Remarks of Dr. John Brademas
President Emeritus, New York University
Chairman, National Endowment for Democracy (NED)

”Countering Political Corruption: Can Money in Politics Be Contained?”

Workshop organised by the National Democratic Institute for International Affairs (NDI)

It is with a feeling of excitement that my wife, Mary Ellen, and I arrived this week in South Africa for the first time. And I trust you will allow me at the outset to say that as for many years a Member of the Congress of the United States, I counted myself among those who strongly opposed apartheid and greatly admired the extraordinary leader of this country, Nelson Mandela.

It is a more sombre question that we meet today to discuss -- the issue of corruption and the influence of money in politics.

I speak to you from several perspectives.

I was fourteen times a candidate for election to Congress and for 22 years a Member of the United States House of Representatives. There, joining the effort to curb corrupt practices in campaign fundraising, I helped write both the 1971 campaign reform law and, during the post-Watergate period, the 1974 legislation.

Second, I sit or have sat on the boards of several corporations. Beyond issues of ”transparency” when considering investment in other countries, many corporations in the U.S. must deal with the explosive growth of what we call ”*soft* money” contributions to political parties, an issue of which I shall speak shortly.

Third, since 1993, I’ve been Chairman of the Board of the National Endowment for Democracy, an unusual entity in the American political firmament. NED, as we call it, is a non-governmental organisation, financed by the Federal government, for the purpose of promoting democracy in countries where it does not exist or is struggling to survive.

NED makes grants to private organisations working for free and fair elections, the rule of law, independent media, independent judiciary, vigorous non-governmental organisations and the other components of a genuinely democratic society. Several NGOs in South Africa have received NED grants. And I am sure we all agree that corruption, especially in developing countries, is a major obstacle not only to economic growth but also to the development of democratic political institutions.

One of the four core institutes of NED is the National Democratic Institute for International Affairs, which is sponsoring this panel. The organisation of this workshop reflects NDI’s understanding of the practical application of the standards of accountable and transparent governance in the development of democracy. I wish to thank them for their efforts in this initiative.

Last February, I was in New Delhi for the initial meeting of the World Movement for Democracy, which, under the auspices of the National Endowment for Democracy and two Indian organisations, brought together democratic activists, scholars of democracy and political leaders from over 75 countries to discuss challenges to democracy in the century ahead and to forge new ways of co-operation to advance the cause of freedom and self-government.

In New Delhi I joined Peter Eigen, the dedicated founder and Chairman of Transparency International, and others to discuss the issue of corruption.

What is abundantly clear is that in the last few years, the question of corruption has erupted into visibility -- all over the world.

But if in recent years corruption has in nearly every country commanded headlines in newspapers and television reports, there has in like fashion been a dramatic change in the tolerance of corruption. A new willingness to confront, and combat, corruption has in large part been propelled by the increasing awareness of its severe economic consequences -- in Africa, Asia, Latin America, Russia and elsewhere. No continent has gone unscathed.

President Suharto of Indonesia was brought down because of swelling protests against his use of the power of government to enrich his family and his successor, B. J. Habibie, is now facing similar allegations. Charges of corruption helped defeat Prime Ministers P.V. Narasimha Rao of India and Benazir Bhutto of Pakistan. In South Korea, two former Presidents were jailed following disclosures that they had received enormous bribes from Korean companies.

In Japan, corruption scandals led to the resignations of several high ranking government officials and senior business leaders. In Turkey, political leaders are today coming under scrutiny to see what role illicit donations from building contractors played in the lax enforcement of construction laws and terrible loss of life from collapsed buildings in the recent earthquake. In Colombia, President Ernesto Samper lost his bid for re-election in large part because of his identification with the Cali drug cartel.

In Mexico City recently, the new police chief fired 120 unit commanders and 1,000 officers and replaced 900 male traffic officers with 64 women in an effort to curb the *mordida* in responding to traffic tickets. In Italy, the bribery charges brought by Milanese magistrates in Operation Clean Hands led to the overthrow of the entire leadership that ruled that country for more than forty years.

In Russia, corruption charges are being directed at leaders at the highest levels of government and Federal officials in the United States are investigating laundering of money by the Russian ”Mafia” through the Bank of New York. Swiss investigators have even alleged that a construction company received lucrative Kremlin contracts in exchange for paying thousands of dollars of credit card bills owed by President Yeltsin and his family and other Russian officials.

President Clinton recently warned Russian Prime Minister Vladimir Putin that money laundering and other forms of corruption in his country could ”eat the heart out of Russian society.”

And in the United States, millions of dollars of illegal foreign donations in the 1996 Presidential campaign had to be returned.

The list goes on, but it is obvious that hostility to corruption is growing all over the world. The post-Cold War era has brought an opening up of governmental processes, freer and more aggressive news coverage and increased independence of prosecutors and judges. As the wave of scandals involving high-level officials in Europe, Asia and South America demonstrates, corruption is becoming harder to hide.

