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Conservative
file PACs

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* ADMITTED IN MICHIGAN & DISTRICT OF COLUMBIA

March 9, 1982

John Maxwell, Esquire
Subcommittee on
Committee on Judiciary
4-B Russell Senate Office Building
United States Senate
Washington, DC 20510

Re: Taxation of Administrative Costs of P.A.C.'s

Dear John:

Yesterday we discussed the Dole-Grassley Tax Reform provisions and a possible addition which would equalize an inequitable situation presently created relating to administrative costs of political action committees.

Historical Background

Prohibition on contributions or expenditures by corporations, directly or indirectly, in varying degrees, have been in effect since 1904. Since the Taft-Hartley Act of 1947, such prohibitions have also applied to labor organizations. The landmark case of United States v. Pipefitters Local Union No. 562, 407 U.S. 385 (1972), triggered the exemption from such prohibition that was contained in the Federal Election Campaign

Act of 1971. In that case, the carve out from the prohibited acts was the sponsoring of a voluntary fund, strictly segregated, that could be used for political purposes. The Court held that the political organization need not be formally or functionally independent from union control. The law codified the Pipefitters decision in 18 U.S.C. § 610. After the 1974 amendments, that provision is now found in 2 U.S.C. § 441b. The legislative debates and commentaries clearly indicate that the Congressional intent was to treat corporations and labor organizations equally in the application of this law.

Permissible Activities

Pipefitters and the legislation following it permitted corporations and labor organizations to:

- a. Communicate to their members (labor), stockholders and administrative personnel (corporations) on any subject.
- b. Political communications had to be reported to the Federal Election Commission under certain circumstances.
- c. Non-partisan registration and get-out-the-vote campaigns could be held.
- d. Separate, segregated, and voluntary political funds could be established and administered by a corporation or labor organization.
- e. Solicitation of such contributions to the separated fund could also be made from the labor organization or corporate funds.
- f. The same provisions also applied to membership organizations and cooperatives as well as corporations and unions.

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John Maxwell, Esquire

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March 9, 1982

Taxation of Administrative Costs

Since these were permitted corporate activities and were in connection with business connections, most corporations deducted those expenses incurred in setting up such segregated funds under Section 162(e) of the Internal Revenue Code. A prior Revenue Ruling, 68-414, seems to indicate that these indirect expenses should be deductible. On January 20, 1982, however, the I.R.S. issued Letter Ruling No. 255 which confused the "grass roots" lobbying taxation provision with separate segregated funds. It acknowledged that the I.R.S. was not following the F.E.C. interpretation (in spite of clear Congressional dictates to "consult" for mutual consistency, 2 U.S.C. § 438(f)) and held such expenses not deductible as business expenses by a corporation. Since labor organizations use tax free dollars for similar administrative costs, this letter ruling produced a definite tilt toward labor political action committees.

Proposed Remedy

Since the obvious Congressional intent has been disrupted, it will probably require legislation to correct the problem. A possible approach by finding labor organizations subject to Section 527(f) of the Internal Revenue Code and taxable for political expenditures has drawn little interest at the I.R.S.

The solution proposed would incorporate language such as:

"notwithstanding other provisions of the law,
activities which are permitted to corpora-

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tions, labor organizations, membership organizations, cooperatives, or corporations without corporate stock shall be treated similarly for tax purposes. The Secretary of the Treasury shall promulgate regulations to provide that administrative, establishment, solicitation, communication and registration and get-out-the-vote campaign expenditures as allowed in 2 U.S.C. § 441b to such organizations are taxable income subject to the normal tax and surtax as if the organization were a corporation without specific deductions nor net operating loss deductions or special corporate tax deductions."

Language of similar import without involving the Secretary of the Treasury could probably be drafted by someone from Legislative Counsel's office who is expert in the Internal Revenue Code.

Obviously, if the House refuses to adopt such equalizing provision, then legislation which would provide as an addition to I.R.C. 162 would be in order:

"Expenditures by corporations, membership organizations and cooperatives which are made as allowed render 2 U.S.C. § 441b shall be deductible as ordinary and necessary business expenses."

If you desire, I would be glad to meet with you and others who are interested in this problem.

Sincerely,


James F. Schoener

JFS:mco

Anti-abortion PAC gives aid where

By Robert Timberg
Washington Bureau of The Sun

7-17-82

THE PAC BUSINESS

POLITICAL
ACTION
COMMITTEE

Last of a series

Washington—"What would you do if your best friend was in trouble? Wouldn't you offer him the shirt off your back? Lend him needed money or give whatever assistance you could?"

"Well, one of the pro-life movement's very best friends is in serious trouble—Congressman Henry Hyde of Illinois."

Thus began a direct-mail fund-raising letter earlier this year from Paul A. Brown, director of the Washington-based Life Amendment Political Action Committee, the nation's wealthiest anti-abortion PAC.

The Brown letter caused a stir in Washington anti-abortion circles when Mr. Hyde, a Republican and perhaps the chief congressional spokesman for the pro-life movement, flatly repudiated it and demanded Mr. Brown stop using his name.

In addition, Representative Hyde—in an interview with *The Sun*—explained that Mr. Brown's fund-raising solicitation misrepresented the political realities in his home state.

The Brown letter described "the political situation inaccurately and promised to provide campaign help for me that I did not want," Mr. Hyde said.

Mr. Hyde contended he was not in trouble in his new district, although the boundaries now are substantially different from those that existed in the 1980 election.

Mr. Brown denied any impropriety, said he had agreed not to use Mr. Hyde's name in future letters, but maintained that he was not legally obligated to make such an agreement.

"As a PAC, the law says we can get involved in any race we want," he said. "We are an independent PAC. We can do anything we want to."

The incident illustrates a little-known but important fact about the PAC business—that

PAC operators like Mr. Brown legally can raise funds for their organizations by playing on a candidate's supposed political problems whether the candidate likes it or not.

Confusing the issue still further are provisions of federal election law which, in an effort to enforce the integrity of campaign-contribution limits, inhibits PAC operators from seeking permission to use the candidate's name.

Mr. Brown, in fact, said he might have been in violation of the law had he approached Mr. Hyde, since LAPAC's intention, before the congressman objected, was to make so-called independent expenditures on his behalf.

An independent expenditure, in law, is money spent to help elect or defeat a clearly identified candidate for federal office and must

be made without cooperation from or consultation with any candidate or political committee.

Mr. Hyde's district, the Brown letter continued, has been "radically gerrymandered." Prospective contributors also were told that "96 percent of his new district is NEW TERRITORY! Only 4 percent remains of his old district where he could count on his constituents to support him for reelection."

This means, the letter said, that "one of the preborn child's greatest allies in the U.S. Congress is being redistricted out of a job."

Mr. Brown further warned that pro-abortionists were building a large financial war chest and were "ready to pounce" on Representative Hyde and other friends of the pro-life movement.

"That's why I must turn to you for help again—not for LAPAC—but for the most valiant of our pro-life friends in Congress: Henry Hyde!! We can and must win... if we fail, there will be no future for countless thousands more of God's most defenseless children. ... PLEASE, send your check at once!! Congressman Hyde needs our help immediately!!"

In fact, Mr. Hyde said he neither needed nor wanted LAPAC's help, and when he got wind of the letter he called Mr. Brown to protest, then fired off a curt, two-paragraph note demanding the anti-abortion group "cease and desist" using his name in its fund-raising letters.

"Confirming our conversation of this afternoon, I want you to know that the letter, copy enclosed, with my name used therein, was prepared without my personal knowledge," he said in the note to Mr. Brown.

"I hereby ask that you cease and desist sending any more letters of this type without my express permission," he said.

Sources said Mr. Hyde's note, brusque as it was, did not begin to convey the depth of the congressman's outrage when he learned of the Brown letter.

"The story is, Henry Hyde went directly through the roof—no ifs, ands or buts about it," said one source in Washington anti-abortion circles. "He went bananas."

"He went off the wall on it," said another source. "Hyde is basically a competent moderate Republican and he doesn't want to be geared up into this one-issue [process] all the time."

Representative Hyde, reflecting the pro-life movement's reluctance to air internal conflicts, at first refused to discuss the matter. He finally consented to a brief telephone interview in which he maintained that the primary factor prompting his strong note to Mr. Brown was the unauthorized use of his name.

"I think it's highly improper for anyone to use your name to raise money without at least asking your permission to do so," he said.

In arguing that Mr. Brown had misrepresented the difficulties the redistricting process had created for him, Mr. Hyde said his new bailiwick was "a staunch, strong Republican district" even though he agreed it was 96 percent new to him.

The district, he said, is "very winnable... not one where I'm in trouble." He added, "Every night before I go to bed, I thank God for my district."

"I don't like being taken for granted and I don't like letters going out that are not so," he continued. "I'm

not fighting for my life. ... They painted me as a victim they were going to save from the jaws of death."

Mr. Brown, for his part, said there was no intention to mislead. "All I knew was that he was going to be redistricted and simply made the assumption it would be a tough fight," he said.

He did not claim to have done extensive research for the fund-raising letter, saying he learned from *Congressional Quarterly*, a publication that reports on the federal government and national politics, that Mr. Hyde's post-reapportionment district would be more than 90 percent new.

"We just made the assumption that would not bode well for Henry Hyde," Mr. Brown said.

LAPAC was the first of many conservative groups to target Maryland Democratic Senator Paul S. Sarbanes for defeat in 1982. Almost immediately after the 1980 elections it labeled him one of the Senate's "deadly dozen."

LAPAC also is part of the conservative, largely Republican New Right coalition, an affiliation neither enjoyed nor sought by all anti-abortion groups, many of whom count Democrats and liberals among their members.

Within the pro-life movement, which by no means is free of parochial rivalries and petty jealousies, Mr. Brown is viewed by some elements as given to inordinate self-promotion.

LAPAC, which Mr. Brown founded several years ago, raised \$625,748 during the 1979-80 election cycle, more than any other anti-abortion political action committee, according to Federal Election Commission records.

Through March of the current election cycle, which began January 1, 1981, LAPAC has raised \$233,797, FEC records show. But FEC records further reveal that LAPAC's political activities may lag well behind its pace-setting fund-raising efforts.

During the 1979-80 cycle, the most recent for which complete records are available, for example, LAPAC reported that \$536,091 of the \$625,748 it raised had been eaten up by operating costs.

Even with more money than any other pro-life PAC, LAPAC reported giving only \$20,121 in direct or in-kind contributions to candidates; \$4,000 to other pro-life PACs; \$59,901 in independent expenditures on behalf of candidates it supported, and \$5,635 in independent expenditures against candidates it opposed.

In all, exclusive of operating costs, LAPAC reported spending only \$89,657 for the 1980 political races.

By contrast, the National Right to

Henry Hyde's letter to Paul Brown

Life PAC, the newest of the pro-life PACs, raised considerably less—\$126,676—but pumped \$109,120 into campaigns, FEC records show.

NRLPAC was only established in January, 1980, but its fund-raising benefited by its association with the well-established National Right-to-Life Committee. In addition, the parent organization picked up its operating costs, which a spokesman, Warren Sweeney, estimated at \$40,000.

Mr. Brown, seeking to explain his high operating costs, said there is "a very gray line between actual independent expenditures and ... operating costs."

He said he could have legitimately pro-rated some of his staff salaries in 1979-80 and reported them as independent expenditures, saying that such bookkeeping would have resulted in a lower figure for operating costs.

The LAPAC director further suggested that such questions were prompted by his rivals in the anti-abortion movement.

"I called them operating expenses," he said, "because then [in 1979-80] we were not fighting anybody but the abortionists. Now I see we have to be more concerned with our friends."

The Hyde-Brown affair highlights a growing problem regarding political action committees, especially the free-standing types referred to by the FEC as "non-connected" PACs.

Just as the First Amendment covering freedom of speech protects anyone trying to defeat a candidate, it also sanctions individuals or groups who say they want to assist a candidate whether that assistance is desired or not.

