piece of the larger problems with our democracy.

Frankly, there's a reason the young don't get engaged. Many of them would say they deliberately walk away from the political system the way it is currently, because it's not that welcoming. This year, the young vote was supposedly a big vote, so people reached out to them. But, in general, most candidates talk about Social Security and Medicare. That is not what young people want to talk about and...

CURTIS GANS: It's not even what old people want to talk about.

GERI MANNION: And it's not even what old people want to talk about. And even this year, frankly, they didn't even talk that much about Social Security. There is a real problem with the overall political system, and I would say a lot of problems with the political parties.

And, personally, if I had my druthers, I would like to be able to figure out how we create more third parties or parties that would actually increase discussion because, frankly, there are times when I think there's not that much difference between the two parties. And I think people see that and they wonder, why should I bother engaging?

PABLO EISENBERG: Just one comment on Geri's question about how you maintain young people's interest and how you keep the momentum. Speaking as a Democrat, I can say that if the Democratic Party doesn't bolster its structures at all levels for young people and get new faces instead of seeing the same old Clintonians and the same old political advisers and consultants who have not done a very good job, at best—unless you get them open, you're not going to do anything. I don't see any movement, at least in the short time after the election, by any of the Democratic leaders as to how we get young people and new faces in the party. That's just a comment.

But I'd like to ask the three panelists what I think, Curtis, you were beginning to say at the end of your talk, and that is, if you had to go back from scratch and write a campaign finance law, what are the major ingredients you would include in that bill, and if you wrote out the 527s from receiving the soft money from the beginning, what consequences would that have?

STEPHEN MOORE: My view would be that we should think about dramatically increasing the hard-dollar limits. I don't know if I'd be in favor of unlimited campaign contributions, but I would raise them substantially. As I said earlier, in exchange for that I'd be willing to put some caps on the soft-dollar contributions.

I think that there is some advantage to having outside groups involved in races. One model would be just no outside groups and the candidates themselves run the campaigns and the messages. But the good thing about having outside groups is, you get messages on all sorts of different issues, which is a good thing.

I think one of the most important things that was said this afternoon was when you said that this was a good election from the perspective of democracy. It was. I mean, people were hyper-engaged this year. The most dangerous place to be in America on Election Day was between voters and the voting booths. These people *vote*—the hard-core anti-Bush and pro-Bush people. They were going to vote if they had to wait all day in line. So I'm not quite as apocalyptic about the situation with our democracy as it is right now.

The last thing I'd say is, let's talk about 2008. Can anyone stop Hillary? That's the question that everybody is asking on the Democratic side. And the truth is, at least under the current rules, probably not. Hillary is one of the few people who can raise the money to raise the ante.

If we had laws that we had in effect when you were working with McCarthy, maybe you could have an upstart candidate, but that would require lifting some of these donation limits.

GERI MANNION: The only thing I would say of BCRA is that most people did not think it had a shot in hell. But then Enron happened, number one. And that really increased people's concerns about the corporations and the misuse of campaign contributions and who has access. And there was a real movement to move BCRA. I don't think anybody, including people who worked on it, would suggest that it was a perfect bill. What you suggested about public financing is something that would help a lot.

But I also think that there is a question about spending limits. Until the Supreme Court is willing to look at that question, —look at those poor people in South Dakota. Did they really need to see that much political speech over two years? What was the impact on them politically? Maybe they felt wanted but more likely sick of the whole thing!

I live and work in what are considered blue states and I barely saw a campaign. A lot of people felt left out this year if you didn't live in a battleground state—and if you lived in the District of Columbia, you had no power. But it really was a hard thing, to feel like you were left out of a whole political equation.

CURTIS GANS: I'll start off with this: I didn't think this was a wonderful election. The fact that people came out to the polls was a good thing, but then you have to figure out why they came out to the polls. What you have is a polarized nation in which one side or the other is trying to impose its viewpoint on the other without trying to find a middle and a consensus.

And I don't think that's healthy. I give speeches about the demography or demographic factors in non-voting and how my friend Raymond Wolfinger's and my non-friend Steven Rosenstone's book [*Who Votes?* (Yale University Press, 1980)] indicates that the people who vote most are those who are educated, older, residentially stable, and married. People have been more educated (more than twice as many people attend and graduate college than in the 1960s) and voter participation has gone down. Our population has grown older since 1969 and voter turnout has declined. With the exception of three years in the 1980s, residential mobility is less than it was in the 1960s and turnout has been eroding.

