

Clinton's Unlikely Boosters

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By Richard Miniter

For many in Washington, the most surprising reaction to President Clinton's economic plan was the U.S. Chamber of Commerce's hearty applause.

Across Lafayette Square from the White House, the chamber headquarters, with its Corinthian columns and marble facade, was sometimes seen as a supply-side, antitax temple during the 1980s. But times have changed on both sides of the square.

The chamber, which once shocked official Washington by chastising Presidents Reagan and Bush for considering tax increases, now has all but thrown in its lot with Clintonomics after an internal struggle that some call a purge. President Richard L. Leshner has said he thinks Clinton is going to be a successful, probably two-term president. When Clinton addressed the chamber's annual National Business Action Rally a week after unveiling his plan, he was cheered by the Washington representatives of major corporations. "We applaud the goals of the Clinton program," says Leshner, emphasizing the word "goals." The chamber, he says, wanted to avoid a "knee-jerk reaction to the Clinton package."

The chamber's initial friendliness to the new administration - designed to make it "a player," according to insiders - is a turnabout for an institution that for two decades led the business lobby in a fight against big government and high taxes. Many chamber members outside Washington may have been left behind by the U-turn. A December poll of 2,750 members found 73 percent "less confident" after the election that "significant progress will now be made on the nation's economic problems."

That may spell trouble for the chamber. Businesses employing fewer than 100 people account for more than 96 percent of the chamber's 215,000 members, and they aren't cheering the Clinton plan as large corporations are. That may add to an exodus of dues-paying members. According to an internal memo, at least 72 companies, which once contributed a total of \$450,000 per year, dropped their membership in the year leading up to the election. Although some companies left because of economic hardship, a chamber memo indicates that others left because of "dissatisfaction." Leshner claims overall membership has been rising, but admits that probably more than 72 firms have left. "Membership turnover in this kind of organization is part of the territory," he says.

While it's hard to pinpoint which companies left because of policy disputes, one insider says chamber certificates, which members usually display on their office walls, have been sent back with notes attached, including, "You sold out."

This dim view of the chamber is shared by Richard W. Rahn, the group's former chief economist and perhaps the personality most closely identified with the chamber in the public eye during the eighties. "They're taking away reasons for businessmen to join the chamber," says Rahn, whose company remains a member of the chamber. "It increasingly appears that they have no mission, no staff, and no press."

Mission: Reversing its free market positions, "the chamber has either failed to lobby aggressively, taken a walk, or flip-flopped on a number of key issues, such as free trade, 'no new taxes,' increasing the minimum wage, health care mandates, family leave, and school choice," says a former member of the Chamber of Commerce staff.

To please the Clinton administration, the chamber dropped its vocal support for indexing capital gains taxes for inflation, a proposal repeatedly endorsed by small business. Lawrence Hunter, Rahn's successor as chief economist until being fired in February over policy disputes, cites other recent reversals of long-held chamber positions. Examples of what he describes as "creeping protectionism" include support for Super 301, a trade law designed to fight dumping by foreign companies and supported by domestic industries pressured by foreign competition, and the chamber's newfound backing for tariffs on steel and minivans. (The chamber's switch on Super 301 outraged Caterpillar, which manufactures backhoes and other construction equipment and relies heavily on imported steel.)

The chamber now backs efforts to subsidize business research and training expenses through the civilian arm of the Defense Advanced Research Projects Agency. This, Hunter warns, is the kind of government industrial policy that helps big business at the expense of small business. And the chamber also is expected to endorse Hillary Rodham Clinton's national health care reform.

"These are issues of no interest to the Fortune 500, who can absorb the costs, but matters of life and death for small companies," says Grover G. Norquist, president of Americans for Tax Reform, an organization supported by an array of business and grass roots antitax groups.

Each of the chamber's policy positions - which Leshar insists haven't changed - is voted on by committees and the chamber's board. "Whatever mistakes we may make from time to time," he says, "are made in the most democratic, representative process that exists in this town. Dick Leshar does not write policy for the chamber."