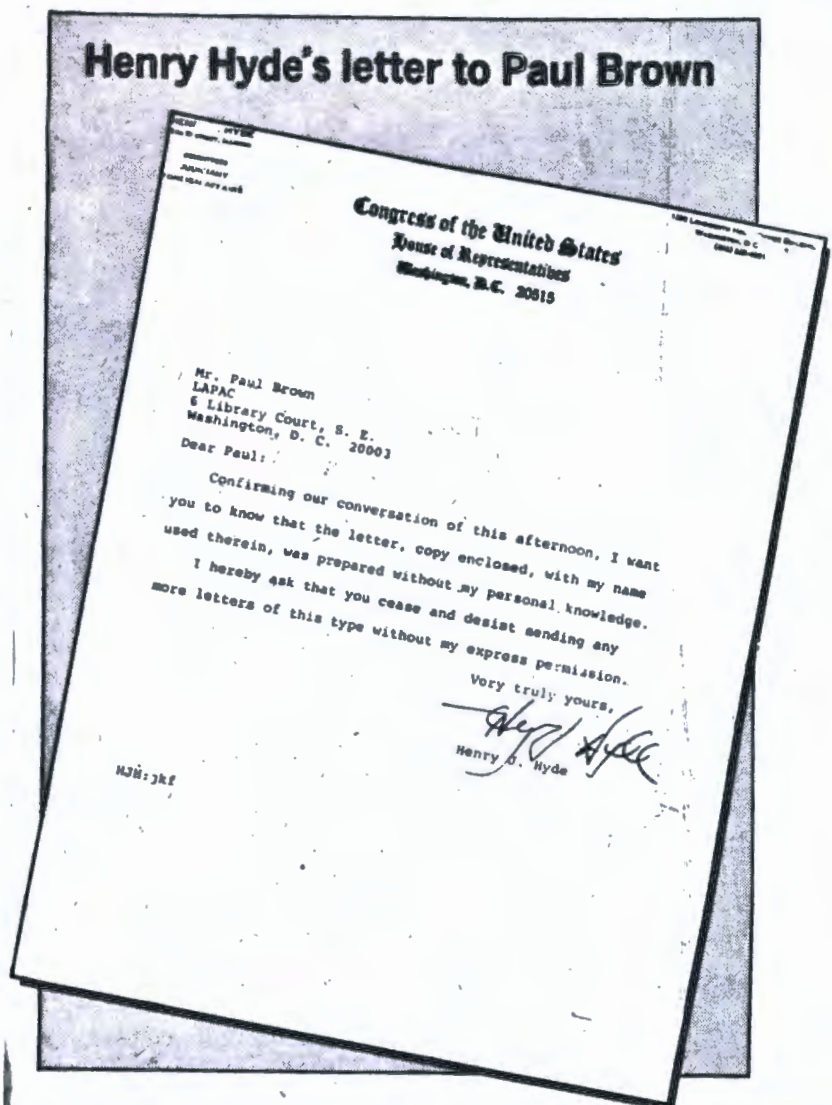
As a result, Mr. Brown has the same right to raise money by saying he wants to help Mr. Hyde as he does by saying he wants to defeat Senator Sarbanes or the Progressive Political Action Committee has by targeting conservative Senator Jesse A. Helms (R, N.C.).

"Suppose Jack the Ripper says he wants to support you," said FEC spokeswoman Sharon Snyder. "You might not want his support but he has a right to make independent expenditures on your behalf. It's freedom of speech."

Ironically, Mr. Brown might have violated federal election law governing so-called independent expenditures had he sought Mr. Hyde's permission to use his name.

"If I'm doing independent expenditures, I can't be in contact with the candidate," he said.

The FEC's Ms. Snyder, without expressing an opinion as to whether the Brown letter qualified as a bona fide



Sun graphic

Mr. Hyde's letter asks head of PAC "that you cease and desist sending any more letters of this type without my express permission."

independent expenditure, said Mr. Brown could well be correct.

"This is campaign finance," she said, "it's not necessarily fair political practices."

The FEC some weeks ago asked Congress to prohibit persons from soliciting contributions by "fraudulently misrepresenting" themselves as acting in the name of a candidate or political party.

"The commission has received a number of complaints charging that substantial amounts of money were raised fraudulently by persons or committees purporting to act on behalf of candidates," an FEC legislative task force reported to the commissioners.

Mr. Brown never purported in his letter to be acting as a representative of Mr. Hyde, but the FEC recommendation reflects a growing awareness of the problems created by seemingly friendly solicitations that use a candidate's name.

The problem is not a new one. Back in 1976, supporters of California senatorial candidate S. I. Hayakawa reacted angrily when anti-tax advocate Howard Jarvis established an in-

dependent expenditure committee called "Friends for Hayakawa."

Since Mr. Hayakawa, now Republican Senator Hayakawa, had used the name "Friends of Hayakawa" for the exploratory committee to advance his senatorial ambitions as far back as 1974, his attorneys demanded that Mr. Jarvis change the name of his group.

Hayakawa attorney Vigo G. Nielsen, Jr., in a September 2, 1976, letter to Mr. Jarvis on file with the FEC, said the Jarvis committee had adopted a "confusingly similar name" and promised legal proceedings to "stop your unfair solicitations and the use of our client's trademark."

Currently, the FEC is investigating a complaint against a group called the 1980 Republican Presidential Campaign Committee, which used a Washington mail drop to collect \$400,000 in 1980 supposedly to promote Ronald Reagan's candidacy.

The committee was not affiliated with either the Republican Party or the official Reagan campaign, and earlier press reports said much of the money raised was funneled to businesses formed by the committee's organizers.

PACs, principles and profits: This activist is a one-man band

By Robert Timberg
Washington Bureau of The Sun

Washington—Conservative political activist, nuclear-energy advocate, direct mail advertising specialist, mailing list broker—put them all together, blend in a soft South Carolina drawl, and that's Curt Clinkscales.

C. C. Clinkscales III, 35, has come a long way since the dog days of 1976 when he was running his fledgling National Alliance of Senior Citizens from the tiny back room of the Needle and Thimble, a Georgetown tailor shop.

Mr. Clinkscales's latest venture is a political action committee, the Save Social Security PAC, an organization he established in March to expand his role as the youthful champion of conservative old people.

His activities are a further example of the interplay between nonprofit and for-profit organizations, and the manner in which individuals closely associated with each benefit financially.

Back in 1976, Mr. Clinkscales achieved brief celebrity when he was sniffed out by syndicated columnist Jack Anderson's bloodhounds and his operation was pronounced a "political sideshow."

What Mr. Clinkscales was doing from his one-room command post was mounting a challenge to the well-established, similarly named National Council of Senior Citizens for the right to speak for the nation's elderly.

In particular, he was rating, and publicizing, the voting records of congressmen to determine their compassion for old people—

THE PAC POLITICAL BUSINESS ACTION COMMITTEE

Sixth of series

a compassion largely defined by Mr. Clinkscales's own views.

The ratings were a reverse image of those of the liberal-oriented National Council. Representative Lawrence P. McDonald (R, Ga.), a John Birch Society member, for example, was condemned for his votes by the council.

Mr. Clinkscales's National Alliance rated him at 100 percent, presented him with its Golden Age award and inducted him into its Hall of Fame.

Closer to home, conservative Representative Marjorie S. Holt (R, Md., 4th) was rated 100 percent by Mr. Clinkscales last year while liberal Representative Barbara A. Mikulski (D, Md., 3d) was given a zero. Old people are major elements in the constituencies of both.

Today, Mr. Clinkscales—a product of the Carolina Piedmont whose first dentist was Energy Secretary James B. Edwards—runs the alliance from a new suite of offices in the northern Virginia suburb of Falls Church.

Also bivouacked there are Americans for Nuclear Energy, a pro-nuclear-power lobby that Mr. Clinkscales co-founded with his business partner, and the Save Social Security

PAC, which technically is separate from the National Alliance but shares its right-wing spin.

In addition, Mr. Clinkscales and his business partner, Douglas O. Lee, use the townhouse office for their business, CLCO Inc., a direct mail firm, and its three subsidiaries, C&L Communications, C&L Compositions and the 5 M List Company.

Mr. Clinkscales has thus managed to combine his ideological concerns with his business activities—though not, he quickly pointed out in an interview, to an extent he considers improper.

"You're right to ask—I'm surprised no one asked before," Mr. Clinkscales said in response to questions concerning the manner in which he runs his business.
See PAC, A8, Col. 1

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7-16-82
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which he may have profited from nonprofit organizations he has established.

"The key is, I believe it is completely legitimate and I wouldn't do it if I didn't," he said. "If I were making a lot of money it'd be one thing."

Mr. Clinkscales pointed out that he takes no salary from the alliance even though, as executive director, he devotes "countless hours" to its operation.

He also said that his direct mail advertising firm does not do any work for the alliance, either. Instead, he said, that is handled by a company in the Philadelphia area with which he has no connection.

"Watergate did something for me," he said. "It made me very conscious of ethics."

In subsequent correspondence with *The Sun*, Mr. Clinkscales added, "At every turn since we began this business, we have sought to avoid both conflicts of interest and the appearance of same."

"This has meant the loss of plenty of business which could have made our road much easier, but the public nature of our work has mandated that we not follow the easy route."

In many ways, Mr. Clinkscales does appear to have passed up a number of money-making opportunities naturally flowing from his relationship with both nonprofit and for-profit organizations. But not all of them.

For example, asked who handles the National Alliance's mailing list, he conceded that his list company had the account.

"We do rent the list, when it is rented," he said. He said 5 M List Company gets 20 percent of the rental fee, the alliance 80 percent.

"It has not been rented lately," he said. His company has made nothing from it this year, he said, although a list of former alliance members, which 5 M also brokers, has been rented.

In the last year, the National Alliance has experienced a phenomenal growing spurt, thanks to a television advertising campaign that Mr. Clinkscales said had increased the membership from about 35,000 to about 560,000.

The \$8 million campaign, which featured actors Burl Ives and Harry Morgan (Colonel Potter on "M*A*S*H"), was financed by the Academy Life Insurance Company of Valley Forge, Pa.

The insurance company offered a "Senior Security Group Health Plan" for which anyone over 45 could qualify by joining the National Alliance for \$1 a year.

"This is a very good way of increasing your membership," Mr. Clinkscales said. "We don't get anything but the member's dollar—and the name."

He scoffed, however, at the notion that the hundreds of thousands of new names for the alliance's mailing list would vastly increase its worth, maintaining that persons who respond to TV pitches do not necessarily make good targets for direct mail.

"TV names don't sell by direct mail," he said.

What about Americans for Nuclear Energy, the lobbying group he and his business partner, Mr. Lee, jointly founded to promote the cause of nuclear energy on Capitol Hill?

"I have nothing to do with AFNE," he said firmly.

In fact, although he is neither an officer nor director of the pro-nuclear group, Mr. Clinkscales was taking a rather narrow view of his involvement with the organization.

In addition to being a founder, his business partner, Mr. Lee, is its first and only chairman.

Moreover, having "nothing to do with AFNE" seems overly modest since CLCO does the group's direct mail fund-raising and 5 M brokers the mailing list, currently viewed as one of the best in Washington.

"The list responds exceptionally well to strong pro-freedom, conservative and political appeals," 5 M says of the list in promotional material. The list is one of the most expensive on the market, renting for \$100 per 1,000 names.

"It's hot," Mr. Clinkscales readily acknowledged. "It's the best list we have, period." He estimated its worth to the company at \$500 to \$600 a month.

CLCO began doing AFNE's direct mail by necessity, he said, because when it was formed, no one else wanted the job, seeing little future in fund-raising for a pro-nuclear group.

"We couldn't get anybody to do it," he said. "Really, there was no alter-

native." Even then, he said, CLCO refused to take on the job until AFNE's board passed a resolution saying "we were the only ones who would do it."

hire a firm less intimately associated with the group, Mr. Clinkscales said:

"The question is, could they do it

CLCO continues to handle AFNE's direct mail even though it has proved to be more lucrative than originally viewed. Explaining the decision not to

as well as I do? No one really reads energy issues the way I do. I understand politics and emotion and I understand what makes something click. This is like any other product. You're marketing an idea."

He estimated that AFNE's direct mail business means about \$25,000 a year to CLCO. "It helps," he said. "Darn right it does."

As a mailing-list broker, Mr. Clinkscales's firm also receives commissions when AFNE rents other lists to expand its fund-raising base, but he said the \$25,000 figure included those payments.

Asked if he saw any conflict of interest in his private companies' profiting from nonprofit organizations with which he is affiliated, Mr. Clinkscales said:

"I don't think so. You understand, we fulfill every promise we make to people. We deliver exactly what we say we're going to do. . . . If I gave the [AFNE] list to another list broker, they would get 20 percent. Why should I do that? Why should that not go to a firm I own, especially when I did the direct mail?"

Mr. Clinkscales was interviewed in mid-May at his Falls Church office. For more than a month thereafter, *The Sun* made persistent efforts to reach him with additional questions, but he failed to return any calls.

"I can't explain it," Mr. Clinkscales's press aide, Steve Deangelo, said on Sunday, June 27. "I guess you'd say he's incommunicado."

Two days later, a *Sun* reporter went unannounced to the Falls Church office with the intention of

again interviewing Mr. Clinkscales as well as Mr. Lee.

Mr. Clinkscales was not present, according to Mr. Deangelo. Mr. Lee closeted himself in his office, refusing to be interviewed.

"He cannot talk to you unless Curt gives him approval to talk to you," Mr. Deangelo said.

Later the same day, however, Mr. Deangelo visited the Washington Bureau of *The Sun* and provided Mr. Clinkscales's written responses to the written questions presented to the press secretary that morning. Mr. Clinkscales's comments in this article thus are drawn from the earlier interview and his subsequent written answers.

Mr. Clinkscales has been associated with a number of conservative causes over the years. He was nation-

al director of Accuracy in Media, an organization that monitors the press for left-wing bias and unfairness, in 1976-1977.

He also worked as political consultant and fund-raiser in 1979 for a Philadelphia-based PAC that sought to persuade former Treasury Secretary William E. Simon to run for president in 1980.

