

NEVER M

REMEMBER NEWT GINGRICH'S COLLEGE COURSE? THE ONE HIS ENEMIES CALLED A TAX SCAM? NOW THAT THE IRS HAS CLEARED HIM, WILL THOSE ENEMIES ADMIT THEY WERE WRONG? NO WAY. BUT GINGRICH COULD STILL HAVE THE LAST LAUGH.

BYRON YORK

It was a few days before Christmas 1996, and David Bonior was not in the holiday spirit. With a characteristically grim look on his face, the Michigan Democrat walked into the House Radio-TV gallery to express his outrage at the ethical transgressions of Speaker Newt Gingrich. "Anyone who has engaged in seven years of tax fraud to further his own personal and political benefits is not deserving of the speakership," Bonior told reporters. "Mr. Gingrich has engaged in a pattern of tax fraud, lies, and cover-ups in paving his road to the second highest office in the land."

As he had several times since the Republican takeover of the House, Bonior called on the speaker to resign immediately. But he said whatever Gingrich might do, the issue would inevitably move beyond the House Ethics Committee, which was then conducting a long-running investigation. "I would expect the Justice Department, the FBI, a grand jury, and other appropriate entities to investigate," Bonior said. "I don't see any way they can ignore this." In the end, he predicted, the speaker would likely face criminal charges.

Bonior wasn't alone in making such allegations. Fellow Democrat John Lewis accused Gingrich of engaging in a "massive tax-fraud scheme." George Miller of California said his actions were designed "to defraud the tax laws of the country." And Colorado's Pat Schroeder concluded, "We might as well rip

up all the laws, rip up all the rule books, if the guy at the head can thumb his nose at them."

At the center of the controversy was a course Gingrich taught from 1993 to 1995 at two small Georgia colleges. The class, called "Renewing American Civilization," was conceived by Gingrich and financed by a tax-exempt organization called the Progress and Freedom Foundation. Gingrich maintained that the course was a legitimate educational enterprise; his enemies contended that it had little to do with learning and was in fact a political exercise in which Gingrich abused a taxpayer-subsidized foundation to spread his own partisan message.

The accusation, started by a small group of Democrats but amplified in thousands of press reports, led to the Ethics Committee investigation, which in turn led Gingrich to make a limited confession of wrongdoing in January 1997. The speaker pleaded guilty to the previously unknown offense of failing to seek detailed advice from a tax lawyer before proceeding with the course, and he also admitted that he had provided "inaccurate, incomplete, and unreliable" information to Ethics Committee investigators. In return, the House reprimanded Gingrich and levied an unprecedented \$300,000 fine.

But the matter didn't end there. As David Bonior had hoped, another government agency—the Internal Revenue Service—began an investigation of Gingrich. During a probe that took three years, the IRS carefully combed through the records of the college course, the workings of the Progress and Freedom Foundation, and the ways in which both related to Gingrich's political network. After finishing the investigation early this year, the IRS sent the foundation a densely written, highly detailed 74-page

BYRON YORK is an investigative writer with TAS.

ND, NEWT

report which reached this conclusion: Gingrich acted completely within the law. There was no massive tax-fraud scheme.

Of course, by that time no one could undo the damage to Gingrich; he was out of Congress, widely assumed to be guilty, and \$300,000 poorer after paying the fine with his own money. The report's main value appeared to be as a correction of the historical record.

But it might ultimately be more than that. At some point in the not-too-distant future, the IRS investigation could become a key element of Gingrich's rehabilitation. For a variety of reasons—among them his unstoppable stream of big ideas and his unmatched ability to raise large sums of money—Gingrich might well return to the front ranks of the Republican Party. Cleared of accusations of wrongdoing, he might engineer a return to the national political stage



much like Richard Nixon did after his own period of exile following electoral defeats in 1960 and 1962. The IRS clearance could be the first small, but necessary, step of Newt Gingrich's comeback.

PROFESSOR NEWT

Despite the intensive press coverage of the Gingrich ethics investigation—a database search of major media outlets reveals more than 10,000 references to the speaker's ethics problems during the six months leading up to his reprimand—there was little coverage of the actual content of “Renewing American

Civilization.” Even after the release of the Ethics Committee's 1,271-page report, which included detailed information on the course, few reporters took a close look at the substance of the classes.

