

# THE PRACTICAL ROLE OF CORPORATE PAC'S IN THE POLITICAL PROCESS

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Candidates and newspaper headline writers discovered political action committees [PAC's] in the 1978 elections. While candidates generally have found political action committee contributions to be an essential part of their budgets, there has been a barrage of criticism about the future role of PAC's in congressional races.

The defense of corporate political action committees is quite simple—they are an outgrowth of greater corporate involvement in politics. The PAC merely channels contributions from individuals (in this case, individuals who work for corporations) to candidates who espouse an acceptable philosophy toward business and government.

This Article will first trace the background of the Federal Election Campaign Act [FECA]<sup>1</sup> as it relates to corporate employee political involvement. It will then outline some of the shortcomings of that law and explore a little-studied portion of corporate political activity—involvement with state political action committees.

## IN DEFENSE OF PAC'S

As America enters the 80's, a continuing worry of political scientists is the sizable number of adult Americans who do not vote in primaries and elections.<sup>2</sup> At the same time, however, the growth of political action committees is under attack, despite the fact that PAC's

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1. 2 U.S.C. §§ 431-455 (1976 & Supp. III 1979) (originally enacted as Federal Election Campaign Act of 1971, Pub. L. No. 92-225, 86 Stat. 3 (1972), *as amended by* Federal Election Campaign Act Amendments of 1974, Pub. L. No. 93-443, 88 Stat. 1263; Federal Election Campaign Act Amendments of 1976, Pub. L. No. 94-283, 90 Stat. 475; and Federal Election Campaign Act Amendments of 1979, Pub. L. No. 96-187, 93 Stat. 1339).

2. *See, e.g.*, A. T. HADLEY, THE EMPTY POLLING BOOTH (1978); D. LADD, JR., WHERE HAVE ALL THE VOTERS GONE (1978).

afford an increasing number of citizens an opportunity to participate in the election process.

To reduce or limit the role of individuals and groups in the financing of political campaigns would interfere with the realization of the goal of maximizing citizen involvement in the political process. The practice of giving financial support to candidates who represent particular philosophies and convictions is a tangible expression of political views. To deny this expression is to deny an individual an opportunity for more significant involvement in the workings of government. Political contributions, like political activity of any kind, are a form of expression that deserves to be protected—just as the right of free speech must be protected. It is hard to argue that the tools of free speech (money being one) are not a form of speech itself.

Maintenance of individual freedom and the viability of our political institutions depend upon the broadscale participation by all citizens in the selection, nomination, and election of public office holders. The values of a free society can best be preserved through the effective functioning of a multi-party system in which all parties are free from domination of any vested interest. Individual voluntary action in support of a particular party or candidate constitutes a safeguard against such domination. That an increasing number of individuals and organizations are encouraging the use of PAC's is a trend that should be widely applauded, not condemned.

Political action committees can be viewed as an outgrowth of the exercise of the basic individual rights of free speech and expression. PAC's are voluntary groups of individuals who contribute money that is distributed to candidates seeking elective office at all levels of government. PAC's have been formed by organized labor, farmers, health groups, realtors, auto dealers, corporations, trade and professional associations, miscellaneous membership groups, and ideological entities on the right and left of the political spectrum.<sup>3</sup>

PAC's are a positive force in American politics for a number of reasons. First, and most important, participation in a PAC provides an opportunity for personal involvement in politics. What once might have seemed an obscure, remote activity engaged in by candidates and a few activists is now within the reach of all citizens. Second, PAC

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3. On June 18, 1980, the FEC released a preliminary 1980 PAC activity report indicating that there are currently 2,010 groups registered at the federal level. The same report lists the PAC's with the largest receipts during 1979-1980. Among the largest treasuries, one finds PAC's formed by the United Auto Workers, Associated Milk Producers, American Medical Association and several of its state affiliates, the National Association of Realtors, Automobile and Truck Dealers Association, Chicago & Northwestern Transportation Company, National Conservative Political Action Committee, Gun Owners of America—representative of the categories mentioned throughout this report.

dollars offer opportunities for candidates without personal wealth to run for office. Third, PAC's help to elect candidates who, while perhaps not supported by a major party, do represent the view of a large segment of the electorate. Fourth, PAC's assist candidates in effectively managing their campaigns and budgets. Finally, PAC's reinforce the basic concept of American politics—that all viewpoints can be heard and that public policy is best formed when created in a context of open competition between interests.

