

Most voters don't like this year's choices for governor, polls show. But will they blame the flaws of two individuals or a broken electoral system?

CALIFORNIA'S WRETCHED CHOICE FOR GOVERNOR

It's easy to understand why Bill Jones, a former Republican leader in the Legislature and then California's secretary of state for the past eight years, decided to run for governor. He followed a well-worn path to the state's high office.

And Richard Riordan, a popular two-term Republican mayor of Los Angeles, had a record and a base within proven reach of the governor's office.

But why did Bill Simon get in? He'd never run for anything before. And in the 12 years since he moved to California, he didn't even vote in 13 elections.

Since Simon beat Jones and Riordan in the March primary, however, his motivation is important to understanding why California voters complain about such a wretched choice for governor this year. It also provides insight into the continuing struggles of the California GOP, as well as the increasing involvement of millionaire candidates like Simon.

When Simon is asked why he chose to run, he begins by reciting the charities he's sponsored and recalling his first and only public sector job as an assistant U.S. attorney in New York City. Like his father, the former U.S. treasury secretary, William E. Simon Jr. also said he expected to end up in government "at some point."

But in an interview, he's reminded that there is a big difference between *public service* and *elected office*. "That's the truth," he laughs.

So why choose elected office — especially this one? "There weren't a lot of people who were interested in running for governor," he explains. "If I really felt there was somebody out there I could have gotten behind, then things might have been different."

**By
David
Leshner
and
Lou
Cannon**

That's the way the Republican ball bounces these days. It loops and rolls and drops in somewhere, not necessarily where anybody would have wanted it. Many rank-and-file Republicans despair about their party's decision to nominate a neophyte conservative with a target-rich business background.

As it turns out, Democratic Governor Gray Davis is more vulnerable than even the most optimistic GOP predictions, providing an enormous opportunity for a party that is struggling to prove that it's still viable in California.

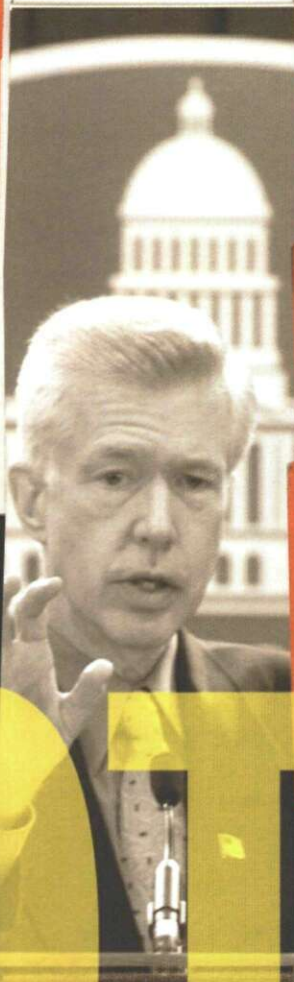
"The great failure of the Republicans is that they have fielded neither a credible candidate nor a credible campaign in a race they could have won," said Tony Quinn, a GOP consultant with no connection to the campaign.

Even Simon must have had second thoughts about his decision after one of the most bruising and one-sided summers in the history of California campaigns. He has made so many mistakes that Sal Russo, his principal campaign consultant, described him as a "pin-cushion" for the opposition, even as he was predicting that Simon would beat Davis. By August, Simon had been reduced to assuring a radio interviewer that he had the "moral courage" to go on.

The bad news began with a mysterious leak that named Simon as part of an IRS investigation into offshore tax shelters. Simon then botched the release of his tax returns, gaining more attention for his restrictive rules than the unblemished documents. Finally, the big whammy — a jury found in July that his family business defrauded a partner, who also turned out to be a convicted drug dealer.

Simon denied the charges, and he was vindicated in

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September when a judge threw out the verdict. But his political recovery depends on whether voters see a clean victory. And Democrats insist the unanimous jury verdict is still an issue.

The Millionaires Club

The cost of running for office in California has grown so rapidly that the field of candidates is increasingly becoming a millionaires club. Looking at major candidates in the past two gubernatorial races and those lining up for the next one, rich guys outnumber the others.

