

# **How (and why) Congress twists its own arm: The political economy of tax-funded politics**

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## **1. Introduction**

The federal government provides hundreds of millions of dollars each year to political advocacy organizations that illegally use the funds for rent seeking (Bennett and DiLorenzo, 1985). Section 2 of this article presents several examples of tax-funded politics that permeate the governmental process to illustrate *how* Congress 'twists its own arm.' Section 3 discusses the political economy of tax-funded politics: *why* Congress twists its own arm. Section 4 contains a summary and conclusions.

## **2. Tax-funded politics: Some examples**

There exists in the U.S. a well-organized political coalition that lobbies for the expansion of what can be referred to generally as the welfare state. This coalition is composed largely of nonprofit organizations that often administer or benefit from government programs, for example, jobs programs, food stamps, and 'youth education' initiatives. The coalition, therefore, has a direct financial stake in the expansion of welfare programs, as do politicians who use the programs to win votes and enhance their chances for reelection. Furthermore, coalition members receive millions of dollars in taxpayers' funds each year for lobbying and grass-root organizing.

A *National Journal* article (Stanfield, 1982) reported that 'once the smoke had cleared' over the 'budget battles' of 1981 and 1982, 'the lobbyists for labor, civil rights, education, health, welfare, religious, and urban and community organizations are beginning to smile again. Many social program budgets have held their own for fiscal 1983 . . . no major structural changes have been made in social programs for 1983' (p. 1673). One reason

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for the effectiveness of the coalition seeking to block social policy changes is that it is well funded by the American taxpayer. Reform of the food stamp program, for instance, is difficult to achieve. According to Bovard (1983):

The Community Services Administration funded scores of local and national food stamp advocate organizations to increase enrollment in food stamp programs. . . . Total funding for food advocacy organizations probably exceeded \$100 million in the 1970s (p. 53).

The federal government continues to fund food advocacy organizations, such as the Food Research Action Center (FRAC) which received more than \$700,000 from the federal government from 1980 to 1983; its own publications (FRAC 1983) claim that its primary purpose is 'advocacy . . . working to end hunger and malnutrition,' which are 'tragic symptoms of the maldistribution of economic resources in this country' (p. 1). To address these problems, FRAC engages in local political 'organizing and advocacy efforts' and undertakes 'the training of community advocates . . . so they can . . . have some impact on legislation' (p. 7). Besides organizing and lobbying, federally-funded FRAC publishes newspapers and news-letters and tries to influence public opinion by sponsoring 'media events' such as the 'National Let Them Eat Cake Sale,' held in various cities in 1983 to 'educate participants about the effects of [Reagan] administration policies' and to 'organize a vital new constituency' (p. xiv). FRAC has also used its resources 'to sue the [Department of Agriculture] and bring class-action suits to block proposed cutbacks in nutrition spending;' to join national political coalitions; and to publish an 'organizer's manual' devoted to such topics as building political coalitions, fund raising, lobbying, holding public demonstrations, and registering and 'educating' voters.

Other tax-funded lobbying organizations perform similar and sometimes identical functions. ACORN, the Association of Community Organizations for Reform Now, has established branches in at least 27 states and has received funding from VISTA, the National Endowment for the Humanities, the Community Services Administration, ACTION, and other agencies. ACORN's (1983) political objectives include lobbying for greater governmental ownership of utilities, more strict regulation of private enterprise, price controls, nationalized health care, additional government-subsidized housing construction, and government jobs programs. This agenda is advanced through APAC, the organization's political action committee: 'APAC is the political arm of ACORN. . . . It takes the lead in screening and endorsing candidates for political office' (p. 4).

## 2.1 The senior citizens lobby

Senior citizens organizations are among the most powerful political lobbies. The National Council of Senior Citizens (NCSC) is among the most politically active lobby and the one most heavily financed by taxpayers, having received at least \$154 million from 1978 to 1981, including one Department of Labor Grant for more than \$44 million. NCSC (1984) lists lobbying as one of its primary functions:

This year [1984], the Legislative Liaison and Research Department cooperated closely with Congressional committee staff, NCSC General Board Members, a variety of national coalitions and key grass-roots leaders around the country to improve NCSC's visibility both in Washington, D.C. and in the field (p. 20).