Still, many former allies are unhappy with where the process is taking the chamber. "They were once very courageous," says Fred Smith, president of the Competitive Enterprise Institute. In the late 1980s, Smith's Washington-based free market advocacy group worked closely with the chamber. "Together we even took on sacred cows like the Rural Electrification Administration," which subsidizes utilities.

Unhappiness with the chamber has been building for some time among antiregulatory activists. "On the family leave bill, the chamber took a powder," says Bryan Little, director for government relations with the U.S. Business and Industrial Council, a member of a chamber-led business coalition. On Occupational Safety and Health Administration reform, "the chamber wrote a bill they thought they could live with, in order to get a seat at the table. Instead, Democrats just took that as a starting point. There's no question that {the chamber's} strategy will backfire." Little compares the chamber's tactical approach - never oppose anything on principle, always negotiate - to Bush's failed budget summit with congressional Democrats. "It'll turn out the same way," he says.

"The chamber was AWOL on the fight against higher taxes," says Alan Reynolds, director of economic research at the Hudson Institute. "On the issue of higher marginal tax rates, energy taxes, even free trade, the chamber is invisible," says Reynolds, who recalls a time not so long ago when the group was a high-profile combatant for free trade and lower taxes.

There are two ways to fight for an agenda in Washington: behind closed doors or in a public forum. Business lobbyists usually get rolled in back room deals, says Reynolds, so the chamber made a virtue out of necessity by fighting for free enterprise on TV talk shows and the op-ed pages of major newspapers. The recent shift from public confrontation to private negotiation is a misguided tactic, he thinks.

"The Mexican government {in lobbying for free trade} tried to hire a few Washington law firms," says Reynolds. "They thought that they could hire a few cronies and cut a deal. They didn't realize that you had to take the fight to Michigan. They neglected the grass roots. And that's the same thing the chamber is doing."

Norquist, a speechwriter for Leshner, the chamber president, in the mid-1980s, echoes that judgment. "If you don't stand for anything, it doesn't make you a player," he says, "it makes you irrelevant." Today "the position of the chamber is to be in the same room when someone else makes an important decision, but to have no impact. The historic position of the chamber was to state its position so loudly that everyone in the room was aware of the position and had to take it into account."

The chamber was energetic and confrontational during the 1980s. While backing the broad outlines of Reaganomics, it did not reflexively curry favor with the White House. Leshner sharply criticized Reagan's plan to increase taxes in order to close the deficit in 1982; his active opposition forced a vote of the chamber's board that almost cost him his job. After watching Leshner's high-stakes shoot-out with the Reagan administration, Norquist, a conservative activist new to Washington at the time, told friends, "I want to work for that man and that institution." Today he says he recommends to small businesses that they send their money to "to organizations that will actually represent them."

During the election campaign, William T. Archey, a senior vice president who ranks second to Leshner at the chamber and is responsible for day-to-day operations, ordered the staff "not to say anything critical of the Clinton/Gore policy proposals (many of which were obviously polar opposites to long-standing principles and policy) under threat of dismissal," writes a former chamber staffer in an unsigned document - "What's Going on at the Chamber" - now circulating on fax machines in the nation's capital. Archey declined repeated requests to respond to the criticism.

A former vice president is more direct - "It was a reign of terror." Both former and current staff members say Archey is a master bureaucrat who has succeeded in putting his stamp on the operation, slowing the pace of time-sensitive press releases and persuading employees who disagree with the new direction to keep their mouths shut.

Archey told the National Journal in December that the chamber did not see itself as a Clinton opponent. "This is not Mr. Dukakis. This is not Mr. Carter coming in," the Journal quoted him as saying. "This is the first time where I have seen a significant segment of the business community, before the election, overtly coming out in favor of a Democratic candidate."