In addition, Mr. Clinkscales serves on the executive committee of the National Conservative Political Action Committee. As previously reported in this series, his firm, CLCO, has received from NCPAC payments totaling about \$35,000.

Moreover, his firm also does direct mail fund-raising for the National Conservative Foundation, a NCPAC spin-off, although Mr. Clinkscales

said he has no formal tie to that organization.

He refused to divulge how much money CLCO is paid by the foundation, which like NCPAC is headed by his old Georgetown University friend John T. (Terry) Dolan, but said NCF "could be one of our largest clients."

Mr. Clinkscales in March registered with the Federal Election Commission his latest non-profit organization, the Save Social Security PAC, which has been promoted in National Alliance publications.

"I believe Social Security is a conservative issue, not a liberal issue," he said. "It's been given over to liberals because conservatives run away, because of fear that taking a responsible stand on Social Security will get them defeated at the polls. . . . So

Save Social Security PAC will try to put some guts behind certain congressmen."

"This issue is going to blow up in the liberals' faces," he continued, "and I want to be the man who puts the charge under it."

Mr. Clinkscales said he would write the solicitation letters for the PAC free of charge, but CLCO will not handle the direct mail business.

"Again, I'm the most qualified person to write this stuff," he said.

Who will broker the mailing list?

"The SSSPAC list doesn't exist yet, so I am unsure who will handle it," he replied.

TOMORROW: Anti-abortion PAC sought to help the campaign of a congressman who says he didn't want it.

Anti-abortion PAC sticks to fund-raising

7-15-82

By Robert Timberg
Washington Bureau of The Sun

Washington—A political action committee headed by an Ohio state senator and boasting an Idaho congressman as honorary chairman has papered the nation in recent years with letters seeking money to defeat public officials it calls "baby killers."

But the ambitious political program laid out in the letters—including campaign contributions, political seminars for anti-abortion activists and "on-the-spot, up-to-the-minute" campaign aid for pro-life candidates—has never materialized.

Instead, most of the money has been recycled to pay for more fund-raising letters, which is virtually all

the group has done during its three-year existence besides give its honorary chairman a \$200 contribution a few months ago.

In fact, of the \$189,215 raised by the group during the last three years, \$145,623 (77 percent) went to pay three northern Virginia firms with direct ties to the organization itself.

The firms—Martin Advertising Agency, Inc., of Vienna; Metro Print-

ing and Mailing Services, Inc., of Sterling, and Caging Corporation of Virginia, also of Sterling—handled separate elements of the direct-mail operation.

The group's actions demonstrate the ease with which a free-standing "non-connected" political action committee can disregard statements it makes to contributors and spend money it collects from them in a distinctly different way if PAC leaders so choose.

And, even though the nonprofit group bragged in fund-raising letters about low overhead and supposedly all-volunteer leadership, its operation further illustrates the extent to which tax-free contributions flow to private, for-profit firms in the unregulated PAC business.

The PAC is called Americans for Life, but for a time it also called itself "Stop the Baby Killers." Representative George V. Hansen (R, Idaho) is honorary chairman. The chairman, Donald E. (Buz) Lukens, is an Ohio Republican state senator and former congressman long active in the conservative New Right movement.

Representative Hansen failed to return phone calls, but his executive assistant, L. Arlen Withers, said the congressman had merely "lent his name" to the group, something he has done for 15 to 20 organizations in recent years.

"To none of them does he lend any time," Mr. Withers said. Asked how much responsibility the congressman

THE PAC POLITICAL ACTION COMMITTEE BUSINESS

Fifth of a series

pursue and develop their projects in the hope that they will make a major contribution to society. So far, the program has resulted in awards to 60 individuals, 19 of whom were selected last week.

"The criteria for who gets fellowships is sort of hard to pin down," said Rachel Newton, assistant director of the MacArthur Prize Fellows Program, based in Chicago, "but it seems to be evolving into this: We are looking for someone who has an exceptional dedication to an endeavor in any field—the humanities, arts, sciences, for instance—and has achieved an outstanding accomplishment in that field. But even more important than the accomplishment of the individual is his future promise."

"The question we ask ourselves is 'Will it make a difference to this person if we give them five years of freedom from economic constraints?' Be-

'There is the feeling that he really is going to come up with something very important. He's made a large number of original theoretical proposals in the area of unified quantum field theory.'

Rachel Newton,
MacArthur official

cause, essentially, that is what it is: five years of freedom. We make no demands on them to report to us during that five years. We tell them there are no strings attached and we mean it."

The amount of the award is based on the recipient's age, with a \$24,000 annual minimum for individuals 21 or under, and a maximum of \$60,000 for winners 60 and over. The awards increase by \$800 increments for every year over 21. Recipients also receive full health coverage, so the total value of Dr. Witten's award will be \$164,000. Checks are mailed monthly to the grantees.

At 30 Dr. Witten, who grew up in Baltimore county and Northwest Baltimore and attended Wellwood Elementary School, Sudbrook Junior High and Park School, is one of the youngest of this year's award winners.

Ms. Newton explained the selection of Dr. Witten: "There is the feeling that he really is going to come up with something very important. He's made a large number of original theoretical proposals in the area of unified quantum field theory. He is very, very productive and his consis-

tently and totally original concepts are really startling."

"Well, I was quite surprised and thrilled to get the award," Dr. Witten said when told the foundation had selected him for his "original" and "startling" work.

"One of the main developments in physics in the last 10 or 15 years has been to understand that protons and neutrons are made out of quarks—smaller particles, that is. And one thing I'm working on is to understand new aspects of quark interaction," he said. "But I never expected anything like this."

Others, however, who knew Edward Witten in his high school days are not at all surprised at the news that the young man who went on to receive a BA from Brandeis University and a doctorate in physics from Princeton University now is the recipient of a prestigious award.

Park School English teacher Kenneth Greif, who taught young Witten in the ninth and tenth grades and was singled out by his former student as an inspirational teacher, recalls that both teachers and peers regarded him as "brilliant."

Dr. Witten's aunt, Ethel Klavens, of Pikesville, recalls that her nephew always had a natural scientific bent and often was ahead of his teachers.

"The public schools didn't know what to do with him. They skipped him from the fifth to the seventh grade and then when he was at Park School, they had a professor from Hopkins teaching him math."

"But Edward always liked to write, too. When he was 12 years old, he was always writing letters to the editor.... And they were printed. Usually they were about politics. He was very opposed to the war in Vietnam."

Dr. Witten's parents now live in Cincinnati, where his father teaches physics at the University of Cincinnati. (His parents were unavailable for comment yesterday.)

Dr. Witten, who lives in Princeton, N.J., with his wife and 2-year-old daughter, says he is not sure how he will use the money. "This just came out of the blue and I haven't had any time to make plans or think about it much."

The MacArthur Foundation was established in December, 1978, a month before the death of its founder, John D. MacArthur, who amassed a fortune in insurance and real estate. The stated assets of the foundation, according to Ms. Newton, are \$935 million but "could turn out to be quite a bit more once some large pockets of real estate are sold off, which is in the works right now."

Some estimates place the eventual assets figure around the \$2 billion mark, which would make it one of the country's wealthiest foundations.

The foundation, which is run by the founder's son, J. Roderick MacArthur, has an elaborate selection process.

In 1981 the foundation named 41 MacArthur Fellows.

took for the actions of such groups, he replied, "Hopefully none."

State Senator Lukens, a Washington public relations consultant, said Americans for Life was unable to follow through on the plans it set forth in its mailings to contributors because of recurring financial difficulties.

"We've been in money trouble since the day we started," he said. "We were slaughtered by the cost of stamps. ... The postage just destroyed us."

But he also maintained, as did James L. Martin of Martin Advertising, that direct mail proved to be an ideal political weapon in the 1980 campaign, when all four of the group's senatorial targets were defeated.

"We banged them and hurt them," said Mr. Martin, arguing that the targeted senators never were able to shake the "baby killer" label once it had been applied to them in Americans for Life fund-raising letters.

A campaign aide to South Dakota's George McGovern, one of the targeted senators, seemed to support Mr. Martin's contention in a *Sunpapers* interview shortly after the 1980 election.

"We had cases when a Catholic priest would step down from the pulpit, lift up a baby and say, 'I ask you to vote for life. Vote against the baby killer,'" recalled George V. Cunningham, the aide.

Mr. Martin also cited heavy start-up costs to explain the PAC's failure to carry out the plans mentioned prominently in the fund-raising letters.

"Give us three or four more years and we'll be making those contributions," he said of the three-year-old PAC.

Regarding what he termed "almost an incestual relationship" between the PAC and the firms that serve it, Senator Lukens said, "You deal with people you trust the most."

"I do not think you can say fairly that these guys are rolling over a lot of money," he said.

He also maintained that a hard-hitting direct mail campaign was "the major thing" the group planned to do. "Direct mail is our newspaper," he said. "The educational value of direct mail is almost as important as the money."

Asked why contributors were never told that their money would go to underwrite a direct-mail campaign, he said, "It is not something that lends itself to selling the people you're talking to."

Asked if contributors had been misled, he said, "I sure hope not."

"I see what you're saying and it's a good point," said Mr. Martin, who wrote the letters. "It certainly wasn't meant to be misleading."

"We've never said it directly," he added. "I think we've implied it."

Americans for Life registered with the Federal Election Commission as a "non-connected" political action committee—one not connected to a fixed-membership organization like a corporation or labor union—in May, 1979. Not long after, it fired off its first fund-raising letter.

The letter was graphic. Prospective contributors were told that Americans for Life was devoted to defeating four senators and one congressman—"men who apparently think it's OK to slaughter unborn infants by abortion."

Hammering home its message, the letter continued: "Abortion means killing a living baby, a tiny human being with a beating heart and little fingers ... killing a baby boy or baby girl with burning deadly chemicals or a powerful machine that sucks and tears the little infant from the mother's womb."

"And to my way of thinking, that's just plain murder," said the letter, signed by Senator Lukens.

The letter told contributors that their money was needed to implement a plan to defeat the 1980 reelection efforts of five Democrats—Senators McGovern, Frank Church (Idaho), Birch Bayh (Ind.), John C. Culver (Iowa) and Representative Robert F. Drinan (Mass.), a Catholic priest who subsequently bowed to a papal edict and did not seek reelection.

"Here's how we're going to defeat these 5 Political Baby Killers," the 1979 letter said, detailing its plans as follows:

"STOP THE BABY KILLERS will give direct campaign contributions to the anti-abortion opponents of these Political Baby Killers ... up to the \$5,000 per candi-

diate that's allowed by law. ...

"Just imagine how much \$5,000 will do to help defeat George McGovern in a thinly populated state like South Dakota!"

But according to reports on file at the Federal Election Commission, Americans for Life did not make a single contribution to any candidate during the 1979-80 election cycle.

The sole contribution made by the group was in February, 1982, barely four months ago, FEC records show. The beneficiary was Representative Hansen, the group's honorary chairman, who received \$200.

Senator Lukens said he recalled authorizing "four or five \$100 contributions to key members of Congress" and was at a loss to explain their failure to show up in FEC documents. "I specifically authorized it," he said, seemingly nonplussed.

"I felt it was important that we at least stake a claim that we were making contributions," he said.

The letter continued: **"STOP THE BABY KILLERS will sponsor campaign seminars, free of charge, for anti-abortion political activists."**

"Our campaign experts will teach Pro-Life campaign staffers how to get out the vote, how to organize a political precinct, how to recruit volunteers, how to effectively use political advertising and other essentials of a winning, anti-abortion campaign."

But FEC reports show no expenditures for campaign seminars, and Senator Lukens said none was ever held.

"The question is whether you do that rather than just building the [mailing] list," he said.

"STOP THE BABY KILLERS will fly campaign experts into states where we've targeted Baby-killing incumbents for defeat. Our political experts will provide on-the-spot, up to the minute advice for the ... problems that each Pro-Life campaign faces."

No such payments are shown on FEC reports, and Senator Lukens said none was ever made.

"STOP THE BABY KILLERS will help anti-abortion candidates hire the best political pollsters available. With our help, the Pro-Life candidates will have accurate political polls and know the political weaknesses of the Baby Killers we want to defeat."

No expenditure for this purpose is shown on FEC reports.

Americans for Life, in its fund-raising letters, also informed prospective contributors that it "keeps its overhead to a bare minimum so your gift of \$15, \$25, \$50, or whatever you can afford will be put to maximum use."

"In fact," the letter continued, **"STOP THE BABY KILLERS has no paid staff. The Officers and Advisors of STOP THE BABY KILLERS are all volunteers."**

Despite that claim, FEC records and interviews with those involved demonstrate that some of those close to the organization were in a position to benefit from business the PAC generated.

First there are the PAC's founders, whom Senator Lukens identified as himself, Mr. Martin and Jeffrey Coman.

There is no indication on FEC records that Senator Lukens profited personally from the operation of the PAC.