The IRS, however, took a very close look. Investigators obtained tapes and transcripts of each session during the two years the course was taught at Kennesaw State College in northern Georgia, as well as videotapes of the third year of the course, taught at nearby Reinhardt College. IRS officials examined every word Gingrich spoke in every class; before investigating the financing and administration of the course, they first sought to determine whether it was in fact educational and whether it served to the political benefit of Gingrich, his political organization GOPAC, or the Republican Party as a whole.

The course consisted of ten classes, each two hours long. Most of the time was taken by Gingrich's lectures, although there were occasional guest speakers. The first class was an introductory session in which Gingrich lectured on the uniqueness and diversity of the United States—praising leaders like Franklin D. Roosevelt, Harry Truman, and Ronald Reagan. He also introduced a number of his favorite themes: the “Third Wave” information revolution, the rise of world markets, and the destructive effects of the welfare state.

In the next session, Gingrich discussed the idea of individualism and the concept of equal opportunity. In the third class, he spoke on the subject of personal strength and integrity, which he told students was vital for a healthy and free society. He singled out leaders like John Lewis for particular praise (the same Lewis who would later accuse Gingrich of operating a massive tax-fraud scheme). In the fourth class, Gingrich laid out his ideas on entrepreneurial free enterprise, with particular emphasis on the work of management guru Peter Drucker. In the next class, he examined the American spirit of invention and discovery, which,

he warned, could be hobbled by bureaucracy, centralization, and excessive taxation. In the sixth class, Gingrich held forth on the concept of quality as outlined by Edwards Deming, a business theorist who was one of the speaker's idols. Gingrich devoted the seventh class to the “Third Wave” teachings of Alvin and Heidi Toffler.

The eighth class discussed the world economic market; Gingrich again stressed his theme of the lassitude and decay of the welfare state versus the dynamism of society based on equal opportunity. The next-to-last class dealt with the American culture of violence and those who are working to change it; Gingrich admirably described the efforts of Jimmy Carter, whom he called the most influential former president in modern times. The tenth and last class session was a restatement of all the earlier lectures with an emphasis on how they might apply to the twenty-first century.

The course reading list was classic Gingrich eclecticism. It included the Constitution, the Federalist Papers, speeches on welfare by former New Jersey Democratic Senator Bill Bradley, *Profiles in Courage* by John F. Kennedy, *I Have a Dream: Writings and Speeches That Changed the World* by Martin Luther King, Jr., *The Third Wave*, and *The Disuniting of America* by Arthur Schlesinger, Jr. In the dry assessment of the IRS, the syllabus contained “several works by persons associated with the Democratic Party and fewer works identified with Republicans.”

After examining each lecture and the course reading list, IRS investigators concluded the course was not political. “The overwhelming number of positions advocated in the course were very broad in nature and often more applicable to individual behavior or behavioral changes in society as a whole than to any ‘political’ action,” investigators wrote.

For example, the lecture on quality was much more directly applicable to individual behavior than political action and would be difficult to attempt to categorize in political terms. Another example is the lecture on personal strength where again the focus was on individual behavior. In fact, this lecture placed some focus on the personal strength of individual Democrats who likely would not agree with Mr. Gingrich on his political views expressed in forums outside his *Renewing American Civilization* course teaching. Even in the lectures that had a partial focus on broadly defined changes in political activity, such as less government and government regulation, there was also a strong emphasis on changes in personal behavior and non-political changes in society as a whole.

The IRS also checked out the evaluations written by students who completed the course. The overwhelming majority of students, according to the report, believed that Gingrich knew his material, was an interesting speaker, and was open to alternate points of view. None seemed to perceive a particular political message. “Most students,” the IRS noted, “said that they would apply the course material to improve their own lives in such areas as family, friendships, career, and citizenship.”

IMPURE THOUGHTS

It should be said that James Cole, the outside counsel hired by the Ethics Committee to investigate Gingrich, reached a similar conclusion; after much study, he conceded that the course was educational. But Cole warned the committee not

Do You Make Embarrassing "Gaffes" When You Speak?

Are "Verbal Booby Traps" Bringing Your Career to a Screeching Halt...