The vitality of our political system is directly related to the degree of citizen participation in the electoral process. Such participation, in turn, can be measured by citizen involvement in election activities and citizen awareness of issues. Political action committees help to stimulate this involvement and provide a channel for increased political participation. This is a very healthy development. The political enterprise is best served by a free and open exchange of ideas and opinions. Restricting this freedom, limiting the resources which can be devoted to this interchange, will lead to a crippling of the body politic.

Obviously, anything that artificially limits input into the political debate tends to distort the balance of political power. If some ideas are arbitrarily muted, political decisions will reflect and often magnify this distortion. An expansion of such limitations would greatly magnify such distortions. General public policy inevitably would suffer.

Some may question the assertion that freedom of expression under the first amendment includes the right to make cash contributions to political candidates.<sup>4</sup> The *Bellotti*<sup>5</sup> case drew some distinctions between speech and contributions. But where is one to draw the line between the various ways of expressing one's views? A citizen who shares with his family his sentiments that "I support candidate X" certainly should not be restricted from also telling his neighbor of his preference. Who is to forbid him from picking up the telephone or ringing doorbells to let other voters know about the virtues of the candidate he is supporting? In the interest of time and logistical considerations, he may find it more feasible to multiply and enhance his communications by the use of handbills, billboards, radio messages, or television political commercials. Practically, of course, these methods are far too costly for most individuals. Nevertheless, why should not a number of similar-thinking voters be allowed to pool their efforts and resources in order to maximize their support for a particular candidate? Is not the

4. See generally Wright, *Politics and the Constitution: Is Money Speech?*, 85 YALE L.J. 1001 (1976).

5. First Nat'l Bank v. Bellotti, 435 U.S. 765 (1978).

exercise of this form of cooperative communication a category of those freedoms of expression guaranteed by the first amendment?

In popular jargon, business and other groups that band together for political activity have been labeled special-interest groups.<sup>6</sup> While it is true that such groups may have interests in common, the idea that their contributions buy special influence is offensive. To suggest that all such groups are greedy, selfish, or disdainful of the general good is unfair and unwarranted. It is true that such groups favor those lawmakers whose voting records on significant issues are frequently in accord with their own views. It is also true that they give their support to challengers rather than to legislators with opposing views. This, however, is precisely what an informed, thoughtful individual voter does, and PAC's are merely a collective reflection of the same procedure. The end result of PAC involvement is an amplification of views and attitudes, of assents and dissents. PAC's increase the number of participants in the political dialogue. They help to ventilate issues that otherwise might have grown stale and musty in the closet of restricted debate.

The trend away from large single contributions<sup>7</sup> increases the acceptability and importance of PAC's. Most PAC's raise their funds via contributions from hundreds or thousands of individuals. Most contributions are no more than twenty-five or fifty dollars.<sup>8</sup> PAC's are, consequently, part of the reform movement in American politics—giving candidates multiple opportunities to appeal to broader constituencies. PAC's provide individuals who want to participate effectively in the election process an opportunity to meaningfully contribute to a unified campaign effort. Candidates and members of Congress would be prudent to recognize this major contribution to the improvement of election financing, rather than attaching a label of "special interest" to those who participate in the process.

### CORPORATE PAC'S

When FECA was revised in the mid-1970's<sup>9</sup> and finally clarified with implementing regulations in late 1976,<sup>10</sup> the formation of corporate PAC's was widely publicized. The Federal Election Commission [FEC] began at that point to tabulate the growth of corporate PAC's.

6. See Wertheimer, *The PAC Phenomenon in American Politics*, 22 ARIZ. L. REV. 603, 611-12 (1980).

7. See 2 U.S.C. § 441a(a)(1)(A) (1976).

8. PAC data has been difficult to derive, but the consensus of groups dealing with PAC managers is that most contributions fell well below the reportable threshold of \$101 in 1977-1978.

9. Federal Election Campaign Act Amendments of 1974, Pub. L. No. 93-443, 88 Stat. 1263; Federal Election Campaign Act Amendments of 1976, Pub. L. No. 94-283, 90 Stat. 475.

