

Report to the Australian Political Exchange Council

2004 United States of America Study Tour

The Hon. Eric Roozendaal, MLC

I am very grateful to the Australia Political Exchange Council for giving me the opportunity to embark on a study tour of the United States. The tour allowed me to examine, in great detail, issues of interest to myself and my constituency; and the various perspectives and policy responses to these issues in the United States.

The United States and Australia are nations which share much in common, and there is a great deal for Australian policy-makers to learn from the experience of our US counterparts. Policy is best formulated not in a theoretical vacuum, but through drawing on lessons learnt and expertise already gained elsewhere.

It is particularly useful to compare the varying responses of like-minded states to shared public policy challenges. For this reason, I also organised a week-long study tour of England prior to my programme in the USA, which I undertook at no expense to APEC.

My tour of the United States for APEC was well-timed, coinciding with my transition to my current position as a member of the New South Wales Legislative Council. In this new role, I have already had an opportunity to apply the experience I acquired on the US tour. One of the themes of my inaugural speech earlier this year was the issue of campaign finance reform; my knowledge of which has been greatly expanded through my first-hand experience of the US system.

The issue of campaign fundraising reform will be dealt with later in this report. It was only one of a number of areas of interest which I focused on while in the United States. My intention when planning the study tour was not to focus exclusively on a specific political issue or campaign, but rather to pursue a range of issues, and to take advantage of the particular opportunities that coincided with the timing of my tour.

The World Business Forum

One such opportunity was the World Business Forum in New York, which I attended upon arrival. This was an outstanding two-day programme that featured ten highly regarded speakers from around the United States, and attracted over 2000 delegates.

The forum was an invaluable means of obtaining an insight on current thinking within the US business community; how it views itself, and its response to the challenges and opportunities that are arising within an increasingly globalised marketplace. The forum was also a chance to partake in a discussion on the subject of the role of government in supporting and regulating business, and to gain an insight into the prevailing direction of US government thinking on economic and foreign policy.

In short, the forum was an opportunity to listen to outstanding US political and business leaders discuss the challenges political and business leaders will face in the next decade.

And like all forums, it offered the opportunity to interact with other delegates; to exchange opinions on the ideas presented by the ten speakers, and individual experiences of the problems discussed. There seemed to be a sizable international representation at the forum, which is itself an interesting aspect of the globalisation phenomenon. It seems that governments and businesses are increasingly looking outside their own national borders for solutions to local problems.

While all the speeches at the forum were outstanding in their own right, there were a number that were of particularly high standard, and dealt with issues of considerable international significance.

Rudolf Giuliani, the former mayor of New York, gave a captivating presentation on the challenges of leadership, and his experience of the terrorist attacks on the World Trade Centre on September 11, 2001. He spoke at length on the post 9/11 recovery he oversaw, and the difficulties he faced when forced to rapidly formulate and implement emergency strategies.

Giuliani seems very aware that his personal experiences are a vital resource for all nations threatened by terrorism, and that the strategies he put in place following the September 11 attack can be used as a guide for other leaders should a similar catastrophic event occur. Giuliani's speech was a reminder that the response of all Australian governments to the terrorist threat must not only seek to prevent attacks from occurring, but also prepare for the task of managing a post-attack recovery.

Giuliani was able to clearly articulate the challenges he foresees elected representatives having to face in the coming decade. He gave an extensive review of the challenges modern cities will face from both demographic and security pressures.

President Bill Clinton spoke on the subject of US foreign policy, and the various pressures that affect its application. His support for the US campaign in Iraq and the direction of US foreign policy was surprising. He outlined where he believed the threats to the US would next come from, and the importance of establishing a united international front against totalitarian regimes and international terrorism.

Clinton argued that in the age of global interdependence there will always be inherent instability, for the very reason that we cannot be independent of events in other parts of the world. He presented a compelling argument for the right of free nations of the world to seek out and destroy terrorist organisations, and confront those regimes which encourage or sponsor terrorism.

Another speech of interest was delivered by Jack Welch, the former chairman and CEO of General Electric, and considered to be one of the most respected CEOs in the world. Welch imparted his significant insight into the challenges businesses face growing in international markets. Of particular interest were his views on the future of the relationship between government and business, and the need he perceives for the two to work together more closely.

His arguments for less intervention by government in the market were well presented but not convincing. I do not share his faith in the market being able to regulate itself in a fair and equitable way. Business leaders' advocacy for less government intervention is motivated by the desire for greater profits, and it is my suspicion that much of this profit would occur because a less regulated business environment would discourage competition.

