

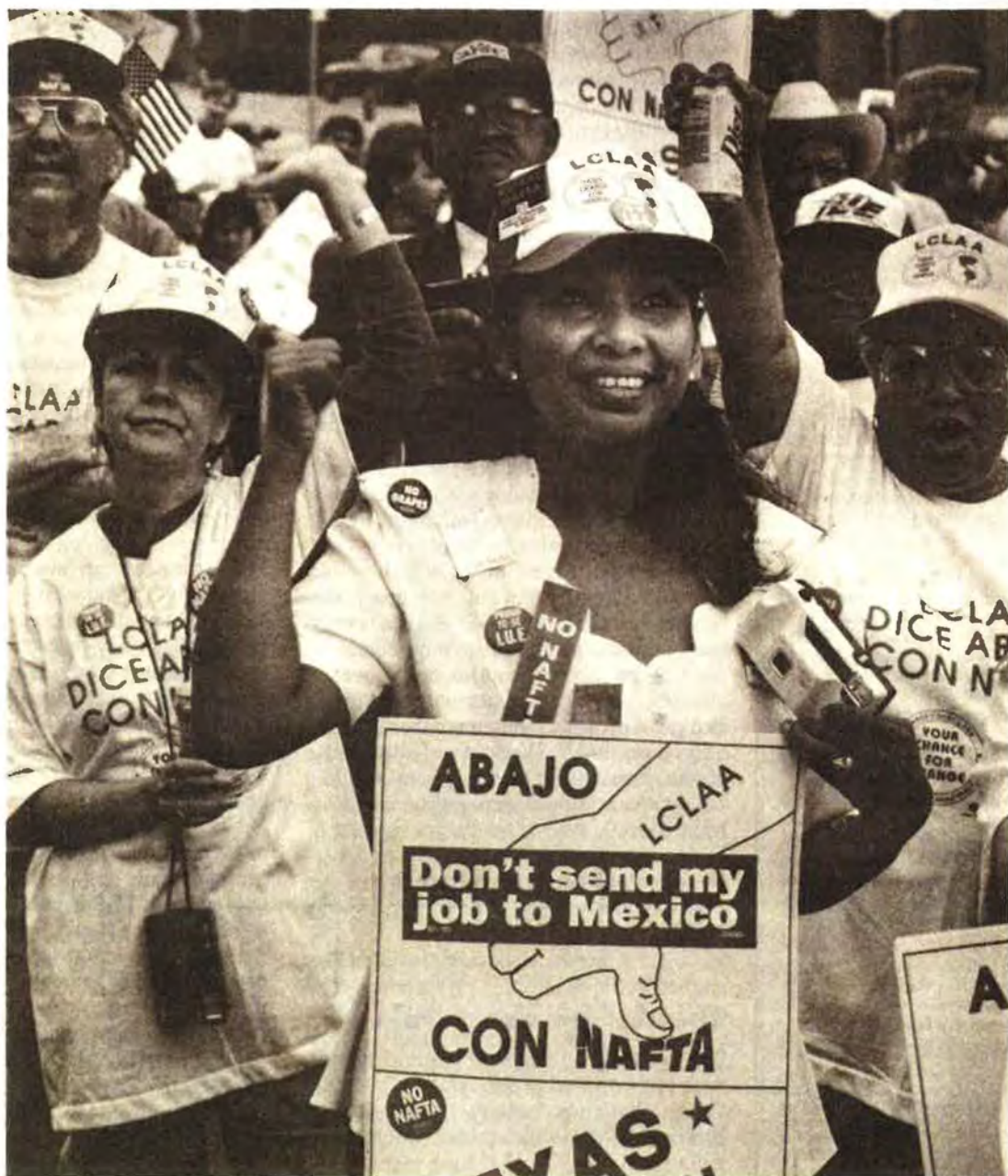
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ALAN POGUE

Clinton's NAFTA

Where There's Smoke

BY JAMES RIDGEWAY

WASHINGTON, D.C. WHEN BILL CLINTON was trying to corral Republican votes to pass NAFTA, he recruited an unlikely lobbyist in the personage of Craig Fuller, a former top White House aide during the Reagan-Bush era who ran last year's Republican convention, where speaker after speaker railed against the Clinton-Gore ticket.

Fuller's appearance at the White House gate gave beleaguered NAFTA lobbyists a shot in the arm, but it also has sent a signal of hope to a group of business people besieged by the Democratic Administration — executives of the tobacco industry, who are gathering their forces to beat down the President's proposed \$2-a-pack tax on cigarettes.

