

PART II: HIDING THE MONEY

HOW CAN GOPAC CLAIM CREDIT FOR THE REPUBLICAN VICTORY, BUT DENY IT FINANCED CANDIDATES? OUR INVESTIGATION INTO GINGRICH'S ORGANIZATION SUGGESTS BROAD CORRUPTION IN HOW ITS MONEY WAS COLLECTED AND SPENT.

LOOKING PAST THE NANCY JOHNSON AFFAIR, THE MORE interesting question is why Gingrich is so worried about the possibility of an independent investigator. One answer: The allegations against him include a series of charges that, taken together, add up to a lot more than political business as usual.

Gingrich is charged with abusing official resources to promote his political activities, evading election laws, evading tax laws in funding his college course through a nonprofit foundation and a PAC, and breaking House ethics rules regarding favors for contributors. The mainstream media has addressed the issue of Gingrich's ethics mainly by concentrating on Gingrich's book deal and publicity tour financed by Rupert Murdoch. But the deeper issue is whether the political organization Gingrich used to vault to power is corrupt.

A wealth of documentary evidence leaves little question that Gingrich's college course, his foundation, and his political action committee were subsidiaries of a single political machine, rife with influence-peddling, which at the least skirted election and tax laws and House ethics rules. While Gingrich artfully shrouded most of his machine in secrecy, thousands of pages of damning internal documents have emerged which detail with great clarity much of his scheming.

G O P A C

GINGRICH'S PRIMARY VEHICLE FOR POLITICAL ORGANIZING FOR THE last decade has been GOPAC, which has raised and spent more than \$8 million just since 1991. GOPAC is credited with a major role in the Republicans' takeover of the House—though how it did so is a mystery, since it claims that it makes few contributions to national congressional candidates, and thus is largely immune from federal regulation. Every other national PAC has to disclose its financial activity, but GOPAC refuses, arguing that most of its money is used to help elect Republican candidates for state offices (a "farm team" of future congressional candidates), freeing it from the obligation to disclose its finances or to observe federal limits on the sizes and sources of campaign contributions. The Federal Election Commission disagrees and is suing GOPAC in federal court over the issue.

Relenting to pressure, GOPAC has begun a limited disclosure of its current finances, but not on the decade during which it was the ideal political slush fund, a Nixonian enterprise where huge unregulated sums sloshed about in secret. A year ago, while researching a story on Gingrich for the Capitol Hill newspaper *Roll Call*, I spent several months obtaining GOPAC disclosure reports from secretary of state offices around the country. To my surprise, I discovered, that in addition to its anemic Federal Election Commission filings, GOPAC discloses very little at the state level. In a few states GOPAC reported raising and spending paltry amounts, but in most states there were no reports at all.

Among the states where GOPAC did file, a curious pattern of recycled contributions emerged. GOPAC reported to officials

in New Mexico that "New Mexico GOPAC" had received \$40,000 from eight businessmen, but it also told Mississippi that "Mississippi GOPAC" had received the same \$40,000 from the same eight businessmen. Ditto for Arizona, Michigan, Indiana, and Georgia. What this means is that even the modest amounts GOPAC reported receiving in various states don't even begin to account for who really filled the war chest, since what appears to be \$240,000 in contributions is really only \$40,000. This is unorthodox, but it may well be legal. (GOPAC officials insist all their filings were heavily lawyered.)

The upshot is that most of GOPAC's money wasn't reported at the federal or the state level. Yet GOPAC admits it raised some \$4 million overall in 1991-1992. Who contributed that money and where was it spent? GOPAC officials told me that the funds were spent for the "education and training" of Republican candidates—activities they claim do not have to be reported at the federal or the state level, i.e., nowhere. Now, for \$4 million, you would think that Gingrich could educate and train a political army. But reporters have identified only a few dozen new members of Congress who took GOPAC training. Even if hundreds of other candidates did so, this training consists only of inexpensive pamphlets and tapes—hardly a multimillion dollar expense. To date, there has been no satisfactory accounting of where those millions went.