10. E.g., 41 Fed. Reg. 35955 (current version codified at 11 C.F.R. §§ 100-115 (1980)).

This attention heightened public interest in and awareness of the role and influence of corporate PAC's. It also led eventually to controversy about the function and influence of such PAC's.

A preoccupation with the number of PAC's has lead to distorted conclusions about their impact. While corporate PAC's far outnumber labor PAC's, labor still outspends corporate PAC's at the federal level.<sup>11</sup> Labor has shown remarkable ability to increase its fundraising capabilities without increasing its number of organizations (usually through improved fundraising or by attracting more individual contributors to existing PAC's).<sup>12</sup>

Most corporations do not have political action committees. In fact, many corporations which are household names and engage in extensive product advertising have not organized PAC's. Only half of the Fortune 500 companies had PAC's in 1978.<sup>13</sup>

The roots of the PAC movement extend to the early 1970's when major corporations officially formed political action committees. Common corporate practice is not to rush into anything new. Consequently, only a limited number of corporate PAC's, in existence when FECA was enacted, began to function as mechanisms for collecting and distributing large amounts of money. Rather, many corporations took the opportunity to convert in-place fundraising practices and brought them into compliance with the new law and regulations.<sup>14</sup>

Because the law prior to 1976 was unclear as to the definition and operation of a PAC, some companies had fundraising vehicles that were never required to file with the FEC.<sup>15</sup> Once they examined FECA and realized the similarity between it and their own plans, however, they filed as official political action committees.<sup>16</sup> In effect, the forma-

11. According to FEC data, there were 821 corporate PAC's and 281 labor PAC's registered in 1978. Corporate PAC's contributed \$9.8 million to federal candidates, labor PAC's contributed \$10.3 million. FEDERAL ELECTION COMM'N, REPORTS ON FINANCIAL ACTIVITY 1977-1978 (Interim Report No. 4, 1979).

12. Labor organizations traditionally had "A buck for COPE" drives. It is now more common to see "\$2 for COPE" drives. In addition, unions have made a modest effort to use payroll deduction systems to raise contributions under the provisions of FECA. *See* 2 U.S.C. § 441b(b)(5) (1976).

13. Information is derived from various FEC Reports on Financial Activity 1977-1978. Notable "non-PAC" corporations are Eastman-Kodak, Colgate-Palmolive, Proctor and Gamble, and Exxon (which formed a PAC in 1980).

14. *E.g.*, Standard Oil of Indiana and International Paper, the largest of the corporate PAC's in the 1978 campaign period, both began operation during the mid-1970's. Their success was based on several years of employee involvement in legislative and political activities—not an overnight discovery of the law.

15. *See* 11 C.F.R. § 100.5(b) (1980), which broadens the definition of PAC to include all separate segregated funds. The 1976 definitions had a threshold of \$1,000 in receipts or expenditures during a calendar year. Prior to that, the law was silent on what constituted a committee.

16. Eaton Corporation, one of the top ten corporate PAC's in 1978, had a "trustee bank account" which was the forerunner of their political action committee. Others were told by the Federal Election Commission that their systems of campaign contributions were under the definition of "separate segregated fund," even if individual contributors controlled their own accounts,

tion of PAC's by companies that were never before involved in politics or that had no plans to facilitate individual giving by employees was less than one might expect. On the contrary, the rapid expansion of PAC activity and numbers is more correctly to be attributed to the registration of what were formerly active, but nonregistered, corporate employee political organs.<sup>17</sup>

Clusters of PAC's tend to be found in industries with the greatest relationship to government regulation and intrusion.<sup>18</sup> Railroads and other transportation businesses, for example, are notable for their political activity, and they have structured their involvement throughout the electoral hierarchy—state and local, as well as congressional campaigns. Utilities also have a higher than average level of activity. Oil companies, with some exceptions, have well organized political action committees. Timber and paper product companies are another large segment of the PAC world. Drug and pharmaceutical manufacturers, perhaps because of greater congressional interest in their business, became more active than many other industries in the 1978 campaigns. Government contractors (particularly in the aerospace field) also have sizable and energetic political action committees.<sup>19</sup>

Retailers and consumer product companies are beginning to enter the field of political action committees, but their involvement with government affairs is more recent and less intense than in many other fields. Insurance companies, finding themselves a direct target or a reluctant third party in a number of legislative proposals, are also exploring the PAC route with greater interest.<sup>20</sup>

FECA gives harsh treatment to trade associations that are corpo-

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as long as the corporation had some discretion in requesting distribution of those dollars. *E.g.*, Boeing, in FEC Advisory Opinion No. 1976-92 (Nov. 10, 1976).