But it is true that theory correlates with fact in the area of marriage. Married people vote. And we are a less married people. More are marrying later, more are divorcing, more are living singly, and more are living together out of wedlock. I've had this throw-away line saying that I don't recommend marriage as a cure for non-voting and I don't recommend George Bush as a cure for non-voting. So, it's not a wonderful election, to me, because it's not durable. The polarization that drove this one is not healthy for our democracy.

On the issue of campaign finance reform, to return to the principles I talked about in my initial speech—distortion, accountability and flexibility—the first thing I want is accountability, and I want disclosure, and I want disclosure of everything—contributors to interest groups (over a certain threshold), state party funds, all the things that are currently not being disclosed and made accessible.

The second thing I would want is to increase and diversify the supply of money and to get rid of or substantially increase whatever limits we have. Now, increase means higher contribution limits of substantial nature to the candidate, but it also means floor funding, public funding.

And as far as I'm concerned, the third piece of it is, let us deal with the thing that is driving campaign spending through the roof and ruining our politics, which is television advertising. We are one of the very few democracies in the world that does not regulate television advertising by time or format, and it is time that we ended our pristine isolation.

And by regulating—my regulation initially got introduced by Barber Conable, Warren Rudman, Wendell Ford, Daniel Inouye and Tom Foley and a number of other people—I mean that for ads of two minutes or less, which is essentially the captive ad, the spot ad, the purchaser of the ad or an identified spokesman must speak to the camera for the duration of the ad.

You allow people to buy time to say whatever they want to say so long as an identified person does the talking, and we return our campaigns to speech and accountability. And if you want to use gimmicks, you have to do it in the longer formats so that people can shut it out.

I think those three provisions will provide a system that is accountable, a system that is flexible, and a system that gets rid of the greatest evil that we now have.

AMY KAUFFMAN: Before I turn it over to the audience, I just want to ask Geri one question myself, and that is, Carnegie, I thought, was very balanced in its giving, but other foundations were not so. Was there any trepidation about being implicated in any kind of advocacy by foundations such as Open Society and others that really did have a viewpoint they were trying to thrust onto the legislators?

GERI MANNION: Well, we abide by all the rules. I think my grantees who are here today would say that. We really are very hands-off. I certainly don't tell the Committee for Economic Development or any of my grantees how they're supposed to advocate. It's up to them. Frankly, as I said before, I never knew what was going to be an actual "win" or not. We were not clear early on just what kind of disclosure or what kind of public policy recommendations would be needed or would work.

But on OSI, I think they've been incredibly careful as a foundation, frankly. There's a huge difference between what George Soros as a personal donor does and what his foundation does, and I think that was definitely very clear for them.

George Soros was a very galvanizing figure this year, and there have been questions raised about whether he did, in fact, encourage more of the controversy than not by his political giving, but that was his personal choice. Unless 527s are reformed, other rich people from both political parties will also increase their political giving through these entities.

And there are other people out there who have made as much money or more money, like Bill Gates. I mean, what if Bill Gates decided that he wanted to buy up every television ad in the country, which he could! There has to be something about how much money these wealthier people are allowed to put into a system. We have to have some restrictions.

So I guess the only thing I'd have to say about no limits is that I'm worried about the prospect of someone raising tons of money from a very small number of people.

STEPHEN MOORE: Well, but if you accept my contention that there are diminishing returns—at one point Soros said that he might spend \$100 million in this campaign—and even if he had, I don't think he would have changed the result much.

GERI MANNION: No. I think that's true.

STEPHEN MOORE: I mean, you could almost have negative returns. If you run too many ads, people actually—

GERI MANNION: People get sick of you.

STEPHEN MOORE: And there are multiple examples in this election cycle of harshly negative ads that backfired. It happened in Oklahoma, both in the primary and the general election, when you all heard about the incident with Tom Coburn and this allegation of the sterilization of this woman.

It was a very close race. Carson decided to use this in an ad against him and the ad just totally backfired and Harrison's numbers fell dramatically. So the public is wise to the game, and if it's something that's an over-the-top allegation—

CURTIS GANS: And I agree with that, but most of the time it's not over the top, or it's over the top reciprocally, and essentially the public doesn't have any choice, so more stay home.

