The Disgrace of Campaign Financing

For a time last week, George McGovern stood on a sidewalk in New York signing autographs in exchange for $1 bills.

THE present system is a scandal, perhaps the fatal flaw in American democracy," declares Los Angeles Fund Raiser Harold Willens. "It's the nastiest thing in all of politics, and it may destroy our whole political system," contends Missouri Judge George W. Lehr. "There's a smell, an odor about it, and unless things change the system cannot survive," insists Larry O'Brien, campaign manager for George McGovern. Says Senator Edward Kennedy: "It is the most flagrant single abuse in our democracy, the unconscionable power of money."

The object of this collective condemnation is the venerable U.S. political practice of making every candidate for public office, from President down to town clerk, depend upon voluntary contributions to get elected. Often vilified but never seriously challenged, the system embarrasses and compromises both donor and candidate, openly invites corruption, and suggests to an increasingly cynical public that favors can be bought. Irrational and poorly regulated, the giving and getting are often done through sham committees, so as to preserve anonymity or evade ill-conceived laws. Much of this activity is furtive, although this year everyone seems to be talking more openly about the mechanics and manipulations of fund raising than ever before.

The system protects incumbents, who can grant the favors to attract the donors. It handicaps the candidate, however able, who lacks the connections or the character to curry cash. More basically, it undermines the premise that all individuals, regardless of wealth, are equal under the law.

To be sure, most of the indignation arises this year among Democrats, who fear that McGovern, whatever his failings, will not be able to muster the kind of money needed to give him any chance of overcoming the huge lead in voter preference held by Richard Nixon. Although the McGovern campaign is doing amazingly well in obtaining small donations through mass mailings, the candidate has badly failed in corralling the really big money. The result is that the McGovern campaign will be hard-pressed to raise $22 million. Nixon's committees expect to muster at least $45 million. That financial edge would be the largest the Republicans have held since Big Business ganged up on F.D.R. 32 years ago.

The Nixon Administration is marshaling all its great resources to re-elect the President, and not the least of those resources is the ability to attract campaign donations. There is scarcely a business, union, profession or special-interest group whose well-being cannot be affected by Washington or whose leaders would not like influence there.

Most notable among the Administration's activities has been the all-out use of former Commerce Secretary Maurice Stans to badger money out of corporate executives whose profits were once influenced by his departmental policies—and would be again if he were to return to the Cabinet after a Nixon re-election. Cynical, too, was Stans' frantic drive to round up more than $10 million in donations before a new law would make public the identity of the donors, and in spite of Nixon's pious pronouncement that disclosure would "guard against campaign abuses and work to build public confidence in the integrity of the electoral process." There were, moreover, 1) the secretive diversion of campaign funds through Mexico in the Watergate case, 2) the Administration's reversal in raising milk subsidies shortly before receiving large campaign gifts from dairy producers, 3) the furor over ITT's offer of financial support to the Republican National Convention and a favorable settlement it received from the Justice Department in antitrust cases. Whatever the degree of innocence in each instance, the appearance of wrongdoing, the possibility of a shrouded donation being offered to Government, remained.

Hate It. Even when the motives of both donor and recipient are beyond suspicion, the experience is still humiliating for the candidate. "Raising campaign funds is the most distasteful, demeaning and embarrassing aspect of elective politics," declares even the gregarious Hubert Humphrey. "You have to go to the same people time after time. I hated it." Agrees Henry Kimelman, McGovern's finance chairman: "It's demeaning the first time. It's additionally demeaning the second time. It's superdemeaning the third time. It gets to where you want to sink through the floor."

The introverted McGovern is especially reticent about begging. Explains Kimelman: "I've arranged functions for McGovern and tipped him off: 'Now So-and-so will be there. He's a big contributor.' McGovern won't go up and say a thing. He'll never be able to go up to a guy and say, 'Gee, things are tough right now. It certainly would be helpful if...' The only time I'm sure he'll even make a thank-you call is when I'm with him. I'll make the call and I'll say, 'Here's So-and-so, he's just given us $80,000 and his wife's name is Edna. Say hello.' Then I hand him the phone."

Despite the humiliation and the ethical morass that surrounds political fund raising, candidates are of necessity plunging into it on a huge scale. The nation has some 500,000 elective offices, and Herbert E. Alexander, the nation's leading scholar on campaign financing, estimates that $400 million will be spent campaigning for those on the November ballots. Spurred by inflation, the expanded use and rising costs of television, computer studies, pollsters and various technical consultants, the bills of increasingly sophisticated campaigning are soaring. (For

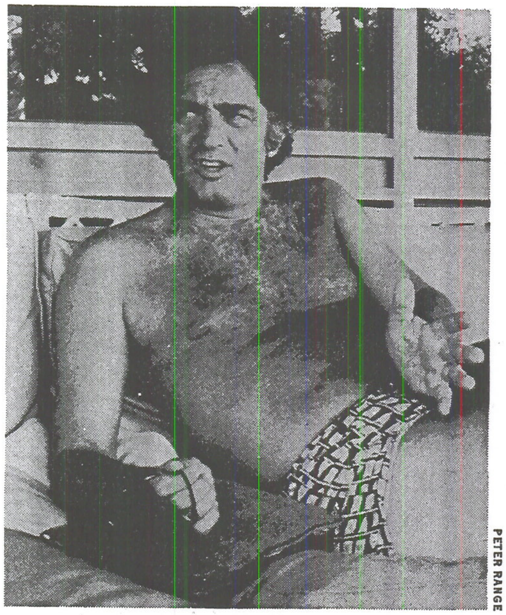
McGOVERN SIGNING FOR DOLLARS

DIRCK HALSTEAD

example, 60 seconds of prime time on CBS costs between $40,000 and $55,000.) According to Alexander's Princeton-based Citizens Research Foundation, the 1972 expenditures will be nearly triple those of 20 years ago, when $140 million was spent.