With the assistance of tax subsidies, the NCSC has joined various national coalitions and claims more than a few political victories. For example, 'immediately after the President's [1984] budget was released, the [NCSC] began lobbying . . . in coalition with other national organizations against new program cuts. . . . These efforts were rewarded [when] the House of Representatives passed a Democratic-sponsored budget resolution for FY 1984 that rejected most of the President's proposed cuts in social programs' (p. 23). The NCSC also claims to have helped prevent the enforcement of laws against tax-funded politics:

Last January [1983], the Office of Management and Budget attempted to restrict the ability of non-profit organizations to lobby and to participate in the legislative and governmental decision-making processes by proposing changes in the rules governing cost accounting by non-profits. . . . The OMB proposals would have prohibited non-profits from using Federal funds to engage in any type of 'political advocacy'. . . . NCSC joined a broad coalition composed of non-profit organizations to oppose the proposals and, within a very short period of time, there was considerable pressure on OMB to withdraw the regulations. In early March, OMB did withdraw the proposals . . . (p. 32).

The NCSC has the largest membership of the tax-funded senior citizen lobbying groups, but there are numerous others that have received hundreds of thousands of taxpayers' dollars in recent years, including the National Retired Teachers' Association, which received more than \$115 million in taxpayer subsidies between 1980 and 1982.

## 2.2 Civil rights lobbyists

Many 'civil rights' advocacy groups similarly receive millions of dollars in federal grants and contracts. The National Urban League, for instance, received more than \$100 million annually to support initiatives such as employment quotas.<sup>1</sup> Jesse Jackson's 'People United to Save Humanity' received more than \$5 million in federal grants from 1978 to 1981 as well as grants from state and local governments, including \$667,000 from the city of Los Angeles in 1979 (Bennett and DiLorenzo, 1985: 262). There is evidence that Jackson used at least part of the funds for his own political purposes. In 1983, the U.S. Department of Education's Inspector General's office conducted audits of PUSH and concluded that the money was spent in 'ways that may have violated regulations prohibiting funding of organizations engaged in political activity.' Among such uses were a Department of Education grant to print 10,000 Christmas cards bearing an autographed photograph of Jackson; \$656,644 for 'insurance for a dance group'; \$1 million for basketball uniforms for a fund-raising basketball game, a dinner dance, and 'band activities'; and grants used to help mail out political fund-raising letters.

So-called womens' rights lobbying organizations also receive taxpayer funds. Several affiliates of the National Organization for Women (NOW) receive federal funding, such as the NOW Legal Defense and Educational Fund, which received \$595,961 from the U.S. Department of Education during 1980-1981 (Bennett and DiLorenzo, 1985: 270). One 1981 Department of Education grant for \$105,000 helped promote NOW's political views by funding television 'news spots,' newspaper and magazine ads, radio news features, public service announcements, talk show presentations, and five brochures to be used as follow-up direct mail pieces to those who responded to the broadcasts and ads. The grant proposal reported that public service ads can reach millions of people at an extremely low cost: 'These are ways of legitimizing the issues - by appearing in mainstream magazines, the message conveyed is that they are mainstream issues.'

NOW's Legal Defense and Education Fund received a \$330,000 grant to finance a political training manual. A recent issue of the Fund's newsletter (PEER Perspective, 1983) advertised a new publication, *Organizing for Change: PEER's Guide to Campaigning for Equal Education* (PEER stands for Project on Equal Educational Rights). The newsletter quoted a Michigan woman as saying, 'With PEER's help, we organized more than 250 community activists, parents and educators in 12 school districts.'

