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Leadership, Free to Lead

The Urgency of Campaign-Finance Reform

Gov. Charles "Buddy" Roemer

*This article is part of **Leadership, Free to Lead**, a forum on campaign-finance reform.*

The article is edited from the transcript of a speech that Gov. Roemer gave at the Edmond J. Safra Center for Ethics at Harvard University.

I won election to Congress as a conservative Democrat the same night Ronald Reagan was elected as a Republican president. Today I would have been called a blue dog Democrat, but Tip O'Neill called us boll weevils because we attacked the entrenched Democratic majority just like they were a cotton field ripe for harvest. Tip had a way with words.


Reflection of the Capitol, Washington D.C. / Photo Phiend / **Flickr(cc)**

When I got to Washington, we signed up to rebuild America, and I was proud to work with President Reagan as he tried to remake our government. I remember well the fight for President Reagan's first major legislative effort, a fundamental change to our tax system. I was a supporter of the change, one of the many Reagan Democrats who crossed party lines to give the Gipper his first important legislative victory.

Among the most important ideas in the Reagan tax bill was a critical supply-side component called the Research and Experimentation tax credit. This proposal cut taxes up to 20 percent for qualified research expenditures and was intended to incentivize investment that otherwise would not be made. There were some on our side of the aisle who were skeptical the change would work. They worried this cut would reduce revenues substantially without actually changing the incentives of business to invest. So at first the Democratic leadership opposed the idea.

But the Republican administration was so sure of this idea that they made an offer too good for even the Democrats to refuse. The administration suggested that the tax cut be temporary and that after a reasonable period, we would ask the economists of the nation whether it had, in fact, worked. If it had, we could then make the R&E tax credit permanent. If it hadn't, it would fade away. After a few years, the reviews were in: the R&E tax credit was an unmitigated success.

But here's the puzzle: in the almost 30 years since we enacted the tax credit, Congress has yet to make it permanent. Instead, every couple of years Congress brings it to the floor and votes it up again. Why is this? Why does a tax policy so obviously good for jobs and good for American competitiveness not become a permanent part of the tax code? Because any time there's a permanent and wealthy interest on the other side, you can expect our tax system to make their benefits temporary so that each time there's an election, there's an endless list of people calling to donate to the campaign funds of members of Congress.

The tax code ought to be clear and simple and progressive and fair. It ought to reward job formation. It ought to reward small businesses, which create two out of every three new jobs. It ought to make America a tax haven to get capital from all over the world invested in our nation. It does none of these things. Instead, the tax code is thousands and thousands of unreadable pages. We craft an insanely complicated system of special favors to the richest and most powerful in our society so Congress can better collect campaign contributions and lobbyists can assure permanent clients. The tax system is about campaign financing. It's about money.

Far more profound than the loss of civility within the halls of the Capitol is the fact that our Congress has become obsessed with raising campaign funds. It defines the devastating change that our Congress has undergone over the past 30 years since I walked those halls.

We don't govern, we grovel. We don't lead, we collect.

We need a government that's free of the corruption of special-interest money. In my view, we won't fix Congress, we won't fix government, and we won't regain the respect of the American people until we fix this. And thus all of us—Republicans, Democrats, Independents, Tea Partiers, and progressives—need to focus on how to fix this. There is no problem more important for us to solve—not a debt that's mightier than a mountain on the chest of our children, not the loss of manufacturing jobs in an astounding percentage, not the existence of inequity and a playing field completely unlevel in the American landscape, not the business of alternatives to poverty, not our addiction to foreign oil or foreign credit—because until we confront money in politics, we won't have the capacity to solve this almost endless list of critical problems. Leadership not free to lead does not lead, cannot lead, and will not lead.

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The question Congress asks over and over is not what makes sense just for America but what makes sense for Congress. And not Congress the institution, Congress the jewel of the republic that our framers gave us. No, but Congress as in the 535 fundraisers who must find a way to raise revenues that the Congressional campaigns need. We tax or we don't in order to inspire campaign contributions. We listen or we don't in order to inspire campaign contributions. We regulate or we don't in order to inspire campaign contributions. We don't govern, we grovel. We don't lead, we collect.

