Fact and Comment

By Steve Forbes, Editor-in-Chief

"With all thy getting get understanding."

Will We Rid Ourselves of This Pollution?

THE PROBABLE PRESIDENTIAL CANDIDACY OF NEW YORK CITY Mayor Michael Bloomberg will blast apart whatever credibility is left of our idiotic campaign financing laws, with their tax-code-like complexity. The time has come to junk the whole corrupting apparatus and let everyone give as much as they want to whomever they want, as long as the information is posted promptly on the Internet. That way candidates, if they're able to get some sizable donations, can spend more time campaigning instead of fundraising.

In 1968, for instance, a handful of wealthy donors who wanted to end the Vietnam War bankrolled the candidacy of an obscure senator, Eugene McCarthy, against incumbent President Lyndon Baines Johnson. McCarthy knocked Johnson out of the race. But under today's rules a McCarthy-like insurgency would be impossible; with the $2,300 cap on individual contributions, such a candidate would never be able to get the money necessary to assault a seemingly entrenched incumbent.

Bloomberg will spend upward of $1 billion to support his independent bid. Already most of the major Democratic and Republican presidential candidates have announced they will forgo federal funding for the primaries and instead rely entirely on private contributions. Even campaign finance reform scion John McCain is opting out.

Why? To get around federal restrictions on how much a candidate can spend in each state. The money needed to compete effectively in the first two contests, Iowa and New Hampshire, greatly exceeds the caps. In previous campaigns, for instance, candidates sent their staffs to motels in Massachusetts so their lodgings wouldn't be charged against the New Hampshire limit. Moreover, the limits on what a candidate can spend overall are now unrealistically low for a national presidential campaign.

Current rules are so complex that campaigns have entire staffs working to ensure compliance. One example of how stupid the rules have become: If you charter a plane, you must pay for the flight in advance. If you pay afterward, you're in violation of federal law and will be fined accordingly. Yet with other vendors you are free to pay after you receive the product or service. Why such an arbitrary rule? Who knows?

Another example: When I ran for the GOP presidential nomination in 1996, the Federal Election Commission sued me and my campaign because I continued to write my Fact and Comment editorials. I never mentioned my candidacy in them or touched on any campaign issues. But the FEC alleged that I was receiving an illegal in-kind contribution from FORBES magazine. I refused to pay even a nominal fine and ultimately beat the bureaucrats. Needless to say, though, the effort took time and plenty of money.

Current laws have also led to a plague of independent committees that run attack ads against candidates. Nobody knows who actually writes the checks. Thus there is less transparency and accountability than ever. The rules have increased the clout of special interest groups that know how to get their members to write checks to a candidate.

The changes in the schedule of the primaries next year lend urgency to genuine reform. California, New York and a host of other states will have primaries on Feb. 5. Even if a low-budget candidate does well in Iowa and New Hampshire, he will have a difficult time raising the tens of millions of dollars needed to compete effectively in such large states, since those simultaneous contests come so soon after the first two.

Gas Bags

POLITICIANS, ESPECIALLY DEMOCRATS, love to beat up on Big Oil these days. Company executives are routinely caricatured as price-manipulating, environment-hating villains who are enriching themselves obscenely at the country's and the world's expense.

Yet for all the hand-wringing over our overseas oil dependence—this essential commodity is disproportionately found in the world's toughest neighborhoods—Washington's responses have been bizarre, almost comic. Meaningful measures are left undone or substantially watered down. And most of the measures actually taken will do little good, if not outright harm.

Look at the chart: 95% of the world's known oil and gas reserves are controlled by national oil companies, not private entities such as Chevron, BP, ConocoPhillips and ExxonMobil. All too many of these government entities are woefully underinvesting in their golden geese. In contrast, stockholder-owned companies have been ramping