Roadblocking Your Way to a Higher Income...Sabotaging Your Social Success?

You hear them all the time when other people speak — glaring mistakes, like 'fortunate' instead of 'fortuitous' or 'effect' instead of 'affect'...jarring gaffes that often draw snickers, but never respect... embarrassing blunders that can absolutely destroy other people's impressions of you.

These are the 3 "Verbal Booby Traps"... **THE WRONG WORD, IN THE WRONG PLACE AT THE WRONG TIME.** They can make YOU YOUR OWN WORST ENEMY in business and social conversations...in letters to potential customers or employers...in school essays and college applications...plus speeches, presentations and sales talks. Because, let's face it:

People Judge You By The Words You Use

Regardless of your clothes, your smile or the firmness of your handshake — the richer, more colorful your vocabulary, the greater your success in both the business and social worlds. In fact, according to a recent report in *Reader's Digest*, "The highest achievers in almost any field are the highest scorers in vocabulary."

It's so very true, proven time and time again in research by major corporations: "A large vocabulary contributes more to career advancement than any other single factor."

The more articulate you are and the more eloquently you express your ideas, the more favorable are other people's impressions about your intelligence, your education, your capabilities and your competence.

Build a Harvard Graduate's Vocabulary In Just 15 Minutes a Day

To prove to you how incredibly easy it now is for you to amass a "Harvard graduate's vocabulary" in just 15 minutes a day, we will ship you on a FULL NO-RISK BASIS an exciting word power program, Verbal Advantage®.

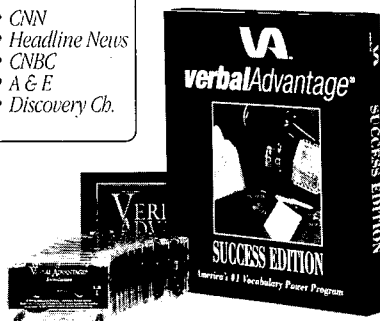
Yes! This proven program has already helped over 100,000 people — including corporate executives of companies ranging from American Express to Microsoft to Xerox.

In just 15 minutes a day, this breakthrough method TRIPLES your rate of learning new words without memorizing or studying boring word lists...catapulting your vocabulary level to the TOP 5% OF ALL EDUCATED ADULTS.

Best of all, Verbal Advantage® makes it so easy to expand your powers of expression...to compound your rate of amassing a huge "verbal bank account"...because ALL YOU HAVE TO DO IS LISTEN, nothing else!

As Seen On:

- CNN
- Headline News
- CNBC
- A & E
- Discovery Ch.



Here's What You Receive In Your No-Risk Shipment:

The complete Verbal Advantage® Audio Program: 12 hours of fascinating narration professionally studio-recorded, crisp and clear. More than 1,500 words in all, with periodic quiz/reviews to reinforce your knowledge and fix in your mind all the words you've just learned.

PLUS A FREE BONUS.

*If you order now, you also receive **Memory Advantage** — absolutely FREE. This two-tape program (2 hours total) will give you the ability to remember names, faces, numbers and vocabulary as never before.*

You risk nothing. It is yours to audition for 30 days on a no-risk basis. You must be fully convinced that Verbal Advantage® gives you the POWERHOUSE VOCABULARY YOU NEED — in this highly competitive world — to join the TOP 5% OF ALL EDUCATED ADULTS...or it costs you nothing! Simply return your No-Risk shipment for a full and immediate refund of the purchase price.

Now! Burn Over 1,000 New Words Into Your Memory In Just 2 Weeks!

With Verbal Advantage® you simply pop a cassette into your cassette player — sit back, relax — and INSTANTLY begin to broaden your

vocabulary and sharpen your command of the English language. There's nothing to read. No notes to take. You simply listen to each new word. You'll hear it pronounced...then listen as it is defined and compared to other similar words, (but with its own subtle difference)...then used in a sentence. In mere minutes, as if by osmosis, you begin to absorb dozens of new words like a giant mental sponge!

Not only will your ability to communicate effectively become one of your strongest assets — but you will never again misuse or mispronounce these newly acquired words.

Once and for all, you'll lose that gripping fear of saying or writing the wrong word, in the wrong place, at the wrong time — FOREVER!