17. State affiliates of national trade/professional associations may be covered under 11 C.F.R. § 100.5(b) (1980) even if their role in federal races is limited. In searching the list of registered political action committees, one finds numerous state banking, dental, medical, building, and contractors' groups, *e.g.*, none of which are likely to cross state lines in their political giving and whose participation is primarily at the local level. For example, the Kentucky Contractors PAC or the New Jersey Builders or the Tri-County Builders of Moline are not going to enter multiple federal races. Yet, they register with the Federal Election Commission because they may make small contributions to federal candidates within the state or they may transfer funds to the national trade association PAC.

18. Information derived from FEDERAL ELECTION COMM'N, REPORTS ON FINANCIAL ACTIVITY, *supra* note 11.

19. Taking industry categories as defined by *Business Week* magazine reports and compiling information based upon various FEC reports, there are clear patterns of activity based on industry groupings. For example, 35 of the top 50 utilities had PAC's in 1978; 25 of 44 energy-related companies had PAC's; 20 of 52 companies in timber and paper products had PAC's; 12 of 20 pharmaceutical companies had PAC's; 10 of 13 aerospace companies had PAC's; and 30 of 46 transportation (mainly railroad and airline) companies had PAC's.

20. Only 15 of 50 major retailers had PAC's in 1978, while 34 of 79 beverage and consumer product companies had them. At the same time, only 5 of 50 insurance companies had formed PAC's.

rate based.<sup>21</sup> Trade associations are credited with successfully organizing PAC's, in large measure due to how the FEC categorizes PAC's. The FEC categorizes trade, membership, and health groups together,<sup>22</sup> giving the appearance that trade associations are the most generous givers in the political process. Thus, health groups, realtors, auto dealers, and a variety of others who are not corporate based greatly inflate the number in this category.

Those trade associations that have active PAC's are those with great numbers of smaller corporate or single entrepreneur members, such as the Tooling and Machine PAC or Associated Builders and Contractors PAC. Those that are supported by major corporations often do not have PAC's—for example the National Association of Manufacturers, American Petroleum Institute, Grocery Manufacturers, and the Iron and Steel Institute. Ironically, the latter are also the largest and most legislatively active trade associations.

One reason why such trade associations do not have PAC's is a function of the law. FECA requires that trade association PAC's obtain permission to solicit the managerial personnel of member companies and that the member companies may authorize the solicitation of only one trade association PAC each year.<sup>23</sup> This one-solicitation rule is particularly onerous for companies that belong to more than one trade association. Rather than select one trade association PAC, many companies have opted to refuse all trade association PAC solicitations. This, of course, thwarts the organization efforts of trade association PAC's.

Because of these complications, trade associations find it difficult to become full partners with individual corporations in the political process. The role of trade associations may become that of encouraging PAC formation among member companies and providing tools and assistance in PAC operation—rather than as large dollar producers.

#### COMPLEXITIES AND AMBIGUITIES IN FECA

FECA regulates corporate solicitation.<sup>24</sup> According to the law, certain groupings of corporate employees are subject to different solici-

21. 2 U.S.C. § 441b(b)(4)(D) (1976).

22. A special note on recent FEC Reports on Financial Activity reminds researchers that the trade membership category may include "other organizations." Business critics are sensitive to this method of reporting data because they feel it inflates the funding provided by corporate PAC's or trade association PAC's. Nothing in the regulations or law would require the FEC's reporting of financial activities in this manner, but it has been customary to break out only labor, corporate, and nonconnected PAC's, thus leaving the impression that all others are formed and operated by trade associations.

23. 2 U.S.C. § 441b(b)(4)(D) (1976).