GERI MANNION: Yes, true.

AMY KAUFFMAN: Okay, questions, if you don't mind just also stating your name and your organization.

KENT COOPER: Kent Cooper, Political Byline. I have a question for each of you which I think will hit on three of the points that BCRA was meant to aim at.

Curtis, do you think that the change, which got members of Congress out of begging for soft money, improved Congress either because of the time they then had available for legislating or committee work or better benefit?

And for Geri, if over the last 20 years you've funded projects that were meant to provide some kind of a cap on the size of money that was contributed for people who might be trying to buy influence, whatever you call it, do you have any comments on the large 527 donors that were on the Democratic side? Were they helpful? Were they harmful? Was it against what you funded during the last 20 years?

And, finally, do you think that Club for Growth lost anything by not having the ability to collect corporate money as a 527? Did that impact you negatively at all?

These are all three key points of BCRA and I'd be interested in your comments.

STEPHEN MOORE: The limitation on corporate money hardly affected us, very minimally, because we didn't get much in corporate contributions. And I think that's generally true of most 527s. The corporations aren't big givers to 527s.

GERI MANNION: We were not happy with 527s. I personally was not happy. I thought that that was an anomaly; we certainly hadn't planned for it. There were 527s in the last election cycle, but they were dealing with relatively small amounts.

I think, frankly, that the FEC should come down hard on the 527s, that they should decide. But there are other ways to do it. As long as you have the PAC or other ways to be engaged in the political system, I think that's

fine. But I think the 527s are going to be a nightmare next time around. I think we're going to have a multitude of them.

CURTIS GANS: Well, I think it'll be a nightmare the next time around if we don't reverse some of the things that we've done this time around.

The answer to your question is, I don't know—which is to say, I don't know how evil it was or how much time-consuming it was for people to raise soft money. Obviously, it was raising money with much larger contributions than the hard-money raising. So it would take fewer calls.

On the other hand, we do know that there are some individuals who won't let you in the door if you hadn't. So, we had a situation in which some people were corrupt. Whether the system was corrupting or not or whether it was the individual that was corrupting or not, I don't know.

My view of McCain-Feingold is mostly negative, except for two things; one, the increase in the contribution limit, and the other is being at least 50-percent in favor of this provision, but not being sure.

CHARLES KOLB: I'm Charlie Kolb, with the Committee for Economic Development, and I have a suggestion for Geri and two quick questions.

You talked about putting seed money in to fund education of journalists and some political science research. My suggestion is that you continue that and focus specifically on what I would call the cottage industry that has grown up around the campaign finance system.

Inflation has been relatively stable, but yet from campaign to campaign, cycle to cycle, the spending has doubled. Where's the money going? Some of it goes to TV, some of it goes to the lawyers that Steve complained about. So I think that's a fertile area for research.

Two quick questions. One, for Steve: do you plan to do for state judicial campaigns what you've done successfully around the country in federal congressional and presidential campaigns?

And then, second, for Curtis and Steve: Curtis, you said you liked soft money until it became perverted. That was the result of a decision by the FEC. And, Steve, you said basically you were able to go forward and do what you did with your 527s because of the failure of the FEC to rule. Should we get rid of the FEC and start all over again? Is it broken? What's your view?

Thank you.

CURTIS GANS: I think that you're always going to have a political FEC. I don't think there's any way around that because you cannot create a non-partisan FEC. I know there is legislation out there. I don't think the legislation will ever get passed because parties have an interest in the rules of the game.

You have people who have an interest who say, these are my core interests and I don't want them violated, and then we will go from there. It will depend a lot on both parties' appointment process, but I don't think we're going to change that.

Many of the judgments about the FEC have been framed as the FEC not following the advice of a particular general counsel who is no longer a general counsel. And I think that general counsel essentially overstepped his authority on almost every occasion and got batted down by the courts because he did that.

And again, I'm not a great fan of ultra-regulation. I don't think it helps the process. I want to loosen the regulation, but enhance the disclosure and enhance supplies of money and deal with the fundamental source of our problem.

If we move money back to the candidates, 527s won't be as important. If we provide increases in supply *and* floors, both ends of our society will be served.

I just don't see the utility of micromanaging. Why shouldn't campaigns coordinate? Why shouldn't we have advocacy for and against candidates by whoever wants to in the last 60 days of the campaign?

