

By Tim Dickinson

From [Rolling Stone](#) | Original Article

One afternoon in late April, Karl Rove welcomed an elite group of conservative political operatives and moneymen into his home in Washington, D.C. Along with his protégé Ed Gillespie, who succeeded him as George W. Bush's top political adviser, Rove had gathered together the heavyweights of the GOP's fundraising network. In attendance were the political director of the U.S. Chamber of Commerce, as well as the leaders of two new megadollar campaign groups loyal to Rove: American Crossroads and the American Action Network. Rove's plan was straightforward: to seize control of the party from Michael Steele, whose leadership of the Republican National Committee was imploding in the wake of a fundraiser at a lesbian bondage club. By building a war chest of unregulated campaign cash – an unprecedented \$135 million to be raised by these three groups alone – Rove would be able to wage the midterm elections on his own terms: electing candidates loyal to the GOP's wealthiest donors and corporate patrons. With the media's attention diverted by the noisy revolt being waged by the Tea Party, the man known as "Bush's brain" was staging a stealthier but no less significant coup of the Republican Party.

"What they've cooked up is brilliant," says a prominent Democrat. "Evil, but brilliant."

Rove and Gillespie, who effectively ran the Republican Party throughout the past decade, recognized that Steele's weakness represented an opportunity to stage a quiet comeback. But taking control of the party, they knew, would require a new kind of political machine. The Supreme Court, in its recent decision in *Citizens United v. the Federal Election Commission*, opened the floodgates for unlimited political spending by corporations and individuals. But the court left in place strict limits on contributions to party committees – and it preserved the legal firewall that bars campaigns from coordinating directly with the outside groups now empowered to spend millions on their behalf.

That's where Rove and Gillespie come in. As free-agent strategists, they are in a unique position to skirt such prohibitions and coordinate all parts of the GOP – both inside and outside the official party structure – because they're not officially in charge of any of it. In the run-up to November, they will be the ones ensuring that the many tentacles of the court-sanctioned

shadow party – from startups like American Crossroads to stalwarts like the National Rifle Association – operate in concert. "They will be making sure that everybody is expending themselves properly, as opposed to duplicating efforts or working at cross-purposes," says Mary Matalin, who served with Rove in the Bush White House. "That's something that the committees and the campaigns really don't do – legally *cannot* do."

As demonstrated by the big-money meeting at Rove's home – first reported by the *National Journal* and confirmed to *Rolling Stone* by one of its boldface-name guests – Rove's fundraising prowess makes him the undisputed ringleader on the "independent" side of the firewall. At the same time, he continues to strategize with party officials, enabling him to coordinate the GOP's national effort with individual campaigns across the country. "Members of Congress in both chambers continue to be in touch with him," Matalin says. "Governors continue to be in touch with him. Individual races continue to be in touch with him. That's just Karl, and that's undeniable."

[The GOP's Dirty War: How Republicans have risen from the dead by distorting Obama's agenda and shutting down the government.](#)

For the man known as Turd Blossom, it's been a treacherous, four-year climb back to the pinnacle of GOP politics. The Rove brand was tarnished in 2006, when Republicans lost control of both the House and Senate. His exit from the White House the following year was dogged by scandals, from the political firing of U.S. attorneys to the outing of CIA agent Valerie Plame. And with his longtime enemy John McCain serving as the party's standard-bearer in 2008, Rove could only sit by and watch as the fearsome big-money machine he built over the course of a decade – his political Death Star – was blasted out of orbit by an insurgent Obama campaign powered by hundreds of millions in small-dollar donations.

This is a tale of how the empire strikes back.

The linchpin of Rove's coup is American Crossroads – a shadow version of the RNC for the party's richest donors. Organized under the same part of the tax code that gave us Swift Boat Veterans for Truth, the fundraising group can collect unlimited contributions from individuals and corporations. Before the *Citizens United* decision rewrote the rules of campaign finance, these so-called "independent expenditures" could only be used to support issues, not candidates. But

now groups like American Crossroads can use their funds to openly back GOP candidates – or quietly work to destroy Democratic opponents by investing in the dirty tricks of which Rove is a Jedi master.

The group is intended, Gillespie tells *Rolling Stone*, to become a fixture in GOP politics for 2010 and beyond: "The idea is that there needs to be an institutional entity – a transparent, professionally run Republican operation – that will be there every cycle." The strategic logic behind the group is simple: to narrow the fundraising deficit that has daunted the GOP since Democrats discovered how to raise megabucks online. "Obama had \$1.1 billion in 2008," says Gillespie, who chaired the RNC under Bush. "John McCain and his supporters spent \$634 million. That's a sizable gap." American Crossroads, he boasts, will be the place where the real money goes to "play."