This is a government in which members of both parties spend the majority of their time raising money. This is not the republic our framers intended. A government that thinks first about how to secure campaign welfare, not general welfare, is not a government that can answer the challenges that the world is giving us day after day. We need a Congress that can afford to talk honestly and openly and seriously about the complex issues of our time. We need a Congress that can lead.

Nowhere is this point more obvious than when thinking about Congress leadership in my industry, the banking industry. As the founder and president of Business First Bank, I'm a community banker, a Main

Street kind of guy. America has just suffered the greatest economic decline that we have known since the Great Depression. Within two years we lost $17 trillion in household wealth. Three-point-six million jobs disappeared in 2008 alone—the largest loss since 1940. The unemployment rate, when coupled with the underemployment rate, exceeds 20 percent. Non-farm payroll jobs total 131 million today. We had the same number twelve years ago in 1999.

The strongest share of this disaster, in my opinion, rests at the feet of the greedy and irresponsible financial executives basking in the moneyed sunlight of Wall Street. No doubt the not-so-rich wanted bigger houses and cheaper mortgages. But it was a slew of insanely risky financial innovations that delivered these cheaper mortgages at a price America could not afford. I've been told by a member of Fannie Mae that three million Americans had mortgages they didn't make the first month's payment on. Wall Street gave mortgage lenders a way to bundle their mortgages and remove them from the books, while mortgage lenders gave Wall Street the chance to charge hefty fees on each deal. Since Wall Street took the mortgages off their hands, mortgage lenders stopped caring much for whether the mortgages they issued could be repaid. Not surprisingly, more and more mortgages were issued that homeowners couldn't repay. And when the defaults began, the house of cards that was our financial sector collapsed.

To avoid an even greater disaster, a Republican president had to direct his Secretary of the Treasury, a former Goldman Sachs CEO, to issue the largest bailout in anyone's history: $700 billion. In fact, many, many trillions more—it's been estimated as much as $13 trillion—were secretly loaned by the Federal Reserve to grab the economy before it fell off a cliff. According to **Gretchen Morgenson**, financial columnist of *The New York Times*, nearly interest-free borrowings by the Wall Street biggest nineteen banks averaged a hundred billion a day in the second half of September 2008. It was a gift that hardworking families didn't get.

This operation was called the Primary Dealer Credit Facility and was the engine for the Fed quietly to get trillions to banks too big to fail. Goldman Sachs did 84 transactions of this type totaling $620 billion. The head of that same firm was telling America, and the company testified publicly, that they didn't need any help from the Fed or the government. Goldman Sachs not only received 60 percent of a trillion dollars, they paid almost nothing for it; it was a subsidy to the tune of some $30 billion in taxpayer money. As Edward J. Kane, a professor of economics at Boston College, wrote, "Never have so few owed so much to so many and given them so small a return."

Is it a surprise that campaign contributions from the financial sector are rising faster than those from any other industry?

Did the Dodd-Frank financial reform bill address these issues? Did it eliminate the too-big-to-fail phenomenon? No, of course not. In fact, the largest nineteen banks are set to become larger than before the financial crisis. The bill didn't reduce their size or increase their capital ratio or make them safer. It rewarded them. Wall Street is unpunished, undisciplined, unregulated, unchanged. They own Washington. The government under Bush and Obama provided guarantees against failure, furnished capital at virtually no cost as needed, and assumed the moral hazard of unlimited and unrestrained growth and subsidized them to the tune of billions every month. As a result, the banks are again recording huge profits and lavishing their executives with bonuses.

