

form” who knew how to deal with opponents, was appointed chairman of GOPAC when that entity’s ethics were challenged.

Congressman Shadegg voted for all ten of the “Contract with America” bills. Overall, he followed Speaker Gingrich on 92.45% of the recorded votes (through Sept. 25). Gingrich recognized Shadegg’s loyalty by, first, appointing him as the only freshman on the Republican Policy Committee, and as a member of the Budget Committee.

Shadegg made his mark as a spokesman for the most extreme freshmen, known as the “Red Guards.” He likes to compare himself with the radicals of the left, titling one of his reports, “Power to the People” (the 1995 article warning of electric consumer price shock). In the spring of 1995, Shadegg’s Red Guards threatened Gingrich and Majority Leader Dick Armey (Tex.) that they would oppose the Balanced Budget Amendment, if it did not mandate that a three-fifths vote of Congress would be required to raise taxes. That did not stop Gingrich from giving his GOPAC slush fund to Shadegg. Shadegg then acted like a kamikaze during the fall 1995 debt limit imbroglio, and demanded that the government be kept shut down.

Shortly before Christmas 1995, Gingrich was ready to make a compromise with President Clinton on a “balanced budget plan.” Shadegg told neo-conservative columnist Morton Kondracke: “The leadership has one mantra: ‘Pass something.’ It’s deemed a failure not to pass something. We want to pass something close to what we came here to pass. We are necessarily adverse to one another.”

Asked whether the freshmen acted as mad dogs to help Gingrich in negotiations with the Senate and the White House, Shadegg replied, “I can make a case that we run Newt on a lot of issues.”

Shadegg frequently talks about tax cuts. He declared in 1994 that he wanted to eliminate value-added taxes on U.S. businesses, and greatly reduce capital gains taxes, while slightly decreasing or maintaining other taxes.

His health care looting policy is even more explicit. In his response to the 1994 National Political Awareness Test, a non-partisan questionnaire formulated by Project Vote Smart, NPAT asked, “If elected to Congress, which . . . general principles or specific proposals will you support concerning the American health care system?”

Shadegg’s responses included: “Privatize Medicare and Medicaid”; “Allow Americans to set up a tax-free medical savings account”; and “Deregulate the private health care industry.”

Steal the Medicare trust funds and Medicaid funds, slash health care, and don’t worry about who dies as a result: These are looting schemes favored by the Golden Rule Insurance Company, backers of GOPAC and of the Goldwater Institute, and by the other big insurance companies and medical chop-shops, which are among the heaviest contributors to Shadegg’s electoral campaigns.

The GOPAC role in Gingrich’s revolution

by Suzanne Rose

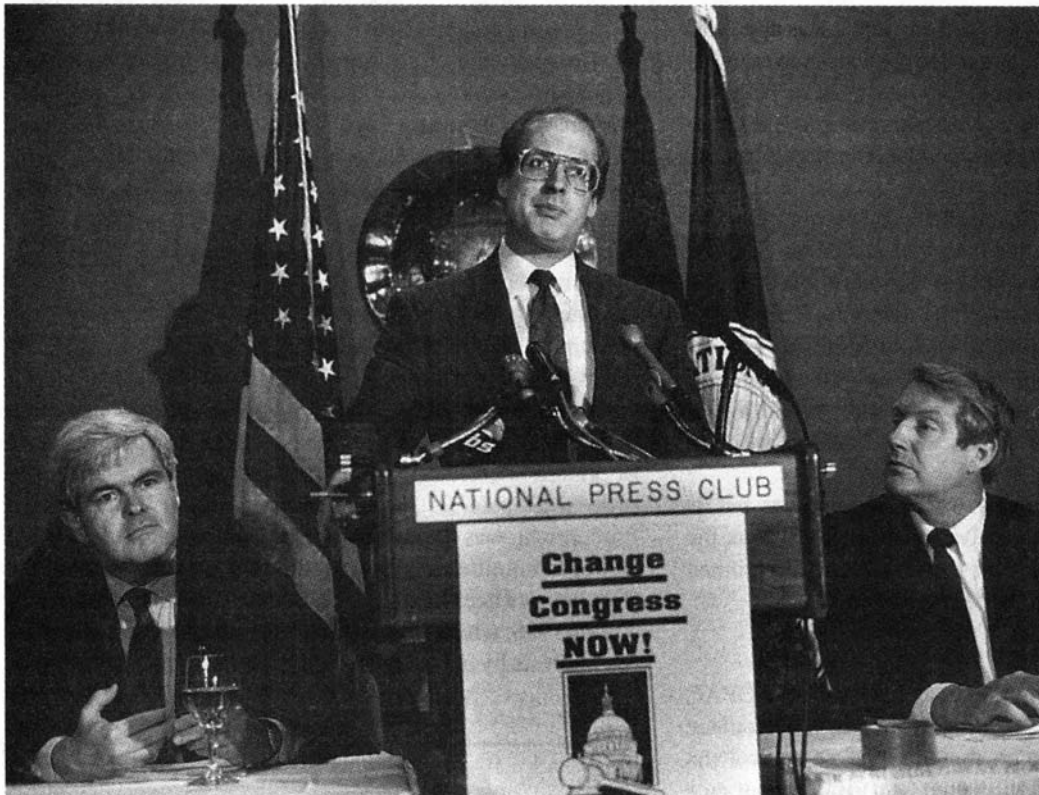
In September 1995, the reins of GOPAC, the political action committee allied with Speaker of the House Newt Gingrich and his fascist Conservative Revolution, were turned over to freshman Congressman John Shadegg. Since 1986, when Gingrich took control of the group from its founder and first chairman, former Delaware governor and Republican Party activist Pete du Pont, GOPAC has served as the vehicle for the takeover of the House of Representatives by Conservative Revolutionary ideologues.

