

George Soros—
a 527 kinda guy



■ POLITICS ■

To Stifle or To Compete

That is the question of 527s

BYRON YORK

IN June 2005, after the last financial-disclosure reports from the 2004 election had been filed and the final totals calculated, a group of Republican insiders gathered in a conference room at the National Republican Senatorial Com-

Mr. York is NR's White House correspondent, and the author of *The Vast Left Wing Conspiracy: The Untold Story of How Democratic Operatives, Eccentric Billionaires, Liberal Activists, and Assorted Celebrities Tried to Bring Down a President—and Why They'll Try Even Harder Next Time*.

mittee's headquarters in Washington, D.C. The pollsters, politicians, lawyers, and lobbyists had been asked to come by Pennsylvania Republican senator Rick Santorum, who wanted them to hear how the GOP, while winning the presidency, the House, and the Senate, had nevertheless lost—big time: the 2004 fundraising contest for contributions to “527” organizations, those anything-goes groups that allowed financier George Soros to spend more than \$24 million of his own money in the drive to defeat George W. Bush.

The group listened as Cleta Mitchell, a lawyer and campaign-finance expert, pre-

sented her study of 2004 financing. Mitchell began by showing how well the Republican party had performed in raising money the old-fashioned way: in so-called hard-money contributions to party committees. In 2004, the three big Republican committees—the Republican National Committee, the National Republican Senatorial Committee, and the National Republican Congressional Committee—out-raised the comparable Democratic committees by a huge amount: Republicans brought in \$898 million, Democrats \$679 million.

That was the good news. The bad news came when Mitchell described the contributions to groups outside the parties, especially the 527s. Of the ten biggest 527s in 2004, Mitchell explained, seven were pro-Democrat. Of the top twenty, she said, 15 were pro-Democrat. Those 15 pro-Democrat groups raised \$359,338,378. The five pro-GOP groups raised \$85,363,370. That disparity alone more than erased the GOP's lead in hard-money fundraising.

Mitchell explained that the Democratic lead did not come from any massive grassroots enthusiasm for the party; rather, individual Democrats like Soros—along with colleagues such as insurance magnate Peter Lewis and Hollywood mogul Stephen Bing—were simply more willing to put up large amounts than were individual Republicans. Of the top ten individual donors to 527s, six were Democrats, who gave a total of \$82,576,110. The four Republicans in the top ten gave \$22,685,199—and many of them gave only after becoming alarmed at the astonishing sums Democrats were giving.

In 2004, of course, Republicans had the formidable advantage of an incumbent in the White House. But in the future, Mitchell said, outside spending might well determine elections. “I said we’re all playing the same game, but it’s like baseball,” Mitchell recalls. “Democrats play the political game under American League rules. Their ‘designated hitter’ is the vast web of outside groups. Republicans play the political game under National League rules, within the party and the candidate campaigns.” There were two possibilities to level the field: Republicans could try to stop the 527s—to impose McCain-Feingold-style contribution limits on

them—or they could leave 527s alone, get in the game, work hard, and catch up. Today, nine months later, the GOP is close to making its decision.

Advocates of the first course are being led by—no surprise—Sen. John McCain. He blames the Federal Election Commission for failing to rein in 527s in the last presidential race, and in early March he unveiled a formal proposal that would limit contributions to 527s to \$25,000 per person per year. That means Soros's \$24 million would be cut to \$50,000 in the next two-year cycle. McCain's Senate proposal is supported by a similar measure in the House sponsored by Connecticut Republican Christopher Shays.

But it is in the House that another GOP plan has emerged, one cosponsored by the solid conservative Indiana Republican Mike Pence and the equally solid liberal Maryland Democrat Albert Wynn. Pence and Wynn would impose some new restrictions on 527s, mostly along the lines of requiring them to report contributions quickly and openly. But they would not impose any limits on contributions. And they would go a step farther: In a bid to restore influence to the traditional parties, they would repeal the limits on the total amount of money any donor can give in a two-year political cycle. Current law allows individuals to give \$2,100 to a candidate in any given year, or \$4,200 per cycle. It also caps individual contributions to a party committee at \$26,700 per year. Those restrictions are well known. What is less well known is that the law also limits the total amount of *all* contributions any one person may give. That limit is indexed for inflation, and right now stands at \$101,400—a combination of \$40,000 for federal candidates and \$61,400 for party committees.

What Pence and Wynn would do is remove that aggregate limit without touching the individual limits. So, under their plan, if a donor this year wanted to give the maximum \$2,100 to all 231 Republican members of the House and all 15 Republicans up for reelection in the Senate, he would be free to do so. If he

wanted to give the maximum allowed to each of the party committees, he would be able to do that as well. No individual giving limit would be broken, but the person's aggregate contribution would be much higher than allowed in the past.

It's far short of a repeal of McCain-Feingold, but it's a small step in the direction of giving donors more freedom and the political parties more support. And Pence sees doing that, and leaving 527s untouched, as real progress: "To the extent that 527s have found an effective way to participate in the American political process with greater freedom than the major political parties and outside organizations, then, rather than restrain the 527s, we should give greater freedom to political parties and outside organizations."