The pursuit of the available dollars is frantic, the methods imaginative. In Chicago, Congressman Abner Mikva held an auction, including the sale of

KIMELMAN RELAXING AT HOME



PETER RANGE

STANS ON TRIP FOR ADMINISTRATION

GOLFER DOUG SANDERS, SPIRO AGNEW & ACTOR JOHN WAYNE AT G.O.P. FUND-RAISING DINNER
Some have neither the connections nor character to curry cash.

such political memorabilia as an umbrella used by Teddy Kennedy on a recent visit. To raise money for Democrat Dan Walker's campaign for Governor of Illinois, his aides initiated a series of "Two Dollars for Dan" luncheons, enlisting ten people, each of whom would hold a luncheon for ten guests at $2 each. Those 100 attending people each agreed to hold a similar luncheon for nine others, who would then do so for eight, and so on in de-escalating, chain-letter fashion. McGovern workers in Boston have used poker parties, bean suppers, barn sales, hayrides and even a "polka night" to help raise more than $250,000.

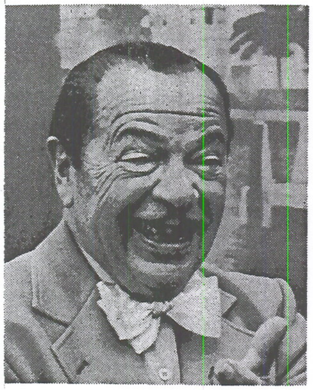
The high-priced dinner is a favorite device, since it is often lucrative (two such affairs recently raised $3.3 million for Nixon). Also, overhead is relatively low. No sales pitch by the candidate is necessary; the ticket price is an advance contribution. Republicans raised a hefty $21.5 million this way in 1968, and the Democrats $17.9 million. Although the price of tickets sometimes runs higher, Republicans generally stop at $1,000 a plate and Democrats at $500. Since the dinners are large and each guest pays the same price, the taint of special privilege is slight. On a smaller scale, sponsors of a $25 dinner for Alaska State Senator C.R. Lewis were embarrassed when they sold 700 tickets and only a dozen guests appeared. Many of the absentees, it turned out, were Seattle-based businessmen who apparently appreciated Lewis' opposition to restrictions on Alaska oil pipelines.

The solicitation stakes are higher and the possibility of a compromising commitment is greater in the highly competitive chase for the checks of wealthy individuals. Reluctant or not, McGovern has been darting to intimate gatherings of the wealthy, such as the party given recently by United Artists Chairman Arthur B. Krim in his Manhattan home. Sitting Presidents are usually spared such personal hustling. Instead, Nixon's "surrogate," Maurice Stans, has been flying about the nation, mainly working one on one, as well as making efficient use of the telephone.

McGovern and Stans make their pitches in entirely different keys. The McGovern approach was demonstrated recently when some 70 of Wisconsin's wealthy liberals, about half of them Jewish, gathered in Milwaukee's Pfister Hotel. They sipped cocktails and munched Wisconsin cheese and crackers until McGovern arrived. After shaking hands all round, he talked quietly but optimistically for 20 minutes about the state of his campaign. Then he answered questions for half an hour. What about tax reform, inheritance taxes, property taxes, defense cuts? Most of his questioners already knew the answers, but the gift-giving ritual requires that they hear it from the man. Later they could tell friends: "As George McGovern told me last night..." Not once did McGovern mention money. He thanked them, smiled and left.

Screams. Then Burt Zien, the Milwaukee plumbing and heating tycoon who had organized the affair, took over. "Okay, you fellas know why you're here," he began. He painted a sorry picture of McGovern's finances and stepped up the pressure: "He needs money fast—very fast. He has to tie down television time and pay travel bills. Soliciting pledges through the mail and collecting them takes too much time. What we want you to do is to loan McGovern money now. This will probably be the least-secured loan you'll ever make. There's no collateral and no interest. You might take a loss." Then he explained the McGovern practice of accepting a loan and putting aside one-fourth of gifts to begin repaying the loan within two weeks. (If the loan is not repaid, it is considered a gift, not a tax-deductible loss.) That night McGovern picked up $50,000—but his aides had hoped for $250,000.