Mr. Martin, however, owns the Martin Advertising Agency, a direct-mail advertising firm. Mr. Coman works for him. In addition, Mr. Coman's father, Edward F. Coman, was the assistant treasurer of Americans for Life.

FEC records show payments totaling \$90,916 to Martin Advertising, the Vienna (Va.) firm which handled the

so-called "creative" end of the direct-mail operation.

Mr. Martin said he did not consider himself a founder of the PAC and saw nothing improper in his efforts on behalf of Americans for Life. Neither Edward Coman or Jeffrey Coman could be reached for comment.

The PAC's treasurer, Michael T. Patrick, is a Sterling (Va.) accountant who Senator Lukens said also helped start Americans for Life.

Mr. Patrick is identified on Virginia corporate records as secretary-treasurer of Metro Printing and Mailing Services, Inc., a Sterling firm owned by his brother, Larry A. Patrick, which printed and otherwise processed the fund-raising letters. Michael Patrick also is listed as a member of Metro's board of directors.

Americans for Life has made payments to Metro Printing and Mailing totaling \$49,693, FEC records show. According to the most recent FEC report, which covers the first three months of 1982, the PAC still owes the firm \$17,206.

Michael Patrick also owns the Caging Corporation of Virginia, essentially a counting house for direct mail contributions. The firm received payments totaling \$5,014 for counting the money contributed to Americans for Life.

Mr. Patrick said he does not receive any salary or benefits from his brother's printing firm.

He also said that even though he is the PAC's treasurer, he is not involved in the selection of contractors who service the organization, most of

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which he said was done by Mr. Martin.

"All I do is the accounting and bookkeeping work," he said. "We have a contract with Martin. He gets the printing, mailing [and] list rental wherever he can get the best price."

Asked whether he saw a conflict of interest resulting from his position as treasurer of a PAC that does substantial business with his brother's firm, Mr. Patrick said, "I have nothing to do with who does the printing and mailing for Americans for Life."

Asked if there might be a conflict problem as a result of his company's handling the PAC's caging business, he replied, "None that I know of. ... I haven't been paid for a while. That's a problem." FEC records show a \$5,834 debt to Mr. Patrick for bookkeeping services.

Regarding the failure of Americans for Life to follow through on its plans, Mr. Patrick said, "We had a lot of big plans, but we never did get the big money. That changes your plans."

"It's not anything like you might think," he said of Americans for Life. "It's hard-core, legitimate."

Larry Patrick, of Metro Printing and Mailing, said he had nothing to do with the formation of the PAC. "It's just a business relationship," he said. "We do a lot of work for some of the fund-raisers, and this just happens to be one of them." Metro Printing and Mailing does in fact serve a number of political accounts, FEC records show.

Of Americans for Life, he said, "They didn't raise enough money to pay for half the printing costs and postage."

Ex-Senators McGovern, Church, Bayh and Culver were targeted for defeat by numerous organizations, not just Americans for Life. They included the Republican National Committee, National Republican Senatorial Committee, National Conservative Political Action Committee, with other elements of the New Right coalition, and several anti-abortion groups.

This year Americans for Life has targeted for defeat four Democratic senators, including Maryland's Paul S. Sarbanes.

TOMORROW: C. C. Clinkscales III heads a political action committee that wants to take the Social Security issue away from liberals.

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO 12192 WASHINGTON, D.C.

STOP THE BABY KILLERS

for LIFE

A Political Action Project of Americans for LIFE
418 C Street, N.E. • Suite 301 • Washington, D.C. 20002

Dear Friend:

Please take a second right now to look at the outrageous pro-abortion political propaganda I've enclosed. And then help me STOP THE BABY KILLERS by signing and mailing the enclosed anti-abortion postcards to your U.S. Senators. (You'll find a list of all U.S. Senators on the back of that sickening baby killer propaganda.)

These anti-life Baby Killers are already organizing, working and raising money to re-elect pro-abortionists like Senator George McGovern, South Dakota...Congressman Robert Drinan, Massachusetts...Senators John Culver, Iowa...Frank Church, Idaho...Birch Bayh, Indiana...men who apparently think it's perfectly OK to slaughter unborn infants by abortion.

It's urgent that you sign and send the enclosed Pro-Life postcards to your U.S. senators...keep the pressure on them to vote against abortion.

Because "abortion" is just a fancy word for murder. Abortion means killing a living baby, a tiny human being with a beating heart and little fingers...killing a baby boy or baby girl with burning deadly chemicals or a powerful machine that sucks and tears the little infant from its mother's womb.

And to my way of thinking, that's just plain murder.

As I write you this letter, the Baby Killers are already working frantically for their 1980 political goal:

To pack the U.S. Senate and House of Representatives with men and women who will free abortion.

So I am asking, pleading, for you to make a gift of at least \$15, even \$25, or \$50.

We need \$275,000 to STOP THE BABY KILLERS and I don't know who else to turn to.

STOP THE BABY KILLERS has no paid staff. The Officers and Advisors of STOP THE BABY KILLERS are all volunteers.

So please...help STOP THE BABY KILLERS...help us defeat our 5 targeted pro-abortion Senators and Congressmen with your generous contribution of \$15, \$25, \$50, or more...and mail your postcards today!

Sincerely,
Donald E. Lukens
Donald E. Lukens
Senator, Fourth District
Ohio

Sun Graphics

'Americans for Life' PAC's payments to insiders

Name & Company	Relationship to PAC	Payment
James L. Martin Martin Advertising Agency	PAC founder	\$90,916
Larry A. Patrick Metro Printing & Mailing Service Inc. of Vienna Va.	Brother to PAC treasurer	\$49,693
Michael T. Patrick Caging Corporation of Virginia	PAC treasurer	\$5,014
Total payments (77% of funds collected)		\$145,623

'Americans for Life' raised \$189,215 in the last three years.

Sun Graphics

Liberal PROPAC set up to counteract

"I'm prepared to say that what's happened on the right is a disaster today and we better start addressing it, and if they need a disaster on the left before they start addressing it, then we're prepared to give them that disaster."

Victor Kamber.

7-14-82

By Robert Timberg
Washington Bureau of The Sun

Washington—If disaster is what he's cooking up, Victor Kamber has precisely the recipe. In a field notoriously lacking in safeguards, his liberal Progressive Political Action Committee is moving toward new heights of unaccountability.

But Mr. Kamber knows he's playing with fire. He swears he planned it that way, insists he's not making any money on the venture and is willing to show you his books to prove it. Of course, Mr. Kamber keeps his own books.

"I really believe if you're going to throw stones, you've got to live in a glass house and I'm prepared on this issue to live in a glass house," he says.

PROPAC is one of the liberal political-action committees that emerged in the wake of the 1980

elections with the avowed intention of counteracting the rough-and-tumble tactics of similar, more established groups on the right.

The organization has won the support of two Maryland representatives, both liberal Democrats. Barbara A. Mikulski (3d) is quoted on a brochure as saying, "We need constructive organizations like PROPAC as one of our frontline S.W.A.T. teams."

And Parren J. Mitchell (7th), in a fund-raising letter endorsing PROPAC, said, "We simply can't sit back and let the progressive tradition of American politics... be overturned by right-wing reactionaries and fundamentalist fund-raisers."

Mr. Kamber established PROPAC in January, 1981, primarily to wage war against the National Conservative Political Action Committee, the

heavily financed, freewheeling right-wing juggernaut.

Financially, it is a David-and-Goliath battle. According to the latest Federal Election Commission reports, NCPAC—established in 1975—has raised \$6.8 million for the 1981-82 election cycle; PROPAC raised \$262,000, but Mr. Kamber said recent receipts have lifted his group close to the \$400,000 mark.

In addition to his frontal assault on NCPAC, Mr. Kamber seems to be performing some audacious guerrilla theater to dramatize his contention that in the PAC business, "you can

say anything you want to say, do anything you want to do."

His vehicle is PROPAC, a political-action committee so utterly lacking in controls that even libertarian John T. (Terry) Dolan, NCPAC's national chairman, might be flabbergasted.

Mr. Dolan, as reported yesterday, runs NCPAC with a handpicked board and executive committee characterized by interlocking relationships with the private firms that service his organization.

THE PAC POLITICAL ACTION COMMITTEE BUSINESS

Fourth of series

Mr. Kamber, 38, avoids such potentially sticky problems simply by operating with no board, no executive committee—nothing to oversee PROPAC's business and political activities. For all practical purposes, PROPAC begins and ends with Victor Kamber.

Thus, if NCPAC bruises voluntary guidelines for soliciting organizations by failing to have an active, independent board of directors or similar governing body, PROPAC all but shatters them.

Lending an even more striking aspect to PROPAC is the fact that the private business most deeply imbedded in its operation is The Kamber Group, a two-year-old Washington public-relations firm with a growing direct-mail advertising arm.

The Kamber Group, headed by Mr. Kamber, houses PROPAC at its suite of offices in a downtown Washington high-rise. The firm also collects and counts PROPAC's contributions and pays many of its bills, for which the company is reimbursed.

PROPAC thus embodies many of the things that are questionable about the creation and business practices of political-action committees, especially the free-standing types called "non-connected" PACs by the Federal Election Commission because they are affiliated with no parent organization.

As Mr. Kamber acknowledges, PROPAC is not only the brainchild of a respected political activist long

identified with the labor movement, but also of a hustling public-relations man with direct mail fund-raising expertise.

In addition, his private firm sends out the letters. The money that comes in moves first through his company before reaching the PAC. Some of the money makes its way to private vendors via the same route. And no one is watching.

No independent watchdog group monitors the business practices of political committees, but two organizations oversee charities and have formulated non-binding guidelines for so-called soliciting organizations—which PROPAC clearly is by virtue of its heavy reliance on direct mail fund-raising.

Both the National Information Bureau, in New York City, and the Council of Better Business Bureaus' Philanthropic Advisory Service, in Arlington, say an involved, independent board with no financial ties to the soliciting group is needed to protect contributors.

Mr. Kamber, defending his decision not to create a board, says he purposely set up PROPAC as he did to "show up" a flawed system that has fostered the growth of right-wing PACs, encouraged their tactics and ignored their cozy business relationships.

He says the loopholes in federal election law that have made possible a NCPAC will never be plugged until liberals show they can create and fund organizations of equal ferocity.

Mr. Kamber says he intends to be "as outrageous as you can be within the bounds of decency and propriety and responsibility, but by being outrageous, to point out the inequities of the system."

"Right now, the Democrats and liberals can scream all they want about NCPAC," he said. "Republicans nod their heads and say we don't like it, but they're not about to do anything about it as long as they get the benefit of it."

"The minute you start getting two

equal forces doing something that is counter to the system as we know it, it seems to me they will either close up the loophole or in some way start addressing it."

Mr. Kamber, in fund-raising letters to contributors, has sworn eternal vengeance on NCPAC and the resurgent right wing.

But those contributors have not been informed in those letters that an important, if secondary, part of Mr. Kamber's agenda—at least as he explained it to *The Sun*—is to highlight NCPAC's lack of accountability by going it one better.

Nor is that element evident in PROPAC brochures and other literature he provided.

At times during an interview, Mr. Kamber sounds like a deeply motivated political activist trying through legal if somewhat bizarre methods to purify a system he believes is polluted by the PAC phenomenon.

At other times, his comments reveal another side, that of a business

man acutely aware that PROPAC at some point could prove financially beneficial to him.

He says, for example, that through PROPAC he hopes to demonstrate that "an absolute nobody could go out today and, if they have the technological skills, generate dollars and become a political force."

Moreover, of NCPAC and PROPAC, he says, "Hopefully both will die."

He also says that he and The Kamber Group have gone to extraordinary lengths to avoid making money from PROPAC, accepting essentially a token \$1,000 monthly fee for services to avoid entanglements with federal election law. That law forbids in-kind as well as monetary corporate contributions in connection with federal elections.

The only other PROPAC money that goes to him or his firm, he says, is reimbursement for such things as phone bills, messengers and delivery services because there is "no way to separate the bills."

groups on right

FEC reports covering the period January, 1981, to March, 1982, show payments totaling a modest \$13,608 to The Kamber Group but none to Mr. Kamber himself. He says he accepts no pay for his efforts on behalf of PROPAC.

He also says The Kamber Group, contrary to its usual company practice, has no rights to PROPAC's 10,000-person mailing list, even though co-ownership of lists is prevalent throughout the direct-mail industry.

"All of this is to protect us," he says. "I made it a point that we did not co-own the list so there could be no question."

Despite such sentiments, he also says, for example, that if PROPAC were to start bringing in perhaps \$1 million a year, he might drop out of the PAC management, establish a board of directors and try to make some money on the operation.

"If there's going to be monies earned in a real sense, as opposed to hiring [other fund-raisers], I would hope The Kamber Group would be retained and could make the profit that is made in the direct-mail field from

a successful PAC," he said. "I have no qualms about that."

He also recognized the potential for abuse resulting from his association with PROPAC. "I could create my own client," he said in an earlier interview. "I could get rich. On PROPAC, Vic Kamber could get rich."