That's why the Wall Street banks fight any reform that might force them to be smaller or more prudent or raise more capital or reinstate the provisions of Glass-Steagall, the 65-year-old Franklin Roosevelt–era prohibition against mixing the risk of investment banking with the prudence of commercial banking. Wall Street banks were once a source of capital that enhanced American business. They financed genuine innovation. They made America more competitive. But over the past 30 years, Wall Street has incentivized neither manufacturing nor bona fide innovation nor engineering skill nor competitive edges. Instead, Wall Street has prized regulatory innovation. They looked at the system of prudence and control that we inherited from our grandfathers and they realized they could make more money if the system were less prudent. What Wall Street now invests in is the regulation it needs to protect the billions in fees it now charges.

And so through lobbyists and campaign contributions in the millions and millions and millions of dollars to both Republicans and Democrats, the banks pushed to radically de-regulate Wall Street. I'm not picking parties here, I've been in both. President Bush pushed for financial deregulation but it was President Clinton who was the master. In 1998 he led the fight to free Wall Street from the constraints of Glass-Steagall. Its repeal led directly to the too-big-to-fail bailout status of our current rigged banking system.

Is it a surprise that campaign contributions from the financial sector are rising faster than those from any other industry? And that these contributions produced a regulatory regime that was incapable of recognizing or responding to the enormous systemic risk that the financial sector created? What did Congress do, by the way, in the great financial debate to modify or re-regulate this industry? According to **Frank Rich in *The New York Times***:

> During the Congressional battle over financial-services reforms last May, [New Democrat Coalition] members repaired to a retreat on Maryland's Eastern Shore to frolic with lobbyists dedicated to weakening the legislation.

Rich goes on to write:

> America needs a rally—or, better still, a leader or two or three—to restore not just honor or sanity to its citizens but governance that's not auctioned off to the highest bidder.

In this process I doubt there was a single member of Congress that was bribed to support these regulatory changes. I doubt that there was even a single bribe offered. It's the system that's corrupt. And members are slaves to it. These changes were readily given by a Congress that was obsessed with the need to raise money, and deregulation for them was an easy out. Economist after economist submitted brief after brief endorsing an ever more radical theory of deregulated financial services, never noting, of course, that they were on the payroll of a bank or a firm. Those briefs gave the politicians all the cover they needed to undo the system of regulation that had given us the longest run without a bank in crisis in the history of our nation. So they changed the system.

Consider the example of Representative Jim Leach, a Republican from Iowa with whom I served on the House Banking Committee. Leach strongly opposed the move to deregulate derivatives. Indeed, in 1994 after the savings and loan crisis, Leach issued a strong report calling for the need for regulation to assure oversight in this already overheating market.

The report was ignored by Capitol Hill. It was ridiculed by industry insiders. Leach opposed deregulation of derivatives not because he was a socialist, not because he was a friend of big government. Leach, a Republican, did this because he was free to think about whether the emerging market of deregulated instruments made sense for our economy. "Was it risk-free?" he asked. He was free to think about this because he, like I, had made a pact while in Congress with his constituents never to accept Political Action Committee (PAC) contributions from any special interest, whether banks or unions. Leach was the rare independent voice on the Banking Committee. And what that independence bought him and our nation was the freedom to decide what made sense and to act upon it. Unfortunately for us, Leach was alone in his approach. I don't know if any other member of the Banking Committee except me had made the same pledge.

And I think America's worst off because of it.

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What would a better system look like? I'm not convinced that anyone has the perfect answer yet. But I do think we know enough to identify the basic elements of a system that could leave Congress free to lead.

We must proceed in the light of the rules that the Supreme Court has given us. For 40 years the Supreme Court has rightly rejected efforts by reformers to dampen or silence speech. And while contributions to candidates can be limited, if they're not large enough to be viewed as a bribe, the Supreme Court has repeatedly held that expenditures can't be limited either by campaign or independently. And most recently, even independent expenditures by corporations and unions can't be limited at all.

A president ought to represent 100 percent of American people—not just the 1 percent who give.

