

Real Office Politics

Between corporate interests and employee preferences, it can be a real horserace.

By Matthew Budman

In 1802, Thomas Jefferson proposed a “wall of separation between church and state,” and the United States has had one ever since. The nation has never had such a wall separating politics and business. It wasn’t some Gilded Age tycoon who said, “The business of America is business”—it was President Calvin Coolidge.

Republicans and Democrats vie to be corporate America’s favorite party. Candidates and officeholders deliver speeches on factory floors, stage photo ops with prominent entrepreneurs, and play golf with top CEOs. When a presidential contender snares business endorsements—as John Kerry did with some two hundred executives in early August—he sends out a press release posthaste. Legislators strive to create a “good business environment,” and they are rewarded with campaign contributions from business interests—individual executives as well as corporate money.

Usually the system runs smoothly, and the only ones who object—or even notice—are good-government advocates who argue that the implicit quid pro quo corrupts American democracy. But in this polarized nation, in a presidential election year, with a great deal at stake and record amounts of money being raised and spent, people are paying closer attention than usual to the corporate role in politics.

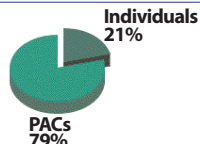
And it’s easier than ever to do so: Using online information from the Federal Election Commission and

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Political Contributions: Election 2004 Restaurants

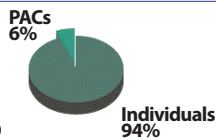
Outback Steakhouse
\$411,286

 1%  99%



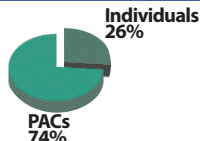
McDonald's
\$196,517

 18%  82%



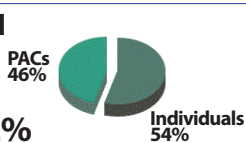
Darden Restaurants
\$145,334

 9%  91%



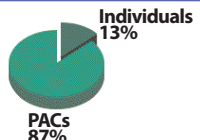
Brinker International
\$136,000

 8%  92%



Wendy's
\$99,800

 15%  85%



These charts show companies' political contributions during the 2004 election cycle. The pie charts display the percentage of total contributions donated by the company PAC and by individuals affiliated with the firm. The figures are courtesy of the Center for Responsive Politics.

untary donations; they are allowed to distribute up to \$10,000 per candidate per election cycle and \$15,000 annually to any national party committee. The PACs tend to dole out money pragmatically: to the company's home-state senators and U.S. representative, to any other officeholder with any influence on relevant legislation, and to the political party and presidential candidate most in tune with its priorities.

The priorities of the corporation, of course, aren't necessarily identical to those of every one of its executives. A plant manager may kick in \$1,000 to his company PAC and then discover that some of that PAC

company. And Heinz says that over the last seven years, the company PAC "has contributed \$96,000 to Republican candidates and \$54,000 to Democratic candidates."

Occasionally, though, a corporation has real political ties—and makes no bones about it. Look at Outback Steakhouse, a public company that gives more money than any other firm in the restaurant sector—and nearly all of it to GOP causes and candidates. Outback founder and CEO Chris Sullivan gives money to Republicans, his executives give money to Republicans, and his company's PAC gives to Republicans. Much of that PAC money comes from lower-echelon executives and employees, who may or may not be aware of its ultimate destination; Outback has come under fire in recent years for reportedly pressuring employees to donate to the company PAC.

But the Outback example is actually unusual: It's not all that common for big companies *and* their CEOs to direct money to the same causes or candidates. For instance, Costco CEO James Sinegal donates a lot, and all to Democrats, but Costco doesn't even have a PAC. Likewise, Joe Rogers of Waffle House gave \$25,000 last October to the Republican National Committee, but the company itself has made only a single \$1,000 contribution to a candidate this election cycle.

To explore the status of the business-politics relationship, I spoke with David Vogel, editor of *California Management Review*, chairman of the Haas Business and Public Policy Group at U.C. Berkeley, and author of *Kindred Strangers: The Uneasy Relationship Between Business and Politics in America* and *Fluctuating Fortunes: The Power of Business in America*.