Asked if he is accountable to anybody, he replies, "No. I mean, accountable to my conscience, and to my integrity, and to the [extent] that we've indicated that everything is open. But in fact, does anybody look over our shoulder? No."

He scoffs at the idea that boards of directors provide safeguards for contributors, saying he made a "conscious decision" not to create one because such bodies are little more than a device "to make you look good or respectable or clean."

"How do we differ from anything with a board if the boards are phony organizations, if the boards are paper tigers?" he asked. "To find 10 people to say, 'Right on,' I mean it's crazy. Anybody can do that, or you shouldn't be in this thing."

He also says he is concerned about possible embarrassment if he were to recruit a board. "If you involve a bunch of prominent people, and you fall on your face, you embarrass them and you embarrass yourself," he said.

Having said that, however, he adds, "A board restricts you, a board frustrates you."

"I found liberals eat themselves up," he says. "You get three liberals in a room and there are four separate ideas and five separate arguments that start about which way to go."

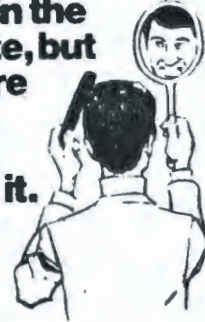
But doesn't that mean that the 10,000 people who so far have bank-rolled PROPAC to the tune of \$400,000 simply have to trust him and him alone to act responsibly, ethically and to spend their money wisely?

"Hm, I guess in the simplest sense, and defined in the simplest terms, probably that's true," he replied. "They've got to trust, yeah, I guess they do, Vic Kamber."

TOMORROW: One PAC has raised money but restricted its activities to mass mailings.

PROPAC (Progressive Political Action Committee) advertising

Jack Schmitt may not get much done in the Senate, but he sure looks good doing it.



LOOKS ARE DECEIVING!
LOOKING LIKE A SENATOR
ISN'T GOOD ENOUGH
NEW MEXICO NEEDS A
SENATOR WHO GETS
THINGS DONE



AGAINST JACK SCHMITT

WHEN ORRIN HATCH CRIES "WOLF", BIG BUSINESS SENDS MONEY.



MAYBE ORRIN HATCH IS A WOLF IN SHEEP'S CLOTHING.



AGAINST ORRIN HATCH

WHEN ORRIN HATCH SAYS HE LIKES THE HOUSTON OILERS, HE'S NOT TALKING ABOUT FOOTBALL



If Senator Hatch is worth so much to Out-of-State interests, is it because he represents them better than he does you?



IF YOU THINK JESSE HELMS IS AGAINST BIG GOVERNMENT, THINK AGAIN!



TO KEEP GOVERNMENT AND JESSE HELMS OUT OF YOUR BEDROOM, YOU MUST FIRST GET JESSE HELMS OUT OF THE SENATE



AGAINST JESSE HELMS

Sun Graphics

PROPAC takes on Senator S. I. Hayakawa

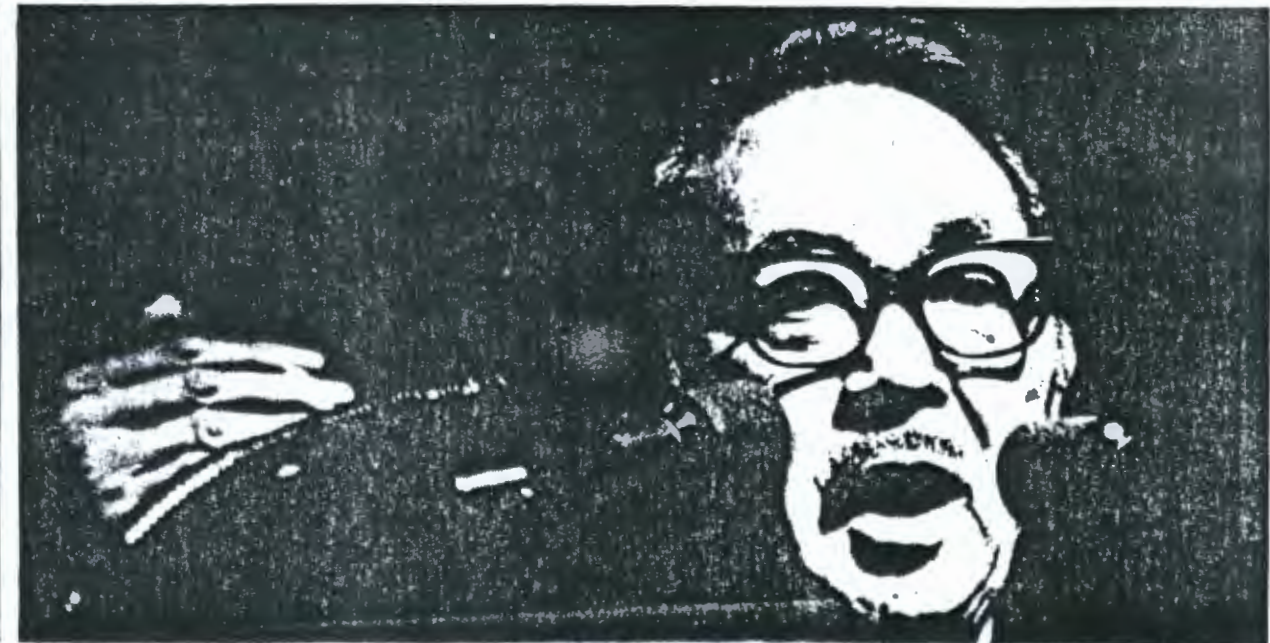
When California Needs the Best, Hayakawa's Among 'the Worst'



"Hayakawa... still has trouble mastering some of the rudimentary details of his job six years after he started it!"
Washington Monthly, January 1988



PROPAC AD



SENATOR S. I. HAYAKAWA

Sun Graphics

Balt. Sun
7-14-88

Insiders in NCPAC operate group

7-13-82

By Robert Timberg
Washington Bureau of The Sun

Washington—The National Conservative Political Action Committee, like other political action committees, conducts its business activities in an atmosphere largely free of regulation, with no independent organization monitoring its dealings.

The few independent groups that do look at soliciting organizations have confined their efforts almost exclusively to charities. The Federal Election Commission generally does not intervene in the relationship between a political action committee (PAC) and its con-

tractors so long as transactions are reported accurately. As a result, PACs continue to make up the rules as they go along.

If those agencies did extend their guidelines to political organizations, however, NCPAC and many other pillars of PAC society would not pass muster.

The primary failing would be their organizational structure, especially the failure to establish internal safeguards to protect the hundreds of thousands of small contributors who bankroll the PAC business.

Guidelines for soliciting organizations invariably call for an active, independent board of directors or other governing body made up of individuals who are not making money on the group.

Stephen H. Winchell, a major Republican

Party direct mail fund-raiser, strongly endorsed standards calling for an arm's-length relationship between boards and the nonprofit organizations they oversee.

"You absolutely have to have an independent board that asks the tough questions," he said. "There's a bond here that can't be broken with those contributors—an implicit moral bond."

Lacking even voluntary standards, NCPAC is able to operate like a family business in which favored relatives share in the take.

John T. (Terry) Dolan, in fact, thinks the word "family" accurately portrays the tight circle of businessmen who have profited

through their participation in NCPAC's conservative crusade.

"Of course it's a little family," said Mr. Dolan, NCPAC's national chairman and a major figure in the conservative New Right movement. "The whole movement's a little family. We socialize with each other, we sign fund-raising letters for each other, we go to each other's places for dinner. . . . Guilty, we are guilty."

The family does not starve. Five of its members, by *The Sun's* calculations, have received payments totaling about \$6.5 million from the \$17.7 million pot the group has

amassed since it was established in 1975.

All five have been part of NCPAC's creation or development, or personally close to Mr. Dolan. Most prominent, as reported yesterday, is direct mail fund-raiser Richard A. Vi-guerie, who helped start NCPAC and whose firms received payments of \$4.72 million through January of this year.

Other insiders who benefited from NCPAC spending include:

- Arthur J. Finkelstein, a Mount Kisco (N.Y.) pollster and political consultant who was part of the founding group and later served on NCPAC's board of directors. Payments to Mr. Finkelstein and his firms totaled \$261,533.

THE PAC BUSINESS

POLITICAL ACTION COMMITTEE

Third of series

- D. Richard Geske, 36, a direct mail specialist who shared a house in Arlington with Mr. Dolan for "two or three years," an arrangement that ended in the summer of 1980, according to Mr. Dolan. Mr. Geske's Alexandria-based firm, Mediamerica, Inc., has received payments totaling \$1.3 million.

- J. Curtis Herge, 43, a McLean (Va.) attorney who serves as NCPAC's lawyer and as a member of its executive committee, the group that oversees NCPAC activities and spending. His firm, Sedam and Herge, has been paid \$177,779.

- C. C. Clinkscales III, a Falls Church (Va.) conservative activist who combines politics with a direct mail fund-raising business. He has served on NCPAC's board and has been a member of its executive committee since it was created in the late 1970s. His company and a subsidiary have been paid \$34,761.

Mr. Clinkscales also confirmed that his company, CLCO, Inc., handles direct mail for a NCPAC affiliate, the National Conservative Foundation, also headed by Mr. Dolan. The foundation, Mr. Clinkscales said, "could be one of our largest clients."

Mr. Dolan neither disputed *The Sun's* calculations nor apologized for NCPAC's business methods.

"I don't take any of those as criticisms," he said. "To the extent they are criticisms, I don't care." NCPAC's choice of contractors is based on getting the best job for the lowest price, he said.

Mr. Dolan himself does not seem to share inordinately in the NCPAC bounty. His annual salary, in the \$33,000 range, is low by Washington standards.

No independent, nonpartisan watchdog group monitors the internal operations and business practices of political groups, but two private, nonprofit organizations have established standards for charities that solicit the general public for contributions in much the same way as NCPAC.

Spokesmen for both the National Information Bureau, in New York City, and the Council of Better Business Bureaus' Philanthropic Advisory Service, in Arlington, said their standards should guide any soliciting organization.

"At the heart of those guidelines is the stricture that any soliciting organization should have an active, independent board of directors or similar governing body, a criterion NCPAC cannot meet.

The National Information Bureau says board members should have "no material conflict of interest." The Philanthropic Advisory Service, in a similar vein, says soliciting organizations "shall not engage in business transactions in which board members, staff or their family have a financial interest."

Margery K. Heitbrink, the bureau's assistant director, stressed the importance of the board.

"We feel the board of an organization should be active and responsible," she said. "We feel the board members are trustees for the public. They should be separate from the management of the organization. In a sense, they're trustees of public funds."

Ms. Heitbrink said the bureau does not generally approve of an organization's paid legal counsel, fund-raiser or other provider of goods or services serving on the board or other governing body.

"If a board member provides services, are those services going to get the same thoroughness of evaluation as the services of someone serving outside the board?" she said. "If you're sitting with your peers, do you want to look at your peers' performance? It's awkward at the least."

To the extent that anyone besides Mr. Dolan wields power within NCPAC, it is the executive committee and, to a lesser degree, the board of directors.

Mr. Dolan heads both bodies. The other members of the executive committee are Mr. Herge and Mr. Clinkscales, both of whose firms do business with the organization; Robert L. Shortley, who is Mr. Dolan's brother-in-law; and Rhonda K. Stahlman, hired by Mr. Dolan as his secretary in 1978 and now head of NCPAC's lobbying arm, Conservatives Against Liberal Legislation.

Mr. Shortley has been identified in news reports as a retired FBI agent selected by Secretary of Labor Raymond Donovan's former firm, Schiavone Construction Company, to look into the backgrounds of government officials who were probing Mr. Donovan.

The composition of the board of directors is less clear-cut. In fact, it is thoroughly confusing.

According to Mr. Dolan, the board is made up of himself, Mr. Shortley and Miss Stahlman. The board is listed that way on annual corporate reports filed with the state of Virginia in 1979, 1980 and 1981.

On similar filings for the same years in the District of Columbia (where NCPAC was incorporated), however, Mr. Shortley and Miss Stahlman are listed as directors. Mr. Dolan is not. The third member is Mr. Clinkscales.

Mr. Dolan had no immediate explanation for the discrepancy between the two jurisdictions. In addition, he first said Mr. Clinkscales had never been on the board, then corrected himself to say he had served one year.

Adding to the confusion is Mr. Clinkscales's belief that he currently is a member of the board and has been for some time. "I've been a director since '77, maybe '76," he said in a recent interview.

Asked to assess the independence of the executive committee, Mr. Dolan said, "If I want something, they're going to give it to me. . . . I guess Lee Iacocca [the Chrysler Corporation chairman] has the same arrangement."

Mr. Dolan belittled the role of the board of directors, saying it does "whatever is necessary to keep the organization legal." That means, he said, that it fulfills certain nominal responsibilities set out in NCPAC's bylaws, such as holding an annual meeting.

like a family business

Interlocking relationships also are routine. A few years ago, *Harper's* magazine said charts that purport to display the links within the New Right invariably wind up looking like "an octopus shaking hands with itself." Much the same can be said about NCPAC.