1998 primary election

Big bucks:



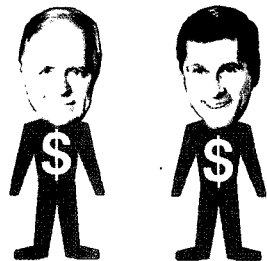
Chechchi Harman

Money scrambling:



Davis Lungren

2002 primary election

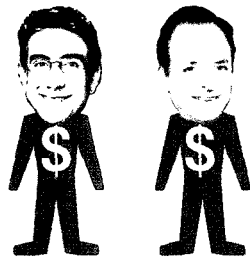


Riordan Simon

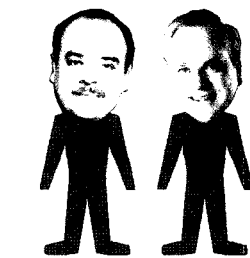


Jones Davis

2006 primary lineup



Angelides McKay



Bustamante Lockyer



Westly Reiner Schwarzenegger

The wretched choice

The days after the verdict were happy ones for Davis, who might have sat back and watched his opponent implode. Instead, Davis poured it on, blasting Simon with nearly \$15 million in television attack ads that synchronized perfectly with the national outrage over Enron, Global Crossing and other tales of business corruption.

Even after his dreadful early campaign, however, Simon remained competitive. Polls showed that voters didn't like much about Simon but had so little regard for Davis that he hardly benefited from his opponent's drubbing.

By Labor Day, the front-running governor was scratching to get 40 percent support among likely voters. He and Simon combined barely claimed the support of two-thirds of the electorate. Only a third of voters said they were satisfied with the choices. And in a sharp reverse of normal trends, the number of undecided voters was *increasing* as the election approached.

"I've never seen anything like it," said Bill Carrick, a veteran Democratic consultant with no connection to the campaign. "Usually, when one candidate's approval rating falls, his opponent's approval rating rises. That's not happening in this race."

The analysis by Simon consultant Russo is even bleaker. "Majorities of voters would prefer another candidate," he said in August. "With Davis, they know him and don't like him; with Simon, they don't know him and don't like him."

An aberration or a trend?

So how did we get here? In a state as big and rich as California, with a tradition of setting national trends and a history of creating political giants, this scene defies logic. Here are some of the explanations:

- The Republican Party is disintegrating due to demographic changes, extreme politics or bad luck. The GOP now faces the sobering prospect that it may not hold a single statewide office after the election.

- Some blame the high cost of campaigns, which have skyrocketed to the point that little chance is given any candidate who is not well known or rich. Four of the seven major-party candidates who have filed for governor in the last two elections are multimillionaires. The other three were statewide officeholders.

- The response of Californians to the limited choices has been to stay away from the polls. Voter turnout in the primary was an all time low of 33 percent; it is widely predicted that the general election turnout will also set a negative record.

"Obviously, this is due to a lot of reasons," said Leon Panetta, President Bill Clinton's former chief of staff and a retired California congressman. "I operate on the principle that we govern by leadership or crisis. And if leadership is not there, ... then I think change ultimately rests with the people."

Panetta exemplifies one reason the field of candidates is so limited. He considered a campaign for governor in



Simon visiting a church in Sacramento

1998 and doesn't rule it out in the future. But more than four years before the next race, a prominent Democratic consultant al but dismissed Panetta's chances and even those of Democratic Lieutenant Governor Cruz Bustamante because they already lag in fund raising and would almost certainly face well-heeled officeholders or even wealthier outsiders.

"It's one of the things that kind of feeds into the discouraging picture," Panetta said.

Davis carries fund-raising scars

All of the mega trends under way in California are on display in the match between Simon and Davis. But whether the public response is outrage or indifference may depend on whether the blame falls on the flaws of two individuals or whether these candidates are considered the natural product of a broken electoral system.

Davis has excelled in the current system, shattering previous financial records and creating a formidable campaign advantage. But as his poor standing among voters demonstrates, he also carries deep scars from what he considers the necessary evil of fund raising. To raise nearly \$60 million since he took office, the governor has unavoidably mixed fund raising with nearly any policy decision that crosses his desk.

Davis insists that he is not influenced by the money, as demonstrated by many decisions that were unfavorable to contributors. "I'm proud of the fact that ... virtually every major donor to me has experienced one or two vetoes he didn't want to see," the governor said in an interview. But Davis has also created a bipartisan reputation — as Simon puts it — of being a "pay to play" governor.