We have crazy, anti-political campaign finance legislation and we ought to do something about that. We ought to roll some of that back.

STEPHEN MOORE: Judicial elections are not on our plate right now, but one thing that is attorney general races. And in states today, attorney generals are even more powerful than the governors. And we're just getting more and more interest, especially from the business community, in getting involved.

Mr. Spitzer New York?

[Laughter.]

STEPHEN MOORE: Why would Spitzer take a demotion and run for governor? That might be interesting.

And one final point about this is this issue of civic participation. I want to make the case that especially for our members, because we've been talking about the \$100,000 donors, most of our donors are \$100, \$250 donors and for them, that donation is a form of civic participation.

And in this election, many were saying that this was the most they ever contributed for candidates. But it was their way to get involved, and I don't think we should necessarily shut that off.

GERI MANNION: No. Young people, too, wrote checks for the first time.

AMY KAUFFMAN: Yes.

MARY GALSTON: Mary Galston, George Washington University. I wanted to follow up on something that Steve said and then make a comment, or actually pose a question to Curtis.

I agree with you completely that it's a good thing to have the campaign money dispersed as widely as possible through the system, and so I think that the privatization—that was your word—of campaign money as a result of BCRA was actually a good thing.

But I thought I understood you to say that—or to suggest—that you would be opposed to the legislation that's now being considered that would presumptively put most 527s that do federal campaign activity under FECA and subject to FECA source and—

STEPHEN MOORE: You mean the \$5,000—

MARY GALSTON: Yes, all of the FECA, both source and amount. They are already under a disclosure regime that's not that different from the FECA disclosure regime. So, presumably, the big difference, if federal 527s were presumptively political committees, would be the source and amount restrictions.

STEPHEN MOORE: Right.

MARY GALSTON: And so my question is, you didn't say that, but I sort of picked that up from your remarks and I wonder, given your justification for why the 527s are a good thing, why wouldn't they be just as good a thing if they were subject to the source and amount limitations?

You wouldn't have the few very large donors, but you'd have all the other people, plus the pressure would continue to keep hitting up small people for small amounts and increase what I see as the best thing out of BCRA, which is a greater pool of people who are giving and active in the system. So that was my question to you. Would you be opposed, and if so, why?

And then with Curtis, I thought I just understood you to say that as a result of BCRA, in the last 60 days before the election people can't engage in express advocacy. And it was my understanding that they can if the use FECA-regulated money.

STEPHEN MOORE: You know, if we had that regime that you just described, we would actually raise less money, absolutely, but we would raise more money relative to other organizations because, as I mentioned, we have the broad membership.

I think the objection I would have to that is, I believe that people should have the right to give. And so I think it would basically be a violation of their rights to say, well, you can only give \$5,000.

Why don't we move towards at least a system that increases these political committee donation levels to maybe \$25,000 and maybe cap it at that? I mean, that might be a compromise that everybody could live with.

KEN FORSBERG: My name is Ken Forsberg. I have a question for Geri. My understanding is that some of the foundations have been disappointed with the kind of returns on their investment in group activities, groups trying to push forward public financing in the states. I'm wondering if that's an accurate understanding, and if so, what is your foundation looking for in terms of public financing activity, going forward.

GERI MANNION: Foundations often have a very short attention span. Many foundations, I would be the first to say, often want to get out after a relatively short time.

And as one of my senior staff once asked me, well, Geri, how much longer are you going to do this campaign financing stuff? And I said, campaign finance reform is still going to be an issue long after I'm dead. And so, I can't say. It's up to the board and everybody else about how long we stay in.

But in general, I've been pretty happy. And we've had two external evaluations of the program, and we've been able to say that we've actually made some progress.

I think, on the public financing at the state level, it's been very frustrating because we get sued constantly. You get something passed—Massachusetts is the prime example. God bless them, but that was a distortion of democracy as far as I'm concerned.

The public passed the legislation twice—to have public financing of elections in Massachusetts statewide. And State Majority Leader Finneran, a Democrat, did whatever he could not to fund it, to the point where the courts actually ordered the state legislature to start selling state property to fund the clean elections fund.

And then they put forward another initiative which contained wording that, basically, taxpayer money is welfare for politicians. And voters finally voted it down, after putting all this time and attention into it, with the public growing more and more cynical about it, especially after they thought they passed something that was going to remove the distortions caused by big money in state politics and bring more people to run for office.