At the closing of the Global Corruption Forum in Washington, D.C., last February, organised by Vice President Al Gore, the Vice President declared, ”Corruption accelerates crime, hurts investments, stalls growth, bleeds the national budget, causes our people to suffer and undermines our faith in freedom. Corruption is an enemy of democracy, for democracy lives on trust, and corruption destroys our trust.”

Leading the drive against corruption is Transparency International, and I here pay tribute to Peter Eigen as well as my colleagues Fritz Heimann, Chairman of the U.S. chapter of TI, and Nancy Zucker Boswell, who directs the TI office in Washington. I am honoured to serve on both the National and International Advisory Councils of Transparency International.

One result, at least in part, of the work of TI is the ratification this year of the OECD Convention to Combat Bribery of Foreign Public Officials in International Business Transactions.

Nor can I fail to add that the leaders of both the World Bank, James Wolfensohn, and the International Monetary Fund, Michel Camdessus, have insisted, in making lending decisions, that these institutions now take into account the issue of corruption in countries seeking loans.

Money and Politics in the United States

Against the background of these observations, I turn to the question of the influence of money in politics.

I’ll direct my comments to the financing of campaigns for public office in the United States and in other countries in the West. My colleagues in this workshop will address the campaign finance issue as it affects their respective parts of the world.

As you know, in the United States, every two years, all 435 Members of the House of Representatives and one-third of the 100 Senators stand for election. And every four years, we elect a President. Representatives serve two-year terms, Senators six.

Let me tell you that in my own first campaign for election to the House of Representatives, 45 years ago, I spent around $15,000 and narrowly lost -- I had 49.5 percent of the vote. In my last race, in 1980, when after 11 terms and 22 years in Congress I was defeated, my campaign cost, as I recall, around $675,000. Today, each Member of the House represents around 550,000 persons. A candidate in a competitive contest for a seat in the U.S. House of Representatives can now easily spend $1 million, and, in fact, one in six of all House candidates spends over $1 million. The cost of a campaign for the U.S. Senate -- with two Senators elected from each state -- depends, of course, on the population of the state. In states like California, Illinois, New York, Pennsylvania and Texas, we’re talking millions of dollars.

Why are campaigns so expensive in the United States? The answer is television. For today, the major instrument of political communication in the United States is television. In 1954 I was the first candidate in my Congressional district to use television in a campaign. Now that tells you either how old I am or how young television is!

Today, nearly every candidate for election to public office must buy time on television stations in his or her constituency. In addition to paying for TV air time on commercial television stations -- there were three in my district -- candidates must also hire pollsters to gauge public opinion to help decide what issues to emphasise in the TV ”commercial,” as we call it. And then there is the cost of producing the commercial -- hiring a film director and crew and attendant expenses.

It all adds up!

Spending on political television advertisements has skyrocketed. In 1994, $356 million was spent; in 1996, $405 million; and in 1998, $531 million -- and this last figure was in an off-year election, when voters were electing members of the House and Senate only.

In her new book, *The Corruption of American Politics,* long-time Washington journalist Elizabeth Drew asserts, "It's no wonder that the broadcast industry opposes free air time for campaign ads."[1]

Twenty-five years ago, as a member of the then House Administration Committee, I took part in writing the campaign reform laws Congress passed in the immediate post-Watergate period. The Federal Election Campaign Act of 1974 established a system that limited the amount of money that an individual can contribute to candidates for Federal office, put a ceiling on spending by candidates and, finally, made available <u>public</u> funds for Presidential candidates.

Let me explain here that by "public" funds, I mean Federal tax dollars. You must also understand that the 1974 law covered candidates solely for election to Federal office, not for election to state or local office. I am, therefore, today addressing the issue of financing the campaigns of candidates for President, the Senate and the House of Representatives.

As I have said, the '74 statute limited the amount of money an individual can contribute to the campaigns of candidates for Federal office -- for the Presidency, the Senate and House of Representatives -- to $1,000 to each candidate in each election. In some constituencies, this provision enables an individual to contribute $1,000 in a *primary* election, which is an intraparty contest to determine who the party's nominee will be in the Fall general election, and an additional $1,000 in the *general* election. Moreover, the 1974 law limits each individual to a total of $25,000 in contributions to all Federal candidates in one year.

The 1974 legislation also established public matching funds for Presidential campaigns. What does this mean? If a Presidential candidate agrees to abide by limits on how much he or she will raise as well as limits on how much the candidate will in his or her campaign spend, the candidate is eligible for matching public money. Under the matching funds system, candidates receive $250 in Federal funds for every $1,000 they raise.