I'm not a fan of every one or all of these decisions. *Citizens United v. Federal Election Commission*, in particular, could do this nation great harm. In 2010 we saw a frantic growth in independent expenditures. They were up over 130 percent. In my view, elections are the time for clearly labeled debate. They are not the time for the ugliest and least responsible political speech of our culture to drown out any hope for political dialogue.

Nevertheless, we have to craft a system of independence for Congress within the boundaries given to us by the Court. Here's how we should begin: we need a Congress that's independent enough to represent the people—not just people with money. The framers meant Congress to be dependent on the people. Indeed, read *Federalist* 52, and I quote, "Dependent on the people alone." That's what it says. Our Congress is not now dependent on the people alone. It is also dependent on campaign funders. So our first objective must be to remove this dependency by expanding the number of givers. It's just that simple. We don't take away from those who give, we add to their numbers. We balance the system.

In my campaign for the presidency, I have committed to do just this by accepting no more than a hundred dollars from any one person and no PAC contributions. In my view, PACs have become another tool by which the limits on others are broken and disclosure is circumvented. Let me call it what it is: money bundling and money laundering. Those of you in law will run across those phrases. They apply to political campaigns. Not all PACs are in business for that. But since it's difficult to distinguish one from another, my policy is, as it was in Congress, no PAC contributions.

Now many political pundits say the $100 limit and PAC elimination are too restrictive to run for president—"Roemer can't win," they say. Of course we can. If I can convince one person out of every one hundred Americans to contribute a hundred dollars, I will raise and spend more money than John McCain and Mitt Romney did in the primaries of 2008. Besides, a president ought to represent 100 percent of American people—not just the 1 percent who give, but the 99 percent who do not and who have never given a dime to a president.

Let me spell out the basic principles of reform. First principle: the system should not silence anyone or any view. This was the kernel of truth in the *Citizens United* court decision. The fact that it's a corporation speaking does not, by its nature, make the speech any less valuable or important to our system of democratic deliberation. We need to hear all sides, particularly the opposition, in a healthy debate. Second: no system should force any citizen to support political speech that he or she doesn't believe in. Third: it is the people, not the bureaucrats, who should determine the resources available to run a campaign. Fourth: any system must encourage individuals to give at least small amounts of their own money to campaigns in which they believe. Politics is not passive anymore. The Internet allows everyone to have skin in the game. And what makes it possible for me to run is why I haven't done this before. I've dreamed about it for twenty years, since I left Congress. For twenty years I knew it was coming. The Internet makes it possible.

These four principles would veto most of the reform proposals of the past 30 years, including the anti-corporation thrust of the McCain-Feingold Bipartisan Campaign Reform Act (2002) and the Fair Elections Now Act with its large government-determined subsidies. These principles would permit a system that mixed vouchers with individual contributions as long as the vouchers came from funds the voters contributed personally. Some have suggested programs that allocate a small bit of money from each person's tax return to a democracy voucher. Individuals would be free to give this voucher to any candidate for Congress who agreed to limit contributions to his campaign to one hundred dollars from an individual. Under this system, no one's speech would be being silenced, no one's tax dollars would be used to fund any speech they didn't agree with, no government bureaucrat would decide how campaign funding would be allocated, and individuals would still be free to contribute beyond the voucher amount.

Figuring out these important details and what works best for this representative democracy depends on the public, citizens' groups, the world of scholarship, and political debate. Reform is a work in progress, but the time has come. We need to turn our beliefs and values into governance, and it begins with the money in politics. It begins with acknowledging the problem of special interest. Only when we deal with the money can we begin to honestly discuss and resolve the issues of the day.

Money interests laugh when they hear talk about issues that matter. I've been laughed at since my first day in Congress. They laugh because they know the system is rigged in their favor. That's how they built it. They know that regardless of how passionately or fervently we feel about health care or war or Wall Street or the national debt or the environment or a decent job or a just nation, our voices don't matter. Our voices don't matter as long as they, the richest 1 percent, can pay for the outcomes they want. So long as that continues, Washington, D.C. will be a boomtown, while the rest of the nation remains at risk.