GOPAC's internal records remain under lock and key. Only these documents can shed light on Gingrich's political machine, including what happened to the millions of dollars GOPAC has raised and spent since Gingrich took it over in 1986. (It is difficult to estimate what that total is, since GOPAC did not disclose any numbers at all before 1991.)

What might investigators find if they open GOPAC's books? Gingrich himself has provided one possible answer. On two occasions in recent years, he has admitted failing to report GOPAC's financing of expensive trips he took with his wife. In 1992, Gingrich acknowledged failing to disclose that GOPAC helped pick up the cost of a 1991 stay in Hamilton, Bermuda, for a conference on the future of the conservative movement. (The tab was for two nights at a \$250-a-night hotel.)

In 1993, Gingrich again was forced to amend his financial disclosure report after revelations of more GOPAC freebies. Gingrich acknowledged that GOPAC financed his lengthy 1989 stay at an exclusive resort in Crested Butte, Colo. In both cases, Gingrich only acknowledged accepting GOPAC's largesse after the gifts were revealed in the media.

Another possibility is that investigators will discover that GOPAC was more involved in federal elections than it admits. A key GOPAC backer, Terry Kohler, recently told the *Milwaukee Journal* he helped GOPAC raise \$3 million for congressional candidates in 1991-1992. But there's no record of this activity in GOPAC's FEC filings. Without full disclosure it's impossible to know who secretly contributed to GOPAC, what they got in return, and where the money got spent.



**THE BERMAN LETTER:
THANKS FOR YOUR HELP!**

One Newt deal was unexpectedly documented in a handwritten postscript to a letter from a lobbyist for the restaurant industry, Richard Berman, whose Employment Policies Institute gave a tax-deductible \$25,000 gift to Newt's college course. In the letter enclosing the contribution, Berman penned a thanks to Gingrich for his help with a hearing at which Berman wanted to testify.

Berman has since argued that no one pays \$25,000 to testify at a hearing, and he is undoubtedly right. That wasn't all Berman got. Gingrich wove Employment Policies Institute material on the evils of the minimum wage into his college course. Once Newt became speaker, Berman and his paid economists were able to make the same case to Congress. Gingrich also used course material that Berman provided on one of his biggest clients: restaurant mogul Norman Brinker, who founded the Steak & Ale and Chilis chains. As first reported by National Public Radio, Gingrich ran a ridiculously flattering video about Brinker in his course. "Whether it's his beloved game of polo or his magical success in business, Norman Brinker simply does not know how to lose," an announcer gushes. Another Brinker enthusiast is shown calling him "a living legend." —G.S.

EMPLOYMENT POLICIES INSTITUTE

July 1, 1993

Honorable Newt Gingrich
Member of Congress
U.S. House of Representatives
2428 Rayburn House Office Building
Washington, D.C. 20515

Dear Newt:

I've enclosed a check for \$25,000 payable to the Kennesaw State College Foundation. I remember when you first brought this to my attention in March (you were leaving the Chamber of Commerce after speaking to our client-CEO group). I'm sorry it's taken this long, but I'm please to be able to make it happen.

I've spoken with Jeff Eisenach (who has been very helpful) about making available to you anecdotes, stories, and general information that you can use for program material. I know this information will be very useful. I'm delighted that it will be part of your lecture series.

As always, let me know when I can help.

Sincerely,
[Signature]
Richard B. Berman
Executive Director

Enclosure
RBB:cs

(2-57)
\$605.00 - KSC Foundation
\$1,875.00 SBA
(7-57)

EMPLOYMENT POLICIES INSTITUTE 1-80 1150
607-14TH STREET, N.W., SUITE 1110
WASHINGTON, DC 20005

June 30, 93
The Kennesaw State College Foundation
PAY TO THE ORDER OF Renewing American Civilization Project \$25,000.00
Twenty-five thousand and 00/100 DOLLARS

NationsBank
National Bank of D.C., N.A.
Reading for "Renewing American Civilization" - Patrick
[Signature]

⑆05400⑆204⑆ 320484 7⑆ ⑆⑆50

Newt - Thanks again for the help on today's committee hearing.