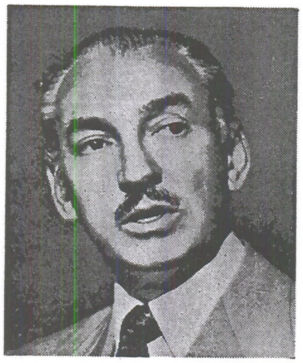
Stans is far more direct. When he gets on the phone to a prospect, claims a Republican admirer, "he's totally ruthless. He yells. He screams. He talks about preserving free enterprise, patriotism, citizen responsibility. If a guy offers an amount but not enough, Maury won't hang up until the ante is upped." One favorite Stans technique has been to hold small cocktail parties in various states for wealthy businessmen, appoint each guest a solicitor, assign him a quota and then, says an associate, "Maury nags each and every one until he meets or exceeds his quota." When a donor is in doubt about what he should give, Stans has a modest suggestion: 1%



W. CLEMENT STONE

RAY A. KROC

MAX PALEVSKY



ALEJANDRO ZAFFARONI

Who's Who Among the Big Givers

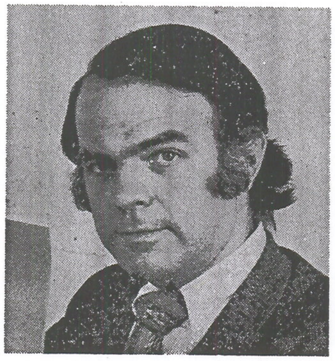
TRYING to track who gives what to whom is like determining the number of real blondes in the U.S. If the Republicans have their way, for example, nobody will ever know where the more than $10 million came from that Maurice Stans collected before the disclosure law took effect on April 7. Nearly every big giver of both parties routinely shards his gifts into $3,000-and-under bits and scatters them among dozens of committees. Against all odds, the nonprofit Citizens' Research Foundation, headed by Herbert E. Alexander, a political scientist, attempts an accounting each election year, based on voluntary disclosures made by candidates and statements filed. Such a system cannot ferret out those determined to conceal their gifts, but it does at least give an indication of what the honest men are up to. Herewith a necessarily incomplete gallery of top donors in this campaign through Aug. 31, prepared by TIME from the C.R.F.'s data:

WALTER T. DUNCAN, 45, a Texas real estate developer with an aversion to publicity and photographers. Gifts: Hubert Humphrey, $300,000; Nixon, $257,000. "McGovern goes too far," said Duncan in explaining his post-primary Republican switch.

W. CLEMENT STONE, 70, Winnetka, Ill., chairman and chief executive officer of Combined Insurance Co. of America (assets: $319,725,000). Gifts: Nixon, $25,000; Republican National Committee, $11,000. Stone, who was Nixon's biggest financial backer in 1968, says that he has given a total of $500,000 to Nixon so far this year, the bulk of it before the Federal Election Campaign Act of 1971 went into effect in April.

RAY A. KROC, 70, Chicago, chairman and chief executive officer of McDonald's Corp., Oak Brook, Ill. Gifts: Nixon, $255,000.

MAX PALEVSKY, 48, Los Angeles, founder of Scientific Data Systems, largest single stockholder in Xerox, interests in films *(Marjoe)* and publishing, chairman of Straight Arrow Publishers *(Rolling Stone)*. Gifts: McGovern, $126,852; McCloskey, $9,825. Loans: McGovern, $230,000.



STEWART MOTT

FOSTER G. McGAW

J. IRWIN MILLER

of the contributor's net worth.

Insiders in both parties insist that nothing is ever promised the donors in any of these dialogues. Indeed, any direct connection between a donation and a later official favor is almost impossible to prove. The law long intended to govern such giving but scandalously ignored was the Federal Corrupt Practices Act of 1925, which continued a ban on contributions by corporations or national banks. Its main thrust was to require that the candidates report what they spent.

This law was expanded somewhat by the Hatch Act in 1939 and an amendment in 1940. They limited contributions from any one individual to $5,000 a year and banned any political committee operating in more than one state from spending more than $3 million a year. Any business or individual working under a federal contract was also barred from contributing. Federal employees could not take any part in national campaigning. A permanent prohibition against contributions from labor unions was added in the Taft-Hartley Act of 1947.

The ineffectiveness of the Corrupt Practices Act is demonstrated by the fact that no one was ever successfully prosecuted under it—even though countless candidates filed no spending reports at all. When this was called to the attention of the Justice Department in various administrations, the buck was usually passed back to either the clerk of the House or the Secretary of the Senate, to whom the reports had to be made. These officials, respectful of their legislative bosses, let the matter die. Any candidate could claim that he was unaware of the expenditures in his behalf and so did not report them. McGovern took this loophole in not revealing any of his 1968 re-election expenses.

The old laws spawned the creation of countless dummy committees operating either in single states, and thus beyond reach of the law, or in the District of Columbia. Individuals wanting to give more than $5,000 could escape detection by giving to such nonreporting committees—and thus easily evade the limits on both spending and giving. Another purpose served by the phony committee—often just a name and a mailing address—was to enable large donors to avoid the gift tax that must be paid on any contribution exceeding $3,000. They merely had to break their donations down to $3,000 checks among various committees. The saving is no small matter. In 1968 Mrs. John D. Rockefeller Jr. admirably refused to use such a dodge when she gave $1,432,625 to the presidential effort of her stepson, Nelson Rockefeller. As a result, she paid a federal gift tax of $854,483.