The United States does not have a similar system of public matching funds for candidates for election to the House and Senate. In 1974, a majority of Congress refused to make tax dollars available to potential challengers to their seats. I was there and I remember! I favoured then --and favour still -- public matching funds for House and Senate campaigns but my colleagues did not.

In the 1974 law, in order to enforce the campaign finance regulations, Congress established the Federal Election Commission (FEC). The Commission is made up of six members – three Democrats and three Republicans. It is not unfair to say that the FEC has been starved by Congress of adequate funds effectively to carry out its mission of policing the campaign finance laws.

Indeed, there is a fight in Congress right now over filling a Republican vacancy on the FEC. Senator Mitch McConnell of Kentucky, Chairman of the Republican Senate Campaign Committee, and a bitter enemy of campaign finance reform, is pressing for the appointment of a law professor who favors eliminating the

[1] Drew, Elizabeth, *The Corruption of American Politics* (Seacaucus, NJ: Birch Lane Press, 1999), p. 264.

FEC altogether!

In 1975, the Supreme Court took up a very important case that tested the Federal campaign reform law. In its decision in *Buckley vs. Valeo,* the Court struck down parts of the 1974 law --which parts I have not discussed -- as unconstitutional on grounds that they infringed the First Amendment right of freedom of speech. Because, held the Court, the limits on Congressional campaign spending which the statute originally imposed did not include a public financing option, as with Presidential campaigns, they were ruled invalid.

The Court also struck down as unconstitutional the limits in the '74 statute on so-called ”independent expenditures” by groups and national political parties, expenditures deemed ”independent” because not made in direct co-ordination with the candidate.

The *Buckley* decision means that a candidate can spend as much money on his campaign as he wants out of his own pocket. The Court ruled that a ”ceiling on personal expenditures by candidates on their own behalf. . . imposes a substantial restraint on the ability of persons to engage in protected First Amendment expression.”

The majority of the Supreme Court thus insisted that campaign spending and freedom of speech, guaranteed by the First Amendment to the U.S. Constitution, could not be disentangled. Opponents of campaign reform have continued to resort to this ”freedom of speech” defence to block extensive campaign finance legislation -- an argument with which I strongly disagree.

Indeed, many legal scholars hold that in the *Buckley vs. Valeo* case, the Supreme Court made a grave mistake. Let me quote here from a memorandum, prepared by the Brennan Centre for Justice at the New York University School of Law, that counters the ”myth” perpetuated by opponents of campaign reform that any such restrictions as limiting campaign spending would be unconstitutional.[2]

According to the Brennan Centre, ”*Buckley* itself upheld a wide variety of restrictions [on political contributions and spending], and since then the Supreme Court has upheld others,” including the $1,000 limit on contributions by an individual to a campaign and the limits on campaign spending when a Presidential candidate accepts public matching funds. ”[T]he Court has repeatedly held in *Buckley* and other cases that preventing the appearance and reality of corruption is a compelling state interest that justifies limits on the source and amount of contributions to a candidate, political party, or [political action committee] .”

Now, a quarter of a century after Watergate and the legislation it provoked, the issue of campaign reform has again come to the fore in the United States. For many observers, including this one, believe that the present practices of financing political campaigns in my country have become a form of legalised corruption.

So that you will better understand the current debate on campaign reform in the U.S., I must define some of the relevant jargon.

Campaign money is divided between dollars that are regulated and those that are not.

Regulated money is described as *”hard money.”* ”Hard money” means funds raised by candidates, national political party committees and political action committees in Federal election campaigns that are subject to

[2] *Mitch McConnell's Myths About the Constitutional Limitations on Campaign Finance Reform,* prepared by the Brennan Centre for Justice, New York University School of Law, 1999.

Federal regulations.

As I have said, an individual is limited in the amount of ”hard money” he may legally contribute in an election year: $1,000 to a candidate, and $5,000 to a political action committee.

It is important to remind you that Presidential campaigns that accept Federal matching funds are limited in how much they can spend.

Here I must also remind you that in the U.S., it is illegal for trade unions to contribute money from their treasuries and for corporations to contribute corporate funds to candidates for Federal office. I realise that in many countries, such contributions are lawful but not in the United States.

”Soft money” is unregulated money. This term characterises money raised by political parties and by political action committees, but **not** by a candidate’s own campaign.

It is important to know that individuals, corporations and trade unions may legally make ”soft money” contributions to national political parties, and in unlimited amounts.

”Soft money” came into play as a result of a 1979 Federal Election Commission decision that exempted from regulation by the 1974 law contributions made to political parties that were to be used for ”party-building” activities and not used directly to support individual candidates. Both our national political parties as well as political action committees amass ”soft money” in order to fund so-called ”issue advocacy,” which I shall discuss in a moment.

Political action committees (PACs) are non-profit organisations set up by corporations, unions, trade associations and incumbent office holders to support candidates for public office.