THE COLLEGE COURSE

GOPAC IS NOT THE ONLY BRANCH OF GINGRICH'S SHADOWY empire. In 1993, Gingrich conceived a new means of raising money and increasing his political power: a college course distributed electronically nationwide. It was a marked improvement over his already advantageous setup at GOPAC. In addition to being able to accept secret donations of unlimited size, Gingrich could also promise contributors a tax write-off because his "Renewing American Civilization" course was funded through nonprofit "charitable" foundations. Even as he flouted government campaign finance laws, Gingrich figured out how to get a government subsidy for his political message.

Gingrich defends the course as a purely academic and "completely nonpartisan" enterprise, but internal documents show otherwise. In an oft-cited fundraising letter to a lobbyist for the Tobacco Institute, Gingrich adviser (and former GOPAC director) Jeffrey Eisenach wrote: "The goal of this project is simple: To train, by April 1996, 200,000+ citizens into a model for replacing the welfare state and reforming our government."

An even more telling, but thus far overlooked, document is a draft outline for Gingrich's college course that spells out the

project's sophisticated partisan political rationale: "The liberals have three great advantages which were developed by Franklin Roosevelt and the New Deal Democrats and which have helped them stay in power despite their failure to win the White House in five of the six elections between 1968 and 1988.... Despite the American people's consistent rejection of liberalism, the Republicans were unable to duplicate or overcome the advantages of a decaying but entrenched establishment."

The analysis continues: the Democrats' advantages include "a network of powerful institutions such as the big-city machines, the labor unions, and the left-wing activist groups (including trial lawyers and gays), whose collective weight dwarfs the more narrow base and resources" of the Republican competition, and the Democrats' "system for training and developing professionals whose doctrine of power and politics is simply more effective and more widely understood than [that of] the opposition party."

The document outlining Gingrich's "completely nonpartisan" college course then proposes that the course could serve as a vehicle for developing similar advantages for the "opposition" party, that is, the Republicans.

In addition to its overt political aims, the course's first year

was closely connected to GOPAC. Several key GOPAC employees helped develop it while on the GOPAC payroll and used GOPAC facilities to plan and operate the project as well as to raise funds. The course was also heavily promoted within the Republican Party. In a letter to college Republican chapters nationwide, Gingrich wrote, "We must ask ourselves what the future would be like if we were allowed to define it, and learn to explain that future to the American people in a way that captures first their imagination and then their votes. In that context, I am going to devote much of the next four years, starting this fall, to teaching a course entitled 'Renewing American Civilization.'" Dozens of similar memorandums and other records document GOPAC's involvement and the partisan motivation and marketing behind the course.

The other major issue is influence-peddling. The course was riddled with sleazy deals from the start. Gingrich's effort to win access to a college campus was facilitated by Kennesaw State College business dean Timothy Mescon. At the same time he was helping Gingrich find a forum at Kennesaw, Mescon was getting help from Gingrich in drumming up business for his consulting firm, the Mescon Group. The exchange of favors is very clearly spelled out in a series of letters.

A similar deal-making ethic pervaded Gingrich's fundraising for the course. Gingrich mentioned at least half a dozen major

contributors favorably during his course lectures. Several even provided videos flattering to themselves that Gingrich obligingly aired. In a recent defense brief, Gingrich's lawyer asserted that the number of contributors who received plugs was so small as to be insignificant. But an internal fundraising document explicitly promises potential course contributors that their views would be presented in exchange for contributions, if they so desired. This document also demolishes Gingrich's claims that the course was a legitimate academic enterprise: College professors don't auction off their course content in exchange for financial support.

PROGRESS & FREEDOM

THE FINAL WING OF THE GINGRICH MACHINE IS THE PROGRESS & Freedom Foundation, a nonprofit think tank set up in 1993 by Jeffrey Eisenach shortly before he resigned from GOPAC. Legally eligible for tax-deductible contributions, the foundation began sponsoring Gingrich's college course in late 1993. If the course were politically neutral, no problem. But if it were a partisan vehicle (as the evidence indicates), then the foundation would be in violation of the tax code.