The tobacco tax is the only potential new source of funds Clinton can point to to help finance his already wounded health plan. But Fuller's presence at the White House can only help the industry because he is a vice president and a chief lobbyist for Philip Morris, the tobacco giant.

Whether or not Fuller can persuade the White House to lay off the tobacco industry in return for getting Clinton out of a jam on NAFTA, there are plenty of signs that the President has already undercut the idea of a stiff new tax on cigarettes. The Administration began with a plea for a \$2 a pack tax but in the ensuing months made it clear in Congress that it is willing to settle for \$1, or even 75 cents.

That's still too much for the tobacco-state delegations, whose Democratic leader, Charlie Rose of North Carolina, has indicated they can live with 48 cents — twice the existing federal tax. Rose heads a delegation that can pull 26 pro-tobacco votes, and can count on other non-tobacco-state Democrats to hold the line. They include New York's Charlie Rangel, who heads the House Ways and Means subcommittee that will handle the tax, and John Dingell, the Michigan Democrat who chairs the House Commerce Committee, which oversees smoking legislation, and who is a valued member of the Democratic leadership in the House.

With all the talk about not smoking, one might think the tobacco industry is in decline. But that's hardly the case. While tobacco companies focus on building a giant new market abroad, especially in Eastern Europe and Asia (300 million people smoke in China alone), they are continuing to make inroads into new

markets at home as well. Every day, hundreds of children in the U.S. start smoking, egged on by Camel Cash, the Marlboro Adventure Team, and advertising in role model publications, such as the *Village Voice*, *Rolling Stone*, *Sports Illustrated*, and *Cosmopolitan*.

Further, the tobacco companies have etched out specialty markets, promoting menthol cigarettes to African Americans, with advertising stressing upward mobility, and to blue-collar, high school educated girls and women, the so-called "virile females" who watch Roseanne and hang around at tractor pulls.

All in all, the industry has done pretty well amidst the chorus of anti-smoking propaganda. While 5,000 American smokers quit or die every day, another 3,000 or so start up. Tobacco sales in the U.S. last year amounted to about \$47 billion. Of all brands, Marlboro has been the most successful; its current campaign constitutes the most successful advertising pitch for any packaged good in history.

Marketing is one side of the tobacco industry's success story. Political power is the other. Under Reagan and Bush, the tobacco companies were received with great cordiality at the White House, and there was a continual shuttle from top government agencies to the industry. The Office of the U.S. Trade Representative was turned into a virtual appendage of the tobacco industry, with Carla Hills and her predecessors promoting U.S. tobacco abroad.

According to an internal Philip Morris document, on March 8, 1990, company lobbyist Jim Dyer reported to his superior, "We intervened with the White House, OMB, and HHS to urge that [Bush surgeon general] Dr. Novello take no position on any pending anti-tobacco legislation. We stressed to her handlers and to interested parties that we were interested in making sure she focused on non-tobacco health problems. We were successful in that both of our objectives were met."

The Clinton administration may offer the prospect of change. Both Clinton and Vice-President Al Gore have spoken out against smoking, and Hillary Clinton has banned smoking in the White House. But, like the Republicans, the Democratic Administration is loaded with former tobacco adherents, starting with Mickey Kantor, the U.S. trade representative who oversees the ongoing American campaign to flog cigarettes abroad, and whose former law firm has represented Philip Morris.

Secretary of Commerce Ron Brown's former law firm also worked for tobacco interests,

and Secretary of Education Richard Riley comes from a South Carolina firm that lobbied that state's legislature on behalf of Philip Morris. Riley's former partner and gubernatorial campaign manager, Dwight Drake, is recognized as the state's leading tobacco lobbyist.

Vernon Jordan, who ran Clinton's transition team, is a member of the RJR Nabisco board of directors. The industry contributed hundreds of thousands of dollars to Democrats and was much in evidence at the party's convention.

Tobacco companies continue to spend lavishly on Capitol Hill. According to a new study by Public Citizen Health Group, the nonprofit Washington watchdog, in a two-year period beginning in 1991, the industry spent \$2.4 million, most of it through political action committees connected to the big companies, in an effort to influence Congress. RJR and Philip Morris led the way.

Among the top recipients were members of the Democratic leadership in the House: majority leader Richard Gephardt (\$22,000), House Ways and Means chair Dan Rostenkowski (\$22,000), David Bonior, majority whip (\$17,500), and Vic Fazio, vice-chair of the Democratic Caucus in the House and head of the Democratic Campaign Committee (\$17,500).