A farm worker rally at the state Capitol in August demonstrated the governor's tarnish. Davis, a lifelong champion of the farm workers, was undecided about a bill that pitted farm workers against the political power of the

agriculture industry. At the rally, the Democratic lieutenant governor portrayed Davis as a governor putting campaign contributions over principles and allies.

"Justice over injustice, people over money," Bustamante roared. Characteristically, Senate President pro Tempore John Burton (D-San Francisco) put it more bluntly: "It's a clear thing, a choice between farm workers and the big money in agriculture."

Numerous financial conflicts have been raised about Davis decisions involving Hollywood, technology, timber, labor, Indians, teachers and others. Today, his problems are an applause line for critics and a punch line for columnists like Steve Lopez of the *Los Angeles Times*, whose column once quoted a favorite joke of Peter Camejo, the Green Party candidate for governor.

Question: Do you know how to get Gray Davis to change his position on an issue?

Answer: Tell him the check bounced.

In an interview, Davis sidestepped several questions about whether such impressions bother him. He said he often receives money from interests on both sides of an issue. And in some of the most controversial cases, Davis said he was not involved.

The biggest of the latter such controversies involved Oracle computers. A \$25,000 campaign check was handed to a Davis aide by an Oracle lobbyist who had just secured a costly state contract. When an audit concluded that the contract was unnecessary and overpriced, Davis fired four of his top officers.

In another case targeted by Simon, a panel of Davis appointees reversed themselves and approved the Tosco refinery's plan to dump toxic waste into San Francisco Bay just days after Davis received a \$70,000 contribution from the refinery.

"I cannot keep track over every board and commission, every regional this and regional that," Davis said. "And to some extent, I've been hoisted by our own efforts to separate government from politics."

Davis blames his image problems on a sagging economy that crippled the state budget and last year's energy crisis, when he said Republicans succeeded in convincing the public that his delays worsened the problem.

"There's no question that the energy crisis was expensive to me," Davis said. "The public still doesn't fully comprehend the complexity of it, and they largely hold me accountable for it. But I am prouder of what we did to get through that energy crisis than almost anything else I've done in public life. I sat here, like one administration with [its] hand against the dike. And we eventually kept the dike from breaking, even though the entire country conspired against me because Enron bought off media people, bought off analysts."

Simon mistakes

These are the controversies that make Republican leaders fume about Simon's missed opportunities. They blame the GOP campaign, especially Russo, for not putting

Davis on the defense about his fund raising as well as the issues that polls show top voter concerns — economy, education and energy. They are convinced that Davis would lose if *he* were the focus of voter attention instead of Simon.

“To be blunt, the major problem with the Simon campaign is Sal Russo,” said a prominent Republican. “Bill Simon is a much better candidate than the campaign shows.”

Brooks Firestone, a former state legislator and a leading Republican moderate, also spoke well of Simon but added that social conservatives have controlled his campaign and “wasted” his future value to the party. “Simon

doesn’t understand the symbolism of the campaign or know how much he’s being used to advance the campaign purposes of others,” he said.

The strain of trying to unite the Republican Party’s moderate and conservative wings was demonstrated in September when Simon was forced to disavow a signed campaign document that pledged his support for gay rights bills. Simon said he never saw the document. But the episode angered both wings of the party and drew an apology from Russo, who took responsibility.

The mess also prompted an unexpected blast from Lyn Nofziger, a veteran GOP consultant once touted as a Simon advisor, who wrote in an Internet column in September that “Simon is too dumb to win.”

Part of the anger at the Simon campaign comes from Republicans who believe they were misled about the candidate’s resources.

One of Simon’s attractions for the party was the hope that he would use his personal fortune in the campaign. When Simon released his taxes, however, he created a stir about how much he was truly worth and how much of his money was liquid. By June, Russo said that Simon gave about \$5 million to his campaign. But shortly before Labor Day, Simon said in an interview that he hadn’t decided whether to contribute any more. Days later, however, Simon made another contribution, and on September 5, the campaign finally launched its first series of network-broadcast commercials in the general election.