In the weeks since its secretive launch in March, the group has already secured commitments of more than \$30 million. That's halfway to the \$60 million it plans to spend by November – nearly equaling the \$80 million that the RNC itself spent in 2006. That startling sum, according to one lobbyist, can be chalked up to the formidable one-two punch of Gillespie's salesmanship and Rove's Rolodex. Officially, the two men are described only as "advisers" to American Crossroads. But party insiders reveal that Rove is calling the tune, just as he controlled the RNC from the White House as an adviser to Bush. Even the cast of deputies is the same: The directors of American Crossroads are all former top officers whom Rove installed to run the RNC. "American Crossroads is not the return of the old RNC," confides one prominent committee member. "It is the return of Rove." (Through his chief of staff, Rove refused to comment.)

Gillespie maintains that American Crossroads isn't meant to displace the RNC. "I've urged people to give money to American Crossroads, but I believe their first dollars should go to the RNC," he says. And what about the timing of the group's launch, just as top party donors like billionaire Richard Mellon Scaife have been abandoning the RNC? "Coincidental," Gillespie insists.

But the story of American Crossroads' creation and Michael Steele's rise and fall at the RNC are inextricably linked. At the beginning of 2009, in what marked a firm rebuke of Rove's brand of GOP politics, the man he had installed to run the RNC – Robert "Mike" Duncan, an experienced fundraiser and wealthy bank executive linked to Rove through their days in the College Republicans – was ousted by party activists hungry for change. He was replaced by Steele, a former lieutenant governor of Maryland, who had little experience raising big money. With Steele running the RNC, the corporate interests that Rove considers the party's true "base"

suddenly found their pre-eminence threatened by a loose cannon who vowed to give the party a "hip-hop" makeover and empower the GOP's grass roots. The party's establishment, Steele warned, needed to get in line or "get ready to get knocked over."

Duncan's ouster also represented a blow to Rove's chief ally in the Senate: Mitch McConnell, the party's minority leader and most fervent champion of big-money politics. Duncan, a former fundraiser for McConnell, was supposed to help coordinate the midterm campaigns. "The plan was, McConnell would lead the Republicans from the Senate, and Duncan would run the RNC," says a high-level official in Kentucky politics. "Well, a funny thing happened – Duncan loses the election."

As soon as Steele took control of the RNC, Rove and McConnell began scrambling to keep the party's big money together – under *their* control, rather than Steele's. The plot to form American Crossroads was hatched over breakfast at the Mayflower Hotel in early 2009 by their lieutenants, Gillespie and Steven Law, McConnell's former chief of staff and a ruthless advocate for big business. As a top deputy to Bush labor secretary Elaine Chao – McConnell's wife – Law had steered a "modernization" of the nation's labor laws that stripped 6 million middle-class workers of the right to overtime pay. He then decamped for the U.S. Chamber of Commerce, where he spearheaded a \$20 million campaign to block a new law that would facilitate unionization. Today, Law serves as the CEO of American Crossroads, overseeing the group's day-to-day operations, while the board of directors is run by Duncan and another Rove ally, former RNC communications director Jim Dyke.

With these top aides in place, Rove and Gillespie blessed American Crossroads as *the* destination for the GOP's big money. Since last year, they've helped the group raise millions from elite donors like Harold Simmons, the Dallas billionaire who pioneered the leveraged buyout. The move represents a dramatic transformation of the traditional approach to party fundraising. "This is the plutocratic wing of the GOP getting together and deciding that, in the era of unlimited corporate contributions, they don't need a formal Republican Party anymore," says a top Democrat. "It's all about the accumulation of power. McConnell and Duncan are not movement conservatives. They are establishment guys – absolutely unapologetic for that. They've got all the money they need – and now they don't have to put up with those pesky, true-believing activists."

All that was left for Rove to do was to sit back and wait for Steele to alienate the party's top donors. It didn't take long. Within months of taking office, Steele was standing up donors at fundraising dinners, describing them as "ego-driven" in a leaked strategy document, and spending their money on limos, private jets and Hawaiian retreats for RNC staff. But it wasn't

until March that Steele handed Rove and Co. the ammunition they needed, when it was revealed that RNC staffers had blown \$2,000 partying at a lesbians-and-leather burlesque show in Hollywood. As Steele was engulfed by a media maelstrom, Rove was only too eager to twist the knife. "The chairman of the Republican National Committee, for good or for ill, is the steward of the party's money," Rove said during a stop on his book tour. "The question is whether the procedures are in place to spend money on elections – and not on jets and bondage clubs."

With the RNC a shadow of its former self, the shadow party is now ascendant. Though Steele is likely to keep his post, he has been excluded from top strategy sessions on the GOP's plan to take back Congress. One of the RNC's top fundraisers quit in April, and large contributions have dried up: An audit leaked to *The Washington Times* revealed that the party is actually *losing* money on its major-donor program, spending \$1.09 for every \$1 raised. The RNC has devolved into the small-donor arm of the party. The average contribution: \$40.

Given the discredited state of the party apparatus, donors who once gave to the RNC are now looking for a new place to put their campaign cash. "The money has not stopped coming in," says Matalin. "Donors at that level don't go away. This is a fungible business." And among the GOP's top patrons, American Crossroads is the destination of choice. "Significant people – the money people and the political people – they trust Karl, they trust Gillespie," says longtime GOP strategist Ed Rollins. "They know the money will be spent well."

