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# Law Impedes Corporations' Drive for

By WARREN WEAVER Jr.

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WASHINGTON, Nov. 27 — Corporations, seeking to revive the conservative political power formerly enjoyed by the wealthy, are encountering serious legal problems in their efforts to build muscle for the 1976 elections.

Big business has won permission from the Federal Election Commission to finance political action committees with corporate funds. These committees will collect voluntary contributions from employees and stockholders and distribute the money among candidates favored by the management.

Despite this important weapon, available for the first time on any scale in 1976, corporations appear to be operating under some other legal handicaps in their effort to counterbalance the formidable political power of organized labor.

Both corporations and unions have long been prohibited from making direct contributions to candidates or parties from their treasuries under the Corrupt Practices Act, but important exceptions were created by Congress in the 1971 and 1974 campaign laws.

## Exemption for Unions

A union, for example, can spend unlimited amounts of its own money, outside any campaign ceiling, on "communications to its members and their families on any subject," such as political leaflets pre-election phone calls and, probably, house-to-house solicitation.

But, under most authoritative interpretations of the campaign law, a corporation cannot spend its money for this kind of political communication unless it has no Government contracts, a condition that eliminates most of the large and powerful corporations from this kind of activity.

A single union can and often does operate a chain of separate political action committees at the national, state and local level, each of which is entitled to make the maximum \$5,000 committee contribution to a given candidate as long as all its money is raised and allocated independently.

As a result, labor can multiply many times over the contributions it is able to make to Presidential and Congressional candidates it favors within the framework of the campaign law. Those candidates, however, remain subject to the same spending limits as their opponents, who might or might not be beneficiaries of legal corporate support.

No one knows as yet whether corporations may enjoy the same freedom to proliferate their political action committees and multiply their influence accordingly. The statute is unclear, and the Federal Election Commission has not been asked to rule on the question.

## Importance in 1976

These questions have immense importance for the first time in the 1976 election. In the past, labor's political activism has been largely balanced

by the fact that wealthy conservatives and their organizations could make unlimited donations to candidates they favored.

Under the 1974 campaign law, individuals, some of whom formerly gave hundreds of thousands of dollars, are limited to \$1,000 a candidate and committees, to \$5,000. Accordingly, the power of labor to proliferate its political action committees and to spend for communication outside the ceilings has become much more significant.

In addition, public attention has been focused on illegal campaign contributions that corporations, notably the Gulf Oil Corporation, made in the past, with an increasing likelihood that business will try in 1976 to apply political pressure through channels that will not involve it in criminal penalties and bad publicity.

A small segment of the electorate got a startling look at

the potential impact of labor's power to "communicate" with union members in last September's special Senate election in New Hampshire.

Union activists set up phone banks and called members as many as two or three times to solicit their votes for John A. Durkin, the Democratic candidate. They also distributed Durkin literature and engaged in "foot-pulling," walking through labor districts house to house on Election Day to insure high voter participation.

## Spending Ceilings Avoided

Under the "communications" provision in the election law, the entire cost of this operation passed outside the campaign spending ceilings imposed on Mr. Durkin and his Republican opponent, Louis C. Wyman.

Without significant labor support, Mr. Wyman was forced to rely on volunteers and use a share of his permissible campaign spending to finance telephone contact and get-out-the-vote activity. Mr. Durkin won the rematch of their deadlocked 1974 contest by 27,000 votes.

In 1971, the House adopted an amendment to the pending campaign reform legislation sponsored by a conservative Republican, Representative Orval Hansen of Idaho, that provided apparently parallel new rights for corporations and unions. As the law finally read, both groups could do the following:

¶Use their financial resources to communicate with shareholders, in the case of corporations, or members, in the case of unions, on any subject.

¶Conduct "nonpartisan registration and get-out-the-vote campaigns" among their stockholders and members, at corporate and union expense.

¶Establish and operate with their own money "a separate segregated fund to be used for political purposes," consisting of voluntary contributions.

In 1971, all labor unions were

## Political Power

authorized to engage in this activity, but only corporations that did not have Federal Government contracts were given comparable authority. In 1974, Congress approved a change that permitted corporations with Government contracts to establish the separate funds — now called political action committees — but did not give them access to the other two kinds of political activity available to unions.

Of the 1.8 million corporations in the country, about 275,000 have Federal Government contracts, but these are believed to include most of the major companies.

### Subdivision of Committees

On the question of whether corporate political committees can subdivide and thus increase their influence, the election commission has issued two related but not controlling decisions.

The commission refused to permit a national dairy industry pressure group to create state units, each with a separate political contribution limit, when they were all to be financed by the national committee and given little or no individual control over the candidates they supported.

But the commission has also given a county committee of a political party the right to collect funds and donate them to candidates of its choice, up to the \$5,000 committee ceiling, as long as both its fund raising and candidate selection were independent of the state and national committees of the same party.

On the basis of these precedents, state or local corporate political action committees may be able to qualify for separate contribution limits of their own if they demonstrate independence. Thus, the General Electric Company might have separate committees in Connecticut, New York and all other states in which the corporation has substantial numbers of employees and stockholders.

Currently, in the absence of any clear legal ruling, the Dow

<p>Chemical Company has set up five regional political action committees, each of which apparently expects to operate with separate contribution limits.</p> <p>In the long run, the commission will almost certainly have to issue ground rules for union political committees, defining what degree of independence is required to permit them to operate as separate entities each entitled to its own contribution ceiling.</p>	<p>Some Democrats who follow election commission rulings are concerned by the fact that corporate political committees were authorized to solicit contributions from employees, particularly executives and middle management, as well as shareholders.</p> <p>Business statistics indicate, however, that many of the big corporations have more shareholders than employees—only three of the 12 largest in the</p>	<p>country have more employees—and many employees, particularly at the management level, are also stockholders who would be reachable in any event.</p> <p>But the important question may be whether such corporation officials would be subject to more pressure to contribute to a management-controlled fund when solicited as employees by their superiors than if they received a mailed solicitation as shareholders.</p>
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