Official Comments of Campaign for Liberty Chairman Ron Paul

REG 2014-01

Submitted to the Federal Election Commission (FEC)

January 15, 2015

5211 Port Royal Road

Springfield, VA 22151

703-865-7162

I am pleased to submit this testimony on behalf of Campaign for Liberty's nearly three quarters of a million members in response to the Federal Election Commission's (FEC) call for comments on whether it should "revise certain regulations in light of the Supreme Court's ruling in *McCutcheon v. Federal Election Commission*, 572 U.S. ___ (2014)."

I join Campaign for Liberty President John Tate in requesting the agency refrain from imposing regulations on organizations such as Campaign for Liberty, which work to get all elected officials and candidates to support individual liberty. I would also urge the FEC to take advantage of the opportunity presented by *McCutcheon* to revise its regulations to make the political process more receptive to new ideas and candidates.

No objective observer can doubt that there are serious problems with our political system. Instead of being controlled by the people, today's electoral system is dominated by an unholy union between establishment politicians, a consultant class, and a donor class. These three factions work together to freeze out any candidates or movements that challenge the bipartisan consensus in favor of the welfare-warfare state from gaining any real influence in American public life.

While it may seem counter-intuitive, the way to provide a more open political system is to reduce regulations limiting how much, and in what manner, money can be contributed to candidates and spent to advance political causes.

As a three-time presidential candidate, I have personal experience with how laws governing campaigns, including campaign finance laws, disadvantage candidates who present a significant challenge to the status quo.

My three campaigns presented a constitutionalist libertarian challenge to the bipartisan welfare-warfare state consensus. Because of my "radical" ideas, I did not have access to the networks of major donors that throw their support behind candidates who support the status quo. Fortunately, I was able to build a network of grassroots donors and activists that made it possible for me to compete with the establishment candidates in 2008 and 2012. However, even then, my campaign faced a serious disadvantage compared to those whose polices were more congenial to the consultant and donor classes.

It is no coincidence that the only major party nominees to present the most radical challenge to the bipartisan consensus in recent years, Barry Goldwater and George McGovern, were able to overcome the political establishment's hostility to their campaigns because of the support of a few large donors. As I found out in 2008 and 2012, that option is no longer available to candidates thanks to federal laws designed to "improve" the electoral process.

The power of the consultant and donor class was on display in the last year's election, particularly in the Republican primaries. In several instances, candidates favored by the grassroots and small donors were defeated by candidates favored by the D.C.-based consultants and large business interests. This was an acknowledged effort by the consultants and donors to seize control of the electoral process back from the grassroots activists and small donors of the "tea party."

Looking at the early coverage of the 2016 presidential elections shows the continuing influence of the large donors. In all this coverage, there is an inordinate focus on which candidates have done the best job of appealing to big donors. The coverage freely admits that these donors are looking for "centrist" candidates who can be counted on to not aggressively challenge current domestic or foreign policies.

Much of the coverage of the early "money primary" discusses how candidates are courting support from the financial industry, the military-industrial complex, and other businesses that benefit from current monetary and fiscal policies. This is a phenomenon that affects both parties and may explain why free-market Republicans and progressive Democrats routinely violate their principles by supporting corporate welfare that distorts the market (violating the Republicans' supposed free-market beliefs) for the benefit of the corporate and/or financial elites (violating the progressives' supposed commitment to use government power to benefit those at the bottom of the income scale).

One of the most disturbing examples of the current system of campaign finance reform's failure is how some politicians are making the passage of unconstitutional legislation banning Internet gambling a priority in order to "get on the good side" of one billionaire donor.

Clearly, the system of campaign finance reform has failed to curb the power of large donors and political consultants to shape the electoral, and thus political, process. One explanation for why campaign finance reform laws enhance the power of establishment consultants and large donors, many of whom made their fortunes in industries that benefit from current government policies, is regulatory capture.

Regulatory capture occurs when a regulatory agency ends up serving the interests of the industries they regulate. One reason this occurs is that the regulated have the time, resources, and incentives to discover and exploit any loopholes in the law to influence the regulations and figure out how to manipulate them for their benefit. This is why every new round of campaign finance reform ends up further empowering the entrenched consultant and donor class. Smaller, independent-minded candidates and businesses promoting new ideas do not have the same ability to do so. Instead, they are often reduced to trying to copy the "professionals'" techniques.

Finally, I wish to address the question of the constitutionality of any campaign finance laws. The First Amendment to the Constitution prohibits Congress from making any laws "abridging the freedom of

speech." The right of free speech includes the right to participate in the political process by volunteering for candidates, writing letters to the editor or blogging about politicians and political issues, or donating to campaigns. Federal laws limiting how much an individual can participate in the political process by donating to the candidates of their choice violates the First Amendment just as much as laws limiting the amount of time an individual could spend volunteering for a candidate or the amount of money an individual could spend supporting a political publication or website would.

People are correct to be concerned about the influence of money in politics. However, the solution to this problem is not to create more unconstitutional regulations limiting the right of people to influence the political process**.** Instead, the solution is to remove the incentive for powerful special interests to influence and profit from government policy by scaling the government back to its constitutional limitations. The only way to get money out of politics is to get politics out of money.

The Supreme Court's *McCutcheon v. Federal Election Commission* decision gives the agency the opportunity to use its rulemaking authority to loosen some restraints on campaign finance. Given that the current system of campaign finance violates the First Amendment and has actually made it tougher for those opposed to the bipartisan consensus to influence the political process, I urge the agency to take advantage of this opportunity by looking for ways to remove regulatory burdens that protect the political and donor class from competition from those who truly want to change the status quo.