And there's ample reason to think Gingrich and his cohorts knew better. In an important 1989 case involving some of the same characters who currently inhabit Gingrich's empire, the U.S. Tax Court ruled that a nonprofit enterprise operated for the benefit of a political party violates the nonprofit tax code. The case involved the GOP-founded American Campaign Academy, a school for political operatives run by consultant Joseph Gaylord, one of Gingrich's top advisers and a key figure in setting up Gingrich's college course.

As part of his cover, Gingrich and his allies propagate a huge fiction about the Progress & Freedom Foundation: They claim Gingrich has almost nothing to do with it. Gingrich "has no official connection at all with the foundation," his spokesman maintains. He is merely "friendly" with it. But in addition to the huge chunk of the foundation's budget devoted to the college course—about \$400,000 in 1994—the staff is also closely tied to Gingrich. Eisenach set up the foundation from GOPAC's offices, and describes himself as Gingrich's "closest intellectual adviser" on his résumé.

Most of the foundation's board members and incorporators are longtime Gingrich cronies. According to documents recently obtained by *Mother Jones*, board director Daryl Conner, an Atlanta-based management consultant, has been close to Gingrich for more than two decades and worked on Gingrich's early congressional campaigns. Director Steve Hanser was Gingrich's colleague in the history department at West Georgia College in the 1970s and was on Gingrich's congressional payroll (and GOPAC's payroll) as recently as 1993. Both resigned late last year. Foundation director George "Jay" Keyworth and Gingrich go back to at least 1982, when Gingrich headed the Congressional Space Caucus and Keyworth was the White House Science Adviser.

WHICH BRINGS US BACK TO NANCY JOHNSON AND TO THE issues now facing the Ethics Committee: Did Gingrich mislead the committee about the "academic" nature of the course, and did he violate the tax code by using charitable foundations to fund a political enterprise?

In answer to the first question, there is little doubt that Gingrich failed to tell the Ethics Committee the whole story

WHERE DID IT GO?

Gingrich's primary vehicle for political organizing for the last decade has been GOPAC, which has raised and spent more than \$8

million just since 1991. But GOPAC claims most of its money is used to help elect Republican candidates for state offices (a "farm team" of future congressional candidates), and thus says that it doesn't have to disclose its financial activity or observe federal limits on the sizes and sources of campaign contributions. The Federal Election Commission disagrees, and is suing GOPAC.

In the states where GOPAC did file, a curious pattern emerged—the same \$40,000 in contributions from a group of eight businessmen were reported in at least six different states. What this means is that even the modest amounts GOPAC reported receiving in various states don't even begin to account for who really filled the war chest, since the same \$40,000 contribution was recycled at least six times.

The upshot is that most of GOPAC's money wasn't reported at the federal or the state level. And the internal records of GOPAC remain under lock and key. Only these documents can shed light on some of the most important questions about Gingrich's machine, including what happened to millions of dollars GOPAC has raised and spent since Gingrich took it over in 1986. Without full disclosure, it's impossible to know who secretly contributed to GOPAC, what they got in return, and where the money got spent. —G.S.



NEWT ON THE SLIPPERY SLOPE

For years, Newt has presented himself as a moral watchdog over Congress. A collection of his quotes:

"I am amazed and appalled that a member of the House of Representatives Ethics Committee would be engaged in activities that if not illegal, are so clearly on the borderline of conflict of interest." (1974)

"The Ethics Committee seems to be serving only its fellow Congressmen. They are keeping the investigation quiet and the public in the dark. [They have] a duty to lay the facts before us and prove the guilt or innocence of these men." (1976)

"My wife Jackie, and I... both teach at our church's Sunday school. These years have taught us the importance of setting an example that would help our young people believe in some old virtues like honesty, sincerity, and integrity." (1976)

"I'm not saying we should all be saints, but people should expect their representatives to obey the laws they are passing." (1979)

"The rules normally applied by the Ethics Committee to an investigation of a typical member are insufficient in an investigation of the Speaker of the House, a position which is third in the line of

succession to the Presidency, and the second most powerful elected position in America." (1988)