And then, the state legislatures or whoever is out there basically attack it. And some of the chambers of commerce have gone after it—and a whole range of folks, really. And that's democracy and you can let it go, but it gets bit wearying every time, because it's a lot of work. It's a lot of grass-roots engagement. People are out there getting signatures, getting folks to do it.

I think most of the funders, or at least the groups that they fund, are much more interested now in working through the legislatures because at least if you do it legislatively, you get people to buy in, in the state legislatures themselves, and they're going to decide.

Frankly, one of the most successful things we've seen is in the judicial area because, frankly, most Americans do get concerned if the judiciary is bought. If they think that they're going to go up against a judge who has been supported through corporate interests or legal interests, that's not necessarily what they want.

They want judges that are above that. And the judiciary, up until now, has been one of the areas in which the public still has some confidence—not necessarily in all levels, but certainly in some places.

And North Carolina has been really successful. They've also encouraged voter education guides, a whole range of issues. And, so far, so good. So that's where there is a lot of interest.

BOB HUBERTY: Steve, so where did the couple hundred million dollars in corporate soft money that was spent in 2000 go in this cycle?

STEPHEN MOORE: Was there that much? You know, since we've never really gotten that in corporate money, I don't know how much it was. Maybe you all know.

CURTIS GANS: Kent would know.

KENT COOPER: We don't have those numbers yet, but I think you'll find that a lot of corporate money was shifted into giving to their own [INAUDIBLE]. And the business [INAUDIBLE] where they can see those groups [INAUDIBLE] spending money on programs and issues—get out the vote drives, et cetera—amongst their employees and members. [INAUDIBLE] saw some return before they gave it parties. They wouldn't [INAUDIBLE.]

BOB HUBERTY: Do you think it netted out?

KENT COOPER: Oh, I think so, if you counted money that they might have given to other 501(c)(3)s or 5s and 6s. The same with labor.

STEPHEN MOORE: And if there's a company that wants to give us money for the various activities that we do, the corporate checks go to our 501(c)(4), which can take corporate money. But any contribution that's related to campaigns and elections is from individuals. So, essentially, the (c)(4) is all corporate money.

QUESTION: Do you have a PAC, too?

STEPHEN MOORE: We do have a PAC.

GERI MANNION: Can I just ask a quick question because I didn't know if it's true? I heard this recently. Can the voter registration drives of corporations be partisan or do they have to be non-partisan?

STEPHEN MOORE: Somebody out there—Charlie might know. I don't.

CHARLES KOLB: Non-partisan committee. As with any kind of voter registration drive, it's what kind of group you target.

GERI MANNION: Right.

CHARLES KOLB: You can do a non-partisan drive, but if you're only going to do it in a certain part of town and a certain class of people or a certain group of people, you sometimes get your [INAUDIBLE.]

GERI MANNION: That's a new thing that actually happened this year. Many more businesses did voter registration drives.

AMY KAUFFMAN: Terry, the next question.

TERRENCE SCANLON: Yes. Terry Scanlon, Capital Resource Center. I had a question for Steve.

Steve, there seemed to be huge success in this last election with the get-out-the-vote drives both by the Democrats and Republicans three days, two days before the election—70-hour programs, or whatever they're calling them now.

Don't you think there will be a lot more emphasis in the next presidential campaign—or more money expended—for this kind of activity rather than the ads that we were talking about earlier, and polling, so much money wasted, in my opinion, on polling?

STEPHEN MOORE: We spent a lot of money on polling. We don't think we actually waste money on polling because, if you want to know where you're going to deploy your resources—you know, if you've got \$1 million you can raise in hard dollars and you're looking at 8 races, it's worth spending \$8,000 to do a poll to see where the money is going to do the most.

I mean, there were a lot of races for which we did the poll and it looked hopeless for the candidate we liked. So, I personally think polling is a really important component to this game. And if you've got a good pollster, he or she can give you a pretty good, accurate snapshot of where the race is.

You know, you're asking sort of the ground-war versus the air-war question, and I believe you need both.

And you're right. I would bet, out of that \$4 billion that you said was spent, my guess is \$3 billion was spent on TV, maybe \$3.5 billion, because that's the huge expense of running a campaign.