Other evasions of the spirit if not the letter of the law were commonplace. Companies often got around the ban on corporate giving by awarding top officers special bonuses, with the understanding that they would be used as individual political contributions. It is probable that many gifts by executives somehow wind up on company books as income tax deductions for business expenses. Labor unions merely set up political-action committees, relying on the "voluntary" contributions of their members to finance them.

Congress last year tried to tighten up the financing laws by passing the Federal Election Campaign Act. It repealed the hopelessly corrupted Corrupt Practices Act and requires that all candidates and their committees report

DR. ALEJANDRO C. ZAFFARONI, 48, president of Alza Corp., a Palo Alto, Calif., pharmaceutical firm. Gifts: McGovern, $226,000; McCloskey, $11,000. Zaffaroni, a developer of contraceptives and a drug researcher, is also a Uruguayan citizen and thus will not be able to vote in the presidential election.

STEWART RAWLINGS MOTT, 34, New York City philanthropist, son of the General Motors pioneer and major stockholder Charles Stewart Mott. Gifts: McGovern, $212,361; Lindsay, $5,000; McCloskey, $5,500. Loans: McGovern, $377,500.

FOSTER G. McGAW, 75, Evanston, Ill., honorary chairman and founder of American Hospital Supply Corp. Gifts: Nixon, $196,298, and $3,000 to a Republican Party committee.

MR. AND MRS. JOSEPH IRWIN MILLER. Miller, 63, is chairman of Cummins Engine Co., Columbus, Ind. Gifts: Lindsay, $150,000; McCloskey, $18,500.

JOSEPH M. SEGEL, 41, Merion, Pa., president of the Franklin Mint, Inc., a manufacturer of commemorative coins and medals. Gifts: Nixon, $114,000.

EVAN P. HELFAER, 74, Milwaukee, major stockholder in Colgate-Palmolive Co. Gifts: Nixon, $110,261.

DWAYNE O. ANDREAS, 54, Miami Beach, chairman of First Interoceanic Corp., chairman of the executive committee of Archer-Daniels-Midland Co. (flour and soybean products). Gifts: Humphrey, $75,000; Nixon, $25,000. His money earmarked for the Nixon campaign was later found by the FBI in the bank account of one of the original Watergate Five.

ANTHONY T. ROSSI, 71, Bradenton, Fla., chairman and president of Tropicana Products Inc. Gifts: Nixon, $100,000.

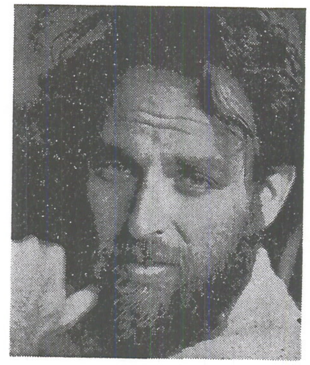
HENRY L. KIMELMAN, 51, chairman of the West Indies Corp. and various other corporations in the Virgin Islands, and McGovern's national finance chairman. Gifts: McGovern, $76,740. Loans: McGovern, $290,000.

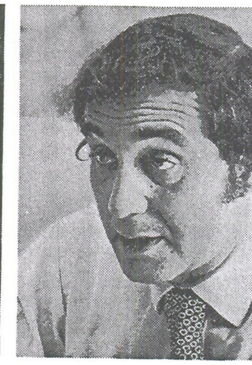
MARTIN PERETZ, 32, an assistant professor of social studies at Harvard whose wife has holdings in the Singer Company. Gifts: McGovern, $76,000. Loans: McGovern, $114,000.

MR. AND MRS. MILES L. RUBIN. Rubin, 42, is a Los Angeles manufacturer and industrialist. Gifts: McGovern, $58,300; Muskie, $2,000; McCloskey, $4,600. He has also loaned McGovern $225,000.


ANTHONY T. ROSSI

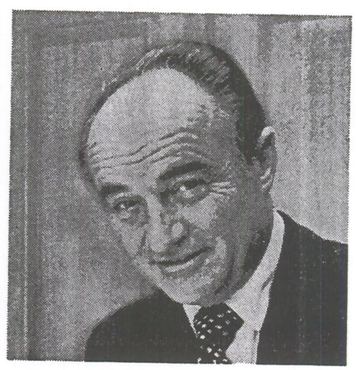

HENRY KIMELMAN


MARTIN PERETZ


MILES L. RUBIN


JOSEPH M. SEGEL


EVAN P. HELFAER


DWAYNE O. ANDREAS

the name, address and vocation of anyone giving them more than $100. Anyone to whom the committees pay more than $100 must also be listed. The act limits what a politician or his family can give to his own candidacy ($50,000 in a campaign for President or Vice President, $35,000 for Senator, $25,000 for Representative). For the first time, a ceiling is placed on what a candidate can spend for television, radio, newspapers, magazines, billboards and automatic telephone equipment. Within the overall limit (10¢ per voting-age resident of the relevant electoral region), only 60% can be spent on broadcasting.