For Republicans, the choice might seem easy; Pence-Wynn is a clear move away from the steadily increasing regulation of political expression. Yet many in the GOP—actually, most in the GOP—are instead leaning in McCain's direction. And the reason is not any principled belief in campaign-finance reform, but rather the fear that Democrats will use 527s to beat the hell out of Republicans in 2006 and 2008. GOP House aides who follow the situation believe that most House

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Republicans would vote for limits on 527s. And a key Senate aide says that a very large number—perhaps all—of the Senate's Republicans would support limits, and do it for nakedly political reasons. "Republican members believe that 527s are a bad thing, gnawing away at the vitals of our majority, and that what McCain supports means their elimination," the aide says. "No doubt the bad guys will just find another section of the tax code to abuse for anonymous giving and deadly attacks against Republicans, but for now, since Republicans don't like them, and McCain is scared to death about what they could do against him come primary time in '08, there's a marriage of convenience underway."

It would be an understatement to say that Republicans who oppose regulation on principle find the current situation dis-

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heartening. "From a conservative standpoint, it's clearly wrong to jump on the regulatory bandwagon for what's perceived as short-term partisan gain," says Bradley Smith, the former FEC chairman, who has been one of McCain-Feingold's most forceful critics. Adds Cleta Mitchell: "The thing that is so discouraging is that my party, which opposed McCain-Feingold, has become the party that throws in with the guys who want to regulate everything. It just gives me a sick feeling in the pit of my stomach."

Talking with Mike Pence, one gets the sense he agrees but has to be a bit more diplomatic toward his fellow lawmakers. "There are many of my colleagues who are experiencing withering daily assaults from the 527s," he says. "They have been brought to the place where practical politics and principle collide." And in many cases, practical politics is winning.

Of course, it's not as if there is much principle on the other side. These days, Democrats who long championed McCain-Feingold's restrictions are adamantly opposed to extending them to 527s. New York's Charles Schumer, once a strong reformer and now head of the Democrats' Senate election effort, has cooled on the idea of cracking down on 527s.

It is entirely possible that more regulation is on the way. But ultimately, all the fears over 527 spending might be exaggerated. When analysts of both parties look back at the groups' activities in 2004, they see two major examples: the giant, Soros-funded, pro-Democrat turnout group called America Coming Together, and the smaller anti-Kerry operation Swift Boat Veterans for Truth. Which was more effective? It's hard to deny that the Swift Boat Vets got perhaps the biggest bang for their buck in political-advertising history. Most of that bang came at the very beginning, when the group had a relatively small amount of money. "At the time we filmed our first commercial, our total expenditure was around \$350,000," recalls John O'Neill, the group's most

visible leader. That \$350,000 included \$100,000 each from supporters T. Boone Pickens and Bob Perry, the kind of donation that would be banned under McCain's proposal. The relatively meager \$350,000 paid for everything—for organizing, for travel, for a website, for producing the initial commercial, and for buying its airtime. Later, when the message caught on, millions in small donations came pouring in. But the Swift Boat Vets were never more effective than when their first ad aired. In contrast, America Coming Together started with zillions

of dollars, which it never learned how to spend efficiently and effectively. It poured mind-boggling amounts of money into Ohio, and lost.

So what is the lesson? That 527s should be strangled? Doing so not only would run against Republican belief in freedom of expression, but would make it harder to score targeted political points in coming campaigns. That's something Republicans might come to regret in 2008 if they find themselves in a race against a certain senator from New York who was once a First Lady enmeshed in numerous scandals. "There are huge numbers of voters in America who have no knowledge of Travelgate, cattle futures, the whole thing,"

says Bradley Smith. "Who's going to talk about that for Republicans? Are they counting on CBS to do it?"

These days, however, Republicans seem more than willing to shut down the 527s. In the end, it is impossible to say whether 527 regulation would hurt or benefit either Democrats or Republicans. But it is possible to say that it would be yet another step in the wrong direction for political speech. "We are on the road to serfdom in American politics with campaign-finance reform," says Mike Pence. "We are eventually going to end up on the doorstep of George Soros's house, telling him what he can and cannot say." And not just Soros: T. Boone Pickens and Bob Perry, too. Republicans and Democrats alike. **NR**

■ POLITICS II

Bush Is Your Soft Drink

Republicans 'distance' themselves at their peril

KATE O'BEIRNE

GEORGE W. BUSH's sagging approval ratings have been accompanied, not coincidentally, by an increasing amount of criticism from his allies in Congress. But while some Republicans have decided that it's time to declare independence from the White House, other party strategists have a warning: If Bush sinks too deep into lame-duck territory now, we will see a large flock of GOP dead ducks in the upcoming election season.

Bush's poll numbers are undeniably poor. In a mid-March Pew Research Center survey, only 33 percent of respondents approved of the president's job performance, down from 50 percent a year ago. Bush's ratings on the handling of specific issues have also declined significantly, with only 42 percent now approving of the way Bush is handling the threat of terrorism. That's down 11 percent from mid-February. The poll also reports that negative descriptions of the president now outnumber positive ones, with "incompetent" topping the list at 29 percent, and "honest" slipping to 14 percent. Even more alarmingly, much of the erosion of Bush's support has come from his political base. In the last year, his approval among conservative Republicans has dropped by 16 points. Among people who voted for him in 2004, it has fallen by 24 points.

Many congressional Republicans are among the disenchanted. "Arrogant" and "insular" lead the list of adjectives that Republicans in Congress volunteer when

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