Using secret and illegal means, strategists and moneybags of the fascist right met together under the auspices of GOPAC, and plotted the course which was to lead to the victory of 72 of their number in the 1994 House elections. Led by Gingrich, they conducted “focus” groups, engaged in research and development efforts, and put together campaign messages and materials to launch a political attack on the powers of the federal government and its constitutional mission to protect and promote the general welfare. As early as 1989, Gingrich and his co-thinkers adopted an agenda for a Congressional takeover, called “An Agenda Worth Fighting For,” which incorporated the tenets of what became the Contract with America, as well as plans to put the agenda into effect through a 100-day legislative blitz in Congress.

Shadegg, like Gingrich and du Pont, is faithful to the dictates of the British “free trade” economics known as Thatcherism. Both Shadegg and du Pont have hosted Margaret Thatcher on her periodic trips to the United States. Shadegg’s political pedigree from the Goldwater Institute derives from the network of radical free trade think-tanks spawned by the Mont Pelerin Society of fascist economist Friedrich von Hayek. Du Pont, who also comes from this network, is now the policy chairman of the National Center for Policy Analysis, which promulgates papers on privatization and “free market” economic doctrines of the Conservative Revolution. Important early contributors to GOPAC, such as Richard Gilder of the Wall Street brokerage firm Gilder, Gagnon, and Howe, have also given money to Shadegg’s Goldwater Institute.

Ethics, campaign law violations charged

Shadegg was chosen to chair GOPAC after newly elected House Speaker Gingrich came under public attack by both the House Committee on Standards of Official Conduct (Ethics



A GOPAC press conference on April 28, 1992, calling for welfare "reform." Left to right: Rep. Newt Gingrich (Ga.), Rep. Vin Weber (Minn.), Sen. Hank Brown (Colo.)

Committee) and the Federal Election Commission (FEC), for fraud and corruption in connection with a college course he had taught leading through the 1994 election. A new face had to be brought in, to distance the Speaker, if possible, and the new Republican majority, from GOPAC's growing legal problems. What better choice than the campaign finance fixer and political troubleshooter from Arizona, John Shadegg? In an interview with the *Atlanta Constitution* on Oct. 29, 1995, Shadegg was asked about his role. He said, "They [the FEC lawsuit and the ethics investigation] clearly hurt GOPAC. That's indisputable. What I looked at was what's at the heart of those issues and have we either already fixed the allegations . . . and if we haven't fixed them, are they susceptible to being fixed."

The FEC had filed suit against GOPAC in 1994, charging that it was involved in recruiting and funding candidates for Congress in the 1990 election. This was illegal, because GOPAC had not registered as a federal PAC until 1991. GOPAC claimed, in response to the FEC's allegations, to have only been involved through 1991 in the "education" of candidates for state and local elections, therefore not subject to federal election law. Its own literature, however, called for targetting 170 Congressional Districts to win in 1990. After the election, GOPAC touted the victory of nine new congressmen and four incumbents.

The FEC suit contained ample proof that the project involved Congressional election campaigns, and evidence that

money was diverted from GOPAC into shoring up Gingrich's failing re-election campaign in 1990. The FEC obtained tapes from one GOPAC meeting in August 1990, at which one person stated, "We're supplying, my guess would be, a quarter of a million in 'Newt support' per year." The reference was assumed to be the Gingrich election campaign.

Pressure for an investigation of Gingrich for ethics and campaign law violations reached a crescendo in September 1995. Complaints were pouring into the House Ethics Committee that Gingrich had solicited and continued to solicit contributions for GOPAC, and an interconnected web of tax-exempt and non-profit organizations, to fund elections and other partisan political activities. House Democrats charged that Gingrich was soliciting illegal corporate contributions directly to GOPAC and other organizations for such activity, and that corporate donors were receiving tax deductions for contributing to his slush fund. The FEC obtained letters which showed that contributors directly sought political favors for their money. Evidence in the record showed they were getting paid off through direct favors, and including having input into legislation.