So far, the major impact of the new law, which took effect April 7, has been to loose an avalanche of lists and papers. First came a 72-page manual of instruction from the Comptroller General, who supervises presidential campaigns, then a 15-page Senate manual and a six-page House booklet. Since as many as 10,000 separate committees may be required to report (all groups spending more than $1,000), the paper work seems overwhelming. The Senate secretary, Francis R. Valeo, anticipates handling 200,000 sheets of paper this year. Looking over some of the early reports of contributors and expenditures in Senate races is enough to glaze the eyes. The report for just one of the reelection committees for Texas Republican John Tower runs to nearly 1,400 computer readout pages on microfilm.

About the only other discernible result of the new law has been to scare off some contributors who are shy of publicity. Disclosure produces some adverse effects on even the best-intentioned big giver. It can hurt his business by identifying him with a candidate that some of his customers might not like or invite reprisals by mean-minded officials if his candidate loses. Moreover, the donor seeking no favors at all could later be legitimately tapped for a government job or given a favorable agency ruling—and reporters, checking back, might link this with the gift.

In practice, such innocence is the stuff of a Diogenic quest. Usually operators on both sides are too sophisticated to demand openly a *quid pro quo* deal. But money by itself can carry a message. Some examples of situations that do not appear innocent:

▶ The motives of special-interest givers are suspect when the recipient is a Congressman who holds power on committees with jurisdiction over the donors' activity. When the givers do not reside in the candidate's state, it is especially clear that they are seeking to influence him, rewarding him for past help, or appreciative of his friendly attitude and fearful of his opponent. Democratic Senator Jennings Randolph of West Virginia is getting money from at least eight out-of-state business executives, all presidents of cement companies. It is hardly coincidental that he chairs the Public Works Committee.

▶ Executives of the securities industry and savings and loan firms are contributing to the re-election of Massachusetts Republican Senator Edward Brooke. Brooke, who promises to be an easy re-election winner, is a member of the Senate Banking, Housing and Urban Affairs Committee and its securities subcommittee.

▶ The Massachusetts Bankers Association held a $99-a-plate fund-raising dinner in Boston. All the money was distributed to out-of-state Senators: Democrat John Sparkman of Alabama, Republican John Tower of Texas and

Democrat Thomas McIntyre of New Hampshire. All three, like Brooke, sit on the Senate Banking Committee.

▸ Special-interest donors sometimes give to powerful legislators even though their campaigns seem to have little need of money. One officeholder in that situation is House Majority Leader Hale Boggs, who has acquired $100,000 in campaign funds even though he faces no opposition in his re-election bid this year. Among the donors are nine California-based executives of Kaiser Aluminum & Chemical Co., which has a Louisiana subsidiary.

▸ Sometimes a gift has a string openly attached. Last week Dillard Munford, Georgia finance chairman of the Committee for the Re-Election of the President, was offered $20,000 from a businessman who said he wanted appointment to a federal board in Washington. Munford promised to "see to it he met the right people," but "then he'd have to stand on his own merits." The donation was accepted.

▸ Companies that profit from strip-mining operations in West Virginia are locked in a money battle with environmentalists. The miners are contributing to the re-election campaign of Republican Governor Arch Moore, and the opponents of strip-mining are giving to the campaign of Democrat John D. Rockefeller IV. One strip-mine operator concedes that the strippers have also accumulated $150,000 for the campaigns of state legislators who side with them. Laws to abolish this kind of mining are pending in the legislature.

▸ The Maryland Chairman of Democrats for Nixon, Harry Rodgers III, seems to have more than an ideological interest in re-electing the President. Announcing a drive to raise $250,000 for Nixon, he denied that his concern stemmed from the fact that most of the business of his land-development partnerships is with the Federal Government. His business gets some $5 million a year from the Government in lease payments, including revenue from property occupied near Baltimore by the National Security Agency and the Social Security Administration. Another lease and building deal is awaiting federal approval.

▸ It has long been common to reward big contributors with ambassadorships, despite their lack of diplomatic experience. Large donors who made it under Nixon include Kingdon Gould Jr., who gave $22,000 and became ambassador to Luxembourg; Guilford Dudley Jr., $51,000, Denmark; John P. Humes, $43,000, Austria; Vincent De-Roulet, $44,500, Jamaica. A big giver under President Eisenhower, Maxwell H. Gluck, was embarrassed at confirmation hearings for his ambassadorship to Ceylon when he could not name that nation's Prime Minister.

Issues as well as candidates and appointments can be unfairly influenced by whoever can raise the most money. In a recent referendum battle in Montana over whether the state should adopt a 2% sales tax or a 27% increase in the income tax, a group called Save Our State put $77,000 into the unsuccessful drive to promote the sales tax. Forced by court order to open its books, S.O.S. was found to be financed almost entirely by three corporate giants—the Anaconda Co., the Montana Power Co. and Burlington Northern Inc.—they hoped a sales tax would lead to relief of their heavy property taxes.

The proliferation of propositions on the California ballot, meant to be the ultimate in democratic expression, has been perverted into a financial battle between opposing groups. With the aid of high-powered public relations firms and lavish use of broadcasting, wealth often wins. One illustration is the defeat last June of a controversial proposition that would have restricted industry from polluting the air. Such firms as Bethlehem Steel, General Motors, Gulf Oil, Humble Oil & Refining, Shell Oil, Dow Chemical and Pacific Gas & Electric helped assemble a kitty of $1.4 million. This overwhelmed the $186,510 spent by a committee called the People for the Clean Environment Act.