As I have suggested, campaign laws -- enacted in 1907 and 1943 -- prohibit corporations and trade unions from contributing from their respective treasuries to campaigns of candidates for Federal office. In the 1970s unions, soon followed by corporations, began organising political action committees (PACs).

PACs can take ”hard money” contributions from the members of a union or the officers or the employees of a corporation. The limit on these contributions is $5,000 per individual.

PACs then use this ”hard money” to make contributions to candidates -- up to $5,000 to a candidate in a primary, and an additional $5,000 in a general election.

But trade unions and corporations can also legally contribute directly from their treasuries unlimited amounts of ”soft money” to a political action committee. PACs, like national political parties, may then spend this ”soft money” on ”issue advocacy.”

State-level committees are political party committees or political action committees that are not registered with the Federal government. Instead, they are registered with one of the 50 state governments -- the equivalent of a province in most other countries. These state-level committees are therefore not subject to the 1974 campaign finance law but are subject to the often more lax campaign finance laws of an individual state. For example, if a PAC is registered in the State of Virginia, individuals, corporations and unions can make contributions to the PAC without limit; if, on the other hand, the PAC were registered with the Federal government, it could accept contributions of no more than $5,000.

Issue advocacy is the practice by which a group uses advertising to promote a particular point of view on an issue. This practice is often benignly described as ”voter education” -- informing the electorate of the facts on an issue.

”Issue advocacy” is a vehicle used by national political parties, PACs and independent groups (including unions, corporations and nonprofit associations).

”Issue advocacy” advertisements cannot directly call for the election or defeat of a specific candidate. However, by avoiding phrases such as ”Vote for Jane Smith,” issue ads in fact promote the election or defeat of specific candidates. For example, a union might run a TV ad informing voters that their local Member of Congress voted against the minimum wage; the National Rifle Association might pay for a TV commercial stating that your Senator voted in favour of gun control legislation. Now the ads could not legally say, ”Vote for the opponent of Representative Smith” or” Vote against Senator Johnson in the next election.” But the intent is still clear. ”Any time a group or political party identifies or criticises a position taken by a politician, it is engaging in issue advocacy.”

Such loopholes in the campaign laws as the ”issue advocacy” and ”soft money” practices I have described have in the past few years been more and more effectively exploited by the candidates and political parties, a development that has caused rising concern over the rising influence of money in American politics.

In the elections of 1998, when voters were electing Members of the House and Senate but not a President -- in what we call an ”off-year” election -- ”soft money” totalled over $200 million, $168 million more than in the 1994 Congressional elections. Much of this $200 million was raised through contributions of $100,000 or more from individuals, PACs, corporations and trade unions. And a lot of this money was used for issue advocacy advertisements on television.

When one adds the spending by the candidates to the ”soft money” spent by the parties and by ”independent” groups for ”issue advocacy,” the total is believed to have amounted (in 1998) --for the first time -- to over one billion dollars.[3]

In another disturbing trend in the U.S., politicians are skirting Federal law by setting up political action committees in the state PACs organised in Virginia, for example, have been able to take in unlimited corporate and individual contributions. After making some minimum donations to a candidate for election to state office in Illinois, these PACs can then transfer funds to campaigns for candidates for Federal office. Because of Virginia’s loose regulation of fundraising and spending by PACs, the state has been called the ”Cayman Islands of Campaign Finance.”[4]

Moreover, in the 1998 elections, national party committees transferred funds to state party committees, which in turn used the money to pay for issue advocacy advertisements, and so were not required to disclose the source of financing to the FEC.

PAC money has risen from $23 million in 1976 to $216 million in 1998. And in ‘98, a small group of 179 PACs was responsible for 56 percent of all Federal PAC contributions.[6]

Federal elections in the year 2000 are already shaping up as shattering all records for campaign fundraising. For example, the National Committee of the Republican Party has created an elite $1 million club whose members are treated to a smorgasbord of benefits such as private meetings with Republican Congressional leaders. And the Democratic Party has its own new big-money club, ”Leadership 2000,” each of whose 67

---

[3] Drew, p. 264.

[4] Abramson, Jill, ”Unregulaied Cash Flows Into Hands of P.A.C.s for 2000,” *New York Times*, November 29, 1998.

members -- so far -- has committed to giving or raising $350,000 over the next year.[5]

Needless to say, incumbent office holders have an enormous advantage in the scramble for campaign funds. In fact, candidates who wish to challenge sitting Representatives now raise and spend so little that many cannot wage a viable campaign. In 1998, just under half the challengers for House seats raised $100,000 by election day while only 41 percent raised $200,000. In some 60 percent of races for seats in the House, one candidate outspent the other by a margin of 10-to-1 or more.[6]

The average cost of a campaign for election to Federal office in the United States rose between 1976 and 1996 from approximately $73,000 to $517,000 in the House and from $596,000 to $3.5 million for the Senate.[7]

To conduct a competitive campaign today, candidates are compelled to spend enormous amounts of time and energy soliciting contributions, activity that greatly detracts from the quality of representation they provide their constituents and the time they have available to discuss their views with them.