Overall, the World Business Forum presented an excellent opportunity to gain insights about where the thinking of key political and business leaders is heading. Clearly, the speakers at the forum felt there were great opportunities for developed nations in a globalised market. Several speakers argued for more assistance to be given to developing nations, as a means of growing the global market more rapidly. This is an interesting argument that may one day serve to reinvigorate debate on levels of foreign aid and economic assistance.

Campaign Finance Reform

The issue of campaign fundraising was of great interest to me for many years in my previous capacity as NSW General Secretary of the Australian Labor Party. My study tour to the United States gave me an opportunity to talk to a variety of different people and commentators about problems associated with campaign finance reform.

In 2002, the Bipartisan Campaign Reform Act, also known as the McCain-Feingold law, was passed. The legislation limits donations to \$2000 per person per election cycle. It also outlaws corporate donations. In addition, there is public funding for presidential candidates of around 74-77 million dollars, once they are endorsed as candidates.

While the banning of corporate donations appears to be a sound move, in reality political parties have found bigger and better ways to raise money. It was anticipated that through the primary and presidential stages of the US election, more than one billion dollars US would be raised by the various candidates.

The Campaign Reform Act also banned the contribution to political parties of so-called "soft money". This term refers to money raised for wealthy individuals, corporations, and the labour movement. Soft money was raised for use by political parties in support of non-electioneering activities. By raising money in this way, parties were able to avoid limits imposed by legislation.

There has been considerable controversy concerning the use of soft money in US political campaigns, and the general view of those I had discussions with was that a lot of it went into campaigning for or against candidates, and not towards the other party activities for which it was intended, such as voter registration drives, or "get out the vote" drives.

The new restrictions on funding have had a number of direct consequences. Firstly, they have forced political parties to focus on donations from individuals, and develop strategies to maximise revenue from this source.

It is worth having a close look at a strategy employed by the Republican Party to this end. In essence, the Republicans developed a "pyramid" selling type scheme for fund-raising. This sophisticated system networked well-connected individuals who agreed to reach a

fundraising target of, for example, \$100 000, by convincing 50 other individuals to commit to donate \$2000 each.

When a fundraiser met this target they became a “Pioneer”, and received benefits from the Bush campaign such as presidential cufflinks and invitations to special functions. When they met a target of 200,000 they became an elite “Ranger”, and would receive various elite benefits. Those who raised more received even greater rewards, and access to members of the Bush administration.

In typical pyramid-scheme fashion, individual donors recruited by would-be Pioneers and Rangers were encouraged to obtain donations from others, so they could themselves achieve Pioneer or Ranger status.

From all appearances, this scheme was a highly successful means of circumventing campaign finance restrictions. It made the Bush Fundraising Campaign the biggest in the US.

I must point out that the Democrats have managed to stay very competitive in this area of fundraising, and have developed complex individual donor structures of their own.

The other major result of the reforms has been the growth of the “527” political organisations. The name is derived from section 527 of the Internal Revenue Code, which grants tax-exempt status to political committees. 527s are free to raise and spend as much as they like.

527s are not allowed to co-ordinate with or contribute to a candidate’s campaign and cannot advocate for the election or defeat of a candidate. This restriction is of little use, however, as many 527s have been responsible for political advertising that was very damaging towards a particular candidate. Examples of 527s include “Progress for America Voter Fund”, which was pro-Bush, and the “Media Fund” and “moveon.org Voter Fund”, both pro-Kerry.

Perhaps the most controversial 527 was “Swift Boat Veterans for Truth”, which was funded by a well-known Republican contributor, and produced a television advertisement attacking John Kerry’s military record. The advertisement generated a large amount of media coverage and was considered to very damaging to the Kerry campaign.

It is estimated that the 527 committees raised almost US \$100 million during the recent election cycle. This type of political fundraising will continue to generate controversy, and I suspect cannot continue in its current form. My exposure to the US system has certainly influenced my attitude towards political fundraising. The US experience and the vast sums of money raised there are of great concern. It is hard not to be concerned about the effect on the democratic process by such large sums of money. Clearly, there will need to be further reforms to campaign fundraising legislation.

US Foreign Policy, and Encouraging the Spread of Democracy

While in the United States I was able to discuss the Iraq war with a variety of people and organisations as diverse as Peter Bernart, editor of the New Republic, the American Enterprise Institute for Public Policy Research, and the American Jewish Committee. While

there were various opinions as to the justification for starting the war, I was impressed by the level of support for the continuation of the campaign, and the establishment of a democratic Iraqi government.

Many people I spoke to emphasised the important role they believe the United States should have in encouraging the spread of democracy throughout the world.