And, yes, the interesting new aspect of campaigns was the Internet, and it's not really expensive. A lot of times we would produce sort of a 30-second, quote, "TV spot," but we wouldn't run it on TV. We'd just do viral marketing on the Web, just blast it out to people. And sometimes you can get a lot of viewers. And the incremental cost of sending that to an extra person is zero with the Internet. So I think you'll see more of that, too.

AMY KAUFFMAN: Last question. We'll let Pablo ask the last question.

PABLO EISENBERG: Since this was supposed to be partly on foundations and campaign finance, I'd like to ask Geri, how extensive has foundation funding of campaign financing actually been? We hear about Pew and we hear about Carnegie. We don't hear much about anybody else.

And I'd also like to know how conservative foundations are involved, if at all, on the issue—and what the future is for that. Is there going to be an expansion of what relatively little money is out there?

GERI MANNION: Well, Amy, you suggested \$120 million, right?

AMY KAUFFMAN: That's over the last decade, yes.

GERI MANNION: Last decade. I actually think it was maybe more, but in any case, we have a consistent group of funders on campaign finance reform--Pew; Carnegie; Open Society Institute; Joyce Foundation; the Piper Fund, and a couple of smaller funds.

AMY KAUFFMAN: And Schumann Foundation before that.

GERI MANNION: And Schumann before they got out. But more recently, we've heard Pew is rethinking the fact that it was getting out. They're doing a major evaluation and they're looking to see whether they come back in or not, and there have been a lot of staff changes.

I don't know about OSI. I think they're pretty much out, but then Joyce is still very interested. They're like us. They think they've been very successful. Now, Joyce Foundation is very focused on the Midwest. So that's where they put a lot of their money, in states in the Midwest.

But there have been some California foundations that have expressed an interest. I mean, this is not the most fun issue for foundations. They don't particularly like to see it. They find it arcane, they find it boring. As someone who personally has tried to advocate my fellow funders to put some money into this issue, it's a hard sell.

On the conservative side, Smith-Richardson has been consistently good about research. So they put funding into research and it's often on money in politics.

I'm trying to think if there's other—I don't think Bradley has ever put money into the issue—I don't know. Where's Bill?

WILLIAM SCHAMBRA: Well, we've made a contribution of \$25,000 for several years to Curt Gans' organization.

GERI MANNION: Well, that's a very good contribution.

WILLIAM SCHAMBRA: There you are, exactly.

CURTIS GANS: Until he was no longer there.

GERI MANNION: But I don't think it's necessarily conservative versus progressive or however you categorize. I categorize us as moderate, but, you know, it's not a fun issue. It's a boring issue to a lot of folks. Not to you, Charlie, I know.

Even just getting the funding for the Center for Responsive Politics, these big databases. You all do it back there, as well. It's very difficult to get that kind of funding. Who wants to fund that, you know? I mean, it's not easy.

WILLIAM SCHAMBRA: And furthermore, going back to my initial comment, had the conservative foundations gotten into this kind of thing in a big way, I think you would have seen a very different reaction from the press than the one you got.

Had George Soros been a conservative speaking about a popular Democratic President and threatening to spend \$100 million to unseat this man—I can't imagine what kind of reaction we would have. So I think the rules are different for foundations when it comes to this very overt kind of involvement in the electoral systems.

Before I thank the panel, let me put in a plug for next week's panel, one week from today. This is a fairly quick succession here to get our panels in before the holidays.

A week from today, on Tuesday, same format, at noon, the panel will be entitled "What Is Philanthropy's Responsibility to the American Regime?" And we have senior scholar John Fonte, who has prepared an essay which will be available shortly on our website suggesting that some of the foundation activities today might indeed merit the kind of examination that happened exactly 50 years ago this month. December 2004 is the 50th anniversary of the release of a committee report from Congressman Carroll Reece, an examination of philanthropy and public policy in which Congressman Reece suggested that some of the activities were, in fact, contrary to the nature of the American regime. And that debate continues.

John will obviously present one point of view. Teresa Odendahl, visiting professor at Georgetown, will be here and will no doubt have a thing or two to say about the paper.

John Earl Haynes from the Library of Congress, of the famous Harvey Klehr-John Earl Haynes team, which did a lot of work on the KGB records, will be here, as well as Dean Zerbe, the Senate Finance Committee tax counsel.

Anyway, after that 30-second ad, let me thank the panel today for their terrific discussion of this issue. And thank you, Amy, for being willing to chair this panel.

[Applause.]

[Proceedings concluded.]