The combination of the rising cost of campaigns and the Supreme Court decision in *Buckley vs. Valeo* that ruled statutory limits on campaign spending an unconstitutional infringement on the First Amendment right to free speech has meant, in both national parties, a search for candidates whose personal wealth enables them to spend without limits.

In fact, in today's Senate, "[A]n estimated 39 percent of the 100 current Senators are millionaires."[8] The leading candidate for the Republican nomination for Senator in New Jersey, Governor Christine Whitman, recently dropped out of the race citing concerns over fundraising -- a worry not shared by one of the two leading Democratic candidates, Jon Corzine, the former Chairman of Goldman Sachs, who has a net worth of $300 million.

Although the Presidential election in the United States is more than one year from now, Republican front-runner Texas Governor George W. Bush has already raised $50 million for the primary campaign and, according to the *Washington Post* last month, "is on track to bring in more than $75 million for the primary" race while "some advisers say he could raise as much as $100 million by next summer's convention. In contrast, the two Democratic contenders [Vice President Al Gore and former Senator Bill Bradley] because they have decided to take Federal matching funds, are limited to raising and spending less than half that during the primaries."[9] I must make clear that if a Presidential candidate takes no Federal matching funds, he can spend without limit in either primary or general election. In both cases, however, he can receive contributions of no more than $1,000 each.

If the Presidential candidate accepts Federal matching funds (up to $16 million in this primary campaign), he must agree to an overall spending limit of $40 million in the primary and $67 million in the general election.

The perception of the undue influence of money in politics is certainly one of the reasons that American voters have been staying away from the polls. 1996 and 1998 marked 70- and 50-year lows in turnout of

---

[5] Investing in the People 's Business: A Business Proposal for Campaign Finance Reform, (New York: Committee for Economic Development, 1999), p. 26.
[6] van Natta, Jr., Dan, "Republicans' Goal Is $1 million Each from Top Donors," *New York Times,* August 9, 1999. 8 *Ibid,* p. 29.
[7] Ibid, p. 20
[8] Drew, p. *50*
[9] Connolly, Ceci, "Deep-Pocketed Bush Could Hit Democrat Early: Projected *$75* million Primary Take Would Allow Fall Election Head Start," *Washington Post,* September 25, 1999, p. A4.

eligible voters for a Presidential and off-year Congressional election, respectively.

In sum, the current system of financing campaigns for Federal office in the United States undermines public faith in the integrity of the democratic system.

Here I must draw your attention to a report on campaign finance reform released this year by a major group of American business leaders, the Committee for Economic Development. One of the few academic members of the CED -- and the only former Member of Congress -- I'm proud to have served on the CED subcommittee that produced the document. The report is another sign of the seriousness with which the American business community is increasingly troubled by the way we finance political campaigns in the U.S.

The subcommittee that worked on the report, *Investing in the People 's Business. A Business Proposal for Campaign Finance Reform*, was chaired by the Chairman of Deloitte Touche Tohmatsu, Edward Kangas, and the President of Columbia University, George Rupp, and was comprised of 25 business executives, with a few academics.

The CED subcommittee examined the current state of campaign financing in the U.S. and made a series of recommendations for improving the system.

The CED proposal is aimed at increasing public participation and competition in elections and reducing the influence of large donors and special-interest groups. The CED would ban soft money contributions altogether, retain limits on campaign contributions by individuals, provide public financing for Congressional races and limit campaign spending in them.

Said the CED:

> A vibrant economy and well functioning business system will not remain viable in an environment of real or perceived corruption, which will corrode confidence in government and business. If public policy decisions are made -- or appear to be made -- on the basis of political contributions, not only will policy be suspect, but its uncertain and arbitrary character will make business planning less effective and the economy less productive.[10]

This conclusion is as valid for political systems in the developing world as it is in the United States!

Business leaders, says CED President Charles Kolb, have a practical reason for supporting campaign finance reform, for they have, "by and large, been the provider of soft money. These people are saying: We're tired of being hit up and shaken down. Politics ought to be about something besides hitting up companies for more and more money."[11]

In a recent *Washington Post* column, E. J. Dionne adds, "Many business people believe the system holds them for ransom. It distorts the market by producing rules and tax laws that favour one competitor over another not on the basis of market prowess, but as a product of who contributes to whom and who works the system best."[12]

And to quote the President and Co-Chief Operating Officer of Goldman Sachs, John Thornton:

> Economic success has been increasingly tied to openness, intolerance for corruption, broad participation in the marketplace and clear, transparent rules. While the United States has strongly

[10] Committee for Economic Development, p. 2.
[11] van Natta, Jr., Dan, "Executives Press for Political Finance Change," *New York Times*, Aug. 31, 1999, p. A18
[12] Dionne, Jr., E. J., "Congressional Shakedown," *The Washington Post*, September 7, 1999, p. A19.

