

Silicon Valley Goes to Washington

By Holly Bailey

When Vice President Al Gore earlier this year took credit, rather unexpectedly, for being a founding father of the internet, it was more than just a public relations blunder for the Democratic presidential frontrunner's campaign. The statement marked a major turning point in the already evolving relationship between Washington and the computer industry, a sector where Gore had worked long and hard to cultivate political allies. In the following months, Gore's campaign would take in nearly \$277,000 from the high-tech industry, more than twice what he and running mate President Bill Clinton took from the sector during the entire 1996 campaign.

But while Gore advisors predicted early in 1999 that their candidate would carry the Silicon Valley vote, both financially and at the polls, the increasingly powerful high-tech sector thus far has been elusive. In fact, Texas Governor George W. Bush has surpassed Gore to carry the computer industry's financial endorsement, reporting more than \$575,000 in campaign dollars from high-tech workers and companies during the first three-quarters of 1999.



And Bush isn't the only one boasting notable support from the computer industry. Though trailing, Gore's Democratic opponent, former New Jersey Senator Bill Bradley, reports just over \$173,000 from the computer industry as of the latest reports, while Republican Senator John McCain of Arizona trails in fourth place with nearly \$87,000. So much for Gore's plans to "vacuum all the money" from Silicon Valley and the technology sector, as one of the vice president's campaign aides bragged to *National Journal's Technology Daily* last March.

But can the shift in fund-raising prowess from Gore to other White House contenders be entirely attributed to the vice president's internet gaffe? After all, it's a time-honored tradition for politicians to take credit for other people's

successes. The answer is not exactly, according to an analysis of election fund-raising records dating back to the 1992 elections. Faster than the click of a mouse, high-tech leaders—the same people who once waxed philosophic about how irrelevant politics had become—are drastically stepping up their presence in Washington politics.

In the first nine months of 1999, the computer industry has made nearly \$3.8 million in soft money, political action committee (PAC) and individual contributions to federal parties and candidates. That's more than double what the industry spent on contributions during the first nine months of the 1998 election cycle, a time when the computer sector was just a blip on the congressional radar screen. And the sum nearly equals what high tech contributed during the 1994 elections.

Perhaps most notable is the party split in contributions from the high-tech sector. So far this year, computer companies have thrown about 56% of their money to Republican party committees and candidates—somewhat

of a surprise for those who have long considered computer companies to be Clinton-Gore territory.

Indeed, Capitol Hill Democrats have always courted the high-tech industry as one of its growing constituencies, promoting legislation to protect free speech on the web and the like.

But analysis of campaign finance data stretching over the last four election cycles shows that as the computer industry has increased its role in federal politics, its financial support of candidates consistently has bounced between Democrats and Republicans. During the 1992 elections, computer companies forked over about \$4.5 million in campaign contributions, 52% of which went to Republicans. The industry spent slightly less in 1994, reporting about \$4 million in soft money, PAC and individual contributions, with 51% going to Democrats. Republicans and Democrats flip-flopped in 1996, when the computer industry doubled its giving to \$8.8 million and handed 52% to the GOP. And during the 1998 election cycle,

Holly Bailey is an investigative reporter for the Center for Responsive Politics.

Republicans advanced their edge, capturing 56% of the high-tech sector's \$9.5 million in campaign giving.

Much of the GOP's success in luring the high technology sector into its political corner is due to its status as the controlling party of Congress. However, GOP leaders over the past year have also launched policy initiatives specifically geared toward drawing the computer industry into its ranks. Among other things, Republicans have spearheaded efforts to increase the number of immigration visas for foreign high-tech workers, approved a moratorium on collecting sales tax over the internet, and passed bills that cap a tech company's legal liability should the dreaded Year 2000 computer bug prove apocalyptic. In fact, the computer industry in 1998 and 1999 has boasted one of the most successful lobbies on Capitol Hill, winning passage of nearly every legislative goal on its wish list—not bad for executives who once bragged that they would never be caught dead in Washington.

More than a few lawmakers and lobbyists concede that the arrival of the digital age in the nation's capital, while overdue, is hard to avoid, considering the tech sector's overwhelming financial success on Wall Street and elsewhere in recent months. Indeed, many observers describe Capitol Hill's courting of the high-tech industry in terms usually pegged for romantic relationships. Not surprisingly, the computer sector

often is cast as the politically aloof industry that plays hard to get. Harris Miller, president of the Information Technology Association of America, told the *New York Times* last fall that Congress and the sector were in a "dating period" during 1998, where the industry and government were "just getting to know each other."

Certainly, if last year was the dating period, 1999 will go down as the year political candidates and parties attempted to go steady with, or even marry, the high-tech industry. Presidential candidates and lawmakers have racked up plenty of frequent flier miles heading out to meet with tech executives in Silicon Valley in recent months, while both congressional Republicans and Democrats unveiled lucrative policy misfires for the industry, including the GOP's "e-Contract with America."

"We're both going after the same girl to some extent," Democratic Representative Adam Smith of Washington State told the *San Francisco Examiner* last summer. What's the attraction? The increasingly wealthy industry has new money to spend and lots of issues to uphold.

It's no coincidence that the tech industry's dramatic upswing in contributions came in the fall of 1997. Congress for the first time was beginning to question how to regulate the rapidly evolving computer industry, weighing possible laws that could drastically affect the internet and the high-tech sector. At that time, Microsoft, a major force in the evolution of the computer industry's political career, was just getting settled in Washington.