In the Senate, Kentucky's Wendell Ford was the leading recipient, taking more than \$61,000. Jesse Helms received \$44,500; Bob Dole, the minority leader, \$41,500. Al D'Amato, New York Republican senator, the minority leader in the Senate banking committee, got \$30,700, and Christopher Dodd from Connecticut, \$23,000.

Within the Congressional Black Caucus, two representatives stand out as special friends of the cigarette firms: Charlie Rangel and Ed Towns of Brooklyn.

Overall, the Public Citizen study found that the more money members received from the tobacco companies, the less likely they were to sponsor legislation seeking to control tobacco.

Cigarette lobbying in Congress is not necessarily tied to tobacco legislation. During the 1980s, for instance, the tobacco industry rode the coattails of the powerful conservative antitax forces that often aligned themselves in a broader coalition with conservative social causes.

While the Republicans were in power, the tobacco lobby seldom pushed outright for pro-tobacco causes, instead arguing that higher taxes (including those on cigarettes) would kill the GOP in the South. According to a memo by Philip Morris lobbyist Jim Dyer,

James Ridgeway is a writer for the *Village Voice*, in which this originally appeared.

in June 1990 Bush's chief of staff John Sununu advised him over dinner that "Eighty to 90 per cent of American people think depressed tobacco consumption is a good idea" and therefore the "best arguments are strictly political and have nothing to do with policy."

At the same time, tobacco lobbyists have curried favor with legislators on a state level in efforts to thwart anti-smoking legislation. The usual strategy is to form coalitions with local groups that act as fronts—candy and convenience stores, for example, or billboard interests or restaurant associations.

According to internal Philip Morris documents that were turned over to the Texas-based health advocacy group Doctors Ought to Care, in 1989, the tobacco company spent \$158,500 on regional lobbyists to influence members of Congress and another \$579,000 in seven Southwestern states, including Texas, to kill major smoking-control bills. These bills would have required restrictions on smoking in public places and work sites, increased cigarette taxes, and limited sales of tobacco to children. The money went for honoraria, trips, pet charities of legislators, and various state political causes. [See Texas excerpts, pg. 12.]

In Arizona, the Philip Morris papers advised, "Concentrate on leadership and committee chairs in the senate," and in Kansas, "Shift attention to the senate Public Health and Welfare Committee to stop bad bills.... We gave about \$11,000 in Kansas to legislators. It may not seem like much, but that's the most we could give without sticking out like a sore thumb."

In certain cases, money was used to shut up politicians: "The plan is to give early and large campaign contributions to... thereby jumping on the bandwagon early and at the very least buying... silence." Trips to New York City were a favorite way of greasing local legislators and there was a "buck hunt" trip to the Ozarks for restaurateur allies.

It's widely known that the tobacco industry also employs a skein of "grass tops," friends of important legislators who are then supposed to influence their buds. In one internal Philip Morris document, headed "Political Power Assessment," politicians are ranked as "least friendly legislators" and "friendliest legislators." Under a category, "Movers & Shakers," each name is accompanied by a comment such as "Up and comer," and "We all know Dave."

An entry for Texas notes, "No one would come to our aid except the Black Caucus members to speak out against the tax and even then we had to use personal favors for them to hold the press conference. We have really catered to the local chambers buying time for sampling ban legislation. Particularly in Houston and Dallas, by sponsoring things like the Dallas Black Dance and other pet projects."

In Louisiana, the company documents note, "We give these members so much money in

campaign contributions, and I think that knocks out the need for an honorarium unless they requested it coupled as a trip." And later, "We gave money last year to every caucus that ever existed and will continue to do so."

The industry has also sought to curry favor on a much wider scale, backing groups ranging from the American Civil Liberties Union to the Heritage Foundation, the conservative think tank. According to a recent report by the Advocacy Institute, the ACLU, which has been advocating the tobacco industry's cause in Congress, netted \$500,000 in funds from Philip Morris between 1987 and 1992, along with additional sums from RJR Nabisco and the Tobacco Institute.

In 1990, Morton H. Halperin, then the ACLU's Washington director and currently a controversial Clinton appointee to be an assistant secretary of defense, testified before the Senate that "there is simply no evidence that tobacco advertising increases the level of smoking, and no evidence that eliminating tobacco advertising will reduce the amount of smoking."

In response to criticism over the tobacco money, an ACLU spokesperson declared, "If we were to try to screen the involvement or the benefits of all our contributors, we'd be in big trouble. Where do you draw the line? It's political correctness run rampant. We are delighted when anyone supports the work we do."