### **2.3 The Legal Services Corporation**

In 1974, Congress established the Legal Services Corporation (LSC), an 'independent, private corporation' funded by taxpayers to help the poor obtain civil legal counsel. In practice, however, the LSC provides more than \$300 million each year to various affiliated groups that use much of the funds for political purposes. Consider the following examples:

1. Local LSC organizations in Montana (1979), Iowa (1980), and Connecticut (1981) sued to force state governments to use tax funds for sex change operations (Bennett and DiLorenzo, 1985: 306).
2. A Texas Lawsuit established the constitutional right to 'free' public education for illegal aliens, and New York state was required to pay welfare benefits to a parent who was an illegal alien.
3. In Tampa, Florida, the Bay Area Legal Services persuaded the federal district court to prevent the implementation of state-wide functional literacy tests as a prerequisite for high school graduation because the high failure rate among black students was allegedly attributable partly to past discrimination.
4. The LSC grantee in Ann Arbor, Michigan, required the school board to adopt a plan to make teachers responsive to students who speak 'Black English' and to require teachers to use knowledge of dialect in teaching students to read.
5. In Youngstown, Ohio, the East Ohio Legal Services sued U.S. Steel Corporation to require the company to sell its mill to a community organization that received tax subsidies.
6. Legal Services grantees in Maine, Colorado, Massachusetts, and South Carolina entered litigation to reclaim hundreds of thousands of acres for Indian tribes.
7. LSC grantees argued that alcoholics should receive supplemental security income benefits.

None of these lawsuits involve the mandated function of the Legal Services Corporation: ensuring that the poor have access to legal assistance. Rather, the LSC affiliates used taxpayers' money to persuade courts to decide political issues that are the province of legislative bodies.

Although the act establishing the LSC banned political activities by the Corporation and its grantees, the LSC and its affiliates are deeply involved in illegal political activities. For example, the LSC paid for the maintenance of permanent offices of registered lobbyists at the San Francisco-based California Rural Legal Assistance; in 1980, an LSC affiliate aided in the attempt to defeat California's Proposition 9, which sought to reduce the state's personal income tax rate; and the organization published political training manuals.

## 2.4 Political training centers

Tax-funded politics also involves taxpayer support of political training centers. The best known is the Midwest Academy in Chicago, which received \$595,846 in federal grants during 1978–1979.<sup>2</sup> The president of the Midwest Academy is Heather Booth, co-founder of the Citizen/Labor Energy Coalition and formerly a union organizer and activist in Students for a Democratic Society during the 1960s. The Youth Project (1977), a source of private funding, describes the Academy as

a national training center for community leaders and organizers. Based in Chicago and staffed by experienced organizers and researchers, the Academy holds two-week training sessions in organizing and weekend workshops in fund raising and research. In addition, the Academy conducts over 50 on-site consultations and training sessions each year. Since it was founded in 1973, over 6,000 leaders and organizers have participated in these training sessions, including representatives of Massachusetts Fair Share, Carolina Action, the Vermont Alliance, the East Tennessee Research Group, Environmental Action, the Gray Panthers, the National Organization for Women and many other citizen action, labor and women's organizations.

A 1982 Academy brochure lists 'Midwest Academy Alumni,' that is, organizations that have sent staff members through the Academy training sessions. The list includes such well-known interest groups as the American Federation of State, County and Municipal Employees, Ralph Nader's Public Interest Research Groups, the United Auto Workers, the National Education Association, the American Federation of Teachers, and Nine to Five, a clerical workers' union.

According to another Academy brochure, the center's main objective is to create a 'majority movement,' defined as a 'campaign where our collective strength wins concrete improvements and begins the job of redistributing social wealth.'<sup>3</sup> Students at the Midwest Academy

not only learned how to write a leaflet, organize a press conference and stage a dramatic protest, but also were encouraged to read Sheila Rowbotham's *Women, Resistance, and Revolution*, and articles on workers' control of industry by British socialist Michael Barratt Brown. ... the Academy alumni constitute an informal network of political organizers that span the concerns of the post-60's left (Copulos, 1983: 24).

In the course of the Academy's two-week political training sessions,

Students learn histories of grass-roots organizations, techniques of meetings, press relations, leaflet making, and methods for holding effective demonstrations and doing research . . . Steve Max, the main Academy teacher, who himself helped found the Students for a Democratic Society, adds a wealth of practical detail from years of experience in election campaigns, union battles, and community fights . . . The students sing songs from the range of people's struggles in the century -- 'Solidarity Forever,' 'Union Maids,' 'We Shall Overcome,' 'Gonna Study War No More,' 'I Am Woman.' They go out with groups like the Illinois Public Action Council on demonstrations or show up at press conferences of senior citizen groups. They plan skits for confronting city officials (Boyte, 1980: 110).

