Opening Remarks

By
Bruce F. Freed, President, Center for Political Accountability

It is a pleasure to be with you.

I want to open by thanking Bruce Buchanan of the Stern School for his foresight and leadership in convening the biennial roundtables on corporate political accountability. Bruce is a pioneer in recognizing the importance of this issue and making it part of the business school curriculum. Special thanks go to Maria Patterson and Skye Weis who have helped organize the Roundtable.

I want to give special recognition to Larry Zicklin for his advice, counsel and support. He brings a long and deep commitment to ensuring that businesses follow an ethical compass in society today. His involvement in the Roundtables and his close relationship with CPA have been critical to the success of our efforts to date.

I also want to recognize Bill Laufer of The Wharton School. Early on, Bill became deeply involved with the Center for Political Accountability in addressing the role of corporations in the political process and the need for them to adopt political disclosure and accountability policies. Bill is also the father of the CPA-Zicklin Index, our annual benchmarking of S&P 500 companies on their political disclosure and accountability policies and practices. The Index is now in its eighth year. It is used by companies as the template for the policies they are adopting. We are proud of the Index’s tremendous success.

And lastly, a word of thanks to Karl Sandstrom who co-founded the Center with me 15 years ago. Karl is CPA’s counsel and has been a tremendous partner in the effort to reshape how companies engage in political spending.

Today’s Roundtable is the fourth convened here at Stern. The previous gatherings focused on bringing corporate political accountability into the business school curriculum. For this program, we are taking a much broader view. We will examine:

- business as an integral part of the body politic,
the impact of its election-related spending on our nation’s politics and institutions, and on
the shaping of public agendas and policies at the national and state levels, and

the heightened level of risk that political spending poses to companies in today’s hyper-
polarized political and social media-driven environment. The ramping up of the 2020
campaign exacerbates this risk.

The new degree of risk is laid out in CPA’s 2018 Collision Course report around which this
Roundtable is framed. The report, which you have received, takes a close look at the
consequences of company political spending; how, increasingly, these consequences contradict
or conflict with company core values and positions; the business and reputational threat this
poses to companies; and the actions companies should take to manage and avoid these risks.

Many companies make contributions to trade associations, “social welfare” organizations and
527 political committees seeking to advance a specific business objective. The problem is that
along the way they may be supporting tactics and policies that may undermine their own
business goals and values as well as our democratic principles. We’ll examine this issue and how
companies can address it more closely tomorrow.

I want to open this Roundtable with a basic question: Why is company spending to influence
elections so important? And why focus on public companies?

There are three fundamental reasons:

- The first is that corporate political money plays a dominant role in elections at the federal
  and state level. This has significant policy and political consequences.

- Second, political contributions, not spending on lobbying, lay the foundation for
  relationships. These relationships – based on friendship and a sense of indebtedness –
  provide an extra edge critical for shaping policy and legislation. This has been the finding
  of political scientists and business school professors who study influence and political
  money.

- Lastly, there are few, if any, checks on companies today. This has been the case
  especially since 1980, because of the demise of the countervailing power centers
described by John Kenneth Galbraith in his classic book, American Capitalism. Galbraith
wrote about unions, business and government in the 1950s creating a system of checks
and balances. That’s no longer the case. Unions haven’t been a counterweight for a long
time, and government is much less of an independent force. Business, however, has few
constraints. Mark Mazruchi of the University of Michigan describes this in his book, The
Fracturing of the American Corporate Elite.

As a result, corporations have an inordinate influence on setting the nation’s agenda, shaping public policy, and state politics. Their spending has a tremendous impact on our democracy and the ability of our nation to address such critical challenges as gerrymandering, racial and gender inequities, inequality, climate change and the role of money in politics.

Citizens United and subsequent court decisions deregulating campaign financing have only increased the power of the corporate purse.

Let’s look at this in terms of dollars and cents. The best way to visualize political money is to think of an iceberg. You see part of the iceberg but not all of it. What’s above the waterline is disclosed spending. That includes contributions to candidates, party committees, independent expenditures, and 527 committees. We know what that totals. What we don’t know is the amount that’s below the waterline. That’s “dark money,” and it includes payments to trade associations and contributions to “social welfare” organizations. That’s why disclosed measures, like PAC spending, are used to extrapolate the level of political spending.