The industry also has supported health groups engaged in fighting alcohol abuse and AIDS, including Philip Morris grants to the American Council on Alcoholism (\$25,000), Gay Mens Health Crisis (\$100,000), and the Gay and Lesbian Alliance (\$10,000). In addition, the company gave grants of a few thousand dollars to women's groups, including the National Organization for Women Legal Defense & Education Fund and the League of Women Voters.

According to *Chronicle of Higher Education*, Philip Morris also contributes to such diverse groups as the Yale Divinity School and the Thurgood Marshall Scholarship Fund. The big money went to the arts: American Ballet Theater, Brooklyn Museum, Joffrey Ballet, and Lincoln Center. In 1991, Philip Morris gave the Alvin Ailey Dance Theater Foundation \$200,920; the year before, Alvin Ailey representatives testified in support of the tobacco industry in Congress.

The other major Philip Morris recipients have been minority groups, including \$86,108 for the Black Caucus, \$111,500 for the NAACP, \$301,450 for the National Urban League, and \$175,000 for the National Council of La Raza.

Not all the groups cited above returned calls from this reporter. Those that did emphasized the money was needed to help them serve their constituents and that it came with-

out strings attached.

One might expect, says Cliff Douglas of the Advocacy Institute, that "groups representing those communities would be speaking out in opposition to aggressive marketing of the tobacco industry.... But what you see are groups like National Urban League and NAACP, who need the money and take the money from RJR and Philip Morris, saying not word one about this problem that afflicts their community. Groups in the gay community are by and large silent on this same concern. You could infer that tobacco company contributions, while helpful on the one hand, are buying silence on the other."

The politics of the tobacco tax now enters the highly acrimonious and subjective arena of the House of Representatives, where any new tax must originate. The tobacco-state delegations, numbering some 30-odd members, already have told the Clintons they smell a double cross. In a furious July 19 letter to Hillary Clinton, Representative H. Martin Lancaster of North Carolina, a point man for the industry on the Hill, wrote, "Please let me make it clear at the very outset that I will not vote for a health care program that singles out one commodity as the only source of revenue."

He went on, "The North Carolina Democratic delegation voted unanimously for the President's budget and for reconciliation on the promise of the White House that tobacco would not be unfairly singled out to pay the cost of health care reform. If Dr. Magaziner continues to insist on tobacco as the only source of revenue, the White House should not expect to ever again get that kind of support from our delegation." Lancaster and his colleagues want to spread the tax, applying it to alcohol.

The President has recently agreed to remove indexing, which would make the tax go up or down every year depending on inflation. By so doing, the tax loses whatever modest revenue potential it ever had, and health advocates say it becomes next to meaningless as a lever against smoking.

With the President apparently having made a deal to get tobacco votes on the budget and now watering down his own proposals before debate actually has begun, the attention now moves to Rangel's subcommittee, where the New York congressman will soon hold hearings on the impact of the cigarette tax. He's generally been opposed to raising the tax, citing the impact on minorities. Another key player and valued member of the Democratic leadership is Detroit's John Dingell, who has had an alliance with Virginia Republican Thomas Bliley to go easy on tobacco companies in exchange for support on his own projects.

Which means that, in the end, thanks to Harlem and Detroit, the tobacco industry can breathe easy. □

Tobacco Money and Texas Politics

THE FOLLOWING 1989 MEMO, reportedly from a lobbyist in Philip Morris' Dallas-based Southwest office, will help explain how last session's products liability bill came to include a provision that bars smokers from suing tobacco companies. The Governor who signed that bill, coincidentally, was the one Philip Morris discounted when she was a candidate in the 1990 Democratic primary. The memo discusses Philip Morris' tactics for electing and then cultivating the support of legislators. It was obtained by DOC (Doctors Ought to Care), an advocacy group of physicians that works under the assumption that tobacco smoke is a public health hazard. DOC obtained the memo after it was retrieved from the trash bin of a Dallas law firm. Philip Morris USA officials have said they cannot verify the authenticity of the documents:

TEXAS: We should be much stronger in this area. We will work to correct it. I will be elected to the board of the Texas Research League in September, so that should help me. We work with the wholesalers, but we had a hard time when it came to witnesses against the smoking restriction bill in the Senate. No one would come to our aid except the Black Caucus members to speak out against the tax and even then we had to use personal favors for them to hold the press conference. We have really catered to the local chambers buying time for sampling ban legislation. Particularly in Houston and Dallas by sponsoring things like Dallas Black Dance and other pet projects. Benson and Hedges Blues helped us a lot in Dallas.