The Ethics Committee, controlled by Gingrich ally Nancy Johnson (R-Conn.), was forced to begin a search for an independent counsel to investigate the charges. On Dec. 7, 1995, independent counsel James Cole was appointed to investigate the use of tax-exempt foundations to fund a college course taught by Gingrich called "Renewing American Civiliza-

tion," which in fact was used for partisan political purposes. It was alleged that the course was used as the source of material which was reproduced on videotapes and used to build his political machine. GOPAC provided manpower and funds to one of the tax-exempt foundations involved, the Progress and Freedom Foundation.

On Nov. 30, 1995, the Federal Election Commission released 1,000 pages of the suit it had filed against GOPAC for campaign finance law violations. Based on the material released, a group of Democrats led by Minority Whip David Bonior (Mich.) filed a myriad of ethics complaints against GOPAC for violating federal tax, election, gift, and bribery laws. Other complaints were filed related to the selling of political influence by the Speaker and his political action committee.

The Conservative Revolution had come to power, but its seamy side was threatening to betray it. GOPAC was the epitome of that seamy side, and the little-known freshman Shadegg was picked to provide damage control.

Vulture capitalism

Shadegg and the major financial backers of GOPAC shared the fanatical belief in less government interference and taxes, and more power to the "market" to control the economy. Among the top 50 funders of GOPAC are insurance companies, "vulture capitalists," corporate raiders, investment banks, and sundry other enterprises which subsist off the speculative bubble that is overwhelming the U.S. and world economy. Soon after his election, Shadegg started issuing anti-government press releases touting the Tenth Amendment and calling for a return to states' rights and "more power to the people." He became a leader of the campaign to balance the budget, a euphemism for reducing government expenditures on behalf of the public welfare.

The top 50 financial contributors to GOPAC include the drug-linked financier and billionaire Carl Lindner, chairman of American Financial Corp. Lindner was identified in *EIR*'s book *Dope, Inc.* as the owner of the old United Fruit drug-pushing apparatus. Lindner gave GOPAC \$55,000 right after the 1994 elections.

Golden Rule Insurance is another company which backs the Gingrich revolution. Its president, Andrew Rooney, was a featured speaker at Shadegg's Goldwater Institute. Golden Rule makes its profits by refusing to pay claims and bullying state insurance regulators. They are the major backer for the idea of Medical Savings Accounts, a scheme to privatize Medicare, strongly pushed by Gingrich partisans in the 104th Congress. MSAs give the "private sector" more access to health dollars, creating greater leeway for speculation and making it possible to reduce health care expenditures. J. Patrick Rooney, chairman and chief executive officer of Golden Rule, gave GOPAC \$95,000 through 1993. In return, Gingrich plugged Golden Rule in his course on "Renewing Civilization." He also blocked a Congressional subcommittee in-

vestigation of its practices.

Companies such as Amway, another "top 50" GOPAC contributor, benefit from the commitment in Contract with America to weaken the regulatory authority of the Food and Drug Administration. Corporate raiders such as Harold Simmons, head of Contran Corp., a Dallas-based holding company, can count on Gingrich to maintain the tax laws which encourage leveraged buyouts, and protect their asset-stripping practices.

Shadegg and his fellow freshmen came to Washington chanting a mantra of breaking up the "special interests" and legislating "for the people." But GOPAC and the organizations tied to the Speaker and his cronies have consistently waged war to break down the barriers to the monopoly powers of private interests. A case in point is cable television entrepreneur Donald G. Jones, of Cyberstar, a major GOPAC funder, who was the subject of a complaint before the House Ethics Committee. Jones was allowed to "volunteer" in the Speaker's office, helping to draft the Telecommunications Act of 1996, which tremendously benefitted Internet and cable interests by deregulating rates. The bill passed during the

Newt feels the heat

The House of Representatives Investigative Subcommittee of the Committee on Standards of Official Conduct (Ethics Committee) released on Sept. 26 a preliminary report on the findings of Independent Counsel James Cole's investigation into ethics complaints against Speaker of the House Newt Gingrich. Without releasing the full text of Cole's 200-page report, the committee announced that it was expanding the authority of Cole's investigation to cover four new areas, including the potentially politically devastating question of whether Gingrich told the truth during the initial inquiry. According to the *New York Times* on Sept. 27, the new questions include two new tax law issues and the issue of whether Gingrich improperly used the staff and facilities of a private, tax-exempt foundation.

According to the *Times*, the new issues to be investigated carry particular weight, because "they were produced not by a Democrat anxious to embarrass him, but by Mr. Cole, an experienced former federal prosecutor, and by the two Republicans and two Democrats on the subcommittee."