> supported this trend around the world, we seem to be moving in the opposite direction at home. Our elections are viewed as being driven by wealthy business interests and their high-paid lobbyists with scant reference to the needs of voters. Candidates must seek ever greater sums of money from donors to pay ever higher campaign costs. With this search for funding comes the perception that winning candidates owe their contributors a quid pro quo.[13]

Let me here summarise the CED proposal for reforming Federal campaigns in the United States. Then I shall turn to campaign reform in other countries.

Essentially, the CED recommends that all funds to promote candidacies for election to Federal office be subject to the requirements and restrictions of the Federal campaign finance law that we wrote in 1974!

The CED proposal would:

1) *Ban soft money contributions to political parties.* The report also urges Congress to prohibit national party committees and Federal officeholders and candidates from both raising and spending soft money through PACs.

The CED would retain the present $25,000 limit on the total of contributions that an individual can make in one election year to Federal candidates, but would allow individuals to give up to an additional annual $25,000 to <u>national parties</u>. This proposal recognises the important role of political parties, especially in supporting often underfunded challengers to incumbents.

2) *Improve candidate access to resources.* The CED calls for increasing individual contribution limits from the current figure of $1,000 to $3,000 per candidate, an adjustment for inflation that would restore limits to the levels when the law was enacted in 1974.

3) *Provide Federal matching funds in Congressional elections.* This change would extend the current system of public funding in Presidential campaigns, with its attendant spending limits, to campaigns for seats in the House and Senate. The CED proposes that if a House or Senate candidate accepts a limit on his campaign spending, he would be eligible for public matching funds. The matching funds would be distributed for all individual contributions up to $200, at a two-to-one ratio. For example, if a candidate for the House or Senate agrees to the spending limits and receives a $100 contribution, he would then receive a Federal matching grant of $200; he would receive $400 for every $200 contribution; and he could still receive contributions between $200 and $3000, but would receive only $400 in Federal matching funds for each of these larger contributions.

Under this proposal, party committees would be allowed to provide funds to a Federal candidate, but only when the amount of money he has raised himself is less than the campaign spending limit imposed by law. For example, assume that a challenger for a House or Senate seat has raised $50,000 in small contributions, and received an additional $100,000 in Federal matching funds for a total of $150,000. If the campaign spending limit required by accepting the matching funds is $200,000, his political party may then contribute $50,000 to his campaign.

4) *Limit ”issue advertising.”* Under this CED proposal, ”issue advocacy” advertisements would be <u>prohibited</u> when they ”refer to, or feature the image of likeness of, a clearly identified Federal candidate; occur within 30 days of a primary election and are targeted at the state in which the primary is occurring, or within 60 days of a general election; or would be understood by a reasonable person to be encouraging others to support or oppose that candidate.”[14]

[13] Thornton, John L., ”Practice What We Preach,” Yale School of Management Leaders Forum, 1999.
[14] Committee for Economic Development, p. 9.

According to a September 5, 1999, *Washington Post /* ABC News Poll, campaign finance reform ranked last of 14 issues that concerned voters in the 2000 election. This finding is not surprising for often it is only following a scandal that public opinion becomes mobilised for reform.

Last month, on September 14, 1999, the U.S. House of Representatives voted in favour of a campaign finance reform bill. The 252-to-177 vote was for legislation sponsored by Representatives Christopher Shays, a Connecticut Republican, and Martin Meehan, a Massachusetts Democrat. The Shays-Meehan Bill would ban ”soft money” contributions to political parties and would more strictly regulate ”issue advocacy” advertisements in the 60 days before an election.

Although Shays-Meehan does not raise the current $1,000 limit that an individual may contribute to a candidate for Federal office -- as the CED recommends -- their bill does increase the total amount an individual may contribute to all candidates in a single year from $25,000 to $30,000.

Nor does Shays-Meehan deal with the issue of public matching funds and spending limits for Congressional candidates.

Republican Senator Trent Lott of Mississippi, the Senate Majority Leader, has promised Senators John McCain (R - Arizona) and Russell Feingold (D - Wisconsin) that the Senate will bring up in mid-October, as we meet here in South Africa, the campaign reform bill they are cosponsoring.

The McCain-Feingold bill was drafted along the same lines as Shays-Meehan. But confronted with a promised filibuster in the Senate by opponents of campaign reform, McCain and Feingold have decided to propose a bill that bans soft money but does not affect ”issue advocacy.” Their hope is that the Senate will approve this watered-down version of their original bill will and that when Members of the House and Senate meet in conference committee to work out the differences in the two bills, advocates of the stronger House bill will prevail.