One of the most interesting aspects of my trip was to hear about the work of the National Endowment for Democracy (NED). The NED is a private, non-profit organisation set up in 1983 to promote and encourage democracy throughout the world. The NED has an independent bi-partisan board of directors that provides grants to pro-democracy groups in such regions as Africa, Asia, Central and Eastern Europe, Latin America, the Middle East, and the nations from the former Soviet Union.

While the organisation is funded through the Congress, it has a non-government charter and is able to work in the most troubled parts of the world encouraging democratic organisations and processes. Some of the areas of recent involvement are Sudan, the Ukraine and Iraq.

The NED is a very impressive organisation, and there may well be a role that a similar type of organisation could play in our own region, if such an organisation were to be funded by the Commonwealth government. This approach may be of some benefit in assisting the organic growth of democracy and political stability within smaller nations; a course of action far more preferable to intervention once a political or humanitarian crisis has occurred.

Such an approach would need to be tailored to reflect the conventions of international co-operation within our region, and should only be undertaken following extensive debate. Altruistic aims in foreign policy do not always lead to positive outcomes, and we should be aware of antagonising foreign governments to the point where our efforts become counter-productive.

At the very least, we should monitor the progress of the US National Endowment for Democracy in the US with interest. Regardless of the extent to which our government decides to prioritise the spread of democracy as a foreign policy objective, the bi-partisan commitment within the US to fostering democracy will have global ramifications.

Gambling Regulation

Another area of interest that I investigated during the programme was the regulation of gambling in the United States. This is an important social and political issue in all liberal-democratic nations, and an area where national attitudes and legislation differ greatly.

The US legal gambling industry is valued at over 70 billion dollars a year, and employs between 350,000 and 400, 000 people. Each state has its own gambling legislation and gambling tax regime, similar to Australia.

Native Indian casinos are regulated separately by the National Indian Gaming Commission and do not pay state corporate taxes. These Native American gaming institutions

are showing the most growth in the casino industry. The other area of gambling growth is in state-run lotteries.

An interesting aspect of gambling in the US is their industry's approach to the notion of responsible gambling. The American Gaming Association developed a code of conduct for responsible gambling in 1995 and this is now accepted as the industry benchmark.

In 1996, the AGA set up the National Centre for Responsible Gambling (NCRG). This is an independent non-profit organisation set up to research responsible gambling and provide grants to research responsible gambling and gambling disorders. The AGA are very quick to point out that the NCRG, while funded by the AGA, is completely independent, and in no way similar to the supposed research organisations funded by the tobacco industry.

An interesting aspect of the NCRG's work is the 2.4 million dollar grant it gave to the Harvard Medical Schools Division on Addiction to establish the Institute for Research on Pathological Gambling and Related disorders. This will allow for genuine research to be conducted into problem gambling, and will help identify strategies to deal with the problem. While the gambling industry is motivated by self-interest, the funding and support of genuine independent research into gambling should be applauded. It will allow for a better-informed debate on the issue of problem gambling.

There certainly would be a strong argument for the Australian gaming industry to fund independent research in a manner similar to the NCRG.

The wide scope of material I examined on my study tour for APEC has given me a fresh perspective on a number of issues of relevance to my constituency. In particular, there are two main points I would like to highlight, concerning the two issues of campaign finance reform and gambling regulation. These are both areas in which new strategies have been implemented in the United States; the outcome of which should have significant bearing on the debate in Australia.

Firstly, on the issue of political fundraising, the US experience demonstrates that any reform of campaign finance must be undertaken only after an in-depth study on the precise effects of new legislation. US political parties are persistent in their need to raise funds, and this need has proven itself able to defeat well-meaning but deficient legislation.

This lesson is a particularly important one, as Australian governments will at some stage be forced to address the issue of campaign finance reform ourselves. The scale of political fundraising in Australia is still much smaller than in the US, yet we are seeing a rapid increase in campaign costs, largely due to the amount of money political parties are devoting to expensive media campaigns.

The Australian public are uncomfortable with the rising scale of political donations; they have every right to be. This issue will not be addressed, however, until there is bi-partisan agreement, similar to what was achieved in the US. It is unreasonable to suggest that any one party could ever unilaterally limit its own fundraising. Such a move would place that party at a serious competitive disadvantage.

Secondly, on the subject of gambling, the work of the US gaming industry in funding the research of gambling demonstrates the useful role our gambling industry could have in alleviating social harm caused by this popular pastime.

Gambling regulation is a difficult issue for legislators, requiring the juggling of competing values and policy objectives. To manage gambling-related problems firstly requires an understanding of these problems. We need to encourage independent research into problem gambling, and the gambling industry has both the ability and the responsibility to assist in supporting this research.

I would like to thank APEC for the opportunity to embark on a study tour of the United States, and the assistance of the APEC secretariat in organising my itinerary.