In addition to direct-action organizing, the Academy trains campaign workers. Booth has established the State and Local Leadership Project, an Academy subsidiary, as a training school for campaign workers. In preparing for the 1982 and 1984 national elections, the project set up state-wide political action committees, selected congressional and legislative districts 'where Reagan Republicans could be defeated' (Herbers, 1984: 42), and sent campaign workers door-to-door to promote issues and candidates who supported its political agenda.

The Midwest Academy is just one of many political training centers that receive taxpayer funds. Other similar organizations include The Institute in New Orleans, the Center for Urban Encounter in Minneapolis, the New England Training Center for Community Organizers in Providence, Rhode Island, the Pacific Institute for Community Organization in Oakland, California, and the Laurel Springs Institute, run by Tom Hayden and Jane Fonda in Santa Monica, California.

### **3. The political economy of tax-funded politics**

The notion that neither members of Congress nor public employees are aware of the widespread misuse of tax dollars for political purposes can be dismissed out of hand. As shown by the examples in Section 2, hundreds of millions of dollars are routinely given to organizations that lobby, make campaign contributions, and engage in grass-roots lobbying. For those who deal frequently with political pressure groups, it is unreasonable to suggest that they do not know how the funds awarded through grants and contracts are used. Nor is the issue of tax-funded politics a new one; the U.S. General Accounting Office reported such violations 40 years ago (Wright, 1983). Congress has attached many riders to appropriations bills over the past ten years, and it has repeatedly legislated against the use of tax funds for

political purposes, suggesting that Congress is fully cognizant of the scope and magnitude of the abuses. But Congress has not been eager to enforce those legislative restrictions; otherwise, the imposition of repeated prohibitions for over a decade would have been unnecessary. Congress has clearly chosen not to take stringent measures to reduce tax-funded political advocacy.

Members of Congress must benefit from passing legislation that bans certain political activities, for it allows them to assure their constituents that they are unalterably opposed to these practices without having to enforce the law. As the record shows, Congress has been very adept at ignoring its own laws, as is evident in the unprecedented rate of deficit spending despite the passage of two laws requiring a balanced federal budget.<sup>4</sup> Congress has also frequently exempted itself from laws that apply to the private sector: its members can legally discriminate in hiring and promotion, are exempt from affirmative action and equal employment opportunity laws, can pay their staffs less than the minimum wage, and can legally ignore health and safety regulations (Bennett and Johnson, 1981: 140). It is reasonable to conclude that members of Congress consider themselves above the law and are frequently more concerned about appearances than substance.

If it appears that a large and powerful constituency supports a particular cause, politicians will respond to its demands by passing laws and regulations or by appropriating funds for its programs. The most important measures of the size and power of an interest group are the resources that the group can bring to bear on the political process in terms of campaign contributions, votes, lobbyists, and media attention.

Advocacy groups need funds to make campaign contributions, to hire lobbyists, to produce studies that support particular policy initiatives, to maintain offices, to develop news releases, to hold press conferences, and to publish newsletters, brochures, and pamphlets. The greater its resources, the more effective an advocacy group should be. The resources available for a particular cause are a good measure of the intensity of feeling on the issue if support for the group advocating the issue comes from voluntary contributions. A large number of individuals with strong views on an issue can express their preferences by contributing funds to a group that promotes that issue. With tax-funded politics, however, a small number of individuals with access to the public purse can obtain resources from government to advance its views even though its constituency may be small. Whenever government funds any political advocacy group, it effectively penalizes those groups that advocate opposing public policies and provides a distinct advantage to the groups that it favors.