Democracy in the West and Developing Nations

I do not pretend to be an expert on corruption or on the role of money in politics in other countries, but as an outside observer, I offer a few comments.

In her most recent book, leading American scholar on corruption Susan Rose-Ackerman of Yale, argues, ”The key variables in any regime are the ability of wealthy organised groups to obtain legal influence and the attitude of the general population towards the public provision of private benefits.”[15]

I believe that political systems best equipped for preventing and challenging corruption are democracies. For elections discipline politicians to represent the interests of their constituents and give voters the opportunity to penalise candidates who appear to be in the pockets of special interests. But voters need information on candidates’ records and on the money -- both campaign contributions and gifts -- they have received. ”Legal gifts can have a corrupting effect if they need not be made public and if the quid pro quo is not itself obvious to voters.”[16]

This issue is especially important in developing nations, where ”culture” is often used as a defence against reform of financing campaigns. To say, ”In our society, bribery is expected,” will not do! In countries where there might be cultural resistance to prohibiting people from giving gifts to public officials, governments should at least require politicians to disclose them.

---

[15] Rose-Ackerman, Susan, *Corruption and Government: Causes, Consequences, and Reform,* (Cambridge, UK: Cambridge University Press, 1999), p. 130.
[16] ibid, p 127

Public disclosure is a particularly pressing issue in developing nations, where government and business are often intertwined through public-private business ventures. ”In some developing countries, cabinet ministers chair public enterprises’ boards of directors, reducing their independence and creating conflicts of interest. . . . [A]t a minimum, disclosure of politicians’ financial interests and those of their families seems necessary for democratic accountability.”[17]

Public disclosure both of how campaigns are financed and the financial interests of candidates is a necessary but not sufficient condition to prevent corruption and promote accountability of office holders. We must not mistake public disclosure laws as a cure-all for corruption in politics.

Indeed, on the issue of disclosing campaign finances, many enemies of reform, to justify their opposition to legal limits on contributions and spending, seek to hide behind the argument that ”public disclosure of campaign contributions” is enough.

Here please allow me to make some general points on how political reform can encourage transparency and strengthen the struggle against corruption.

I remind you that I speak as one who served as member of a legislature -- the U.S. Congress --and in a constitutional system characterised by separation of powers.

I remind you, too, that the American Founding Fathers fashioned a Constitution deliberately designed to prevent undue concentration of authority.

The Founders wanted to create checks and balances by giving many groups and interests many points of access. ”Ambition counteracting ambition,” they believed, would prevent tyrannical concentrations of power.

I don’t want to insist that the American Constitutional arrangement provides for the best relationship between legislature and executive. Scholars, practising politicians and working journalists can multiply examples of the deficiencies in our political system--and do!

On the other hand, by way of contrast to the American separation of powers, a parliamentary democracy is less likely to produce aggressive legislative oversight of the executive because those in control of the executive departments are the allies of the MPs and will discourage criticism from them.

Particularly important is that in a parliamentary system, the parliamentarians often lack adequate staff and access to sources of independent information and analysis.

Fully aware, to reiterate, that I reflect the experience of an American Congressman, I believe it essential -- I repeat, at least in curbing corruption by the executive -- that the legislature be equipped with appropriate legal authority, sufficient staff resources, effective access to relevant information and intelligence and the political will to challenge, where necessary, the executive.

Checks on the executive are especially important in developing nations, where ”presidentialism” is a common phenomenon.

---

[17] Ibid, p. 137.

Governments also must keep voters informed by publishing consolidated budgets, revenue collections, statutes and rules, and the proceedings of legislative bodies.

Imperative in reducing corruption is an independent system of law enforcement, that is to say, an independent judiciary and prosecutors, also equipped with sufficient resources.

Next, a country needs media free of government control.

And finally, essential to the battle against corruption are both healthy non-governmental organisations and a business sector characterised by a culture of integrity.

Certainly, Transparency International has demonstrated that NGOs can play a most important part in raising the visibility of the issue of corruption and in generating support for measures to attack it as, for example, the OECD Convention outlawing bribery of foreign public officials.

And, of course, there certainly is a role here for churches and other religious institutions. I note that an American group of leaders of different faiths, called "Religious Leaders for Campaign Reform," recently sent a letter to Congress insisting that a "just and fair electoral process" is also a moral issue.[18]

It also seems to me appropriate to urge that professional societies, such as engineers, lawyers and physicians, adopt their own codes of conduct.

And beyond supporting efforts to clean up laws governing the financing of political campaigns, I believe that business corporations can, and should, also develop their own codes of corporate conduct. Such codes are especially important for multinational corporations.

If, then, we are effectively to combat corruption and to enjoy the blessings of freedom and democracy, we need a network of institutions, both within and outside government.