24. *Id.* § 441b(b)(4)(A), (B) (1976 & Supp. III 1979).

tation regulations.<sup>25</sup> Tier one includes those employees with managerial and executive responsibilities. Included in this category are stockholders and their families and the families of managerial/executive employees.<sup>26</sup> A second tier is reserved for other corporate employees and their families.<sup>27</sup>

No prohibitions exist on the method of soliciting tier one individuals, as long as the solicitations are clearly stipulated as being for political purposes and as long as the employee's participation is voluntary.<sup>28</sup> Tier two individuals, however, may be solicited only twice a year.<sup>29</sup> This twice yearly solicitation must be in writing and sent to the homes of tier two personnel.<sup>30</sup> Contributions from this category are required to be received and held by a third party—usually a bank trustee.<sup>31</sup> The third party would then refer to the corporation only the names and addresses of those who contribute over fifty dollars.<sup>32</sup>

Many corporate managers regard the two-tier system as a form of discrimination against certain classes of employees—particularly those who are neither union members nor clearly managers. Personnel in this second tier may be completely disenfranchized from political messages inasmuch as they fall neither within the class of union members who may be solicited nor within the class of corporate personnel who may be solicited. While these "other" classes may legally be solicited twice a year in their homes and by mail, very few corporations have considered doing this. Companies wishing to treat all employees alike or who have political education seminars and training available to all employees find the distinctions unworkable and unmanageable. For example, if a company is conducting a voter registration drive or is considering an election-year discussion course during lunch hours, it becomes difficult to tell some employees that they may not be included simply because they are not executives. Because many of these programs are an outgrowth of PAC activity, the tendency has been to allow access only to those who are management—thus solicitable.

Most corporate PAC's are operated with little direction from top management personnel. In fact, few corporate board members vote on whether the company should or should not have a PAC, leaving that decision to operating management. Once established, few PAC's are subject to interference from the top management of the company.

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25. *Id.*

26. *Id.* § 441b(b)(4)(A)(i) (1976).

27. *Id.* § 441b(b)(4)(B) (Supp. III 1979).

28. *Id.* § 441b(b)(3) (1976).

29. *Id.* § 441b(b)(4)(B) (Supp. III 1979).

30. *Id.*

31. *Id.*

32. *Id.*

Rather, decisions on candidate support are made by committee, usually reflective of the PAC's contributors.<sup>33</sup>

Many corporations have their transactions of employee PAC contributions handled through a bank or a law/accounting firm which collects receipts, prepares the books, and files the necessary reports. Employees, then, have total confidentiality—no one in the company knows either who gives or the amount of the individual's contribution. In other companies, the information on contributors is kept in one office, usually by a mid-level employee without substantial supervisory responsibilities, who is required to keep only those records required by the FEC. Others, however, file reports on contributors, whether they meet the \$200<sup>34</sup> threshold amount or not.

### STATE PAC's

Regardless of federal attempts to limit or regulate corporate PAC activity, evidence is strong that corporate involvement in elections will continue.<sup>35</sup> Development of state organizations, designed to assist candidates for a variety of state legislative, gubernatorial, or even county and municipal elections, is one avenue for corporate political activity. Trade associations, in particular, may find this option more attractive than living with the complications of the federal law.

Until recently, state laws were so diverse that many corporations were reluctant to sort through fifty systems of administration and compliance. Some creative trailblazing, however, is making it less difficult. For example, state PAC's have been designed to mesh with their respective federal political action committee apparatuses. Other corporations have piggybacked on this legal research, thus enabling future PAC registrants in these states to have models to follow in establishing their operations. This sharing of information has been an important ingredient in the growth of state political action committees.

Much to their credit, state election law administrators have realized the role they must play in providing timely and informative guidance to those who wish to enter the political process within their states. While many fault the FEC for ambiguity with respect to its early advisory opinions and directives, thus creating problems with federal PAC administration, the consensus among practitioners is that the

33. While the law does not set forth any requirements on how PAC's decide where their funds will be given, nearly all PAC's have a committee to handle these decisions. The committee is usually made up of mid-management individuals who are representative of the individuals who have been solicited for contributions. The number of individuals serving on a candidate selection committee ranges from three to twelve in most PAC's.

34. 2 U.S.C. § 434(b)(3) (Supp. III 1979).

