

# Pyramid Politics: The FTC’s Long History of Protecting “Multi-Level Marketing”

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## Introduction:

An overview and history of the political power of “multi-level marketing” to prevent regulation and law enforcement must begin at the end, with the election of Donald Trump. Yet, the appearance of a dramatic breakthrough is an illusion. MLM has controlled the Federal Trade Commission and prevented criminal fraud prosecutions for at least 30 years and its influence-buying is bi-partisan.

The Trump election, however, does signify an extraordinary surge in political influence. Previous administrations have shown disregard for the damage and deception caused by MLMs on Main Street, yet the Trump presidency represents the first time that the *president himself* is a MLM leader and promoter.

And whereas past presidents made appointments or their appointees made appointments that protected pyramids, the Trump presidency has appointed individuals who are *themselves involved* in MLM as major owners or spouses of owners, spokesmen of MLMs or major shareholders and aggressive defenders of these types of schemes, from which they are *directly* profiting.



### Pyramid of Influence:

Donald Trump, Carl Icahn (Herbalife) and Betsy DeVos (Amway) represent the first time that individuals with direct, personal involvement and major financial interests in “MLM” are at the top of the federal government.

- President-elect Donald Trump himself owned an MLM. It was called Trump Network and promoted so-called health products.<sup>1</sup> It collapsed and its assets were sold in less than two

years. This is in addition to his ownership of the MLM-like “Trump University” (a close cousin to Herbalife’s Latino-targeting “Universidad del Exito”, (Success University). For Trump University’s deceptions and consumer losses, Donald Trump agreed in a court settlement to pay \$25 million in restitution to victims (Herbalife was required to pay \$200 million for deceiving its victims). Donald Trump was also the world’s most visible and highest paid (receiving over a

<sup>1</sup> [https://www.washingtonpost.com/news/wonk/wp/2016/03/23/the-trump-network-sought-to-make-people-rich-but-left-behind-disappointment/?utm\\_term=.4ee83825431a](https://www.washingtonpost.com/news/wonk/wp/2016/03/23/the-trump-network-sought-to-make-people-rich-but-left-behind-disappointment/?utm_term=.4ee83825431a)

million dollars in one year) MLM pitchman,<sup>2</sup> endorsing the North Carolina-based MLM, ACN.<sup>3</sup>

- Within a month of the government's mailing refund checks to 350,000 American households, in 2016, using funds from a \$200 million payment imposed on Herbalife for illegal activities, president-elect Donald Trump named Herbalife's largest shareholder and that scheme's most vocal defender and promoter, Carl Icahn, as "special advisor on regulation." In plain language: the financial head of a company that had just been prosecuted for scamming millions of people would personally advise the president on how to "regulate" companies that may scam millions of people.<sup>4</sup>
- Betsy DeVos, appointed by Donald Trump to head the Dept. of Education, is the wife of the CEO of the largest, oldest and most famous and infamous of all MLMs, Amway. She is the sister of Erik Prince, founder of the military mercenary company, formerly known as Blackwater. Betsy DeVos has used millions gained from the Amway scheme to promote privatizing public education and to lobby for diverting taxes to private religious schools.<sup>5</sup>
- Dr. Ben Carson, appointed by Donald Trump to head the Dept. of Housing (HUD), has been a promoter of the MLM, Mannatech, a company sued by the state of Texas for making false medical claims that its dietary supplements could cure and treat Down Syndrome, cystic fibrosis, cancer and other serious illnesses.<sup>6</sup>
- Charles Herbster served as agricultural policy adviser to Trump's election campaign. He is the owner of the MLM, Conklin.<sup>7</sup> Conklin sells recruiting-oriented products that can be readily consumed by the distributors themselves, including: Animal/Pet Care, Autocare, Business/Commercial, Haircare/Hair Accessories, Health/Fitness/Wellness, Internet Services, Nutritional

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<sup>2</sup> <http://www.nationalreview.com/article/432709/donald-trump-american-communications-network-multi-level-marketing-boondoggle>

<sup>3</sup> A YouTube video record of Donald Trump's personal endorsements of ACN and MLM (for which he received more than a million dollars in one year, according to presidential candidate disclosures) can be seen at <https://www.youtube.com/watch?v=m6ZTgU-PuAY>. In a 2007 clip published at the time on the ACN website, Donald Trump says, "You have a great partner with ACN. They're gonna help you. They're gonna be there for you. They're gonna work with you. It's a great company. It's a respected company. Everybody loves it. So use that. Take advantage of it. You're entrepreneurs, but, you know, being a lonely entrepreneur is not as good as being an entrepreneur with a great company behind you. And ACN is a great company." (see footnote 244 in the academic paper of Sergio Pareja entitled, "Sales Gone Wild: Will the FTC's Business Opportunity Rule Put an End to Pyramid Marketing Schemes?" on file with McGeorge Law Review at [http://www.mcgeorge.edu/Documents/Publications/\\_05\\_Pareja\\_MasterMLR39.pdf](http://www.mcgeorge.edu/Documents/Publications/_05_Pareja_MasterMLR39.pdf))