By all accounts, bureaucratic infighting intensified at the chamber after the election. Abandoning the chamber's traditional opposition to fuel tax increases, Archey told the Washington Post, "The business community would probably be supportive of the White House package." The quote came only two days after the chamber's tax policy committee reaffirmed its opposition to energy taxes of any kind.

Just days before, Hunter, the chief economist, had testified before Congress and reiterated the group's opposition to new taxes. Hunter then signed a letter circulated by the Edison Electric Institute opposing energy taxes. Archey fired him as soon as he learned about it.

Reportedly, Archey told the economic policy staff that Hunter was fired for not clearing the letter. Hunter claims he "was set up," adding that Archey never said there had been a change in chamber policy, which was to oppose energy taxes and join coalitions sharing that view.

"Hunter was not fired for being a conservative," says Leshner, who adds that he is not at liberty to say exactly why Hunter was let go.

"I was fired for following chamber policy," says Hunter. "And when they fired me, they fired the only member of the staff who is actually a businessman." Hunter is co-owner of a Red Hot & Blue franchise in Manassas, Va., part of a Memphis-style barbecue restaurant chain. Matthew Kibbe, director of federal budget policy, gave his two-week notice the day Hunter was removed. Neither has been replaced.

The shrinking staff in the chamber's vast headquarters is a subject that Archey's critics point to repeatedly. The tax policy office has been cut from four people to one. The office of economic policy has been reduced from six to two full-time professionals. The National Chamber Foundation, the nonprofit educational arm, has no vice president and its staff has been cut in half.

"It's a purge," says one former senior official, who like others interviewed blames Archey. As the supply-siders either quit in disgust or are forced out, says the former official, Archey replaces them with loyalists or doesn't replace them at all.

Those hostile to Archey and his management style make bitter fun of his and the chamber's professed devotion to Total Quality Management - usually referred to by business gurus as TQM - a management philosophy pioneered by W. Edwards Deming and based on openness and respect between management and employees. The chamber has plans to launch a major multimedia effort to help small businesses around the country implement TQM. Inside the headquarters, the idea is derided as "Totally Quirky Management" and "Terrorize and Quietly Maim."

Working for more than 15 years outside the profit sector, Archey has plenty of practice at bureaucratic warfare. He served in President Carter's Treasury Department as senior deputy assistant secretary for enforcement and operations from 1977 to 1979. Then he moved on to become deputy commissioner of the U.S. Customs Service, where he weathered the change in administrations. In 1983 he was promoted to acting assistant secretary for trade administration at the Reagan Commerce Department. And in 1986 he joined the chamber as vice president of the international division.

A bureaucratic survivor himself, Archey may well think it prudent and enlightened to align the chamber with the new administration. Such shifts by large lobbies are a traditional feature of the Washington political landscape, after all. His critics clearly are losers in an internal struggle and are understandably upset.

The interesting question, still open, is to what degree the businesses affiliated with the chamber will take Archey's side as word of the chamber's change in direction spreads.

Recent chamber surveys of members find nothing like Archey's degree of confidence in the new administration. In December, 66 percent of the members said the climate for government action favorable

to small business over the next two years was "less favorable" since the election. Similarly, 56 percent said they didn't expect progress on the nation's problems "while these individuals {Congress and the new administration} are serving." Press: The chamber's new pragmatism may win favor at the White House, but so far it's not winning plaudits in the press.

"In the late 1970s and 1980s, the Chamber emerged as a valuable voice for principles - low taxes and regulation, open trade - that it said should apply to all American business. But it's now dropped most of that in favor of a crass pursuit of more narrow, corporate self-interest," wrote Paul Gigot, the Wall Street Journal's Potomac Watch columnist, in mid-February. ("I almost threw up when I was reading it," says Leshler.)

Noting that the chamber had signed on to Clinton's "soak-the-rich tax scheme," syndicated columnists Rowland Evans and Robert Novak weighed in two weeks later, describing this as "a victory for Washington-based corporate representatives" who are "panting to deal with the president." In wooing the chamber, they wrote, "Bill Clinton scored a big one."