By that time, however, Simon had suffered weeks of unanswered television attacks from Davis and missed a bushel basket of opportunities. Veteran Republican consultant Stuart K. Spencer believes Simon lost a vital opportunity to make Davis’s fund-raising practices an issue after the Oracle debacle, and he allowed Davis to set the themes of the campaign. By August, Spencer said he worried that Simon was still such an unknown quantity that — when he’s compared with Davis — voters “are more likely to chose the devil they know than the devil they don’t.”

Some Republicans, including those in the White House, also were upset last summer when they were blindsided by the devastating \$78 million court verdict against Simon’s company. The jury found that William E. Simon and Sons concealed from the founder of a Southern California pay phone company its plans to borrow heavily and expand the company so it could go public. The plan failed, and the company was taken over by banks, costing the partner, Edward Hindelang, \$23 million.

Six weeks after the verdict, a judge threw out the jury’s decision on September 12, saying that Hindelang misled Simon when he did not disclose his previous drug conviction.

Simon said in an interview that he told Russo about the case last year when they were exploring a campaign. “My consultant knew everything and he would decide if I was fit for [elected] office ... or some sort of an appointed position,” Simon said. Russo, on the other hand, said he did not plan for a guilty verdict because Simon assured him that he would not lose.

Simon’s Steps

Bill Simon, a businessman and former prosecutor, was a surprise candidate for governor even to some who had encouraged him to make the race.

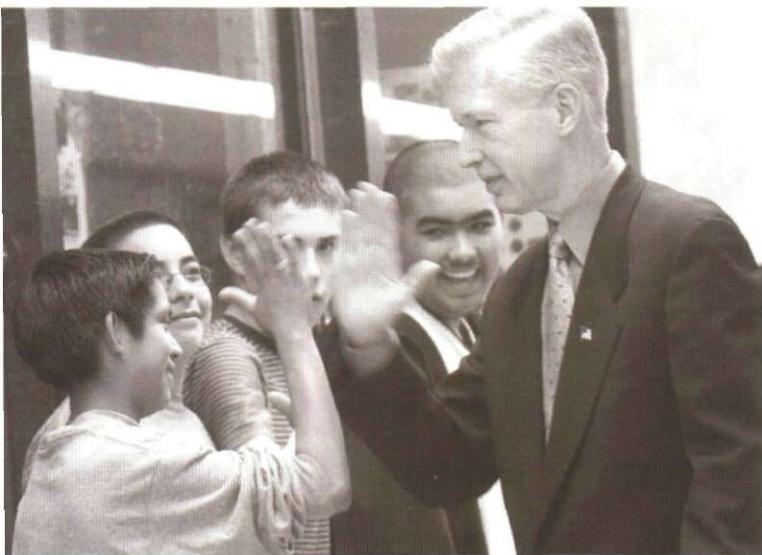
Richard Riordan, then the mayor of Los Angeles, apparently gave Simon at least mild encouragement late in 2000, although the details and the dates of their conversations are hazy. At that time, Riordan was not himself a candidate.

According to Simon’s campaign consultant, Sal Russo, Simon had also broached the subject of running for governor to former Attorney General Ed Meese, once a top aide to Ronald Reagan and fellow board member of the conservative Heritage Foundation. Meese mentioned this to John Herrington, another former Reagan administration official, who in turn referred Simon to Russo.

Simon went to Sacramento on February 1, 2001, to discuss his political prospects with Russo, who said Simon was not fixated on the office of governor. As Russo remembers it, he and Simon discussed the outlook for every state constitutional race. Russo said he recommended that Simon run for the top of the ticket because other Republicans were unlikely to do well “unless there was a strong candidate for governor.” That night Simon, Russo and their wives had dinner at Simon’s home, and Simon expressed interest in the idea. Simon said he decided “basically” to run at the conclusion of an exploratory effort in June 2001.

By the time Simon decided to run, the energy crisis was taking a political toll on Governor Gray Davis, and Riordan, as well as Secretary of State Bill Jones, had decided to get into the race. At this point, Riordan hoped that Simon would stand aside for him, but he did not. Encouraged by Russo, who told him that his conservative stance would lead to victory in the primary, Simon was in the race to stay.

— Lou Cannon



Davis high-fiving at the Capitol

The damage, however, included a humiliating California trip for President George Bush, whose reluctant attendance at a couple of Simon fund-raisers fueled national Democratic charges of the president's cozy relations with tainted business executives. Republican sources said the president's visit raised \$2.5 million for Simon, about half of what they expected.