<sup>4</sup> <https://www.bloomberg.com/news/articles/2016-12-22/icahn-as-trump-adviser-says-he-ll-rally-against-over-regulation>

<sup>5</sup> <http://www.motherjones.com/politics/2014/01/devos-michigan-labor-politics-gop>

<sup>6</sup> <http://www.cnn.com/2015/11/09/politics/ben-carson-mannatech-fact-check/index.htm>

<sup>7</sup> <http://m.motherjones.com/environment/2016/08/trumps-ag-czar-running-MLM>

Supplements, Personal Care, Weight Management. The company was warned by the FDA against making medical claims of treating illnesses.<sup>8</sup>

## **Pre-Trump Historical Connections between the FTC and MLM**

During a 2013 interview with CNBC correspondent, Herb Greenberg, Obama's Consumer Protection Chief David Vladeck showed extraordinary ignorance or crass disregard toward consumer losses at the hands of Herbalife.<sup>9</sup> His apparent indifference and his earlier lead role in the FTC's embarrassing capitulation to MLM lobbyists in exempting MLM from disclosure requirements were inexplicable to many observers. His behavior and actions seemed all the more astounding when, several years after he departed, the FTC found Herbalife guilty of extensive fraud. Vladeck had been a litigator for Ralph Nader-founded *Public Citizen*. He appeared to have no personal ties to the pyramid scheme industry before or after his tenure at the FTC.



**David Vladeck, Regulator who Can't See MLM Harm**

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***He was likely doing the bidding of FTC Commissioners, his bosses, and was influenced by the long-standing pattern of financial connections between high-level FTC officials and the MLM industry.***

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<sup>8</sup> The FDA letter can be viewed at <http://www.casewatch.org/fdawarning/prod/2002/conklin.shtml>

It stated in part, "During the Food and Drug Administration's (FDA) inspection of your firm conducted on April 24-25, 2001, June 5-6, 2002, June 28, 2002, and July 8, 2002, our investigators found serious violations of the Federal Food, Drug, and Cosmetic Act (the Act) concerning the marketing of various products. These products include Life Track™ Arthritis & Joint Support, Cold Season Formula, Vitamin E, Multi Mineral, Vitamin C, Vitamin B-Complex, Multi-Vitamin, and Bone Support... The name of the Life Track™ Arthritis & Joint Support product suggests that the product is intended for use as a drug to treat arthritis... We are unaware of any scientific evidence that demonstrates that this drug is generally recognized as safe and effective for the treatment of arthritis. Therefore, this product is an unapproved new drug under Section 201(p) and cannot be legally marketed without an approved new drug application under Section 505(a) of the Act. You were previously advised of this violation of the Act."

<sup>9</sup> In a 2013 CNBC documentary (<http://www.cnbc.com/id/100359541>) on multi-level marketing, Herbalife and pyramid schemes, correspondent Herb Greenberg interviewed the FTC Director of Consumer Protection, David Vladeck (now teaching at Georgetown Law: <https://www.law.georgetown.edu/faculty/vladeck-david-c.cfm>):

HERB GREENBERG: *Well, if 90% of the distributors are failing, what does that say? If--*

DAVID VLADECK: *It doesn't mat--*

HERB GREENBERG: *What kind of a business is it if 90% of 2.7 million every year-- right now we're talking 2.7 million distributors for one company.*

DAVID VLADECK: *It doesn't mean that-- that-- that doesn't mean that the company made misrepresentations. And it doesn't mean that the people who-- who bought these-- franchises or participated in these schemes necessarily feel that they were injured.*

However, later events offer an institutional explanation for Vladeck's defensive and anti-consumer behavior at the FTC toward MLM. He was likely doing the bidding of FTC Commissioners, his bosses, and was influenced by the long-standing pattern of financial connections between high-level FTC officials, *who were his colleagues*, and the MLM industry. The trail connects the highest level FTC officials directly to Herbalife and other MLMs or to the Direct Selling Association (DSA) of which Herbalife is probably now its most politically influential member.

Herbalife's lobbying and the DSA's are essentially one and the same and have in fact been managed by some of the same individuals. Herbalife's Chief Legal Advisor and Secretary, Brett Chapman, served on the DSA Board of Directors as did John P. Venardos, Herbalife's vice president, worldwide regulatory and government affairs. Chapman and Venardos also served on the DSA Government Relations Committee of the DSA Board. Brett Chapman, wrote the FTC arguing for "publicly traded" companies to be exempt from the FTC's Business Opportunity Rule and that the \$500 threshold for consumer investment be maintained (thereby exempting virtually all MLMs from making financial disclosures to consumers).<sup>10</sup> The DSA led and orchestrated the political lobbying effort to force the about-face by the FTC on the disclosure rules, overseen by FTC Chairman Jon Leibowitz and his appointee, Consumer Protection Chief David Vladeck.