Call Now For Your No-Risk Shipment.

Wouldn't you like to command a vocabulary so rich, so dynamic, that people will be absolutely riveted by every word you speak, every phrase you write? Wouldn't you like to unshackle yourself for life from the handicap and embarrassment of mistake-ridden English...the gaping pitfall that destroys business advancement and social success? You can — without risking a single penny — with the Verbal Advantage® way to a SUPER POWERHOUSE VOCABULARY in as little as 30 days...or even less!

Listen to Verbal Advantage® in the privacy of your own home or car. Prove to yourself how in just one month you can add thousands of new words to your vocabulary and attain a level that EQUALS THE TOP 5% OF ALL EDUCATED ADULTS!

You risk absolutely nothing. The entire package is yours to audition for 30 days on a no-risk basis. You must be fully convinced that Verbal Advantage® gives you the powerhouse vocabulary you need to join the top 5% of all educated adults... OR IT COSTS YOU NOTHING!

FOR MORE INFORMATION CALL NOW
TOLL-FREE



1-888-607-9673

Operators Are Standing By

☐ **YES!** Please rush me information about the Verbal Advantage® Audio Program. I want a powerhouse vocabulary that will allow me to join the top 5% of all educated adults!

Name _____
Title/Co _____
Address _____
City/State/Zip _____
Country _____ Phone _____

verbalAdvantage®

1150 Calle Cordillera, Dept. 5339
San Clemente, CA 92673 USA

www.verbaladvantage.com

Copyright 1998 WordSuccess, LLC

ELECTRONIC REPRODUCTION PROHIBITED



to be fooled by the actual content of the classes; Gingrich, he said, had given the lectures a patina of academic respectability even as he pursued a partisan goal. "There was an effort to have the material appear to be nonpartisan on its face," Cole told the committee in January 1997, "yet serve as a partisan political message for the purpose of building the Republican Party." Gingrich, Cole said, repeatedly worked code words into his lectures. The phrase "welfare state" was a coded negative label for the Democratic Party; the term "opportunity soci-

ety" was positive code for Republicans.

But the real clincher was Gingrich's original motive in designing the course. The speaker, according to Cole's theory of the case, was looking for a way to spread his political views. He came up with the idea of creating a college course and then devised a way to use a tax-exempt foundation to pay the bills. "The idea to develop the message and disseminate it for partisan political use came first," Cole told the committee. "The use of the 501(c)(3) [the Progress and Freedom Foundation] came second as a source of funding." Thus, Cole concluded, the course was "motivated, at least in part, by political goals." Cole further explained to the committee that any political motive, even a hint of a political motive, was enough to taint a tax-exempt foundation. "The presence of a single non-exempt purpose...will destroy the exemption of the organization," he said, "regardless of the number or importance of truly exempt purposes that are present."

It was, to Gingrich's supporters and many disinterested observers, a frightening standard. Cole seemed to be saying that the standard for determining whether any laws were broken was not whether laws were in fact broken but whether any unclean intent lurked in the heart of the suspect under investigation. Fortunately for Gingrich, the IRS applied a different standard. Rather than focus narrowly on motive, the IRS asked four questions as it tried to determine whether the course and its funding were legal. One, was the Progress and Freedom Foundation operated for educational purposes? Two, did the foundation benefit private interests? Three, did the foundation play a role in political campaigns? And four, did the foundation's money go to the private benefit of any person?

And the answers were: no, no, no, and no. "The central problem in arguing that the Progress and Freedom Foundation provided more than incidental private benefit to Mr. Gingrich, GOPAC, and other Republican entities," the IRS wrote, "was

that the content of the Renewing American Civilization course was educational...and not biased toward any of those who were supposed to be benefited." The IRS went on to note that "the Renewing American Civilization course taught principles from American civilization that could be used by each American in everyday life whether the person is a welfare recipient, the head of a large corporation, or a politician. The class evaluations and letters indicated that people taking or viewing the class used the class principles for personal improvement."