Simon also sought to excuse the verdict when he suggested in an interview that the Los Angeles jury included "some Democrats" and that "it could be possible" they were influenced by his Republican campaign for governor.

"Occasionally, there are outlandish jury verdicts," he said. "Was this a politically motivated verdict? I don't know. But it is not founded on the facts."

Campaign officials said Simon's comments were based on interviews with jurors conducted by attorneys for William E. Simon and Sons after the unanimous verdict. The interviews identified one juror they described as a Democratic "political activist" with strong views on the case.

The primary

One view of this year's choice for governor is that the Republican Party got exactly what it asked for. Many believe that either of Simon's two rivals in the primary — Riordan or Jones — would be more threatening to Davis today. But the Bush White House's unusual intervention in a state Republican primary was a major factor in both campaigns.

Jones, the secretary of state and the highest-ranking Republican in California, was on the White House enemy list after he endorsed Arizona U.S. Senator John McCain over George Bush in the 2000 Republican presidential primary. While the

White House wanted to see Davis defeated, GOP sources said it also wanted to make an example of disloyalty. So Jones had trouble raising money.

Meanwhile, with Jones and Simon already in the race, the White House encouraged Riordan to enter, hoping he would be the moderate to shed the party's intolerant image in California. Davis feared the same thing. So in a bold move, he caught Riordan off guard with \$10 million in attack television commercials during the final weeks of the primary. Polls show that Riordan dropped from 37 points ahead of Simon in January to 18 points behind on Election Day, a stunning collapse of 55 points in just 54 days.

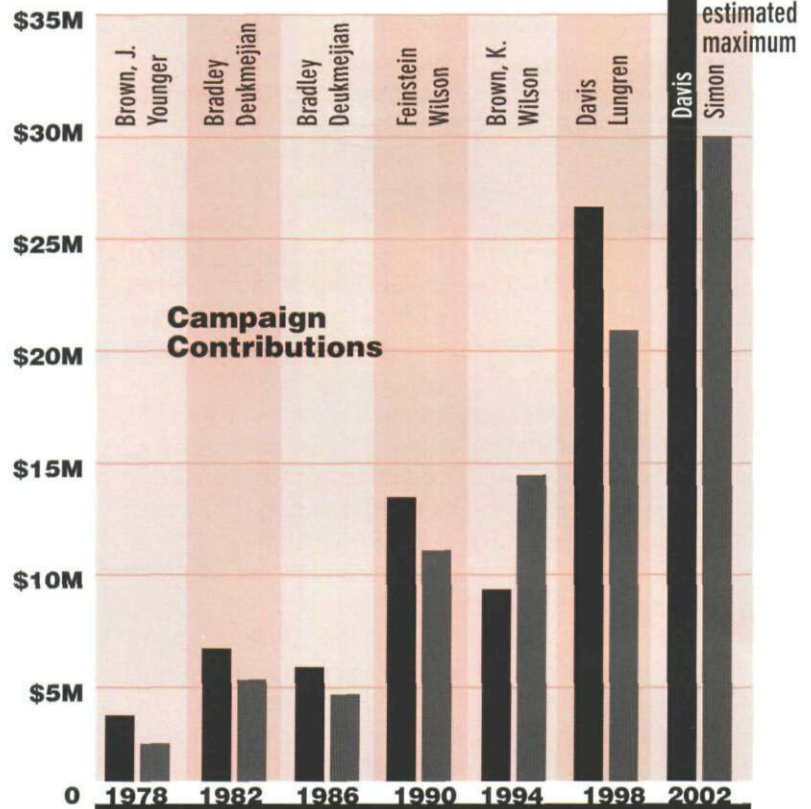
The question whether this year's dismal choice for governor is due to the individuals or the electoral system in California is not a simple one. But some successful veterans of California Republican politics are the most optimistic about a system that can quickly recover in the right circumstances.

"There is no Republican Party and there

\$65M
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The Cost of Campaigns

Voter turnout is dropping and political parties are shrinking. But perhaps the most critical factor in determining the candidates who run and the campaigns they wage is the skyrocketing cost.