Since the FTC's perplexing reversal, major figures at the FTC have since taken paid positions with Herbalife or financially or contractually connected to Herbalife or associated with the Direct Selling Association:

- Pamela Jones Harbour, Commissioner of the FTC during the disclosure rules controversy through 2009, went on to become Herbalife's "Senior Vice President and Legal Officer, Global Member Compliance and Privacy." She is now also a member of the Board of Directors of the Direct Selling Association, the lobbying arm of multi-level marketing companies with Herbalife as one of its largest members.<sup>11</sup>
- Jon Leibowitz was (Obama-appointed) FTC Commission Chair from 2009 through 2013 and (G. W. Bush-appointed) Commissioner from 2004 to 2009, covering the entire period of deliberations from initial proposal to final rule-making that "exempted" MLM. It was Jon Leibowitz who appointed David Vladeck to his position as Director of Consumer Protection.<sup>12</sup> In 2016 he took a position with Herbalife as "Senior Advisor to the Herbalife Board responsible for advising on implementation and compliance matters."<sup>13</sup> Prior to joining Herbalife and immediately after leaving the FTC, Leibowitz joined the law firm of

<sup>10</sup> [https://www.ftc.gov/system/files/documents/public\\_comments/2006/07/522418-11711.pdf](https://www.ftc.gov/system/files/documents/public_comments/2006/07/522418-11711.pdf)

<sup>11</sup> <https://www.dsa.org/forms/committee/CommitteeFormPublic/view?id=7F3000604E6>

<sup>12</sup> [https://en.wikipedia.org/wiki/David\\_Vladeck](https://en.wikipedia.org/wiki/David_Vladeck)

<sup>13</sup> <http://fortune.com/2016/07/15/herbalife-ftc-settlement/>

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Davis Polk & Wardwell as a partner. In that capacity he also served Herbalife, "advising Herbalife in connection with its \$200 million settlement with the FTC relating to allegations that it engaged in unfair and deceptive acts and practices."<sup>14</sup>

- Julie Brill, FTC Commissioner from 2010 to 2016 subsequently joined the law firm of Hogan and Lovells as a partner. This law firm lists Amway and the Direct Selling Association among its clients. A fellow partner in the firm, Deborah Ashford, is a DSA Board Member and is General Counsel to the Direct Selling Association's "Education" Foundation of which former FTC Commissioner and now Herbalife employee, Pamela Jones Harbour, is a board member. Hogan and Lovells, where Commissioner Brill went to work, had also filed an *amicus* brief, *opposing the FTC* in its case against the MLM, Burnlounge (the FTC won the case). Earlier it had also filed a brief defending the MLM Omnitrition against charges by distributors in a class action suit that it operated a pyramid scheme (the court ruled against Omnitrition, making it a landmark case).<sup>15</sup>
- Former FTC official, Eileen Harrington, appears to actually boast of leveraging her public service position at the FTC into paid work for a MLM company she had regulated. She describes herself as "former Acting Director of the FTC's Bureau of Consumer Protection" (1987-2009, which includes part of the period of the disclosure rule reversal), "with direct responsibility for the FTC's enforcement and regulatory oversight of business opportunities like Herbalife", and now a "consultant to Herbalife."<sup>16</sup> In 2016, she wrote an op-ed in the publication, *The Hill*, defending Herbalife following its prosecution by her old employer, the FTC, for "unfair and deceptive trade practices."
- FTC, Director of the Bureau of Competition, Richard Feinstein, returned to the law firm, Boies Schiller Flexner, soon after the firm was retained by Herbalife in 2012. In his capacity at Boies Schiller he is listed as a "partner" that is "representing parties and third parties in the context of DOJ, FTC and State Attorney General investigations and litigation." *The New York Times* reported, "partners" at Boies, Schiller earned an average of \$2.7 million in the year that Feinstein left the FTC to return to the law firm.<sup>17</sup> Feinstein was appointed to his position at the FTC in 2009 by Commission Chair, Jon Leibowitz, who is now on Herbalife's payroll, while Feinstein's firm represents Herbalife. Feinstein has moved back and forth between the Boies Schiller law firm and the FTC several times. Boies Schiller was retained by Herbalife to help it fight revelations by short-seller hedge fund, Pershing Capital, and to secure a quick and minuscule cash settlement in the most recent consumer class action case of pyramid scheme charges against Herbalife.

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<sup>14</sup> <https://www.davispolk.com/professionals/jon-leibowitz/>

<sup>15</sup> In April, 2017, it was announced that Julie Brill was joining Microsoft to head its privacy and regulatory affairs department, the company. See <http://thehill.com/policy/technology/331101-microsoft-taps-former-ftc-commissioner>

<sup>16</sup> <http://thehill.com/blogs/congress-blog/economy-budget/288332-the-ftc-got-it-right-on-herbalife-settlement>

<sup>17</sup> [https://dealbook.nytimes.com/2013/08/22/big-name-is-leaving-boiess-firm-after-a-year/?\\_r=0](https://dealbook.nytimes.com/2013/08/22/big-name-is-leaving-boiess-firm-after-a-year/?_r=0)

## **FTC's Long History of Influence-Peddling**

The recent record of high level FTC officials – after enacting or maintaining a policy of protection of MLM from investigation or regulation – going to work for MLMs as officials or lobbyists has a long historical precedent. It began almost immediately after Amway was allowed by the FTC to continue operations without oversight, following a 4-year legal battle with the FTC.

