

THE TOBACCO INSTITUTE

1875 I STREET, NORTHWEST
WASHINGTON, DC 20006
202/457-4800 • 800/424-9876

SAMUEL D. CHILCOTE, JR.
President

January 11, 1993

Via Facsimile

Mr. David I. Greenberg
Vice President
Corporate Affairs Europe
Philip Morris Companies Inc.
166 Rue Joseph II
B-1040 Brussels
BELGIUM

Dear David:

As you know, at the time that the Consumer Tax Alliance was promoting its advertising/polling campaign in 1990, Wall Street Journal reporter Jeffrey Birnbaum interviewed CTA Director David Wilhelm for a book he was writing on Washington lobbying practices. In fact, I understand he spoke with him on several occasions -- after the first series of ads had aired, upon the launch of the second wave, and most recently as Wilhelm was managing the Clinton campaign.

In the event that you have not yet seen the book, The Lobbyists, which was published just last month, I thought you would enjoy seeing the excerpt that deals with the CTA campaign. Although Birnbaum never mentions the organization by name, I am sure that you will agree with me that his portrayal of the organization and the results of its efforts is on the whole a positive one.

Sincerely,



Samuel D. Chilcote, Jr.

Enclosure

SDC:sms

TI17741513

convertible," the announcer said. "If you're a multimillionaire, you can buy one for \$200,000." Then the camera turned to a bottle of beer. "Sixty-five cents," the announcer said. "Regular people enjoy them in their backyards on hot summer days. . . . Guess which one the government wants to tax now?"

A second ad pictured a balding man pumping gas into his own car. "I do this a couple times a week," he said. "This is how I get to work and my kids to Little League. Now I'm hearing that back in Washington they want to raise something called consumer excise taxes, which are really federal sales taxes on everything from cigarettes to beer and gasoline." The scene switched to the man dropping off his children at a baseball game, and he concluded: "I think gas taxes are high enough already, and there are a lot of families out here who just can't afford to pay any more."

Wilhelm's group tested the effect of the ads in six medium-size television markets, picking geographically diverse places where the airtime was inexpensive. They were Springfield, Massachusetts; Lincoln, Nebraska; Albuquerque, New Mexico; Little Rock, Arkansas; Scranton, Pennsylvania; and Flint, Michigan. The impact was impressive everywhere. Before the ads aired, 55 percent of respondents opposed a beer-tax increase; afterward, the opposition level rose to 66 percent. They were so powerful, in fact, that there were no plans to air them again. Just their threat had clout, both Wilhelm and Tom Donohue agreed. "There's no point in pissing on their legs unless you really have to," Donohue said.

Ken Kay, too, was worried about angering the people in power. He and Coretech had been stunned by the 861 scare during the President's budget deliberations at the end of 1989, and he did not want a recurrence. So by May he had plunged into serious consultations with the largest companies in his R&D coalition to determine what could be done. By early June they had made their decision: They needed to hire a well-placed Republican lobbyist to counterbalance the very Democratic Stuart Eizenstat. "Our perception problem was real, and we had to address it," Kay said, making sense in a way that only longtime Washingtonians would appreciate.

Kay wanted to be sure that the Bush administration was com

s the
grad-
erved
and
with

that was what they got in abundance from David Wilhelm, a political consultant with ties to the union movement. Wilhelm was a veteran of Democratic political contests, both electoral and legislative. He fought for tax reform as the executive director of the Washington-based Citizens for Tax Justice from 1985 to 1987. In 1987, he was for a short time Senator Joseph Biden's presidential campaign director in Iowa. And then he ran for Congress himself—unsuccessfully—from his hometown, Athens, Ohio. He moved to Chicago and established his own consulting firm, called the Strategy Group.

From his exposed-wall basement office, Wilhelm had directed election campaigns for local Democrats, including the new mayor, Richard M. Daley. But he was also willing to accept work from corporations when they found use for his particular specialty: a gut-grabbing appeal to populism. Though he personally had reservations about alcohol and tobacco products, he agreed to focus his polemics on the fight against raising taxes on the poor.

"Our point is not to defend alcohol and tobacco," he explained. "This is a tax-policy issue. How are we going to reduce the deficit in a fair manner? People bring up the health issue, the energy issue. Well, the genesis of the budget [negotiations] is not health policy or energy policy. It's the deficit, which was caused by huge tax breaks on the very rich. We ought to make the people pay who went to the party."

Earlier in the year, Wilhelm had discussed with the machinists' union the possibility that regressive taxes might be raised as part of the ongoing budget summit talks, and that something should be done to stop it. But then he took another step: He solicited money from major corporate interests. "What's different between this and other 'tax fairness' groups," he said, "is that we went out and raised the money for an ad campaign, as if it were a political campaign." Among those he got to contribute were the members of CART, including Philip Morris and the trucking associations. Donohue's trucking group ultimately coughed up \$25,000 to help finance Wilhelm's commercials, and CART gave another \$10,000. The total budget was about \$750,000.

Wilhelm produced five commercials, each one hitting harder than the one before it. One ad showed tuxedo-clad men getting out of a very expensive automobile. "This is a Rolls-Royce Corniche

ive Bill Gray of Pennsylvania, the House's third-ranking Democrat, with seventy-four trips, and then Dan Rostenkowski, with fifty-three. Rostenkowski's itinerary in the winter of 1990 included two trips each to Maui, Palm Beach, and Palm Springs, as well as a visit to Scottsdale, Arizona. Corporate sponsors of these winter vacations included Merrill Lynch, the Futures Industry Association, and Philip Morris.

While Public Citizen was criticizing lawmakers for taking these free trips, the lawmakers were compelled to disclose the amount of honorarium money they had received in 1989. And even though the House had voted to end the practice of accepting speaking fees in 1990, a Mead Data Central computerized tabulation of honoraria carried in *The Washington Post* showed that the amount of honoraria in 1989 was still substantial: 2,696 groups paid almost \$9.5 million to members of Congress that year. The total was a drop from previous years, in part because of the taint that scandals like Durenberger's had brought into the process. But lawmakers were still able—and willing—to accept free trips from corporate lobbyists, and that practice continued unabated.

Durenberger's ordeal ended quickly. He brought his hearing to a close the next day, Wednesday, June 13, by pleading for clemency. He apologized for his actions, asserting that he had tried to act "in good faith" and had not intended to violate any Senate rules. Later that summer, the Senate would meet and, after three hours of debate, vote 96-0 to denounce him.

The anti-excise-tax lobby, in the meantime, decided to step up its efforts. It went more high-tech and high-powered. The corporate interests of CART decided to combine forces with organized labor to try to get their point across. Both CART and the unions, each for their own reasons, agreed that excise-tax increases were a bad idea. The corporations were opposed to a tax increase because it would lead to lower sales and profits. The unions did not want a tax increase because it would disproportionately hurt working people. So they chose their best argument against excise-tax increases—regressivity—and hammered it home by the best means they could think of—television.

Hard-hitting commercials were what the groups wanted, and

he
d-
ed
id
th