So what is Rove and Gillespie's plan for the \$60 million that American Crossroads is raising? The money will be targeted on House and Senate races. "They're not going to go into every race," Matalin says. "They're going to go where there are opportunities that are above and beyond what the 'system' can handle. This is a terrain much bigger than anybody anticipated." In short, Rove and Gillespie want to mirror what Democrats achieved in 2008, when resources were so abundant that Obama could go for broke in must-win states like Florida and still have enough resources to target less-certain opportunities like Missouri. "Usually, toward the end of a national campaign, you've got to make hard decisions based on limited resources," Matalin says. "They want to make sure that doesn't happen in this case."

As the summit at Rove's home revealed, however, American Crossroads is just the tip of his big-money spear. Through Steven Law, the group's spending will be tightly coordinated with his former employer, the Chamber of Commerce. "Steven will always be an ally," Tom Donohue, the Chamber's president, declared in announcing Law's departure to lead Rove's project. The Chamber itself expects to spend \$50 million for campaign advertising – a 40 percent increase over 2008 – in what Donohue calls "the most aggressive voter-education and issue-advocacy

effort in our nearly hundred-year history."

A third group integral to Rove's plan – the American Action Network – is so closely integrated with American Crossroads that it has moved into neighboring offices two blocks from the White House. Co-founded by private-equity titan and longtime GOP operative Fred Malek, who once helped Richard Nixon target a "Jewish cabal" in the administration, AAN bills itself as an "action tank" – a think tank that will also inject money directly into federal races. It plans to raise \$25 million for its campaign efforts this fall – expenditures that will be directed by a former chief of staff to House Minority Whip Eric Cantor. "It's the beginning of the future," says Rollins. "Independent expenditures will play a very, very significant role. There are no rules anymore."

Even leading advocates of election reform concede that, given the Supreme Court ruling in *Citizens United*

, there is little to prevent Rove from running the whole show. Political parties are barred from coordinating specific ads with "independent" groups – but that leaves plenty of wiggle room for other forms of strategizing. And even if Rove and Co. were to cross the line, there would likely be no consequences: The Federal Election Commission, which has sole enforcement responsibility, is gridlocked by its three GOP-appointed commissioners, who consistently vote to stymie any oversight. "The existing FEC is not going to enforce the laws," says Fred Wertheimer, the founder of Democracy 21, an advocate of campaign-finance reform.

The kind of shadow orchestration that Rove is organizing is not unprecedented. Ironically, in the 2004 presidential election, Democrats tried – and failed – to counter Rove himself with the help of their own shadow committee, Americans Coming Together, which was largely underwritten by billionaire George Soros. Veterans of that effort look at Rove's machinations and see weakness rather than strength. "In this politically advantageous environment, you would think they wouldn't have to resort to such desperate measures just to figure out how to put together a campaign," says Bill Carrick, a prominent Democratic consultant. Like Rove's current plan, he says, the 2004 Democratic playbook looked great on paper but ended in bitter recriminations and finger-pointing after being hampered by sloppy execution. Without the kind of formal command-and-control structure the party apparatus can provide, Carrick says, "accountability is tough. How does this all get done in practice when you get down to a contested congressional race in New Mexico or New Hampshire or South Carolina?"

Organization is not the only stumbling block. For all of the GOP's talk about a return to small government, Rove's resurgence represents the return of deficits-don't-matter corporatism. The wealthy donors he is courting see government not as a lean, mean guarantor of free markets but as a multitrillion-dollar bailout machine. "They don't have a philosophical mooring where

they care about restraining government growth," says one state GOP director. "I mean, shit, just look at the Bush administration." Rove's interest in Tea Party fanaticism, he adds, goes only as far as the ballot box. "The only part of the Rove brand really is just winning. Rove knows how to win."

Democrats, meanwhile, are betting that even a shared hostility to the party of Nancy Pelosi and Harry Reid will not be enough to paper over the ideological gulf between Rove and the GOP's small-government base. With luck, Rove's power play could run into a Tea Party buzz saw. "I hope it's a long and bloody civil war," says one Democratic official.

To blunt the impact of Rove's corporate fundraising, Democrats introduced legislation in April that would require groups like the Chamber of Commerce to disclose their campaign donors. The measure would also force CEOs to endorse corporate campaign ads, just as politicians are required to do. "Their interest," Law fumed, "is to intimidate the business community into unilateral disarmament."

But campaign-finance experts believe that any new regulations will do little to rein in the excesses of a radically transformed electoral landscape. "We're on a parallel course here, with two very different concepts of how our democracy should function," says Wertheimer. "One is based on involving massive numbers of small donors to be the primary funders of elections. The other is based on involving massive amounts of corporate wealth to literally overwhelm our elections and dominate Washington. You couldn't have two more conflicting approaches to the way our democracy ought to function. This is going to be an enormous battle."