From the 1980's though 1992 during the Republican Reagan/Bush Sr. administrations almost no actions were taken at all. This was the period in which MLMs exploded in scale in the USA and expanded globally as USA markets for the largest MLMs were already showing signs of impending saturation. During this period – driven mostly by Amway and the founding DeVos and Van Andel families – the MLM “industry” consolidated political power inside the Republican Party. However, it was also cultivating ties to the Democratic party.

The bi-partisan fix appears to have been established during the Administration of Bill Clinton, 1992-2000. Clinton has continued to personally serve as endorser and paid speaker for MLM and continues to serve as an international icon of the Democratic Party.<sup>18</sup> In Clinton's first term, 1992-1996, little or no enforcement actions were taken against pyramid selling, despite revelations of near total consumer losses at the hands of Amway. In the second term, under the FTC leadership of Clinton-appointed Chairman, Robert Pitofsky, the FTC conducted a flurry of actions against small, marginal and rogue MLMs. During this time of explosive growth of MLM in the USA and abroad and its expansion in white collar sectors as well the earlier base of blue collar, the number of prosecutions was inconsequential. The net effect of this prosecution policy was the legitimation and elevation of the MLM “model”, building a wall of regulatory *protection* around the larger MLM enterprises, in particular the godfather of the new “industry,” Amway.



The Clinton administration was not only shielding Amway from investigation in the USA. It was at the same time helping it spread to other countries especially China, now Amway's largest single market area. In 1998, China attempted to ban the spread of MLMs through a national law against pyramid sales schemes. Riots broke out in some provinces among newly recruited distributors eager to gain the wealth MLM promoters had promised or at least to recoup the investments they had already made. Amway, like other older MLMs, had already seen the signs of impending saturation in the USA and other existing markets. It had reportedly invested more

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<sup>18</sup> A two and a half minute long video presentation of Bill Clinton on behalf of the Direct Selling Association was uploaded to YouTube in May, 2009 in which he recites DSA “growth” statistics and personally endorses MLM as a viable pathway for anyone to achieve the American Dream. It is often cited by MLM promoters as “proof” of the legality and legitimacy of the MLM system. See <https://www.youtube.com/watch?v=Wd5Z8vuRQQg>

than \$100 million in its China business.<sup>19</sup> The Clinton administration's US Trade Representative, Charlene Barshefsky, intervened on behalf of the US-based MLM industry to have the ban lifted.<sup>20</sup> In an April 9, 1999 press release, Steve Van Andel, Chairman of Amway Asia Pacific, stated, "We welcome the report that the U.S. and Chinese Governments have reached an understanding on the status of direct selling in China...We are extremely grateful to the U.S. Trade Representative, Charlene Barshefsky, and her staff for their efforts in achieving this recognition of the importance of direct selling to both countries."

## **MLM Lobbying among Democrats Recognized**

From 1980 through the early 2000's, MLM influence-buying among Democrats was almost invisible and generally unknown. In more recent years the rewards to Democratic leaders for MLM protection have been revealed. In February, 2013, for example, Bill Clinton, whose administration established the policy of not prosecuting large or publicly-traded MLMs, was reportedly paid the astounding "speaking fee" of \$700,000 for one speech delivered at an Amway event in Japan.<sup>21</sup>

In recent years, the revelations of other high profile Democrats joining the cause of pyramid-protection for fees and jobs have corrected earlier thinking that Republicans hold a monopoly in this lucrative protection racket. Formerly known as the "Amway Caucus" in the 1990's and composed only of Republicans, today 41 members of the House of Representatives have joined the newly re-branded "direct selling caucus." 18 Democrats are members.<sup>22</sup>

Among Democratic-party luminaries who are now publicly and profitably promoting MLM:

- **Madeleine Albright**, the former Clinton Administration Secretary of State, serves as a business consultant and a brand ambassador for the multilevel marketing company, Herbalife. In 2014, *The New York Post* reported, "The lucrative gig has earned her firm an estimated \$10 million over the past six years... Albright's firm, the Albright Stonebridge Group, has used her diplomatic credibility to open doors for Herbalife abroad. She was particularly effective in getting Herbalife licenses in China."<sup>23</sup>
- **Alan Hoffman**, former chief of staff of VP, Joe Biden, now works as Herbalife's executive vice president. *Time* reported that Hoffman "will oversee the company's vast lobbying effort



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<sup>19</sup> [http://articles.chicagotribune.com/1998-04-26/news/9804260472\\_1\\_direct-selling-avon-products-amway](http://articles.chicagotribune.com/1998-04-26/news/9804260472_1_direct-selling-avon-products-amway)

<sup>20</sup> <https://www.cs.cmu.edu/~dst/Amway/AUS/layoffs.htm>

<sup>21</sup> <https://www.bloomberg.com/politics/articles/2015-07-31/hillary-and-bill-clinton-paid-43-million-in-federal-taxes>

<sup>22</sup> <http://www.dsa.org/advocacy/caucus>

<sup>23</sup> <http://nypost.com/2014/04/17/ex-secretary-of-state-albright-sweats-herbalife-ties/>

in Washington, DC... Hoffman, who has worked for all three branches of government, has close ties with officials within the Department of Justice, the Federal Trade Commission, Congress, and the Obama administration.”<sup>24</sup>