The committee's release states that "certain facts have been discovered in the course of Independent Counse

104th Congress, deregulating the telecommunications industry, and gave vast powers to media conglomerates, including that of Rupert Murdoch, whose publishing company Harper-Collins offered Gingrich a \$4 million book deal while the legislation was pending. This, too, became the subject of an Ethics Committee complaint.

Other major funders of GOPAC include investment bankers and hedge fund traders, many of whom were organized by GOPAC founder du Pont and share a commitment to funding the other Mont Pelerin satellites across the country. This group shares an interest in opening up the industrial base of the economy for asset stripping and looting. Individuals in this category include Wall Street investment banker C. Douglas Dillon, whose father supported the "Conservative Revolution," a forerunner to Hitler, in 1930s Germany; hedge fund operative K. Tucker Anderson, of Cumberland Associates, who contributed the maximum \$1,000 to Shadegg's re-election committee; and Charles C. Gates, of Hedged Investments Associates. They support the Conservative Revolution's commitment to tax reductions, especially lower taxes on their speculative gains, and less government regulation.

Family values?

Many of Shadegg's classmates in the 1994 GOPAC revolution, although purporting to represent family values, were themselves linked to scandalous behavior. A case in point was Rep. Enid Waldholtz (R-Utah), whose scandal-ridden victory was managed by GOPAC insider and campaign strategist Eddie Mahe. Her campaign illustrates the depths to which the GOPAC crowd sank to achieve their victory.

When Waldholtz pumped up her campaign in the concluding weeks of October-November 1994 with a \$1.7 million illegal contribution, Mahe was on the scene to oversee things, and remained a consultant during the period following the election, when Waldholtz and her husband were in need of damage control, because word of their illegal activities was beginning to leak out. During her short moment in the sun, Waldholtz was an acclaimed leader of the GOP's freshman "class," and was given a prized seat on the House Rules Committee by Gingrich. Shortly thereafter, the campaign came under investigation for falsified reports, bounced checks, and embezzlement.

James Cole's investigation which warrant an expansion of the Preliminary Inquiry to include the following areas: 1) Whether Representative Gingrich provided accurate, reliable, and complete information concerning the course entitled, 'Renewing American Civilization,' GOPAC's relationship to the course entitled 'Renewing American Civilization,' or the Progress and Freedom Foundation, in the course of communicating with the Committee, directly or through counsel; 2) Whether Representative Gingrich's relationship with the Progress and Freedom Foundation, including but not limited to his involvement with the course entitled 'Renewing American Civilization,' violated the foundation's status under 501(c)(3) of the Internal Revenue Code and related regulations; 3) Whether Representative Gingrich's use of the personnel and facilities of the Progress and Freedom Foundation constituted a use of unofficial resources for official purposes; 4) Whether Representative Gingrich's activities on behalf of the Abraham Lincoln Opportunity Foundation violated its status under 501(c)(3) of the Internal Revenue Code and related regulations or whether the Abraham Lincoln Opportunity Foundation violated its status with the knowledge and approval of Representative Gingrich."

The statement says that the committee has expanded Cole's authority to investigate the above matters, and it is anticipated that it will complete its investigation by the end of this Congress. Since the appointment of the independent counsel on Dec. 22, 1995, forty witnesses were interviewed, and documents produced in response to 52 sub-

poenas were reviewed. Cole presented his report to the committee on Aug. 13, 1996. Since that time, Democrats in the House have demanded that the report be released to the public. On Sept. 20, Jim McDermott (Wash.), the senior Democrat on the House Ethics Committee, held a news conference calling for the release of the report. The day before, the House Democratic leadership had unsuccessfully brought to the floor a resolution to release the report.

At a press conference on Sept. 12, Democratic Whip David Bonior (Mich.) said, "We are here today to call on the Ethics Committee to release the outside counsel's report on Speaker Newt Gingrich. It took this Ethics Committee 15 months to appoint an outside counsel to investigate the charges against Newt Gingrich. After eight months and the cost of a half-million dollars to the American taxpayers, outside counsel James Cole submitted an extensive report on the allegations that the Speaker broke federal tax laws. The Ethics Committee has had this report for exactly one month now, but we still don't know what the report says, because the committee refuses to act on it and refuses to make it public. . . . Newt Gingrich has been protected for nearly two years. . . . This is a shameful abuse of power. If this report cleared the Speaker's name, don't you think it would have been released in a heartbeat? Is this report so damaging to Newt Gingrich that the Ethics Committee has to keep it secret?" Bonior demanded that the same standards be applied that were applied to the ethics investigation of House Speaker Jim Wright in 1989, and which resulted in Wright's removal.—*Suzanne Rose*