With that caveat, here’s what we see in congressional elections and state elections:

At the federal level:

- Companies are the biggest source of political money. According to the non-partisan Center for Responsive Politics, business “has a more than 3-to-1 fundraising advantage” over labor unions in PACs delivering funds.

At the state level, here are just a few measures of enormous corporate political spending clout:

- Of the $560 million raised by a partisan committee that played a key role in governors races for the 2010 to 2018 election cycles, close to 30 percent came from publicly held corporations and their trade associations. That compares with 12 percent from private companies.

- Of the $157 million raised for the 2010 to 2018 election cycles by a partisan committee that was instrumental in bringing about the change in control of state legislatures, one-half to two-thirds per cycle came from publicly held corporations and their trade associations. And

- Of the $83 million raised by a partisan committee that was a leading contributor to attorneys general campaigns for the 2014 to 2018 election cycles, the largest share -- 46
percent -- came from publicly held companies and their trade associations. This compares with 26 percent from private companies and 25 percent from other and individuals.

What were the consequences of this kind of eye-popping spending? Here are several examples:

- Amid the fallout from the Parkland school massacre, Publix Super Market faced sharp criticism last year over its contribution to a Florida gubernatorial candidate who called himself “an NRA sellout.”

- Leading companies experienced serious blowback for contributions they made in North Carolina that helped bring about HB2, the controversial transgender bathroom law. The companies’ contributions were critical to flipping control of the state legislature in 2010 and the election of a like-minded governor in 2012, all of whom participated in enacting HB2 in 2016. Shortly after the law’s enactment, the media called out these companies, which had strong policies on diversity and LGBT employees, for their role in helping make the law possible. The companies faced boycott threats.

- Then there’s the case of 27 leading companies that reaffirmed their support for the Paris climate accord following the U.S. withdrawal and that also contributed more than $3 million dollars to political committees involved in attorneys general races. The Center for Public Integrity disclosed that their contributions helped elect attorneys general candidates who filed suit against the Environmental Protection Agency’s clean power plan. The headline read: “These Companies Support Climate Action, So Why Are They Funding Opposition To It?”

- Lastly, news stories and social media late last fall called out Intel, AT&T, Purina, Walmart and Aetna for their PAC contributions to Rep. Steve King and Sen. Cindy Hyde-Smith, who made controversial racially charged and pro-white supremacist remarks.

These cases show political spending is like a ticking time bomb. A company’s contribution, especially one that conflicts with its core values or positions, can explode at any moment and without warning.

Contrast this with the emphasis that companies have recently given to presenting themselves as responsible, concerned corporate citizens. They are touting their core values, their dedication to diversity, and their commitment to being environmentally conscious and to addressing climate change.

What we see over time is a divergence between the core values and positions of companies and the consequences of their political spending. This inconsistency has created – a more appropriate
term is “aggravated” – serious reputational and business risks that, in turn, are much more immediate because of social media.

These developments and how to address them are the focus of the Fourth Corporate Political Accountability Roundtable.

I don’t want to leave you feeling that all is gloom and doom. That’s far from the case. Corporate political disclosure and accountability has become the norm. Concurrent with the lead up to the Roundtable, three leading companies – General Electric, Verizon and Hilton – have acted on their own or agreed to shareholder requests that they beef up existing, or adopt new, political disclosure and accountability policies. All this has happened in the past month. We’re in dialogues with several other S&P 500 companies and will be announcing agreements with several leading companies shortly.

This is the result of CPA’s 15-year effort engaging companies and the impact of the CPA-Zicklin Index. Indeed, the Index’s findings demonstrate this. An ever-expanding number of companies have the policies and tools for addressing the heightened level of risk they face today. It’s now a matter of using the policies. That’s the critical challenge that the business community faces.

We are very fortunate to have leading figures from academia, the corporate sector, corporate governance, politics and the investor community with us to discuss this. You have the agenda and materials on all that we’ll be covering today and tomorrow. I urge you to refer to them.

With that, I turn the Roundtable over to Maria Patterson.

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