TEXAS: Outreach Program for Legislators and Key executive/Legislative Staff Executive Branch:

Our best and, perhaps, only hope to combat a consumer excise tax increase in 1991 is to help elect a Republican Governor who is a "no new Taxes," George Bush, Jr./Bill Clements kind of a guy. We will not do anything until after the March primary, check out the survivors, and go with the Republican candidate. The Democratic candidates, including at least State Treasurer Ann Richards and Attorney General Jim Mattox, may not be electable in November, due to their extreme liberalism.

Comptroller: The current Comptroller, Bob Bullock, is vehemently pro cigarette tax and has repeatedly beat us over the head

in the media during this last [1989] session. Bullock invented the myth that there is all this free federal money that somehow would be made available to provide medical services to the poor if TX came up with \$160 m[illion] in new cigarette tax revenue to match it. Pursuant to the myth, the fund must be derived from cigarette taxes — general revenue won't do. Unfortunately, he is extremely likely to be our new Lt. Gov., which I will address later. Our new comptroller — the person to whom the Governor and Legislators look to for the state's financial guidance — will be John Sharp. The plan is to give early and large campaign contributions to John Sharp, thereby jumping on the bandwagon early and at the very least buying Sharp's silence when it comes to locating new revenues.

Lt. Governor: Short of Chappaquidick [sic], there is nothing we can do to prevent Bullock from becoming Lt. Governor, nor can we temper his stand to tobacco tax increases. So we have to deal with the Senators instead.

[Editor's Note: Despite the pessimism about Bullock, DOC found that over the past two years representatives of Philip Morris had donated \$15,000 to the Lieutenant Governor out of \$80,650 in campaign contributions made between January 1, 1990, and June 30, 1992.]

Senate: We have a plan to get the magic number of 12 Senators (The TX Senate has 31 members; however, under the procedural rules of the upper chamber, a 2/3 vote is required to pass any measure. Therefore 11 senators (12 to 13 to be safe) can block consideration of tax increases and other proposals.) to be very sympathetic to us and I will discuss it in Tulsa.

House: We will always concentrate on the Senate, but there are things we can do in the House that will be of major benefit to us. We will continue to cater to the Speaker and his pet projects, as well as to the five or six committee chairs that have and will help us. We must keep in mind that one of these committee chairs will be the speaker in 1993. [Editor's Note: Pete Laney, who was then chair of the State Affairs Committee, became House Speaker.] That covers leadership changes, now for specifics.

POLITICAL CONTRIBUTIONS

We will spend \$16,000 in Sept. - Dec. 1989 and will request another \$15,000 for 1990. We will concentrate on the races for

Governor, Comptroller, key Senators, and key House Committee chairs. Where profitable, we will also give to Republican House races because those types are more likely to be "no new taxes" candidates.

Honoraria and NYO Visits: With less states, this will be easier to accomplish because to do these right, good planning is a must. After the special session on workers' compensation in November, if the current media flap over the legislators' trips dissolves, we are planning to taking four trips to NYO with honoraria involved. Two Senate trips and two House trips with three members and spouses on each trip.

Events: In Texas, some events are worthwhile, but the benefits are so much greater with trips and campaign contributions. I give out tickets to PM events and they are much appreciated but don't have much of an impact. However, we continue to try to develop inventive ways to ingratiate PM with legislators. As one example, immediately upon adjournment of the regular session we distributed to each of the 181 Senate and House members a copy of The Capitol Story, which is an attractive photographic history of the statehouse. This unusual gift was much appreciated by legislators and their families. I even got 4 or 5 phone calls to thank us.

Fundraisers: This category goes hand in hand with political contributions.

Organizations of Elected Officials: We always give to the various caucuses and this type of contribution does buy political clout.

Editors' Post Script: Doctors Ought to Care and Public Citizen found that in the two years since this memo was written the tobacco industry has donated more than \$80,000 to Richards, Bullock and a number of legislators. Andy Welch, a spokesman for John Sharp, said that a representative from Doctors Ought to Care provided Sharp with a copy of the memo before it was released to the press. Welch added that Sharp's staff considered it a "crude document" and said that although figures could not be made available before the *Observer* went to press, he was not aware of exceptionally large contributions from the tobacco industry to Sharp. After Sharp took office, Welch said, the Comptroller persuaded the Legislature to discontinue a tax discount for cigarette wholesalers who paid their sales taxes promptly, an act that hardly could be considered favorable to the tobacco industry.