Miss Stahlman, for example, not only is a member of NCPAC's board and executive committee, but she also sat on Mediamerica's board until earlier this year. In addition, for about three years, she has dated the firm's president, Mr. Geske.

Miss Stahlman said she received no payment for serving on the Mediamerica board, which she said she joined because "I was interested in having a company that was run efficiently and didn't have extravagant costs."

"If that's a conflict, so be it," she said.

Mediamerica's board until about a year ago also has included Maiselle Shortley, Mr. Dolan's sister, whom Virginia corporate records for 1979-81 further identify as the company's vice president, a post she said she does not remember holding.

Mrs. Shortley works in the White House as confidential secretary to Morton C. Blackwell, a former Viguerie executive and now a special assistant to President Reagan.

Mrs. Shortley said she left the Mediamerica board about a year ago, because she was not making its meetings regularly and thus did not feel she was making a contribution.

"There was no money involved," she said. "Should I have demanded some?"

Mr. Dolan himself was on the Mediamerica board in 1978-79, but at that time, he said, the firm was partially owned by a NCPAC affiliate, an arrangement that no longer exists.

According to Mr. Dolan, neither he nor his sister ever had a financial interest in the company and have never received money or other material benefits from it.

"I have never made a penny out of it, my sister has never made a penny out of it, and at the time NCPAC had any involvement [through its affiliate Geske never made any money out of it," he said.

Another organization with which Mr. Dolan is associated but from which he said he makes no money is a lobbying organization called Americans for Nuclear Energy.

Mr. Dolan said he is treasurer of the group, which was founded by Mr. Clinkscales and a business partner. However Mr. Clinkscales said that Mr. Dolan was no longer treasurer. Mr. Clinkscales's company handles the direct mail soliciting and mailing list rental for the organization.

Then there is Roger J. Stone, a political operative who helped found NCPAC and, along with Mr. Dolan and Charles R. Black, Jr., was part of the triumvirate that ran the group in its early years.

When Mr. Stone resigned as NCPAC's treasurer in late 1977, after he had won the presidency of the Young Republican National Federation, he went to work as a consultant for Mr. Finkelstein, NCPAC's pollster.

"That's true," Mr. Dolan said, laughing. "You want to talk some more about connections? You know how Roger Stone became chairman of the Young Republican National [Federation]?"

With NCPAC money?

"You got it," Mr. Dolan said. "His campaign office was here. Everybody knew about it and nobody gave a damn. But it was important. It was important for us to control the Young Republican National Federation."

Mr. Stone, 29, who was cited by the Senate Watergate Committee for his role at 19 in the 1972 "dirty tricks" campaign, runs a political consulting firm, Black, Manafort and Stone. One of his partners is another NCPAC veteran, Mr. Black.

"NCPAC certainly helped tremendously in my bid to become YR chairman," said Mr. Stone, noting that the Young Republican chairmanship is an unsalaried post.

He also said he saw nothing improper in going to work for Mr. Finkelstein so soon after leaving NCPAC. "I don't think we awarded them any huge contracts, but I don't think there was any conflict if we had," he said.

"The insinuations are outrageous," Mr. Finkelstein said. "I've known the kid since 1969."

Through November, 1977, the last month in which the Federal Election Commission reports show a salary payment to Mr. Stone, NCPAC had made payments to Mr. Finkelstein totaling \$58,693, including reimbursed expenses.

Political pollster Finkelstein, whose Mount Kisco headquarters is near New York City, also did well through his affiliation with NCPAC. The \$261,533 he received in payments was recorded in NCPAC spending reports as going to him or two firms—Direction Services, of which he was part owner, and Arthur J. Finkelstein and Associates.

In his 1980 book, "The New Right: We're Ready to Lead," Mr. Viguerie referred to Mr. Finkelstein as one of NCPAC's "founders," a fact not widely known.

"NCPAC relies heavily on research and polling, a reflection of one of its founders, conservative pollster Arthur Finkelstein," Mr. Viguerie wrote.

Mr. Finkelstein also sat on NCPAC's board in 1978-79, but Mr. Dolan said the pollster was uncomfortable about it because of potential conflict-of-interest problems.

Said Mr. Finkelstein: "I helped develop [an organization] which in turn hired me to do work. Do I think that was wrong? No, I don't think that was wrong. If I did, I wouldn't do it."

Regarding the \$261,000, he said, "It should have been a lot more. I undercharged. ... I'm a very creative guy, and I'm very good."

NCPAC has dispensed another \$1.3 million since 1978 to a little-known advertising firm headed by Mr. Dolan's close friend and former housemate, Mr. Geske.

Mr. Dolan acknowledged that friendship played a part in the decision to use Mr. Geske's company for some of NCPAC's work, but insisted that the overriding consideration was prompt, high-quality service at reasonable prices.

He also contended that the \$1.3 million figure was misleading, because Mediamerica, though primarily a direct mail operation today, purchased the bulk of NCPAC's television advertising time during the 1979-80 election cycle.

Mr. Dolan said this involved hundreds of thousands of dollars, the vast majority of which went to TV stations, with Mediamerica taking only a commission.

At the same time, Mr. Dolan did not deny the value of NCPAC's patronage to the company, especially in the early stages of its development. "We got them going, no doubt about it," he said.

Mr. Dolan said Mediamerica originally was a NCPAC spin-off, the product of an idea he had to cut costs for his organization and for other conservative groups.

The company, he said, was initially set up in 1978 with 50-50 joint ownership by Mr. Geske and a NCPAC affiliate, the National Conservative Political Action Committee-State Election Fund. NCPAC-SEF and Mr. Geske made small initial investments, between \$2,000 and \$5,000 each, Mr. Dolan said.

NCPAC-SEF was created to assist candidates for state offices and, unlike NCPAC, accepts contributions from corporations, which are forbidden under federal election law for candidates for the U.S. House, Senate or presidency.

In addition to trimming costs for such services as direct mail advertising and media buys, Mr. Dolan said, the plan was to funnel NCPAC-SEF's portion of any profits to conservative candidates in states where corporate contributions are permitted.

Within a year, however, it became clear there would be no profits, Mr. Dolan said. "From a financial point of view, it was a disaster," he said.

The problem, he said, was the conflict between his desire to minimize costs and Mr. Geske's desire for a reasonable profit.

As a result, Mr. Dolan said, the company was sold to Mr. Geske for the same amount NCPAC-SEF had put into it. "He just returned the investment," the NCPAC chairman said.

From that point on, Mediamerica was on its own, though Mr. Dolan said NCPAC was the firm's "predominant client" at first.

"I think we helped, but on the other hand, I helped Art Finkelstein, too," he said.

Asked why he picked Mr. Geske to assist him in creating Mediamerica, Mr. Dolan replied, "Because I knew him, and I knew he could do the job."

Mr. Geske refused to be interviewed, saying he would only consider answering questions in writing. He acknowledged receiving written questions May 27 but has yet to respond.

Mr. Dolan offered no apologies for including Mr. Herge, the lawyer whose firm has been paid \$177,779, on the NCPAC executive committee, even though that body functions like a board of directors in overseeing expenditures and the quality of services, including legal services, provided to the organization.

"Curt Herge's experience with this organization is why he's on the board of directors," said Mr. Dolan, confusing the executive committee with the board, as he often did during the interviews. "If I put a totally unfamiliar lawyer on, he'd be no help to me."

Mr. Herge said he saw no problem with his serving on the executive committee. "Every member of the executive committee and the board of directors knows I'm the general counsel," he said. "In terms of any of the guidelines that govern attorneys, that complies with them."

Balt. Sun 7-13-82

Direct mail specialist Clinkscales, who is on the executive committee and believes he also is on the board, benefited from his association with NCPAC through payments totaling \$34,761 to two firms in which he is part owner.

CLCO, Inc., a direct mail company, received \$33,542 between May, 1979, and January, 1982. A CLCO subsidiary, the 5 M List Company, was paid \$1,219.

Mr. Dolan said Mr. Clinkscales never participates in decisions concerning the hiring of his companies. He added, "Clinkscales does [direct mail] packages for us that almost always are cheaper than everybody else. That's why we use him. He's good at what he does. If he wasn't sitting on the board, I couldn't have his ideas."

Unlike Mr. Dolan, Mr. Clinkscales confessed to being troubled by the appearance of conflict resulting from his dual status as contractor and executive committee member, saying he once sought legal advice to clarify the situation.

"I called Herge," he recalled. "I said, 'Is it OK?' He said, 'It's OK.' ... It's a difficult problem. ... You're the first person to ask it, but I've often wondered why no one else asked it."

TOMORROW: PROPAC, a liberal committee seeking to counteract groups on the right.

The NCPAC Family

Payments to family companies (since 1975)

Name & Company	Relationship to NCPAC	Payments
D. Richard Geske <i>Mediamerica, Inc.</i>	Dolan ex-roommate	\$1,300,000
Arthur J. Finkelstein <i>Arthur J. Finkelstein & Assoc.</i>	Board member	\$261,533
Richard A. Viguerie <i>The Viguerie Co.</i>	NCPAC founder	\$2,070,000
<i>Diversified Mailing Services</i>		\$1,570,000
<i>Diversified Mail Marketing</i>		\$904,549
<i>American Mailing List Corp.</i>		\$139,925
<i>American Communication Corp.</i>		\$4,435
		Total: \$4,720,000
J. Curtis Herge <i>Sedam & Herge</i>	Executive committee member	\$177,779
C. C. Clinkscales III <i>CLCO, Inc., & subsidiaries</i>	Executive committee member	\$34,761

NCPAC collected \$17.1 million from donors since 1975.

Sun Graphics—Ann R. Feild

Top 10 PAC Spenders*

1. National Conservative Political Action Committee	\$1,872,111
2. Independent Action	\$42,820
3. Life Amendment Political Action Committee, Inc.	\$28,692
4. Democrats for the 80's Inc.	\$20,104
5. Progressive Political Action Committee (PROPAC)	\$18,198
6. League of Conservation Voters	\$14,318
7. Ohio Right to Life Society Inc. PAC	\$7,820
8. NRA Political Victory Fund	\$7,788
9. Californians for Better Leadership	\$4,388
10. UAW-V-CAP (United Auto Workers)	\$3,408

*Independent expenditures

Candidates for or against whom the most money was spent:

Senate



Edward M. Kennedy



Paul S. Sarbanes



Robert C. Byrd

1. Edward M. Kennedy— D/MA	\$500 (for); \$545,607 (against)
2. Paul S. Sarbanes— D/MD	\$20,634 (for); \$406,038 (against)
3. John Melcher— D/MT	\$87,090 (against)
4. Robert C. Byrd— D/WV	\$100,046 (against)
5. Lowell P. Weicker, Jr.— R/CT	\$90,930 (against)
6. Daniel P. Moynihan— D/NY	\$60,665 (against)
7. Jesse Helms— R/NC	\$14,548 (against)
8. Orrin Hatch— R/UT	\$14,054 (against)
9. Harrison H. Schmitt— R/NM	
**John C. Culver— D/IA	\$10,930 (for); \$401 (against)
10. Malcolm Wallop— R/WY	\$10,705 (against)

**1980 Senate Race

House



Jim Wright



James R. Jones



Les Aspin

1. Jim Wright— D/TX	\$216,960 (against)
2. James R. Jones— D/OK	\$115,540 (against)
3. Dan Rostenkowski— D/IL	\$57,507 (against)
4. Robert W. Edgar— D/PA	\$3,705 (for); \$8,754 (against)
5. Paul Simon— D/IL	\$8,048 (against)
6. Raymond P. Kogovsek— D/CO	\$7,521 (against)
7. Stephen L. Neal— D/NC	\$7,390 (against)
8. Neal Smith— D/IA	\$7,389 (against)
9. James J. Florio— D/NJ	\$7,101 (against)
10. Les Aspin— D/WI	\$6,054 (against)

Source: FEC Office 6/30/82

Sun Graphics

NCPAC means business for friends on the right

By Robert Timberg
Washington Bureau of The Sun

Washington—She jokingly calls herself the "Miss Lillian of Connecticut" even though her political views have little in common with those of President Carter's mother.

The 66-year-old Fairfield (Conn.) woman, in fact, is much more at home with the hard-edged, right-wing ideology of the National Conservative Political Action Committee and its swashbuckling chairman, John T. (Terry) Dolan.

She is, as it happens, a NCPAC operative—the head of a \$220,000 campaign the Arlington (Va.)-based group has mounted to rid Capitol Hill of Connecticut's senior senator, liberal Republican Lowell P. Weicker, Jr.

How did she qualify for the job? Among her other attributes, Margaret K. (Peg) Dolan is well-connected. She is Terry Dolan's mother.

Mr. Dolan, 81, explained putting his mother in charge of NCPAC's "Republicans

THE PAC POLITICAL ACTION BUSINESS COMMITTEE

Second of Series

to Replace Lowell Weicker" as a "PR gimmick" that has been highly successful in attracting press attention.

And, he added gallantly: "I'd much prefer having Lowell Weicker beating up on Margaret K. Dolan than on me—and so would she."