For it is my own deeply held view that if democratic forms of government are to flourish, indeed survive, we must take aggressive steps to fight corruption. Certainly I need not rehearse for this audience the negative impact of corruption in undermining trust in political institutions and public officials, distorting government policy against the best interests of the majority and impeding economic development. And I reiterate that the effects of corruption are especially pernicious in emerging democracies, for the abuse of public office subverts popular confidence in the very idea of self-government.

Campaign Financing in Canada and West Europe

Here let me briefly outline some campaign finance systems in Canada and Western Europe --often cited as models.

In doing so, I cite reports, prepared by the National Democratic Institute in 1996 and the Library of Congress in 1997, on comparative studies of campaign financing.[19]

Great Britain

British laws limit campaign spending by individual candidates. Expenditures by national parties during a

[18] "For Religious Leaders, Campaign Finance Reform Is a Matter of Faith," *New York Times,* Aug. 21, 1999

[19] *Campaign Financing of National Elections in Selected Foreign Countries,* prepared by Staff of the Law Library of the Library of Congress, May 1997; and *Comparative Systems of Political Party Financing,* prepared by the National Democratic Institute for International Affairs, 1996.

parliamentary campaign, however, are not limited. Candidates have free access to some television. Public disclosure of contributions is required only of corporations and unions.

I should note here that Lord Neill's Committee on Standards in Public Life, formerly the Nolan Committee, which is charged with investigating the ethics of public officials, has, under the current Labor Government, made recommendations for campaign finance reform, including requiring public disclosure of most contributions and calling for some direct funding of political parties.

Canada

Canadian law provides some public funding of campaigns for election to Parliament. Television networks must provide candidates two minutes of free television time as well as a limited amount of air time at the lowest advertising rate. Voters receive a tax credit of up to $500 for campaign contributions. There is no limit on contributions, and both corporations and unions may contribute to candidates and parties. Full disclosure of all contributions above $100 and for all expenditures by a campaign is required. The amount of money that candidates and parties can spend in a campaign is limited by a formula based on the number of registered voters. Canada has an elections commission that effectively enforces penalties for violations of campaign finance laws.

Germany

In the Federal Republic of Germany, public funding of campaigns is provided for parties fielding candidates in Federal and state parliamentary elections and for elections to the European Parliament. There is also public funding of political party foundations, which are affiliated with the parties but work exclusively to promote civic education in Germany and abroad. A small amount of free television and radio time for candidates is required of the networks. Individuals may take a tax credit of up to 3,000 marks (about U.S. $1,550) for campaign contributions. German law does not limit contributions, but parties must publicly report all contributions above 20,000 marks (U.S. $10,600). There are no limits on expenditures by parties or candidates. An incentive for parties to report campaign financing is that the party or candidate receives public funding only after disclosing its or his finances. But Germany lacks an independent election commission.

Italy

Italy's political system has come under increased scrutiny since Operation Clean Hands in 1993.

The government provides some public funding for campaigns. Television networks are required to make free air time available for candidates. Italy has now imposed campaign spending limits on candidates and political parties. Contributions to individual candidates are limited, but not to parties. All contributions in excess of 5 million lira (U.S. $2,700) per year must be reported and disclosed. Foreign companies and foreign citizens can make contributions.

What are the similarities among these several ways of financing political campaigns? Common to all are a degree of public funding, limits on spending, disclosure of contributions and access to free media.

What lessons can we draw from the successes and failures of these various systems?

General Recommendations for Campaign Reform

I hope you will allow me to make some general suggestions for campaign finance reform in other countries. I shall not pretend to be exhaustive in my recommendations.

1) Public financing of political parties.

The aims should be both legal recognition of the public role of political parties and equity in electoral competition.

Public financing would also require public disclosure of party finances and thereby reduce reliance on illegal sources of money. Such a system would also necessitate limits on campaign spending.

While discouraging the creation of fringe parties, funding laws must be crafted so as to allow serious new parties to enter the system.

2) Transparency in accounting for both income and expenditures.

Public disclosure of information on financing of parties and candidates' campaigns is crucial.

3) Limited tax deductions for contributions to political parties as a vehicle to encourage citizen participation in party financing.

4) Limited free time for radio and television.

5) Creation of election commissions independent of the executive and legislature to monitor the financing of campaigns and to enforce campaign laws and regulations. The commissions must have adequate access to resources necessary to carry out their responsibilities.

These are, then, some of my own thoughts on measures to combat corruption which, to reiterate, is the enemy of both democratic political systems and economic growth.

For the functioning of democracy, we need strong, independent political parties operating in an open and truly competitive political system. Such a system -- whether on the American separation of powers model or the European parliamentary model -- would by encouraging transparency and insisting on accountability, reduce the incidence of corruption in the politics of all democratic countries. As we move into a new century and the next millennium, let us work in each of our countries, as well as across national borders, to make democracy more than a *promise* but a reality.