- **Antonio Villaraigosa**, the former mayor of LA, in 2013 was hired as “senior advisor to Herbalife... and the company's board of directors.” The *Los Angeles Times* reported, “Villaraigosa will counsel Herbalife on ‘strategic business development and global community outreach’... Word of Villaraigosa's new job comes as Latino civil rights groups joined with others in criticizing Herbalife's business model and calling for investigations.”<sup>25</sup>

If these and other Democratic members of Congress and high level operatives involved in protecting MLMs from law enforcement had been known or foreseen, it would likely not have been so baffling to consumer advocates and some in the legal profession that Obama’s FTC officials ignored consumer petitions regarding MLM or even sought to discredit them, and that not a single MLM was prosecuted in the first term of that administration.

## **Escalated Lobbying**

The historical MLM lobbying that began about 1980 and continued through the Clinton Administration, markedly escalated with the campaign and election of George W. Bush in 2000:

- George W. Bush appointed Timothy Muris to head the FTC as Chairman. Muris’ last job before chairing the federal agency that regulates multi-level marketing was as an attorney with the antitrust division of the firm Howrey, Simon, Arnold and White, LLP. The antitrust division of Howrey counted among its largest clients the Amway Corporation.
- As the new chairman of the FTC, Timothy Muris appointed David Scheffman as the FTC’s new Chief Economist. Only a year earlier, Scheffman worked as an expert for the multi-level marketing company, Equinox International, a member of the Direct Selling Association that had been prosecuted by the FTC for operating a pyramid scheme. David Scheffman testified *against the FTC* and on behalf of the scheme. Scheffman argued that the Equinox business model was legitimate, not a pyramid scheme. His claim was largely based on the assertion that Equinox operated just like Amway. The FTC ultimately succeeded in shutting down Equinox and recovering about \$50 million for consumers. However, the FTC estimated that consumer losses at the hands of Equinox exceeded \$330 million.
- During the tenure of FTC Chairman Timothy Muris the FTC issued a highly publicized pro-MLM letter, which the MLM “industry” dispersed widely to its recruiters to claim that the FTC had reversed and repudiated its longstanding interpretation of Section 5 of the FTC Act and federal court rulings regarding the fundamental requirement of retail sales (external revenue source) for MLM legality. The letter rebutted whistle-blowers, lawsuits and victim claims that MLM is a pyramid scheme. Entitled a “Staff Advisory Opinion - Pyramid Scheme Analysis”, January 14, 2004, and signed by James A. Kohm, Acting Director of

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<sup>24</sup> <http://time.com/3034152/herbalife-ftc-pyramid-scheme-investigation/>

<sup>25</sup> <http://articles.latimes.com/2013/sep/05/business/la-fi-villaraigosa-herbalife-20130906>

Marketing Practices, Federal Trade Commission, the letter was addressed to Neil H. Offen, President, Direct Selling Association.<sup>26</sup>

- After leaving the FTC in 2004, Timothy Muris joined the Washington DC law firm, O'Melveny & Myers. The website of O'Melveny & Myers lists Mr. Muris as “representing Primerica Financial Services... in the Federal Trade Commission's Business Opportunity Rulemaking proceeding.” Primerica is a member of the Direct Selling Association and a multi-level marketing company that, like all MLMs, could be negatively affected by a new rule proposed by the FTC to regulate any business that sells a “business opportunity.” A 2006 letter sent to the FTC on behalf of Primerica argued against the proposed FTC rule. The letter was signed by Timothy Muris and the former FTC Director of Consumer Protection, J. Howard Beales who had been appointed by Muris.
- While head of the FTC, Timothy Muris also appointed J. Howard Beales III, as Director of the Bureau of Consumer Protection. Beales had previously served at the Commission in the 1980s during the “de-regulation” era. After leaving the FTC, Beales co-signed the letter to the FTC with Timothy Muris on behalf of the MLM, Primerica that argued against regulation of multi-level marketing. Howard Beales was also known for his consulting work for Reynolds Tobacco and his public defense of the *Joe Camel* advertising campaign.
- Jodie Bernstein after serving as Director of Consumer Protection at the FTC from 1997 to 2002 joined the law firm, Bryan Cave. In that capacity she lobbied the FTC on behalf of the MLM, the Amway Corporation, arguing against regulation. The law firm, Bryan Cave, defended the notorious Ponzi operator Reed Slatkin and previously represented Michael C. Cooper, president and chief executive officer of the MLM company, Renaissance the Tax People, which was shut down by the state of Kansas as a pyramid scheme.<sup>27</sup>

## **The Pyramid Lobby**

While many people are somewhat aware of large lobbying forces in Washington such as Big Tobacco, the Gun Lobby and Big Pharma, few are aware of the powerful political influence of the MLM industry that constitutes a *Pyramid Lobby*. The name, Pyramid Lobby, is appropriate and accurate since its top priority is not just to curry favoritism or gain tax advantages or government contracts, but to *prevent its extinction* by stopping its business model from being regulated or banned as a disguised pyramid scheme. This existential motive requires *thwarting*