Election finance records show that Microsoft was a notable political donor dating back to the 1992 elections, when it ranked sixteenth in overall computer industry donors. At the time, Microsoft gave \$53,283 in soft money, PAC and individual contributions, more than 79% of it to Democrats. By the following election year, Microsoft had more than doubled its giving. It moved up to seventh place among computer companies, contributing nearly \$108,000 to political candidates and parties. The company still heavily supported Democrats, handing over 71% of its donations to the party. Microsoft again doubled its contributions by the next election cycle, but its party contributions took a significant shift. Still ranked seventh overall, Bill Gates and company in 1996 made \$237,484 in contributions, 54% to Democrats.

In 1997, the political atmosphere was different in Washington. By September 1997, Microsoft had given a mere \$128,000 to political candidates. But later that fall, the company dramatically increased its financial presence in Washington, as word of a possible Justice Department antitrust lawsuit came. Among other things, the company began stepping up its support of the Republican Party. In the last four months

High-Tech Campaign Contributions

Year	Contribution		Total	Democrats	Republicans
	Type				
1991-92	PACs	\$448,331	60%	40%	
	Soft Money	1,731,148	49	51	
	Individual	2,338,597	42	55	
	Total	\$4,518,076	47	52	
1993-94	PACs	\$569,322	57%	43%	
	Soft Money	1,369,745	57	43	
	Individual	2,026,947	45	52	
	Total	\$3,966,014	51	48	
1995-96	PACs	\$608,829	33%	66%	
	Soft Money	3,622,410	56	44	
	Individual	4,517,615	43	56	
	Total	\$8,748,854	47	52	
1997-98	PACs	\$929,224	33%	67%	
	Soft Money	4,010,607	40	60	
	Individual	4,488,365	48	50	
	Total	\$9,428,196	43	56	

Source: Federal Election Commission data compiled by the Center for Responsive Politics.

of 1997, the company reported more than \$60,000 in soft money contributions to the GOP, compared to \$20,000 to the Democrats.

But that's nothing compared to soft money contributions Microsoft made during the same period in 1998. The company reported \$363,750 in soft money contributions to the GOP between September 1, 1998, and December 31, 1998. That compares to just \$110,000 in soft money contributions Microsoft made to Democrats during the same period. Overall, Microsoft contributed nearly \$1.4 million in soft money, PAC and individual contributions to federal parties and candidates during the 1998 elections. That's nearly six times what the company spent during the previous election cycle. More than 65% of Microsoft's contributions went to Republicans.

Microsoft ranked first in computer industry giving during 1998, and, thus far, the company seems to be headed toward claiming the same position in the 2000 elections. According to analysis of Federal Election Commission data covering the first nine months of 1999, Microsoft has given nearly \$800,000 to federal parties and candidates, 56% of which has gone to the GOP. The total includes some \$331,000 in soft money contributions, 73% of it to Republicans.

But Microsoft isn't the only organization to be credited with the tech sector's increasing profile in Washington. Just about the time Gates and Microsoft were stepping up their involvement in federal politics, a group of Silicon Valley executives formed their own coalition to increase the tech sector's role in Washington. The group, called the Technology Network (Technet), formed its own PAC in summer 1997 and began pushing its members to take a more active role in determining the outcome of legislation and elections. Made up of about 140 computer industry executives, Technet arranges meetings between the high-tech sector and the nation's political leaders, including Clinton, Gore and congressional leaders.

The price for admission to Technet's executive council is a minimum of \$10,000 annually, while larger firms pay up to \$50,000 a year to join. But members claim the cost is worth it, considering Technet's political accomplishments to date. They include the previously mentioned federal tax moratorium on internet commerce and legislation expanding the number of visas for foreign high-tech workers. As the organization advances well into its second year of existence, lobbying for Technet's support has seemingly become a rite of passage for White House contenders and other lawmakers, with Bush, Gore, McCain and others meeting with the group's members several times in recent months.

While Technet itself isn't a major political player financially—its PAC contributed just over \$42,000 to candidates in 1998—the group has asserted its importance not only by serving as a conduit for checks to candidates and parties, but with its membership roster of increasingly powerful players. Founders James Barksdale of Netscape Communications, a \$125,000 soft money donor during 1998, and venture capitalist John Doerr—he and his wife contributed more than \$180,000 in soft money in '98—both earned high-tech policy seats in the Bush and Gore campaigns, respectively.

Overall, Technet's individual board members have accounted for more than \$50,000 in individual contributions to presidential candidates in 1999, while the organization itself has

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made about \$22,000 in soft money and PAC contributions, 84% of it to Republicans. The group estimates its membership contributed about \$3 million of the high-tech sector's \$9.5 million in 1998. According to *Newsweek*, Technet officials project its members alone will contribute more than double that amount during the 2000 elections. When combined with contributions from other high-tech players, that's plenty of money for a computer industry that seems to be overcoming its reservations about Washington politics.

Still, the money is a drop in the bucket compared to what other industries, like banks and insurance companies, are kicking in. Lawyers alone spent more than \$38 million on campaign contributions to Congress in 1998—nearly four times the contributions attributed to the tech sector. Nevertheless, Democrats and Republicans are battling for more than just tech dollars. The quest to become the computer industry's main ally in Washington is as much about being the party of the digital age as it is about being Silicon Valley's best friend.

And that's a fight that seems only appropriate on the cusp of a new millennium. ●