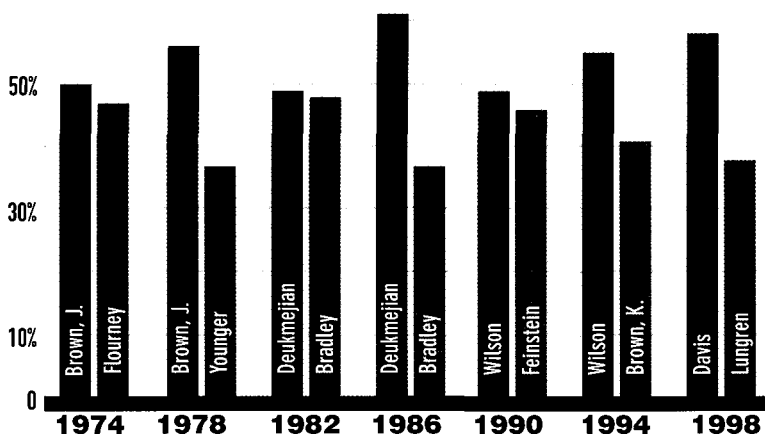


Source: Secretary of State and California Journal estimates

Winning Margins

Until the Gray Davis landslide in 1998, California's open-seat races for governor have been close while the incumbents have been re-elected by wide margins.

70%



Source: Secretary of State

is no Democratic Party. There are candidates," said one GOP leader. "Generally, and this is true for both parties, once you have a strong candidate who the party can unite behind, then you have a winning ticket."

GOP consultant Spencer agreed. No matter who they nominate, he said, Republicans need to "think out of the box," and choose Latinos and others who are rarely put forward by the GOP. If they do, said Spencer, Republicans can come back because the number of voters who have no attachment to either party is growing. "If we put forward a candidate who fits the state, we can reach these voters," Spencer said.

But clearly, there are also systemic pressures that are making the right candidate harder to find.

Proposition 34, a campaign finance reform measure passed by voters in November 2000, was placed on the ballot by legislators who delayed its impact on statewide races until 2006 so that Davis would approve it. Among other changes, it creates a maximum contribution to gubernatorial candidates of \$20,000.

The rule is already creating a field of candidates for the 2006 gubernatorial race who — like Simon and Davis — have personal wealth or significant incumbent war chests. Insiders say two well-funded Democrats, Attorney General Bill Lockyer and Treasurer Phil Angelides, hope to have millions of dollars left over from their current races that would be grandfathered into the 2006 race. And at least three millionaires are also said to be considering the contest — Angelides, a developer; Steve Westly, a former eBay executive and this year's Democratic nominee for controller; and movie star Arnold Schwarzenegger, a Republican.

Davis said that the long-term impact of this for both

parties is likely to be candidates who represent "the landed gentry" rather than those who came up through the ranks. A Republican, who also climbed the political ladder the hard way, agrees.

"We will be saying that only people who start with a very considerable following in some other field — sports figures or entertainers or people who have in some way gained particular name recognition — would be able to run," said former Governor Pete Wilson.

Wilson said the remedy is not public finance or more regulation but a reversal of the landmark U.S. Supreme Court decision that equated the spending of personal wealth with the First Amendment's guarantee of free speech.

"I would argue that ... the Bill of Rights was placed in the Constitution by [framers] who ... wanted people to stand on the street and publicly criticize the mayor, the governor and the president of the United States," Wilson said. "What they did not intend was that they should have the right to do so from every street corner in the land simultaneously."

Garry South, the governor's campaign manager, said Davis would not be governor today if he were forced to run under campaign contribution limits. He observed that in 1998 Davis faced two self-funded millionaires that he believes were lured into the race, at least in part, by Davis' financial weakness.

South said that Davis' experience in facing wealthy candidates is one reason he felt compelled to raise the extraordinary sums that he did for this year's race. "Our premise all along" was to protect against wealthy challengers, South said.

Simon said he didn't know how much of his own money he would spend when he entered the race last year. But the advice he got during his exploratory phase included those who said fund raising would be very difficult. He was also told to have an "iron stomach" for criticism. The next question he's asked in an interview is whether he was discouraged by such warnings.

"I still chose to get in," he said.