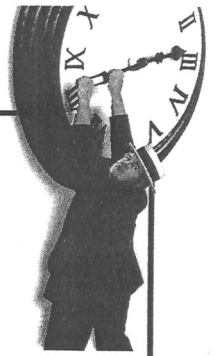
"It is vital that the Ethics Committee hire outside counsel and pursue these questions thoroughly. The trust of the public and the integrity of the House will accept no lower standard." (1988)

"We must reestablish as the first principle of self-government that politics must be an inherently moral business. The first duty of our generation is to reestablish integrity and a bond of honesty in the political process." (1990)

And since he himself has been under scrutiny?

"My defeated opponent, various embittered Democrats, various folks who ideologically disagree with me have each come up with spurious charges." (1995)

"I am so sick of the way the game is played by the news media and the way the game is played by the Democrats in this city that it is, frankly, all I can do to stand in there.... Frankly, it hurts.... they are misusing the ethics system in a deliberate, vicious vindictive way and I think it is despicable, and I have just about had it." (1995)



when he sought its approval to teach in 1993. He explicitly wrote the committee that year: "The course will be completely nonpartisan." But the course's partisan internal documents prove otherwise.

Gingrich now admits that he also didn't tell the Ethics Committee that a partisan group—GOPAC—would be involved in funding, designing, and staffing the "completely nonpartisan" course. It is questionable whether the committee would have approved the course had it known of the GOPAC connection. (Gingrich now claims a Republican lawyer for the committee told him he didn't have to raise the GOPAC issue, but offers no written proof of this. Ethics Committee rules clearly state that congressmen are only protected from punishment for activities that could be considered questionable if they are approved by the committee in advance and in writing.)

After the Ethics Committee began questioning the course, Gingrich offered a variety of explanations, some of them flatly contradictory. "Where employees of GOPAC simultaneously assisted the project, they did so as private, civic-minded individuals," he claimed on Dec. 8, 1994. Yet two months earlier, Gingrich wrote the Ethics Committee, "I would like to make it abundantly clear that those who were paid for course preparation were paid by either the Kennesaw State Foundation, the Progress & Freedom Foundation, or GOPAC."

His other claims also contradict the evidence. "Before we had raised the first dollar or sent out the first brochure, Course Project Director Jeff Eisenach resigned his position at GOPAC," Gingrich wrote. Yet Eisenach quit GOPAC on June 1, 1993, having already engaged in numerous activities on the course's behalf, including fundraising. Documents show that fundraising for the course began as early as March 1993.

And then there are the claims that are literal truths but art-

ful distortions. Defending his course against charges of partisanship, Gingrich asserted, "Course registration materials target neither Democrat nor Republican." While this is technically true, Republicans were actively targeted for *enrollment* in the course, even if the actual "registration materials" make no reference to the GOP. Recently released documents also show that Gingrich failed to give the Ethics Committee any indication that his course would be promoted nationwide.

Outlining his plans for the course, Gingrich wrote in his original May 12, 1993 letter to the committee, "When meeting with constituents and others, I share information on the course and encourage them to consider participating in it." He neglected to mention that the course was to be broadcast by satellite to colleges, churches, Christian Coalition chapters, and Republican Party offices around the country—as well as aired on cable television and sold by mail-order in videotapes.

Looking at the totality of Gingrich's activities, it's hard not to conclude that he is a man who lives by mutual assistance pacts and dubious deals. If Nancy Johnson doesn't pay careful attention, she could find herself just another cog in his political machinery. More to the point, if Gingrich succeeds in persuading the Ethics Committee to curb or drop its probe of the Speaker, the integrity of the new, supposedly improved Congress, will have been seriously compromised. □

Glenn Simpson, writing for Roll Call, broke the story of how Gingrich auctioned off the content of his college course to contributors, and an earlier story of how then-Speaker Tom Foley benefited from special treatment in the stock market. He is currently writing a book on the Republican takeover of Congress, including the rise of Gingrich. Times Books/Random House will publish it in December.

See Hot Media (page 72) for more resources on Newt.