The decision was a resounding victory for Gingrich—and, for his supporters, a reaffirmation of common sense. "It's a very slippery slope to make the validity of the 501(c)(3) turn on motive," says James Holden, a Washington tax expert who served as Gingrich's attorney during the committee investigation. "People create 501(c)(3)'s for all sorts of motives—sometimes to advance one's image in the community, sometimes for business motivations. If you meet your 501(c)(3) obligations, the purpose for which you formed it should be immaterial."

Still, James Cole remains unconvinced. "I have heard from tax lawyers who say the IRS is wrong," he said in an interview with TAS. "Gingrich had a stated purpose of using the course to build the Republican Party. The issue comes down to motive."

GET THEE TO A LAWYER

Cole's conclusions on motive and the true nature of the course were just preliminaries to the Ethics Committee's final decision. At the end of the investigation, Cole and the committee decided that regardless of whether or not the course was within the law, Gingrich should have known better than to undertake such a project. "Taking into account Mr. Gingrich's experience, his background, his sophistication with tax-exempt organizations, and his status as a member of Congress required to maintain high ethical standards," Cole reported, an investigating subcommittee "concluded that Mr. Gingrich should have known to seek appropriate legal advice to ensure that his conduct in regard to these projects conformed with 501(c)(3)."

It was, to Gingrich and his allies, a peculiar accusation. All during the investigation, they had tried to tell the committee that they *did* seek legal advice—lots of it—before beginning the class. "We had two lawyers who looked over our shoulder on this thing," recalls Jeffrey Eisenach, the close Gingrich associate who heads the Progress and Freedom Foundation. "Then Kennesaw State had lawyers looking at it. Then we had an opinion from a former head of the IRS. The whole notion that he didn't consult enough lawyers was a farce."

But Cole and the Ethics Committee maintained that Gingrich had not consulted the *right* lawyers. The committee's chosen expert, a Washington attorney named Celia Roady, concluded that the college course violated the law. When Gingrich hired yet another lawyer, Holden, who argued that the course was legal, Cole made it clear he was not terribly impressed. "While that counsel [Holden] is an experienced tax attorney with a sterling reputation," Cole told the committee, "he has less experience in dealing with tax-exempt organizations than does the expert retained by the subcommittee [Roady]."

So Gingrich was in a no-win situation. He was told that he should have gotten more legal advice, but when he got more legal advice he was told it was the wrong legal advice. And then, when it turned out in fact to have been the right legal advice, he was told he was to blame for all the fuss. "He did not take the trouble to get the advice he should have, and as a result, this matter is here today," Cole told the committee. "The [investigating] subcommittee decided that, regardless of the resolution of the tax question, Mr. Gingrich's conduct in this regard was improper, did not reflect creditably on the House, and was deserving of sanction."

So the bottom line was: It didn't really matter whether or not the course conformed with the law. It's a decision that Cole is happy to defend. "What the committee found," he explains, "was that this was so controversial, that it was so close a call, that a prudent person would have gone to a lawyer and said, 'Give me your best view on this.'" In fact, Cole thinks the issue of legal advice was so important that the committee would have been better pleased if Gingrich had received the *wrong* advice. "Even if it turned out that the IRS said it wasn't okay," Cole says, "if he had prudently sought legal advice, I think the committee would have given him a walk on that."

By the way, Cole and the committee managed to learn just about everything there was to know about the advice Gingrich received—because they deposed his lawyers. "Newt waived attorney-client privilege," says Gingrich attorney Jan Baran, who, along with other Gingrich counsel, was questioned under oath by Cole and his investigators. Given the privilege battles that have characterized recent White House scandals, that in itself is extraordinary. "It was unbelievable that the committee was even seeking to depose lawyers," Baran says. "I'm not aware of the Ethics Committee ever having sought the testimony of any member's personal lawyer. Ever."

INACCURATE? INCOMPLETE? UNRELIABLE?
The other charge to which Gingrich pleaded guilty was giving "inaccurate, incomplete, and unreliable" information to investigators. The charges were based on two letters Gingrich's attorney prepared—which were approved and signed by Gingrich—in response to committee questions about the course. The first letter was sent in December 1994 and the second in March 1995. They were weighty documents. The March letter, for example, was 52 pages long, had 31 exhibits, which took up another 235 pages, and took an attorney 140 hours to prepare. It was presented to Gingrich for his signature during the last week of the "100 Days" in which he pushed a dizzying array of reforms through the House of Representatives. The earlier letter was of similar size and was written while Gingrich was managing the transition to a Republican Congress after the 1994 election.