Mr. Dolan also said his mother received no pay for her efforts on NCPAC's behalf. She thus enjoys a rare distinction. She is one of the few people associated with NCPAC who has not managed to make money off it.

NCPAC is the most prominent of the New Right political action committees that have been waging guerrilla warfare against

moderate-to-liberal elected officials.

But in the course of its efforts to promote conservative candidates and causes, NCPAC has paid millions of dollars to individuals closely tied to its creation and development, or personally close to Mr. Dolan.

Of the \$17.7 million NCPAC raised since its establishment in 1975, *The Sun* has calculated from Federal Election Commission records that about \$6.5 million has been spent through firms whose owners have been intimately linked to the organization.

Profiting most handsomely from his association with NCPAC has been Richard A. Viguerie, 43, the organization's primary fund-raiser, a major player in the conservative New Right coalition and a central figure in the group that set up NCPAC.

FEC records show that firms owned by Mr. Viguerie, perhaps the nation's best-known direct mail fund-raiser, received payments topping \$4.72 million during the period reviewed by *The Sun*.

Lesser-known insiders who benefited from NCPAC spending include Arthur J.

Finkelstein, a Mount Kisco (N.Y.) pollster and political consultant; D. Richard Geske, an Alexandria direct mail specialist; J. Curtis Herge, a McLean (Va.) attorney, and C. C. Clinkscales III, of Falls Church, Va., another direct mail specialist.

Mr. Dolan, who runs NCPAC with a handpicked board and executive committee, said in the course of several recent interviews that favoritism plays no significant part in the selection of persons and firms to do NCPAC work.

"We use them because they're the best," he said of Mr. Viguerie, Mr. Finkelstein, Mr. Geske, Mr. Herge and Mr. Clinkscales.

He agreed, however, that all five could be accurately described as part of what might be called the NCPAC family, a tightly knit group of private businessmen who have profited from NCPAC's political operation.

"You're saying it's tight. It's tighter than you think. So what?" Mr. Dolan said. "If I had a sister in Montana [where NCPAC is trying to unseat Democratic Senator John

See PAC, A6, Col. 1



JOHN T. (TERRY) DOLAN

file NCPAC

NCPAC means business for friends on right

PAC, from A1

Meicher, she'd be running the Montana campaign probably.

"But you see, I don't take any of those as criticisms," he said. "To the extent they are criticisms, I don't care. Those criticisms, to my mind, are a lot less than [saying] that this organization lies or that I said Republicans are nose-pickers, which I never said."

"The payments we have given to anybody who is on the board of directors or who has a close relationship with me as a friend or anything else are always competitive and almost always below the fair market value they would charge anybody else," Mr. Dolan added.

"As I've said a million times, I don't give a damn if anybody makes money off this organization or the conservative movement, if they're producing benefits that are clearly worth the cost."

Mr. Dolan's comment about receiving services "below the fair market value they would charge anybody else" could cause problems for him with the FEC.

FEC regulations state that if there is a difference between what a supplier of goods or services charges a political committee and the supplier's "usual and normal charge," that difference constitutes an in-kind contribution.

"But the law specifically prohibits corporations from making contributions, either monetary or in-kind, in connection with a federal election. The businesses of Mr. Viguerie, Mr. Geske and Mr. Clinkscales all are incorporated."

"I'd love to have them come after us," said Mr. Dolan, who has been in a running battle with the FEC for years. "We get about a complaint a week."

FEC records give no indication that Mr. Dolan personally has shared in the financial windfall created by the organization he masterminds. His salary, he said, was raised in the last year or so to about \$33,000, low for someone in his position by Washington standards.

Before that, he said, his salary was \$25,000, and during one six-month period during the 1977-78 election cycle, when his salary was in the \$15,000 range, he chose not to take it because NCPAC was in financial trouble.

"Someday," he said, "probably sooner than most people think, I'm going to go out and make some money. But if I do, I won't be here."

There also is no evidence that NCPAC's youthful staff receives an

Top 10 Non-connected PAC's, 1981-82

Top 10 Money Raisers:

1. National Congressional Club	\$6,720,039
2. National Conservative Political Action Committee	\$5,879,040
3. Citizens for the Republic	\$1,634,206
4. Fund for a Conservative Majority	\$1,461,239
5. Committee for the Survival of a Free Congress	\$1,408,678
6. National Committee for an Effective Congress	\$1,335,895
7. Committee for the Future of America, Inc.	\$1,046,829
8. Fund for a Democratic Majority	\$1,031,713
9. Republican Senate Majority Fund	\$843,344
10. Independent Action	\$806,570

Top 10 Spenders:

1. National Congressional Club	\$7,328,354
2. National Conservative Political Action Committee	\$5,860,173
3. Fund for a Conservative Majority	\$1,446,343
4. National Committee for an Effective Congress	\$1,416,058
5. Committee for the Survival of a Free Congress	\$1,403,905
6. Citizens for the Republic	\$1,294,001
7. Fund for a Democratic Majority	\$938,532
8. Independent Action	\$800,478
9. Committee for the Future of America, Inc.	\$719,819
10. Republican Senate Majority Fund	\$682,332

Top 10 Contributors to Candidates:

1. National Committee for an Effective Congress	\$106,169
2. Dallas Energy Political Action Committee (DALENPAC)	\$89,500
3. National Conservative Political Action Committee	\$58,566
4. Americans for Constitutional Action (ACA)	\$55,240
5. Republican Senate Majority Fund	\$54,353
6. Citizens for the Republic	\$49,500
7. Louisiana Energy National Political Action Committee	\$46,000
8. Business Industry Political Action Committee	\$39,175
9. HOUAPAC	\$38,017
10. Citizens Concerned for the National Interest	\$38,000

Source: FEC Press Office, 6/30/82

Sun graphic

overly generous share of the organization's bounty. Press secretary Joe Steffen, of Reisterstown, for example, said his pay is \$13,000 a year.

NCPAC, like other PACs in this series, is a nonprofit organization that pays no taxes on contributions and whose individual contributors are eligible for a tax credit of up to \$50 (\$100 on a joint return) on their federal income tax, according to Wilson Fadely, a spokesman for the Internal Revenue Service.

Historically, the group has raised most of its money from hundreds of thousands of small, unrelated donors responding to Mr. Viguerie's direct mail artistry.

An early Viguerie effort for NCPAC, signed by Senator Jesse A. Helms (R, N.C.), for example, warned prospective donors that "your tax dollars are being used to pay for grade school courses that teach our children that cannibalism, wife-swapping and the murder of infants and the elderly are acceptable behavior."

NCPAC's spending patterns illus-

trate the manner and extent to which money contributed to nonprofit organizations flows to private, for-profit firms in the burgeoning PAC industry.

The degree to which middlemen profit from the solicitations of nonprofit groups, of course, is not confined to NCPAC, the conservative movement or political organizations. Charitable groups also have providers of goods and services who must be paid.

In NCPAC's case, however, nontaxable money not only circulates freely through a network of individuals close to the organization, but a web of interlocking business and personal relationships lends, at the very least, a communal coziness to the entire multimillion-dollar operation.

Mr. Viguerie's direct mail activities for NCPAC have never been a secret, but the fact that he was instrumental in setting up the nonprofit organization from which he subsequently prospered has not been common knowledge.

"NCPAC wouldn't be here today if it hadn't been for Richard Viguerie," Mr. Dolan said in one interview. "He set it up."

In a later interview, Mr. Dolan expanded his statement, saying that Mr. Helms—the New Right's congressional champion—joined Mr. Viguerie in creating NCPAC.

"What I should have said is Jesse Helms and Richard Viguerie started NCPAC," Mr. Dolan said. "Viguerie, based on the fact that Helms was going to sign [fund-raising] letters, agreed to do the fund-raising."

According to FEC records, NCPAC payments of \$4.72 million went to five Viguerie firms, all but the last named involved in different phases of the direct mail business, as follows:

- The Viguerie Company, \$2.07 million.
- Diversified Mailing Services, \$1.57 million.
- Diversified Mail Marketing, \$940,549.
- American Mailing Lists Corporation, \$139,925.
- American Telecommunications Corporation, \$4,435.

A sixth company, Diversified Printing Services, was owned by Mr. Viguerie for part of the period reviewed by The Sun, but was sold on a date that could not be determined. While operating under the name Diversified Printing, however, it received NCPAC payments of \$132,000.

NCPAC reported to the FEC that at the end of January, 1982, it owed the Viguerie Company \$29,649 and American Telecommunications \$25,707. American Telecommunications, a new Viguerie firm, does television production.

Mr. Dolan said the \$4.72 million figure was misleading since postage probably consumed 20 to 30 percent of the total. He also cautioned against losing sight of the enormous costs associated with direct mail fund-raising.

At the same time, he agreed that Mr. Viguerie's work for NCPAC paid a big extra dividend to the fund-raiser since, by the terms of the contract, the names of contributors are jointly owned but only Mr. Viguerie can rent or trade the list. NCPAC can only use the list if it sends out mailings through Mr. Viguerie.

And those names are gold? "Oh, sure," Mr. Dolan replied.

"Everybody with Viguerie has that contract," he said confidently, adding: "To the best of my knowledge everybody with Winchell has that contract. I'd be shocked if they did not."

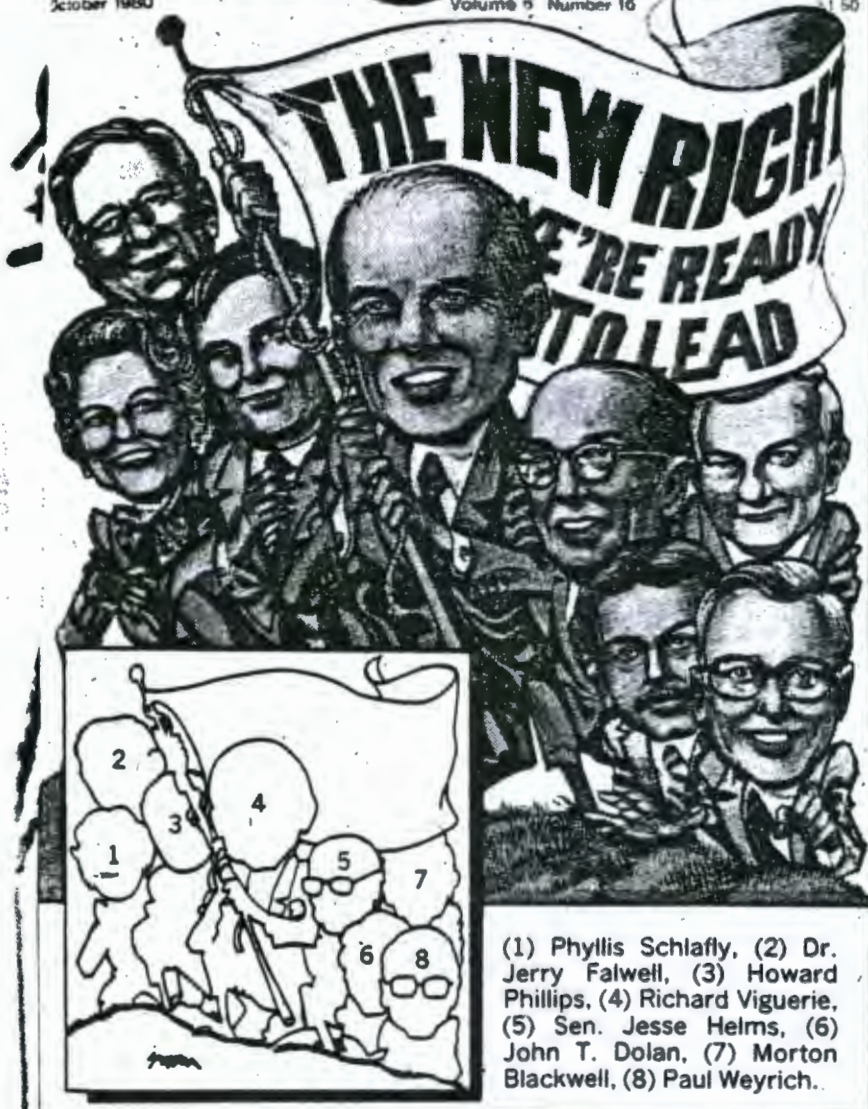
Mr. Dolan was referring to Ste-

Conservative Digest

October 1980

Volume 5 Number 16

\$1.50



(1) Phyllis Schlafly, (2) Dr. Jerry Falwell, (3) Howard Phillips, (4) Richard Viguerie, (5) Sen. Jesse Helms, (6) John T. Dolan, (7) Morton Blackwell, (8) Paul Weyrich.

Sun graphic

The New Right leadership, as seen from the right.

When H. Winchell, a major Republican direct mail fund-raiser, who said the NCPAC chairman was wrong.

"That is not true," Mr. Winchell said. "We do have joint ownership [of mailing lists] with some of our clients. We are free to use them, subject to certain restrictions, and the clients can use them in any way they desire and they can mail with anyone they want to."