### ***3.1 Bureaucrats, public policy, and political advocacy***

The role of public employees in the public policy process is frequently misunderstood. It is widely assumed that bureaucrats are passive agents; that is, they merely administer and carry out the programs that Congress designs and funds. The term 'civil servant' suggests that bureaucrats merely execute the orders of Congress or, ultimately, the taxpayers. There is reason to question this characterization, however, for it ignores the entrepreneurial role public employees play. Civil servants, like others, are primarily concerned with their own self-interests: salary, rank, perquisites, prestige, and opportunities for promotion. Because prospects for bureaucrats are brightest when their agency's activity and budget are expanding, bureaucrats have strong incentives to promote and stimulate a perceived need for their own activities. The bureaucracy, therefore, lobbies vigorously.

There are many examples of bureaucratic lobbying expenditures. In fiscal year 1984, the Department of Agriculture officially employed 144 full-time public affairs persons with a budget of \$6.5 million. The entire department, including sub-agencies, employed 704 people in public affairs. The Department of Education had a full-time public affairs staff of 46 persons and a budget of \$2.4 million; the Department of Transportation had 21 public affairs professionals with a \$1.5 million budget; the Pentagon listed 1,066 full-time public relations employees. Similar programs exist in other agencies (Palmer, 1984).

Even though large sums of tax revenues are formally appropriated to promote the activities of the federal bureaucracy, these sums are apparently inadequate to ensure the expansion of agency budgets to the extent bureaucrats and politicians desire. Tax-funded politics is a way of diverting even more tax revenue for self-promotion through the support of various special interest groups that are formally outside government. The grants and contracts may be given to ostensibly 'help the poor,' 'protect the consumer,' and so forth, but a portion of the money is intended for political advocacy on behalf of the government agency that awarded the funds and of the agency's patrons in Congress. By channeling tax dollars in this way, the bureaucracy is rewarding its friends and supports those who will reciprocate by lobbying and campaigning for increased program expenditures.

### ***3.2 Politicians, public policy, and political advocacy***

Like bureaucrats, politicians pursue their self-interest by increasing their income, prestige, and perquisites of office. Political advocacy funded by

the taxpayers plays an important role in this process. Many students of public policy view members of Congress, state legislators, and elected local officials as passively responding to the will of the people; but this view ignores the entrepreneurial role that politicians play in diverting tax dollars to advocacy groups as a means of obtaining resources to win re-election campaigns.

A politician's income, power, prestige, and perquisites depend on winning re-election, and money and other resources (such as phone banks and campaign volunteers) are the lifeblood of electoral politics. Advocacy groups that receive tax dollars repay their political debt by promoting the political careers of incumbents who support them. The groups make campaign contributions, provide campaign workers and volunteers, and register and organize low-income individuals, who normally do not actively participate in politics. Once re-elected, a politician has strong incentives to reward these advocacy groups with tax dollars that will be used to keep the incumbent in office. Grass-roots organizing is a very labor-intensive and costly activity; but when taxpayers bear the cost, the incumbent politician has an important edge over challengers.

Even if not facing serious opposition, an incumbent politician has an incentive to spend time and energy seeking campaign contributions from every possible source, including advocacy groups that receive taxpayer funds. The reason is simple: Members of the U.S. House of Representatives can divert excess campaign funds for their personal use (Edsall, 1984). Under a law passed on January 8, 1980, all members of Congress at the time of enactment could legally use excess campaign funds for personal expenses (other members do the same, even though it is illegal).

Campaigning can be very profitable under such a law. Consider the case of Rep. Joseph G. Minish (D-N.J.) who had \$326,568 in his campaign account when he managed to raise an additional \$85,919 three weeks before the election apparently to wage a major effort to retain his seat for a twelfth term. According to the Federal Election Commission, however, Minish was able to spend only \$142,958; \$269,529 remained in the fund after he was defeated. Minish's report to the FEC indicated that more than \$13,000 was received 'on four days - Nov. 9, 15, 19, and 21 - after the election' (Edsall, 1984). Minish refused to comment on the planned use of the funds, but he dismissed the possibility of returning it to the contributors because it would have been difficult to decide how much to give to each donor. Other defeated or retiring members of Congress have also pocketed substantial sums, including Geraldine Ferraro, the defeated vice-presidential nominee of the Democratic party in 1984, who left Congress with more than \$105,000 in her congressional campaign account.

The rule on campaign contributions in the Senate forbids any member or former member to convert contributions to personal use. In an investigation