Clout. It may be on the local level that self-interested money most distorts the democratic process, partly because a large contribution carries more clout there. A lawyer contributes to a district attorney's re-election because the D.A. can dismiss cases defended by his legal friends. Textbook suppliers seek contracts by donating to candidates for school boards or elective school administrators. Hoping to get the accounts, bankers back with cash the officials who determine where municipal or state funds will be kept. Such dealings look perfectly proper to Kansas City Banker Alex Barket, who asks: "If I contribute to a candidate for Governor, wouldn't it be natural for him to become my friend—and then put some of the state's funds in his friend's bank?"

There are plenty of politicians who do not condone that kind of coziness. Christopher Bond, Republican candidate for Governor of Missouri, has refused a large contribution from a sharp operator hoping to benefit from pari-mutuel betting if it becomes law there. Illinois Republican Governor Richard Ogilvie declares that he never looks at lists of contributors to his re-election drive so that he can say that he is not influenced by them. Iowa's Republican Governor Robert Ray has lost some contributions because he rejects any check larger than $3,000 as being too much to take from a single source.

The money gets bigger at the national level and harder to turn down. Nevertheless Humphrey says that he declined a large gift from New York Philanthropist Stewart Mott, now a prime McGovern benefactor, in 1968 when Mott wanted Humphrey to denounce the Viet Nam War more strongly. Mott denies this, but he has tried to influence the positions of other candi-

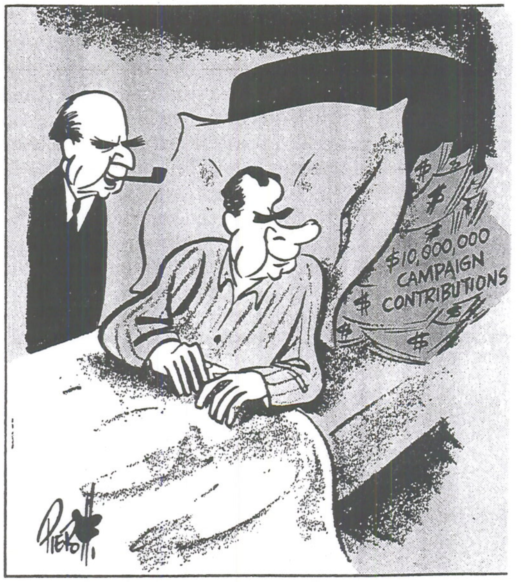
CONRAD—LOS ANGELES TIMES

"What are you trying to do... destroy the two-party system?"

MACINTOSH—JOURNAL HERALD, DAYTON

The Mexican connection.

PIEROTTI—NEW YORK POST



"The tooth fairy left it."

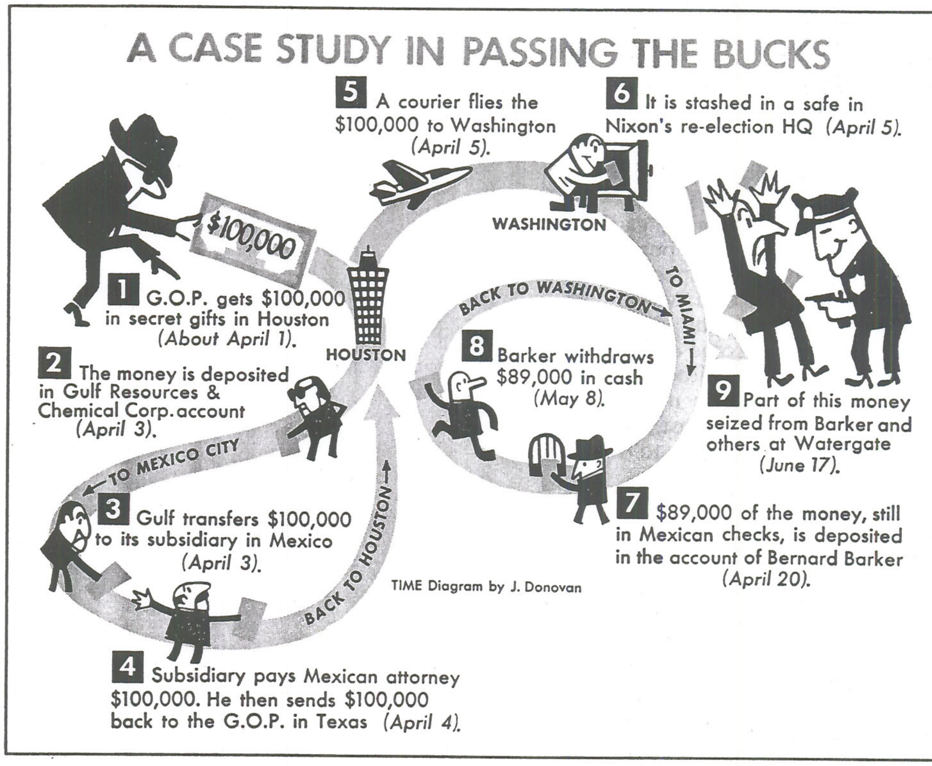
dates. Sounded out by Texas oil interests during the Democratic primaries this year, Edmund Muskie passed up much cash because he refused to abandon his intention of trying to lower the oil-depletion allowance. Most gifts, of course, do not come with such specific conditions, yet when accepted they often have a subtle, if not sinister effect. Explains Humphrey: "If you're kind to me, I'm going to remember you, although that doesn't mean I'm going to do anything for you that I don't think ought to be done."