The corporate-contribution charts are based on figures provided by the non-profit Center for Responsive Politics, available online at www.opensecrets.org. And if the numbers seem high, keep in mind that they don't even take into account the record amounts—some \$110 million total, up from just \$8.2 million in 1992—that corporations, unions, and individuals donated to the Democratic and Republican conventions this summer. Those contributions are, somewhat dubiously, classified as civic rather than political.

other sources, workers can easily look up whether and how much their companies—and their bosses—have donated, and to whom. One learns, for instance, that Bill Gates gives regularly to both Democrats and Republicans, sometimes on the same day; and that National Basketball Association commissioner David Stern gives tens of thousands of dollars to elect Democrats, while James France, his counterpart at International Speedway Corp., gives tens of thousands to elect Republicans.

Usually, articles discussing political fund-raising refer to "corporate money" and don't distinguish whether it comes from PACs—political action committees,

money has gone to candidates he finds repellent. Through company PACs, the hard-right CEO of a New York-based energy company may end up indirectly financing Hillary Clinton's re-election and a progressive Silicon Valley VP may end up donating to Rick Santorum's campaign.

In dispersing PAC donations, companies are trying to stay on policymakers' radar screens, and trying not to make enemies—indeed, publicly owned firms don't make endorsements, even when their political allegiances are blatant.

Sometimes those corporate allegiances are based on perception rather than fact. In June, something called W Ketchup

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the designated vehicle for companies' official contributions—or from individuals who just happen to *work* for corporations, since the FEC sorts donations by employer. Some companies' total political contributions are nearly all from individuals; others' are nearly all from PACs; most are somewhere in the middle.

Corporate PACs build up war chests through executives' and employees' vol-

began advertising in conservative publications and websites. Its purpose: to be an alternative to Heinz. The W Ketchup website's "About" page reads: "Choose Heinz and you're supporting Teresa Heinz and her liberal causes, such as Kerry for President." But the H.J. Heinz Co. states that Teresa Heinz Kerry is not "involved in the management or board" and does not hold "a significant percentage of shares" in the

Do you get the sense that businesspeople, and companies, are more engaged in politics this campaign season than in the past?

No—I think they're heavily engaged, but they were heavily engaged before.

So what changes have you seen in the way that corporations—and individual executives—engage in or interact with partisan politics?

One change is that business has become more supportive of Republicans, and I think that's simply a reflection of the relative dominance of the Republican Party, both in Congress and in the White House. Certainly during the Clinton administration, there was enormous business support for both parties. The president raised a lot of money, and so did the Republicans. By and large, businesspeople give resources disproportionately to incumbents, and over the last three years, with Republicans in control of both branches of government, companies have been more likely to give to them.

Have the amounts that companies give changed?

It varies a lot by industry. The general trend is that some companies and sectors that had relatively little political involvement have increased it dramatically. Think of Wal-Mart, of the semiconductor industry, which has become much more engaged in politics, and of Microsoft, which used to ignore politics. The drug industry has always been engaged, but even more so recently because there's so much at stake. Eventually, most big companies find out that they need to get committed to politics.

The implication is that every company in an industry should have the same pattern of giving—but they don't. Many major companies don't have PACs at all; some small companies give disproportionately large amounts. Within a given industry, some balance giving between the two parties; others skew dramatically toward Republicans or, less often, toward Democrats. Is that based on tradition or interests?

It's mostly interests. Yes, there are some companies that are ideological, but they're rare. Different firms attach different degrees of importance to politics, and there's enormous variation in terms of preference and style, as in any aspect of business. One would expect to

see companies having different strategies, different approaches, different philosophies.

I find it interesting that business favors Republicans even though the stock market and the economy in general have consistently fared better under Democrats.

Actually, historically, most corporate money went to Democrats, until fairly recently. That was the party in charge of Congress. The Republican Party always complained that it wasn't getting as much corporate money as it should. Of course, the situation has been different since the 1970s.