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<sup>26</sup> <http://www.pyramidschemealert.org/PSAMain/resources/FTC.Kohm.Letter.pdf>

<sup>27</sup> Bryan Cave, which has lobbied for and represented Amway, also has counted among its attorneys other FTC attorneys including Frank Gorman, formerly legal advisor to the director of the Federal Trade Commission's Bureau of Consumer Protection. Gorman left the FTC and joined the firm in 2003 when Ms. Bernstein also came over from the FTC and lobbied the FTC for Amway. He later returned to the FTC. Dana Rosenfeld, who served as the assistant director of the Federal Trade Commission's Bureau of Consumer Protection and was senior legal advisor to Jodie Bernstein, joined Bryan Cave at the same time as Jodie Bernstein. Bernstein and Rosenfeld have since moved together to the law firm of Kelly Drye where, according to the firm's website, “*Our attorneys have worked with FTC personnel ranging from enforcement staff to Commissioners, and we have strong relationships with officials of state Attorneys General.*” The firm offers special expertise in MLM and “dietary supplements.”

law enforcement and foiling consumer protection related to pyramid schemes, hence a "pyramid scheme lobby." Only the tobacco industry has as much at stake in its political lobbying and its public marketing campaign.

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***The Pyramid Lobby's top priority is to prevent MLM's extinction by stopping its business model from being banned as a disguised pyramid scheme. Only the tobacco industry has as much at stake in its political lobbying and its public marketing campaign.***

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This activity related to pyramid scheme protection, politely called "lobbying," has grown in scale and influence over the 30-year period and has only been recognized in the media in recent years.

In a 1997 op-ed in the political journal, *Roll Call*, Amway-spouse, Betsy DeVos made it plain in that mid-90's period when MLM was building up what has become one of DC's most effective K-Street lobbies and which played an important role in getting George W. Bush elected soon thereafter: "*My family is the largest single contributor of soft money to the national Republican party. I have decided, however, to stop taking offense at the suggestion that we are buying influence. Now I simply concede the point. They are right. We do expect some things in return.*"<sup>28</sup>

Her husband, Dick DeVos, heir to and former CEO of Amway, has individually donated \$48.8 million to 514 different candidates and causes over 21 years, including his own 2006 gubernatorial campaign.<sup>29</sup> As noted earlier, Betsy DeVos acknowledged to a Congressional committee that her family may have contributed as much as \$200 million to the Republican party and candidates.

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***"My family is the largest single contributor of soft money to the national Republican party. I have decided, however, to stop taking offense at the suggestion that we are buying influence. Now I simply concede the point. They are right. We do expect some things in return."***

***— Betsy DeVos of Amway's founding family (1997)***

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<sup>28</sup> <http://www.politico.com/magazine/story/2017/01/betsy-dick-devos-family-amway-michigan-politics-religion-214631>

<sup>29</sup> [http://blogs.edweek.org/edweek/campaign-k-12/2016/12/campaign\\_contributions\\_betsy\\_devos\\_education\\_secretary.html?intc=main-mpsmvs](http://blogs.edweek.org/edweek/campaign-k-12/2016/12/campaign_contributions_betsy_devos_education_secretary.html?intc=main-mpsmvs)

Despite enormous influence inside the Republican Party and a virtual oligarchy of power in Michigan where Amway is based, the existence of lobby dedicated to protecting MLM remained largely invisible until the 2012 presidential election involving Republican candidate Mitt Romney.

A report in the investigative magazine, *Mother Jones*, entitled, "Get-Rich-Quick Profiteers Love Mitt Romney, and He Loves Them Back," documented the long and deep connections between Romney and multi-level marketing. The article documented two secret donations of one-million-dollars each to Romney that were traced to two executives of the MLM, Nu Skin. Writer, Stephanie Mencimer continued, "*Nu Skin isn't Romney's only connection to the MLM industry. Gordon Morton, cofounder of the supplement company Xango (the self-described creator of the mangosteen beverage "category"), served on his 2008 campaign's finance committee. This past January, David Lisonbee, founder of the Sandy, Utah-based MLM company 4Life Research, donated \$500,000 to Restore Our Future. And Romney's current finance chair, Frank VanderSloot, is the CEO of Idaho-based Melaleuca, a multilevel-marketing company that sells green cleaning products and nutritional supplements.*" VanderSloot was also a million-dollar contributor to the pro-Romney SuperPAC, Restore Our Future.<sup>30</sup>



## **The Pyramid Lobby's Long Tentacles and Deep Roots**

With the MLM "lobby" finally recognized in the 2012 election, its original roots that have now grown deep and wide have begun to be validated in the media. Previously they were reported only by those seeking to expose MLM's disguised pyramid identity, and were largely ignored or dismissed. Today, MLM's political influence-buying extends from state capitols, through Congress directly to the White House.