Describing the first letter, Cole told the committee that Gingrich "stated that the course had no partisan political aspects to it, that his motivation for teaching the course was not political and that GOPAC was neither involved in the course nor received any benefit from any aspect of the course." Gingrich made essentially the same points in the March letter. Those assertions formed the

basis of the charge that he provided inaccurate information to the committee. But some of those statements look quite different in light of the IRS decision.

The course had no partisan political aspects to it. Cole and the committee believed Gingrich was lying when he insisted that the course was non-partisan. But the IRS ruling could not be any clearer on this question; Gingrich was telling the truth.

His motivation for teaching the course was not political. Again, Cole and the committee believed Gingrich was lying. But given the IRS decision, this accusation in effect condemns Gingrich's motives for behaving lawfully. And besides, even if one assumes that Gingrich has political motivations for everything, it is also beyond dispute that Gingrich, who had been a college professor before going to Congress, also had educational motives for his decision to teach the course.

GOPAC was neither involved in the course nor received any benefit from any aspect of the course. The IRS found that GOPAC did not receive any benefit from the course, so Gingrich was right again. He was, however, wrong when he said GOPAC had not been involved. The IRS, like the committee before it, found that people affiliated with GOPAC "were involved in the development of the course content, fundraising, and other logistics." But the IRS noted that Gingrich took care to keep GOPAC separate from the course by "the prompt establishment of the Progress and Freedom Foundation as a broadly funded, fully separate entity from GOPAC." In addition, while Gingrich's letter was wrong in denying any GOPAC involvement, it is not at all clear that he was trying to fool the committee. In interviews with committee investigators, he openly conceded the GOPAC connection—in effect correcting his letter.

Given those facts, in retrospect one has to ask: Why did Gingrich plead guilty and agree to pay such an enormous fine? To grasp the answer, one has only to remember the white-hot environment of the months following the Republican takeover of Congress. "The atmosphere at the time was so rancorous, partisan, and personal that everyone, including Newt, was desperately seeking a way to end the whole thing," recalls Gingrich attorney Jan Baran. "He was admitting to whatever he could to get the case over with."

"By the time you got to late 1996, he had lost the substantive argument," Jeffrey Eisenach recalls, "which was: is it okay for a politician to teach a clearly non-partisan college course?" Even though Gingrich believed—correctly, as it turned out—that the answer was yes, he was under almost daily attack from Bonior and other Democrats who leveled accusation after accusation against him. In all, they filed more than 80 ethics complaints against the new speaker; all except the college course matter were thrown out by the committee. Gingrich could either confess to a set of charges that he and his supporters knew to be without merit, or fight a protracted and damaging battle on the college course while still potentially facing other charges. Pleading guilty, even agreeing to pay the fine, seemed the only way for Gingrich to keep his job and his political future. "He'd gotten himself

(Continued on page 77)

Unfair Housing Acts

It was the kind of triumphal photo-op that the embattled president needed. On January 18, Martin Luther King Day, President Clinton was "pleased to announce" the

largest-ever settlement for a home-lending discrimination suit. "The Columbia National Mortgage Company will offer—listen to this—\$6.5 billion in home mortgages and extra effort to help 78,000 minority and low- and moderate-income families unlock the door to home ownership," the president boasted. The same day, at King's old church in Atlanta, Housing Secretary Andrew Cuomo also touted the

—JAMES BOVARD—
HUD is shaking down
lenders for billions of
dollars in settlements on
specious grounds of racial
discrimination, all to justify
government as the last
line of defense against
moral barbarism.

settlement: "If companies know we're going to enforce the law, you'll see more compliance. And \$6.5 billion says we're going to enforce the law."

There was just one problem. The entire settlement was a sham.

It wasn't the first time—and it likely won't be the last—but Columbia National's ordeal illustrates this administration's idea of fairness when it comes to faceless, private corporations: wild accusations and record settlements, all to convince voters that the federal government is the sole force preventing America from slipping into moral barbarism. And all in the name of correcting "racist" practices that never existed in the first place.