Mr. Dolan said he frequently has been upset with Mr. Viguerie over the years, but invariably concludes he is the best in the business.

"If we ended our relationship tomorrow with the Richard A. Viguerie Company, we would be worse off than they would—and that's why we don't end it," Mr. Dolan said.

Mr. Viguerie said he had "no idea" if *The Sun's* figures were correct, saying it could be "twice that much or half that much."

He said he did not consider himself

a NCPAC founder, but added that Mr. Dolan's "memory might be better than mine." He said he has been so busy that "sometimes I can't remember everything I did yesterday, let alone eight years ago."

Asked how much of the money NCPAC paid his firms was profit, he replied, "I estimate gross profit, before we pay our expenses, at roughly 10 percent."

Mr. Viguerie said every decision he makes is based on "how I can advance my ideology," but added: "One of the reasons I took NCPAC was because I thought it would be profitable for the Viguerie Company."

"We don't try to do things that look good in the press," Mr. Viguerie said. "I will opt to defeat the liberal senators and let the stories fall where they may."

TOMORROW: NCPAC's strategy

The political money machines:

By Robert Timberg 7-11-82
Washington Bureau of The Sun

Washington—Political action committees—PACs—have exploded into a virtually unregulated multimillion-dollar industry in which tax-free contributions are transformed into handsome profits for scores of middlemen.

Some PACs maintain an arm's length relationship with the vendors who provide them with services such as printing and mailing. But others, *The Sun* has found, are closely tied to the vendors who benefit from the accelerating flow of money from non-profit organizations to private, for-profit companies. Articles detailing these arrangements will follow this week in *The Sun*.

THE PAC BUSINESS

POLITICAL ACTION COMMITTEE

First of a series

Most of the action swirls around the so-called "non-connected" PACs, like the National Conservative Political Action Committee, which are independent, freewheeling and accountable largely to themselves.

Such PACs have defied tradition and jumped into election after election in recent years, becoming a force of hotly debated but still uncertain importance.

In doing so, they have moved in on the political action that previously had been the almost exclusive preserve of the major political parties or the campaign organizations of individual candidates.

NCPAC, which is working in Maryland to defeat liberal Democratic Senator Paul S. Sarbanes, is the biggest celebrity in the group, even though the National Congressional Club, a group organized by North Carolina Senator Jesse Helms, raises more money.

At last count, there were more than 500 non-connected PACs in a PAC community of nearly 3,200. Some, like NCPAC, are known—

to the degree they are known—by their initials. Among others, there are PROPAC, BIPAC, AIMPAC, ARTAC, BACKPAC, BIZPAC, BIPARPAC, VALPAC, BALPAC, AMERIPAC, FISHPAC, IMPAC, IMMIPAC, IMPACT, EMPAC.

They cater to every taste. There are Americans for a Conservative Congress, Americans for a Better Congress (not to be confused with Chicagoans for a Better Congress), Americans for Democrats and Democrats for Democrats.

Some have an ethnic flavor: the PAC to Elect Jewish Candidates, the American Indian PAC, Concerned Italians for Better Government and Concerned Romanians for a Strong America.

Some clearly want to be taken seriously:

Citizens Concerned for the National Interest, Citizens for an Honest Energy Policy, Citizens for Traditional American Values and the Committee for Morality and Decency.

Others seem less intense: Hawaiian Golfers for Good Government, for example, or the Whimsical Alternative Coalition, or WAC-PAC.

The Federal Election Commission calls them non-connected PACs to distinguish them from the more traditional political action committees run by corporations, labor unions, trade associations and other precisely defined membership groups.

Those organizations are restricted by law to soliciting contributions from their own members, executives or employees. Non-con-

nected PACs are under no such restraint. They may ask anyone for money.

There is another distinction. Corporate, union and trade association PACs generally must answer to their parent organizations for, among other things, how they spend their money.

Many non-connected PACs, on the other hand, justify their expenditures only to themselves or to their boards of directors, when such bodies exist (no law requires their creation).

Even when there is a board, there are instances where it is virtually indistinguishable from the PAC leadership, raising doubts about its ability to perform an independent oversight role.

In other cases, that ability is undercut because board members are closely tied through professional and personal relationships to PAC leaders, or profit through activities of the organization they nominally oversee.

John T. (Terry) Dolan, the NCPAC national chairman, whose board has fallen into all these categories, brushes off questions concerning possible conflicts of interest by saying the organization's ultimate accountability is to its contributors.

"If they don't like what they see, they ain't going to give to us," he says. "Who do you think the Republican Party is accountable to? Do you think it's accountable to registered Republicans? Garbage. They don't give a damn what registered Republicans think. They care about what their contributors think."

Victor Kamber, on the other hand, did not bother to create a board when he established the liberal Progressive Political Action Committee, contending that such bodies are merely window-dressing to lend an aura of respectability to an organization.

Non-connected PACs have experienced spectacular growth—from 110 in 1977, when the FEC first started tracing them in a separate category, to 535 as of December 31, 1981.

That growth resulted from the unintended side-effects of 1974 post-Watergate amendments to the Federal Election Campaign Act, designed to minimize the impact of big contributors on the political process, and a 1976 U.S. Supreme Court decision.

The amendments imposed a \$1,000 limit on the amount an individual could contribute to a candidate in any single election. Previously, an unlimited amount could effectively be pumped into the campaign of a favored office-seeker.

In its landmark 1976 Buckley vs. Valeo decision, however, the high court—while upholding contribution limits—held that individuals and political committees, acting independently, could spend any amount they

wanted to elect or defeat a candidate for federal office.

The court ruling thus sanctioned the activities of non-connected PACs, primed them for the major role they have come to play in the political process and set the stage for the independent expenditures that have become their hallmark.

In addition, the contribution limits meant that wealthy individuals, such as W. Clement Stone and Stewart Mott, were no longer as central to the political process as, for example, Richard A. Viguerie or Roger Craver, men who are able to raise vast amounts of money from small contributors by direct mail

Right-wing PACs are the best known and most well-heeled, primarily because conservatives pioneered the political use of direct mail marketing, the major fund-raising mechanism.

Mr. Viguerie, the New Right's direct mail expert, says the left may be as much as a decade behind in terms of technology and know-how.

Larry A. Patrick, a conservative printer in Sterling, Va., who handles a lot of political mail, agrees. "Democrats and liberals count for almost zero: On a scale of 1 to 100, they're about 5. They just don't understand the skills, and they don't have the lists or the PACs to support it," he says.

Liberals have been setting up PACs feverishly in the last year and say they are catching up fast, but concede they have a long way to go.

Right-wing dominance also came about because conservatives accurately perceived PACs as an alternative route to political power in the late 1970s, when the Democrats controlled the White House and Congress.

As a result, only one of the top 10 money-raisers during the 1979-1980 election cycle had a left-of-center cast, the National Committee for an Effective Congress, which placed seventh.

The PAC explosion has not been a penny ante phenomenon. During the two-year cycle that climaxed with the election of President Reagan in November, 1980, 471 such groups reported raising more than \$40 million.

Those same PACs reported spending about \$38.6 million. Some of it, about \$5.2 million, was contributed directly to candidates for use in their campaigns as they saw fit.

Another \$13.1 million was spent by non-connected PACs in their own efforts to elect or defeat candidates for federal office through payments known as independent expenditures.

Independent expenditures are the most feared weapon in NCPAC's arsenal, as well as the source of much of its current notoriety.

Such funds were used in 1979-1980 to finance hard-hitting media cam-

paigns that contributed to the defeat of incumbent Democratic Senators George McGovern of South Dakota, Frank Church of Idaho, Birch Bayh of Indiana and John C. Culver of Iowa. Such funds are being employed today against Senator Sarbanes.

But what happened to the rest of the \$38.6 million—the \$20.3 million left over after deducting the \$5.2 million in direct contributions to candidates and \$13.1 million in independent expenditures?

And what about the \$13.1 million labeled independent expenditures? Can the hundreds of thousands of small contributors whose money fuels the non-connected PACs have confidence that their \$15, \$25 and \$50 checks are actually doing political battle against the liberals (or conservatives), the abortionists (or anti-abortionists), the peaceniks (or the warmongers), the labor bosses (or the robber barons)?

Those questions lead into a world rarely visible to those contributors, a world where middlemen reap the benefits of money moving from non-profit political action committees to private, for-profit firms.

fat, fancy, free of curbs

★ The fact is, much of that money takes a roundabout route into the political arena, and, because non-connected PACs depend so heavily on direct mail fund-raising, it often arrives sporting a postage stamp.

In addition, along the way a substantial portion of the money often is diverted to an assortment of fund-raisers, direct mail experts, mailing list brokers, printers, envelope companies and a host of other contractors, who service and participate in what might be called the PAC business.

That business is booming, if the flow of money charted on FEC documents is any indication. *The Sun* calculates that NCPAC, for example, has paid Mr. Viguerie, the conservative fund-raiser, more than \$4 million for direct mail services since the organization was established with Mr. Viguerie's help in 1975.

The PAC business has a lot in common with the charity business, including heavy reliance on direct mail solicitations of the general public. But the similarities do not extend into one important area.

Unlike charities, which have been subjected to substantial public scrutiny and some governmental regulation in recent years, PACs have received little critical examination of their business practices.

And, even though the impact of political action committees on the political process has been the subject of endless debate, no organization—public or private—has emerged to establish standards against which their activities can be measured.

The FEC, of course, has primary responsibility for overseeing federal election laws. The agency, however, has been handicapped by recent budget cutbacks that have severely curtailed its auditing of campaign spending reports.

But before the onset of the latest budgetary restraints, the FEC had taken as its chief purposes assuring full and easily accessible disclosure of campaign finances and ensuring that the letter of the law is complied with.

"What the loopholes are, that's not our business," said Fred Eiland, an FEC spokesman. And, he said, "We do not get involved in the relationship between a PAC and its vendors."

Two non-profit groups—the National Information Bureau, in New York City, and the Council of Better Business Bureaus' Philanthropic Advisory Service, of Arlington, Va.—have set standards for charities to assist potential donors in evaluating organizations that seek their support.

With small staffs and limited budgets, both groups try to monitor charities. They also publish lists of organizations that meet or fail to meet

their standards—which are similar.

Spokesmen for both groups told *The Sun* that those standards should guide any organization that solicits the general public. At the same time, they said they have not extended their criteria to cover political organizations.

Several states in recent years have turned a critical eye toward the fund-raising practices of soliciting organizations. The Maryland General Assembly, for one, set a 25 percent ceiling on fund-raising costs in 1976 in the wake of revelations by *The Sun* of widespread abuses by the Baltimore-based Pallottine Fathers, a Catholic missionary order.

That law, however, specifically exempted any "political party, political committee, political club or . . . agency of the state government, or of a political subdivision."

Are such standards needed? Would the PAC business and, more importantly, the small contributors that fuel its operation, benefit from one or more watchdog groups that could serve as a clearinghouse for information on individual soliciting groups?

Here are some questions a watchdog group might consider:

- What constitutes a reasonable fund-raising expense? For established charities, 25 percent to 35 percent of gross receipts is a usual standard. For PACs, however, the issue is complicated because direct mail has important functions other than fund-raising, among them advertising a candidate and identifying sympathetic voters and potential campaign workers.

- Should a PAC's paid attorney sit on its board of directors, the body that is responsible for reviewing and approving payments for services, including his? What about its pollster or fund-raiser?

- PACs usually promise contributors that their money will be used for specific political purposes. Are they keeping those promises? To what extent are they obligated to do so, morally and ethically, if not legally?

- What about a PAC's name? When does a slick advertising gimmick border on deception? During his 1976 California Senate race, S. I. Hayakawa's campaign committee was called Friends of Hayakawa. Howard Jarvis, who two years later was to lead the Proposition 13 tax revolt, started a PAC whose stated purpose was to help Mr. Hayakawa. Its name, Friends for Hayakawa, was called "confusingly similar" by Mr. Hayakawa's lawyers, who demanded the name be dropped.

- Of the \$40 million raised by PACs during the 1979-1980 election cycle, the top 10 PACs raised \$28.4 million. They also were the most well-known and closely watched. The remaining \$11.6 million was divided up by the other 461 non-connected PACs. Who were they and what were they doing?

Federal officials admit the possibility of one or more ScamPACs, outright attempts to defraud the public. But they say the likelihood of a conviction—or even prosecution—is reduced if the perpetrators spend even a small portion of the money they collect to do what they told contributors they would do.

"To the extent the cause is advanced, the criminal case is diminished in its attractiveness," says Craig A. Donsanto, director of the Justice Department's elections crimes branch. "If they do anything at all, it would be very difficult to make a criminal case."

"A lot of things happen that aren't fair that aren't criminal fraud," he says. "There's a big difference between knowing in your nose that it smells and making a criminal case."

Federal officials can make the criminal case. But who's to say if it smells?

TOMORROW: NCPAC—A family affair.

Balt. Sun
7-11-82



Sun chart

Once few, corporate PACs have increased sharply, to some 1,300 in 1981. Labor PACs have been outstripped numerically by non-connected PACs.

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