- According to the consumer watchdog group Common Cause, Amway and affiliated donors made soft money contributions to the Republican National Committee totaling \$4,147,000 between January 1, 1991 and June 30, 1997. In April 1997, the co-founder of Amway Corp. gave \$1 million to the Republican Party, one of the largest single donations on record from an individual at that time. Federal Election Commission records show that Richard DeVos, said to be worth \$3.2 billion back then, and his wife, Helen, wrote two \$500,000 checks on April 2, 1997 from their personal accounts. DeVos is the former finance chairman of the Republican National Committee.
- In 2000, Amway "soft money" contributions to the Republican National Party totaled \$1,138,500. A publication of the Brookings Institute lists Amway among the top ten "soft money" contributors to the Republican Party in 2000, just below and – only \$500 less than – Enron.<sup>31</sup>

<sup>30</sup> <http://www.ranker.com/list/the-largest-mitt-romney-campaign-contributors/keaton>

<sup>31</sup> <http://www.brookings.edu/gs/cf/Financing2000/ch06.pdf>

- In 2004, the 527 "Progress for America" received major contributions from Amway. "The latest crop of donors includes Amway founders Richard DeVos and Jay Van Andel, who each chipped in \$2 million." (*Newsweek*, "The Secret Money War," September 20, 2004.) This 527 subsequently poured \$28.8 million into supporting George W. Bush in 2004.<sup>32</sup>
- Dick DeVos, the son of the founder of Amway is married to Betsy Prince, sister of Erik Prince, the founder of the politically powerful military contracting firm of Blackwater (recently renamed Xe). The Prince/DeVos marriage, which links Blackwater and Amway, both originally based in Michigan, formed what has been called the most politically influential family in the Republican Party. Erik Prince has been a steady contributor to the Republican National Committee. Under questioning for her Donald Trump cabinet appointment, Betsy DeVos acknowledged that her family may have contributed as much as \$200 million to the Republican Party and candidates.<sup>33</sup>
- In 2006, Dick DeVos ran unsuccessfully for the governorship of Michigan. Betsy DeVos is now a member of the presidential cabinet under Donald Trump. Betsy DeVos previously served as chair of the Michigan Republican Party. In 2000 she won special status as a so-called "Pioneer" after raising \$100,000 for the Bush/Cheney campaign.
- In 1999, the inaugural fundraising event for the Republican Majority Issues Committee (RMIC) was held aboard the DeVos family yacht. The RMIC, a "527" organization, was founded by Rep. Tom DeLay (R-Texas). The committee declared its intention to "identify, educate, and mobilize conservative voters in key House races."<sup>34</sup>
- Describing the events at the 2000 Republican Convention in Philadelphia, the *New York Times* wrote, "For the party's top underwriters, there will be an array of gold-plated events in Philadelphia, including cocktails with Gen. Colin L. Powell and an evening cruise on the Delaware River aboard the 'Enterprise,' the yacht owned by Richard M. DeVos, the Amway founder.
- At the 2004 Republican National Convention in New York insiders were feted aboard Dick and Betsy DeVos' yacht, as well as Jay Van Andel's lavish 169-footer." (Kathleen Gray, *Detroit Free Press*, 9/2/04)
- In the 2000 national election, the George W. Bush campaign used Amway's voicemail network to broadcast its message to tens of thousands of Amway/Quixtar distributors with a "personal voicemail message" from Mr. Bush.
- For large speaking fees, former Presidents George Bush, Ronald Reagan, Gerald Ford and former Vice Presidents Bob Dole and Dan Quayle have spoken at Amway-related functions, as have former Republican heavyweights Newt Gingrich, Oliver North, and the SE Regional Chairman for Bush-Cheney '04, Ralph Reed, among others.

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<sup>32</sup> [http://www.sourcewatch.org/index.php?title=Progress\\_for\\_America\\_Voter\\_Fund](http://www.sourcewatch.org/index.php?title=Progress_for_America_Voter_Fund)

<sup>33</sup> <https://www.forbes.com/sites/danalexander/2017/01/17/devos-says-its-possible-her-family-has-donated-200m-to-republicans/#6aaaa496ac91>

<sup>34</sup> [http://www.motherjones.com/news/special\\_reports/mojo\\_400/12\\_devos.html](http://www.motherjones.com/news/special_reports/mojo_400/12_devos.html)