A kindly feeling does open bureaucratic doors, however, when a donor wants to be sure his case gets a fair hearing before some arm of Government. That feeling, more than any outright payoff for a proffered gift, probably was behind the Nixon Administration's error in the ITT controversy. Top ITT executives got to talk with officials in the Justice Department—an opportunity the small businessman, or the noncontributor, rarely gets.

Phony. Far less excusable in its preferential treatment of rich contributors is the manner in which the Committee for the Re-Election of the President collected $100,000 from rich Democrats in Texas *(see diagram)*. As detailed by investigators trying to find out the sources of funds used to bug the Watergate headquarters of the Democratic National Committee, that money, probably given as cash, next appeared in the bank accounts of Gulf Resources & Chemical Corp. Its president, Robert H. Allen, is chairman of the Texas finance division of the Nixon re-election committee. G. R. & C. transferred the money to a subsidiary in Mexico, Compania de Azufre Veracruz, S.A. This firm, in turn, gave it to one of Allen's attorneys, Manuel Ogarrio Daguerre, of Mexico City. Ogarrio converted the $100,000 check into $11,000 in cash and four bank drafts, apparently related to the size of the original gifts. An unidentified courier carried the money back to Houston. There it was placed in a suitcase along with $600,000 more collected by Allen in Texas, and flown in a private aircraft to Washington by Pennzoil Executive Roy Winchester.

Winchester then turned the $700,000 over to the re-election committee in Washington, where it was stashed in a safe in Stans' office. The four drafts later turned up in the Miami bank accounts of Bernard Barker, one of the seven men accused of bugging Watergate. Of the remaining money in the Stans safe, $350,000 was deposited in a Washington bank with the notation on a deposit slip: "Cash on hand to 4/7/72 from 1968 campaign." Stans later admitted to investigators that the notation was phony; the money had been collected more recently. The General Accounting Office searched unsuccessfully for the legally required record of expenditures from this fund. It contended there were "apparent" violations of law and, since it has no enforcement powers, turned its findings over to the Justice Department. There the case rests—and presumably will until after Nov. 7. The FBI has not even been asked to begin an investigation of the GAO contentions—a first step before federal prosecution.

Why were the campaign funds so carefully "laundered" in Mexico? Undoubtedly, it was partly to protect the anonymity of the donors, even though Attorney General Richard Kleindienst has called disclosure of campaign financing "the essence of our democratic processes." Yet a trusted "bag man" could just as readily have accepted the money and passed it along to the C.R.P. with as much security and less effort. Some investigators believe the scheme may have been intended to allow the contributors to mask the donations on corporate records as a business expense for income tax purposes. The foreign bank and the use of a Mexican lawyer, who could claim lawyer-client confidence, would effectively block any IRS investigation of how the "business deduction" was actually used.



In various ways, political giving can be made to yield tax advantages. A common—and perfectly legal—device is the "soft loan," in which the donor gives, in effect, the difference between what he paid for some stock and its higher value on the current market. Such complexities are all part of the arcane world of the big-time, big-money political philanthropist. While that atmosphere reeks with the potential for corruption and favoritism, more benign motives inspire most of the more open givers. The types are tidily described by Eugene Wyman, a Beverly Hills lawyer and highly successful Democratic fund raiser. "People give first of all because they know the candidate personally," he says. "Second, because they like him or believe in him. A third group simply likes to feel involved. Another group is the problem solvers: they think they can solve the world's problems through the candidate. Then there is ego money: people who want to be seen around the candidate. There's loyalty money. It comes from people who know the guy's going to lose but they're going to stick by him. There's sure-thing money: people who want to be with a winner in anything. And there's just-in-case money, which comes from people who back one candidate but give money to the other, too, just in case he should win."

Both presidential candidates court this ego involvement, although Nixon's power gives him a huge advantage. A $5,000 donation to the Nixon committee brings the giver an RN pin with a diamond chip, $12,000 nets a pen-and-pencil set with the presidential seal and Nixon's embossed signature. A White House invitation is likely to follow a $25,000 check—and potential federal appointment lurks behind the $100,000-and-over contributor with a respectable reputation. McGovern has awarded pre-convention donors sterling-silver lapel pins carrying the initials FMBM—For McGovern Before Miami. A donation of any amount yields membership in his Million-Member Club, with a card and button. It takes $10,000 to join his Woonsocket Club and get an 18-carat-gold lapel pin. Presumably, some federal appointees would emerge from the big givers in a McGovern Administration too.

Even the donor of purest heart always knows that his large gift could be helpful in an unexpected hour of official need. Asserts one such giver, a Houston oilman: "Can the guy who gave the President $20,000 pick up the phone and call the White House if he gets into trouble with the feds? You bet. Does he realize this when he gives? You bet." There are some officeholders who wonder if the man with a specific favor in mind might not be preferable. Observes California's former Democratic Assembly Leader Jess Unruh: "The guys who give so you can massage their egos demand your time; they pester you, they expect to be called repeatedly to be reassured that you love them."