And now the Republican Party is stuck with him, for better or for worse. 🏛️

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Candidates for Governor

Democrat: Incumbent Gray Davis of Los Angeles

Republican: Bill Simon of Los Angeles

American Independent Party: Reinhold Gulke of Clovis

Green Party: Peter Miguel Camejo of Oakland

Libertarian: Gary David Copeland of Trabuco Canyon

Natural Law Party: Iris Adam of Irvine.

Constitutional Offices

Lieutenant Governor

Democrat: Incumbent Cruz Bustamante of Fresno
Republican: Bruce McPherson of Santa Cruz
American Independent: Jim King of Riverside
Green: Donna Warren of Santa Monica
Libertarian: Pat Wright of San Diego
Natural Law: Kalee Przybylak of Studio City
Reform: Pau Hannosh of Tujunga

Incumbent Democrat Cruz Bustamante and Republican state Senator Bruce McPherson square off for the right to officially hang around and wait, which is the lieutenant governor's fundamental constitutional responsibility.

Bustamante won the post four years ago, defeating Republican Tim Leslie by more than 1 million votes and, in so doing, became one of the nation's highest-ranking Latinos in state government. The early part of his tenure was marked by squabbles with Governor Gray Davis, a fellow Democrat, over the administration's pursuit of lawsuits inspired by the anti-illegal immigrant initiative, Proposition 137 — a rift that never completely healed. For the most part, Bustamante has used the office as a bully pulpit to keep his name alive, concentrating on international trade, the environment and education. McPherson is a former newspaper publisher whose family owned the *Santa Cruz Sentinel* and who served two terms in the Assembly before being elected to the state Senate in 1996. Regarded as the most moderate member of the Senate Republican Caucus, McPherson brushed aside primary competition, but the campaign was interrupted by the murder of McPherson's son, Hunter, in San Francisco last December. Despite his moderate views and proven ability to win crossover votes, McPherson faces an uphill battle. With not much to separate the two on issues, McPherson's first broadside hit Bustamante as a "do nothing" incumbent who accomplished little over the past four years — an odd charge given that the job itself is designed to do nothing. Meanwhile, McPherson has some potential advantages. For instance, he could benefit from Californians' past penchant for ticket-splitting at the top. Among governors and lieutenant governors since 1978, only Davis and Bustamante came from the same party. In addition,



Bustamante



McPherson

McPherson has shown an ability to attract Democratic and independent voters by winning in legislative districts where Democrats outnumber Republicans. But those victories came in a narrow venue and on a more level playing field. McPherson has never run on a statewide stage and never competed where he has been so outgunned, especially in money — vital fuel for any campaign that must raise a candidate's profile and sell his message to distracted voters. At the end of the June reporting period, Bustamante, a former Assembly speaker, had more than \$2 million in the bank, compared with \$805,000 for McPherson. Campaign reports show that the gap widened over the subsequent two months as the incumbent added more than \$350,000 to his coffers while McPherson added \$90,000. Bustamante also enjoys two other advantages: He is a well-regarded Democrat in a state that usually elects Democrats to statewide office, and he is Latino in a state where Latinos make up an increasingly potent part of the electorate. Bustamante also has strong support from labor groups, who have been flexing their muscle in recent elections. An early September Field Poll showed Bustamante with a 10-point edge among likely voters (46 percent to 36 percent) with 18 percent undecided. That was an early snapshot, however, and does not represent an insurmountable lead. But given the disparity in resources and the lack of any significant help from the top of either slate, McPherson's best hope would seem to hinge on an historically low turnout, especially among Latinos.

Attorney General

Democrat: Incumbent Bill Lockyer of Sacramento
Republican: Dick Ackerman of Tustin
American Independent: Diane Beale Templin of Escondido
Green: Glen Mowrer of Santa Barbara
Libertarian: Ed Kuwatch of Willits

Incumbent Democrat Bill Lockyer became attorney general four years ago by defeating former Assemblyman David Stirling after a tough and expensive race. This year, Lockyer might wonder if any campaign will take place at all. Not to make too much of the importance of money in a given contest, it still is instructive to look at the current financial disparity between the incumbent and his challenger — Republican state Senator Dick Ackerman. At the end of the June reporting period, Ackerman had a few nickels shy of \$62,000 in the bank. Between July 1 and September 10, he had received no — zero, none — contributions of \$5,000 or more. Over the same July-September stretch, Lockyer took in \$595,201, which ran his overall