35. A June 18, 1980 FEC press release reports that there are 1,127 corporate PAC's currently registered.

FEC functions remarkably well in terms of its public disclosure and informal response networks. Those looking for the same information at the state level have been disappointed. Until recently, most state agencies were largely collection services, designed solely to receive reports that FECA requires candidates and political action committees to file with them. As a spinoff from FECA, however, state election laws have been revised—with a few of them mimicking the federal statute. Consequently, the supervisory and regulatory aspect of state elections is beginning to take on a more professional and politically sensitive character. As a result, it may be easier for election participants to interpret state laws in future campaigns.

The variance between FECA and state election laws causes some problems for PAC organizers and administrators. Most corporate PAC's, however, have adapted to the dual system. Limited only by their creativity, political action committees at the state level are often able to do more than federal PAC's. One feature of state laws is allowing all employees to participate equally. Corporations with far-flung facilities, once they come to grips with the problem of multiple rules for solicitation, contribution, and reporting, see great merit in the diversity. State PAC's have run candidate fairs or debates, trained campaign workers, visited state legislators, and engaged in many other citizen involvement programs.

Two models of state PAC activity have developed within trade associations and corporations. One model is the *parent/child*, where all funds go directly to the association's or corporation's federal political action committee. In this model, state PAC's operate almost completely as creatures of the parent federal operations. They must secure approval for their method of operations, request a budget for state candidates, and rely on the parent PAC to file all reports. The *parent/child* model offers a number of advantages, including simplified legal or accounting mechanics (at least at the state level).

Another model is the *independent adult*, where a federal political action committee exists simultaneously with any number of state PAC's within the same company. All such PAC's operate independently of one another, offering a corporation considerable freedom to utilize the diversity of state election laws. Companies utilizing this method suggest that opportunities for participation are available for all company employees where it is allowed under state law. This, of course, is to be contrasted with FECA, which allows unlimited solicitation only of corporate executives.<sup>36</sup> Operation of the PAC under state law also increases employee interest as money is raised and spent locally. Further,

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36. See text & notes 24-33 *supra*.

most state operations are able to make independent local decisions concerning candidate support.

Variations of these two models are utilized by a number of corporations. There are also associations and corporations which have only state PAC's. In some instances, the state affiliate of a national trade association may also become involved in congressional races within that state.

Under federal law, corporations and trade associations which have both federal and state PAC's may select from a number of bookkeeping/accounting system options.<sup>37</sup> Funds may be collected for a separate account or they may be collected individually and the receipts commingled.<sup>38</sup> If commingled, all receipts and disbursements must be reported to the FEC.<sup>39</sup> If receipts are not commingled but are kept in separate accounts, then the federal PAC need only report its federal transactions to the FEC.<sup>40</sup> In all instances, of course, appropriate reports must be filed with state agencies. Because of these disclosure requirements, some companies are reluctant to establish a *parent/child* (that is, federal/state) PAC organization. They do not wish to report all transactions to the FEC, feeling that to do so would raise unnecessary questions or publicize aspects of the PAC involvement that might not have to be reported under state law. These considerations concerning reporting requirements have a bearing on which PAC model the corporation will follow.

Another difference between federal and state laws governing PAC activity concerns reporting requirements. South Dakota, for example, allows state PAC's, but has no reporting requirement.<sup>41</sup> State threshold contributions are not all in accord with FECA, especially with the 1979 amendments, which raised the federal threshold to \$200.<sup>42</sup> Federal and state laws also conflict on the issue of who may be solicited. Most state statutes do not establish a two-tier delineation of corporate employees. That is, they do not categorize employees as does FECA.<sup>43</sup> Since in nearly every corporation, employees far outnumber executives and managers, the *independent adult* state PAC alternative is ideal for companies wishing to maximize PAC participation.

To date, states have not rushed to enact legislation designed to inhibit or limit the development of political action committees.<sup>44</sup> They

37. 11 C.F.R. § 102.5 (1980).

38. *Id.*

39. *Id.*

40. *Id.*

41. See S.D. COMP. LAWS ANN. § 12-25-1 to -25-31 (Supp. 1979).

42. 2 U.S.C. § 434(b)(3) (Supp. III 1979).