Some of the big givers whose aim seems generally idealistic nevertheless confess they would not spurn personal rewards. W. Clement Stone, a Chicago insurance tycoon who has given massively to Nixon *(see box, page 26)*, admits he would readily accept a top ambassadorship. McGovern's Mott declares he likes "a very casual way of life," does not care for "the pomp and glory of being an ambassador," but would not at all mind being "a gadfly on the President's personal staff, maybe for special investigations." One would-be McGovern donor offered $25,000 to become ambassador to Jamaica. Although Kimelman knew the man was qualified for the post, he refused even to talk to him about it.

Despite the confusing mix of personal loyalties, altruism, greed, chicanery and status-seeking involved in the private support of public electioneering, the check-chasing only quickens as candidates and the multiple committees stumble over each other in competition for the same funds. The friction within a party among candidates at all levels is often fiercer than the fight for funds between the parties.

As Researcher Alexander points out, the amount of money spent is not so scandalous—it amounts to only about one-tenth of 1% of the total budgets of the federal, state and local governments involved. By contrast, one firm, Procter & Gamble Co., spends more than half as much in its annual advertising budget as the entire nation spends in its political campaigns. The threat to democracy is not posed by the amount of money needed to campaign; it lies in the inequity of its availability and in the commitments, however tacit, often required to acquire it. Private wealth should not be decisive in a democracy, either in electing an official or in influencing public policy.

The only ready answer lies in some measure of public financing of campaigns, for only such impartial funding can free candidates from hustling and from the proximity that invites favors. A fair number of proposals exist for ways to tap the citizenry for generalized campaign money. The simplest, of course, would be to provide the financing out of general tax revenues. McGovern has proposed just that. He said that as President he would ask Congress to appropriate federal funds for presidential and congressional campaigns and limit individual political contributions to $50 per person. The cost, he said, would be no more than 90¢ per voter per year. Hubert Humphrey favors tax credits for individual contributions. If a man owed $900 in taxes and could prove he had given $10 to a legitimate campaign organization or candidate, he would need to pay only $890 in taxes.

The U.S. has already taken one small step toward public financing. Under a law effective this year, of which too many Americans seem to be unaware, individuals can contribute up to $50 to any political candidates or organizations, including those in state or municipal contests, claim this amount as a deduction from their taxable income, and save up to half of this in tax. A couple can deduct up to $100. Another device would have the Treasury issue taxpayers $1 vouchers, which they could send their candidates or parties. Far less cumbersome is a proposal to allow each taxpayer to check a space on his income-tax return, thereby earmarking $1 of his tax to go to a presidential campaign fund; he could also indicate, if he chose, which party it should go to. A major party opting for a payout from the fund would get slightly more than $20 million, at 15¢ for every voting-age American, for a presidential campaign, but would have to agree not to raise additional private money. This proposal was enacted last year by Congress, but the law could not become operative before the 1976 election, and Washington observers expect it to be nullified before then.

MICHAEL LLOYD CARLEBACH

McGOVERN CASH COLLECTOR IN CLEVELAND
Some egos need massaging.

The introduction of any public financing raises the question whether private donations should be or legally can be outlawed. Some constitutional lawyers contend that restrictions on contributions or expenditures may violate the First Amendment by restricting freedom of speech and the press and by limiting political activity. A man or a group may mount a massive campaign on an issue and deny that this constitutes support for a candidate who is expressing the same views. There is no way to put a dollar tag on the hundreds of thousands of man-hours donated by volunteer workers. Nor can anyone adequately measure the enormous built-in advantages that an incumbent enjoys over a challenger—staff, services, the power to make news.

Floor. For these and other reasons, many students of the problem reject the notion of an arbitrary ceiling on spending or private donations. It is more important, they say, to provide a minimum or floor for all candidates. This would have to be done through public financing. Such a floor would permit candidates without great wealth to be heard at least. In a democracy, total equality is impossible, but a minimum guarantee of opportunity to campaign is not. How effective a floor without a ceiling would be is questionable; there would still be the danger of a well-financed candidate swamping his opponent dependent upon the public minimum.

Even thornier than the problems of collection in any system of public financing are those of distribution. For those seeking federal office in a general election, more or less straightforward solutions can be found. More difficult is financing primary campaigns, in which a candidate's costs may exceed those in the final election and a challenger is at a heavy disadvantage *vis à vis* the incumbent. What about nonfederal contests? Perhaps each government unit—state, county, municipality—should budget and fund its periodic renewal of executives and representatives.

Whatever the scale, and even though it flies in the face of historic U.S. practice, such self-perpetuation is surely an arguable cost of government and democracy and ought to be paid for by the taxes of all. The mechanics can be fiercely debated. What constitutes a minimum floor for a Senator, a Governor, a city councilman? What should third-party candidates receive? Should incumbents be given less?

The questions are endless, but they are questions that a society as ingenious as that of the U.S. could answer, given the will to improve on the present disgrace of campaign financing.