- Regarding Amway's formidable lobbying power in Congress, in the August 7, 1997 *Fort Worth Star-Telegram* the late newspaper syndicated columnist Molly Ivins wrote, "Amway has its own caucus in Congress. Yes, the Amway caucus. Five Republican House members are also Amway distributors: Reps. Sue Myrick of North Carolina, Jon Christensen of Nebraska, Dick Chrysler of Michigan, Richard Rombo of California and John Ensign of Nevada. Their informal caucus meets several times a year with Amway bigwigs to discuss policy matters affecting the company, including China's trade status." (Amway lobbied to get the US Dept. of Commerce to back its efforts to get China to legalize the Amway pyramid pay plan.) "House Majority Whip Tom DeLay, a onetime Amway salesman, also remains close to the company."
- Ivins reported that the budget package passed by Congress that year provided a tax break "worth \$283 million to one corporation: Amway." Ivins noted, "The company and its top leaders have contributed at least \$4 million to the Republican Party during the past four years, so that's a \$4 million investment in campaign contributions with a \$283 million payoff for Amway...The payoff for Amway was not in the original House or the Senate version of the tax bill," she wrote. "House Speaker Newt Gingrich intervened at the last minute to help get the special tax break inserted in the bill." Describing this special tax break, Common Cause reported: "Buried in the 1997 budget and tax deal is Provision C, Section XI.... the provision primarily benefits Amway Corp. and could be worth millions of dollars to (Amway)."
- Sen. Rick Santorum of Pennsylvania was a favored speaker at large meetings held by Amway "kingpin" Fred Harteis, and received financial support from the Harteis family, their recruits, and other Amway kingpins.
- A close personal friend and "spiritual advisor" to George W. Bush is a former high ranking (Diamond) distributor with Amway and regular Amway convention speaker, evangelist Doug Wead. Wead was President George H.W. Bush's liaison to the Christian Right. During the early 1988 George Bush presidential campaign, Wead reported to son, George W. Bush. He later served as Special Assistant to the President in the Bush Senior, White House. *Time* magazine referred to him as "the man who coined the phrase the compassionate conservative."
- The influence buying and selling extends beyond the Halls of Congress into every state legislature and Attorney's General Office. The MLM industry has touted as one of its great promoters the former Attorney General of Utah, Mark Shurtleff. While still serving as a public official, Shurtleff appeared to have publicly endorsed the MLM, Usana, and he was instrumental in protecting MLM pyramids by passing a law that effectively exempted MLMs from the statute's narrowed and distorted definition of a "pyramid scheme." Examining contributor records of Shurtleff's 2012 election, the *Salt Lake City Tribune* reported, that just two MLMs, Usana Health Sciences and Nu Skin International, accounted for about 10 percent of Shurtleff's total and half of what he gained from all MLM companies that year. It also noted that Shurtleff "backed a 2005 bill that some contended safeguarded their business."<sup>35</sup>

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<sup>35</sup> <http://archive.sltrib.com/story.php?ref=/sltrib/politics/56298281-90/shurtleff-general-attorney-utah.html.csp>

In 2014 Shurtleff was arrested in Utah on bribery charges, along with another former Attorney General of Utah, John Swallow, who was also a major MLM backer.<sup>36</sup> According to a 2012 investigative article in *Harpers Magazine* by Jeff Ernsthausen, entitled "Pyramid Insurance," Shurtleff had received up to that time campaign contributions totaling more than \$475,000 from members of the Direct Selling Association (DSA) since 1999, accounting for 14 percent of his donations from sources other than the state Republican Party.<sup>37</sup> On Shurtleff's successor, John Swallow's ties to MLM the *Harper's* investigation reported that, "Of the \$680,000 he has raised for his election campaign to date (June 2012), \$114,000 can be traced to Utah-based DSA member companies, their executives, or their spouses."

- North Carolina was also specifically cited in the *Harper's* investigation. Formerly a state that was noted for active prosecutions of MLM pyramids under its strict anti-pyramid scheme statute, North Carolina, during the Attorney General administration of Democrat, Roy Cooper, (now NC Governor) is now a recent headquarters to the MLM, ACN, famously touted by Donald Trump, and the site of a major new distribution center for Herbalife, recently fined \$200 million by the FTC and ordered to stop "unfair and deceptive trade practices". *Pyramid Scheme Alert* asked Mr. Cooper to investigate Herbalife, based on consumer losses revealed in the income data as well as other known facts about the company related to a pyramid scheme.<sup>38</sup> He did not respond. He has not taken action against Herbalife despite the FTC prosecution.

Executives from ACN, according to the *Harper's* investigation, have given \$84,550 to North Carolina Attorney General Roy Cooper "since the run-up to the company's relocation there in 2008 – nearly 85 percent of their total campaign contributions during that period... Two ACN executives, Charles Barker and Robert Stevanovski, tied with a few others as the largest individual donors to Cooper's 2008 reelection campaign. This figure includes donations by executives' spouses and members of ACN's "Circle of Champions." Much of this money came from employees residing outside North Carolina." ACN even got \$600,000 in tax subsidies to move to Concord, North Carolina.<sup>39</sup> ACN paid Donald Trump over one million dollars in one year to speak at its meetings appear on its website as an endorser and promoter.

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<sup>36</sup> [http://www.dailymail.co.uk/wires/ap/article-2693118/2-ex-Utah-attorneys-general-charged-bribery.html?utm\\_source=August+2014+Update&utm\\_campaign=Newest+Revelations+on+MLM&utm\\_medium=email](http://www.dailymail.co.uk/wires/ap/article-2693118/2-ex-Utah-attorneys-general-charged-bribery.html?utm_source=August+2014+Update&utm_campaign=Newest+Revelations+on+MLM&utm_medium=email)

<sup>37</sup> [http://harpers.org/blog/2012/08/pyramid-insurance/?utm\\_source=August+2014+Update&utm\\_campaign=Newest+Revelations+on+MLM&utm\\_medium=email](http://harpers.org/blog/2012/08/pyramid-insurance/?utm_source=August+2014+Update&utm_campaign=Newest+Revelations+on+MLM&utm_medium=email)

<sup>38</sup> <https://pyramidschemealert.org/regulators-asked-to-investigate-herbalife/>

<sup>39</sup> <https://www.youtube.com/watch?v=uMcQPyA9YAM>