Comments

1 | that's a bold and brave statement

i think you hit the nail right on the head. it's no longer for the people, by the people. and this is an issue that stretches across the entire political spectrum.

i wish you all the best with your tilt. i hope you make it.

— *posted* 07/22/2011 at 04:32 by **james a**

2 | Limit government not political speech

Campaign Finance rules are just tampering with the symptoms while ignoring the real problem. A government of limited powers has less opportunity to reward or punish. Return our government to the limited powers allowed by the Constitution and special interests will have little to gain or lose by lobbying government.

Article I Section 8 of the Constitution limited the government to only a few powers and it could only use those few powers for the "General Welfare", not for the specific benefit of special interests. The tax code is used to reward special interests even if those special interest provide little or no benefit for the country has a whole. Throw out the income tax code and start over with the Fair Tax fairtax.org.

There was a time when we actually followed the Constitution, then FDR threatened to pack the Court and the Supreme Court caved in the face of pressure. We no longer live with a government of limited powers but instead we have government of unlimited power with only a few restrictions placed on it by the "Bill of Rights."

— *posted* 07/22/2011 at 15:37 by **Ken Kent**

3 | an applaud-worthy first step

the next step has to come from voters refusing to elect any candidate who accepts more than $200 per donor per year.

— *posted* 07/24/2011 at 08:16 by **judefolly**

4 | This is Exactly What America Needs

This is the central problem in our government today. The dominant class, which is at least 60-70% corporate, has a deep, corrupting influence on the politicians. It's why the Republicans haven't gotten smaller government and it's why Democrats haven't gotten pro-labor, progressive government. Neither of those things are in the interests of the corporations.

As long as politicians are funded solely by these people, as long as they are funded disproportionately by the privileged few, you'll never get "small government." You may get cuts in public services, regulatory agencies, and corporate taxes, but corporations like government when it works for them. Corporations like their welfare, they like having bail-outs, they like it when Congress tries to "incentivize" business. Only government can legally appropriate unearned profits to them by taking taxes from the lower and middle class and donating them to the corporations as though it were some sort of perverse charity. You won't be able to shrink government until you get the special interests out of it.

I voted for Barack Obama in the last election. I voted for people who I thought would govern as liberals. The 2008 election was the first election in the history of the current US political system when the Democrats had the House, the Senate, and the Presidency WITHOUT being beholden to a conservative Southern wing. I thought that I would finally see that fabled "liberal agenda" go through. I was wrong. Boy was I wrong.

As I looked into it, I came to realize that it's because of just what Gov. Roemer is campaigning against. Our politicians, Democrat and Republican, are beholden to the richest and most powerful, to businesses which constitute virtual monopolies. They let lobbyists write legislation. They go to corporate-funded retreats and planning sessions. They court donations from the rich while mouthing what their leftist or rightist bases want to hear.

None of us, liberal or conservative, socialist or reactionary, are going to get what we want until we elect people who cannot be bought - who refuse to be bought. Ron Paul, Bernie Sanders, people who say what they mean and mean what they say.

Gov. Roemer is right on the money. Leadership not free to lead does not lead, cannot lead, and will not lead. It is the most critical issue facing us today. Everything else is secondary. I can't even express how thrilled I am to finally hear someone tell it as it is. If Governor Roemer gets the nomination or takes his candidacy outside the party system, he'll have my vote.

— *posted* 07/24/2011 at 15:24 by **Jason Bagley**

5 | Here-here!

Excellent summary. What a pity that our government has come to this: a collection of cowards controlled by money & pressure, unable to make choices in the best interests of those they represent.

Congressional approval is so low, here's hoping we see real reform rise up from the American people!

— *posted* 07/29/2011 at 20:26 by **MZA**

6 | Great Article

This is a great article. I am impressed with Buddy Roemer. He is intelligent and eloquent and gets to the heart of issues.

— *posted* 08/05/2011 at 15:52 by **ankur**

7 |

Nonsense.