In a recent issue, National Review predicts that the ranks of the 600,000-member National Federation of Independent Business "should swell as disillusioned Chamber members recognize their dues are financing the Clinton agenda."

All the attacks on the chamber, from insiders' to columnists', are targeted at Archey, called "the architect of this coup" by Gigot; critics unanimously spare Leshler. Norquist is perfectly in sync with the rest of the chamber's critics when he says: "Dick Leshler used to explain to official Washington the pro-growth policies supported by the business community. Now Bill Archey explains to the business community why Washington is going to take more of their money."

On the elevator up to the chamber's executive offices, one senior official was asked about the recently announced resignation of NBC News President Michael Gartner, whose weak supervision forced the network to issue a humiliating on-air apology. "It's like being the captain of a ship," he says, "The blame goes to the top."

And atop the chamber's organizational pyramid is Leshler. Even the most ardent critics, when pressed, fault him only reluctantly, perhaps recalling the days when Reagan described Leshler as "the man who is to federal tax rates what Conan the Barbarian was to anyone who got in his way." Hunter says he feels "betrayed" by Leshler. "I counted him as a friend, a compatriot," he says, adding, "I can't explain {Leshler's actions}. I don't know why" he changed.

The bad press pains Leshler. "Gigot, Evans and Novak - all had their little hands on that piece of paper," he says, referring to a Feb. 23 chamber statement (12 days after the Gigot column) that "applauds President Clinton's goals of reducing the deficit, cutting spending, creating jobs and stimulating the economy."

But, adds Leshler, "they all misinterpreted that, as though we had endorsed the program." Hitting his desk for emphasis, he says, "We do not support the program."

Ultimately, the buck stops with Leshler, in more ways than one. Despite losses of companies in top dues categories and budget cuts, Leshler received \$413,063 in salary and another \$120,261 in benefits and allowances in 1991, according to the National Journal. This makes him one of the 20 highest-paid association presidents in Washington. The full magnitude of Leshler's pay comes into view when it is

compared with that of his counterpart at the National Federation of Independent Business. The federation, composed primarily of small businesses, has an annual budget of more than \$58 million, only slightly less than the chamber's \$65 million. Leshner's 1991 compensation was more than double that of the NFIB president's \$219,770 salary and \$12,309 in benefits. While no one says that Leshner is overpaid for his years of service at the chamber, some wonder if he's still an effective manager.

On his watch, BizNet, the chamber's in-house television operation, has absorbed tremendous losses, an official still with the chamber says. Leshner, a commentator who has appeared on every episode of the chamber's syndicated program *It's Your Business* in the past 13 years, has adamantly opposed cost-cutting proposals to contract for outside production of the chamber's shows. The chamber officer in charge of BizNet denies that it's losing money.

Some have suggested that losses from BizNet may have contributed to financial pressures that persuaded Leshner to reverse chamber tradition and begin accepting government money in the mid-1980s. Today the chamber receives some \$5.7 million per year from the National Endowment for Democracy to promote free enterprise overseas and is hoping the trickle of money it now receives from the Defense Advanced Research Projects Agency will become a flood.

One business lobbyist with no ax to grind predicts that Leshner may retire within two years. Then a battle for control of the chamber will rage between the Archey wing, which wants to cut deals, and the supply-side wing, which wants to stand for free market principles.

If anyone looks forward to this, it's probably the White House. After all, divide and conquer is an age-old strategy.

Photos (color), A) President Clinton received a surprisingly warm welcome from the chamber.; B) Leshner says Clinton will be a successful president.; C) During the eighties, the chamber's headquarters building in Washington was seen as a supply-side, antitax temple., A) By Ruth A. Fremson/Insight; B) By Richard A. Bloom/Saba; C) By Brig Cabe/Insight

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