43. See text & notes 25-30 *supra*.

44. An annual compilation of state election laws can be found in SUMMARY OF CAMPAIGN

have, however, adopted a number of approaches to using tax dollars in campaigns.<sup>45</sup> None of these approaches has worked as well as the proponents hoped. Lack of voter or taxpayer willingness to fund these systems has been a major deterrent, especially for plans that require taxpayers voluntarily to add a designated amount to their tax bill.<sup>46</sup> Another problem has been the reluctance of candidates—even some who have advocated the system—to accept tax dollars for their campaigns. Apparently, the tradeoffs that must be made (usually limitations in spending) have been the barrier.

In addition to corporate and trade association PAC's, there are independent and unaffiliated state political action committees representing a broad range of industries.<sup>47</sup> These PAC's usually operate in industrial states, often with considerable support. Their success is largely a function of their ability to serve multiple constituencies without ties to any segment of the economy. The greater their support from many sectors of business, the greater their ability to win an audience with candidates. Pennsylvanians for Effective Government, for example, enjoys the support of the state's agricultural, retail, and manufacturing communities, but is not perceived as the arm of any state trade association.

Not all unaffiliated, umbrella PAC's are involved in funding candidates. Some have undertaken an educational role and contribute to PAC efforts by serving as a clearinghouse for information and assistance concerning PAC organization and operation. In Arizona, for example, a full-time executive directs a group called United for Arizona. The function of this group is to offer motivation and expertise to corporations and associations regarding their involvement in politics. Although not numerous, these umbrella organizations will obviously increase in number as corporations and associations begin to recognize the importance of educational and organizational materials.

Local business communities have been imaginative in their adaptation to modern politics. Several chambers of commerce have organized political committees for helping local races.<sup>48</sup> These committees are often organized in areas where there are not strong state political

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PRACTICES OF THE 50 STATES, available from Campaign Practices Reports, 2626 Pennsylvania Avenue N.W., Washington, D.C. 20037. Publication is scheduled for fall of 1980.

45. Jones, *State Public Financing and the State Parties*, in PARTIES, INTEREST GROUPS, AND CAMPAIGN FINANCE LAWS 283-303 (M. Malbin ed. 1980).

46. An excellent discussion of state public financing practices can be found in Jones, *supra* note 45.

47. For example, United for California, United for Washington, Pennsylvanians for Effective Government, and Louisiana Business PAC are groups that have been formed in recent years. United for California was formed in the 1950's, predating most federal PAC's.

48. Twin Cities Chamber in Benton Harbor, Michigan, and Chamber of Commerce of Santa Fe, New Mexico, are two examples of local chamber PAC's that are registered with the FEC.

action committees or where the laws do not favor PAC's. One of the oldest such committees is in Rochester, New York. Michigan has several local chamber of commerce PAC's, often so small in terms of their financial presence that they do not meet the state's minimal definition of a political action committee. The Michigan Chamber of Commerce has promoted this "mini-PAC" concept because it gives local groups adequate funds for inexpensive races without being troubled by reporting requirements. In San Antonio, Texas, the chamber of commerce organized a PAC for its local political activities and managed to attract former President Ford to a local fundraiser while he was in the city for another event. In other areas, business executives have organized fundraising for local races. They often follow the example of umbrella state PAC's and remain unaffiliated with any local entity. A problem confronting such enterprises is that to the extent to which they are ad hoc and not permanent, they diminish their effectiveness.

All in all, the PAC picture at the nonfederal level is one of continued expansion. State and local PAC's, by utilizing all available resources, have given business what the labor union political movement has always had: a foundation of local organizations that support national objectives, an identification of individual contributors with a local political contact who takes recommendations to the national level, and a network through which communications can be moved with speed.

#### CONCLUSION

Corporate political activity should not be viewed as recent or sinister. Individuals who work for corporate entities are no different than the general public in their need for greater political involvement. Many of these corporate executives have chosen to participate in elections through political action committees.

PAC's are active in federal elections as well as state elections, adapting to the economic and legal environment. This diversity of operation is one indication that they are voluntary and that their success is reflective of widespread employee support and contributions.

As the 1980's see greater corporate political involvement, the legal, business, and political communities will need to understand the day-to-day functioning of political action committees and their legitimate role in the electoral process. Without this basic knowledge, the PAC movement may be subject to unfair interpretation or attempts to outlaw this mechanism for free expression.