The only way to control the politicians is through term limits. Campaign contribution limits beg the question. Special interests don\'t buy the government. The government buys special interests. Why do we have tax money going to Planned Parenthood? Why do farmers and oil companies have special subsidies? (Farmers get $25 billion by the way). Why do women and minorities and illegal immigrants get special subsidies and favorable tax treatment? Why do we have earmarks and pork barrel projects? Why do seniors get more and more benefits? Why do labor unions get to tax workers? We are all on the take.

The true evil is seeing politicians using the taxpayers money to buy votes. There are some signs of people waking up. Time will tell if it works. Keep your eye on Wisconsin, Indiana and New Jersey.

— *posted* 08/06/2011 at 17:55 by **jorod**

8 |

More.. I can't believe he brought out the deregulation myth again. There was no deregulation of any significance. This is the big lie of politicians (especially Democrats) who are trying to save their. hide. Also, the government caused the financial melt down. The Fed provided the cheap money. Congress provided the propaganda about home ownership being a constitutional right. The mortgage crooks provided the phony mortgages and promptly sold them to banks and Fannie Mae and Freddie, which bought the phony mortgages with investor money. Fannie and Freddie sold securities to investors and banks (preferred stock) that later turned out to be worthless when Fannie and Freddie collapsed. With the help of the rating agencies, some Wall Street Banks and investment banks did package up these bad loans and sold them to investors and banks. However, they couldn\'t have sold them without a AAA rating from the rating agencies. When everything started to go South, the bureaucrats told us that if we didn\'t bailout the banks and AIG (which insured the loans purchased by banks), everything would collapse. So a scared Congress passed the bailout. In this atmosphere they also bailed out GM (actually the labor unions) instead of letting GM go through Chapter 11 like any other corporation. Then they passed Dodd-Frank which is just a big smoke screen to hide the real problems. And another bailout bill for banks under the guise of lending to small businesses.

Meanwhile, no one talks about how savers are being screwed by the low interest rates. You can\'t make any money in a savings account so where do you put it? Gold? Commodities? Encourage more speculation?

Anyway, this makes the economy to go into recession. In a recession prices fall. So business revenues fall. Businesses have to reduce costs down to revenue levels. This is called unemployment. Employees have to accept lower wages or the get laid off. So instead of letting the economy go through the adjustment to a new price level, the government is trying to push up prices. This is called cash for clunkers, first time buyers mortgage tax credit. Whatever. This only prolongs the adjustment process. Keeping rates low also is an artificial way to prop up the economy. The economy will recover when the adjustment is complete. Until then, government policies are counterproductive.

— *posted* 08/06/2011 at 18:29 by **jorod**

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9 | JayMagoo

Roemer pays only the slightest bit of attention to the real elephant in the room, the "Citizens United" supreme court decision, and from the few words he gives it, one would assume he favors that decision. How wrong could a person be? Citizens United opens the door wide to limitless corporate contributions, not from "people" as Roemer quaintly believes, but from huge, multi-billion dollar corporations intent only on furthering their own special interests. Our Supreme Court has pushed our democracy directly into the control of special interests. Unless Roemer confronts that problem, he's whistling Dixie.

— *posted* 09/01/2011 at 13:47 by **JayMagoo**

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10 |

While I agree with the premise that Congress is brought, I feel that more Laws are nothing more than more opportunities for the Special Interests to write Laws in their favor. My personal feelings are that the only lasting solution to this problem, is for " We the People" to start voting out every Senator and Representative after one term. This would after only a six year period, flush out the cess pool that the Congress has become. One term in Congress would not allow time for them to become corrupted. We would have a true Citizen Congress again, where the members served the Nation, then went home to their real job, as envisioned by this Nations Founding Fathers. Egos aside, if it became known, that " We the People" would vote out every Congressman after one term, we would have Citizens rather than professional politicians seeking office.

— *posted* 11/10/2011 at 16:15 by **Lee Hitzke**

Name

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