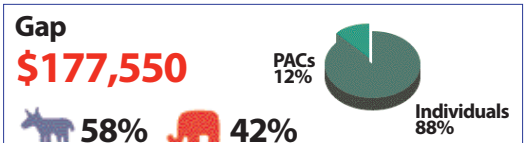
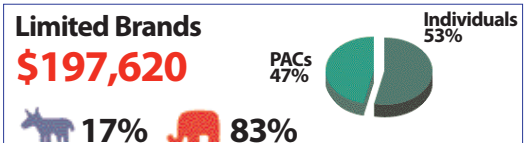
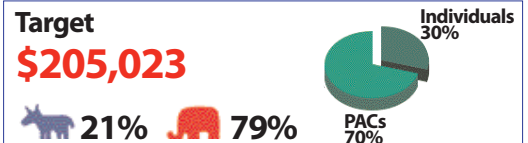
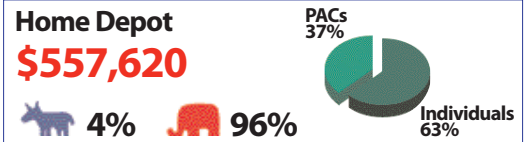
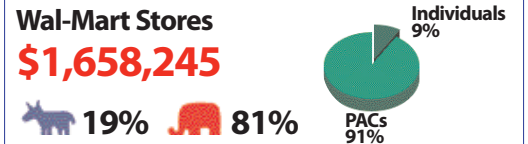
I wonder if things will change anytime soon. Political sociologists see a split in the electorate between managers, who lean Republican, and professionals, who lean Democrat. Managers, of course, have always been the ones in charge of corporations, so it makes sense that those companies lean Republican as well. But what about organizations with different structures, like tech firms? As companies change shape in the coming years, will we be seeing a different type of person running them and, therefore, different corporate attitudes toward politics?

I don't foresee any structural shift in the loyalty of individual businesspeople to Republicans. There have always been certain segments of business that are close to the Democratic Party, like real estate and a lot of investment bankers. Silicon Valley has always had a strong Democratic theme. The segments

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of the business community that are more balanced between Democrats and Republicans have changed over time, as the economy has changed, but it's still mostly Republican—even though Democrats never seem to have any trouble raising money from companies, especially in this election cycle. Bill Clinton raised a huge amount of money from business.

Political Contributions: Election 2004 Retail Sales



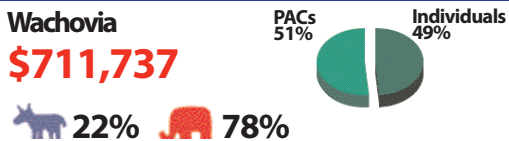
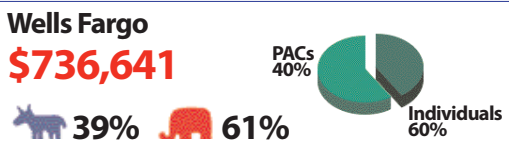
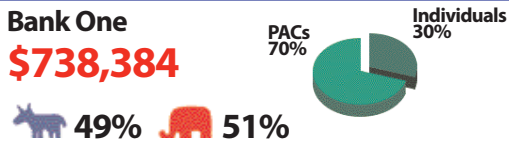
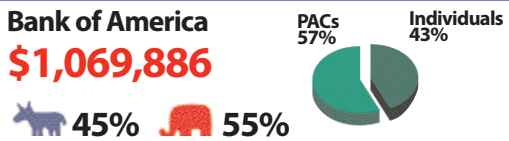
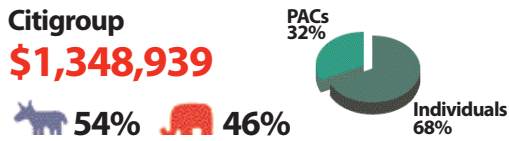
Now, when you say companies are becoming "more engaged" in politics, does that mean installing a lobbyist, donating money—or something even more ambitious?

Increasingly, firms have their own full-time staffs in Washington, and they all work with lobbying firms on different issues. Trade associations remain important. And for many years we've had ad-hoc coalitions, in which a group of companies get together on a particular issue—say, the outsourcing question—and pool their resources. Companies have gotten more sophisticated in using grass-roots pressure in developing ad-hoc, shadow, make-believe "citizens'

groups." They learned how to do that from public-interest groups, and they've gotten very good at it. Think of the media campaign around the Clinton healthcare plan.

Speaking of organizations' political activity, Republicans regularly complain about unions' political alliances, endorsements, and financial support—they argue that the members of

Political Contributions: Election 2004 Commercial Banking



those unions don't necessarily support Democrats. But are corporations any more accountable—say, to employees?

The executives are speaking on behalf of their shareholders, so employees don't have a voice. They don't have a voice in anything else—there's no reason why they should expect to have a voice in this! The notion is that when you buy shares, you're basically establishing a trustee relationship and letting these guys do what they want. It's different

I don't think there is retaliation. If John Kerry wins, Halliburton will still be doing stuff in Iraq.

with unions: People feel that when they pay union dues, they should have more accountability.

In a typical corporation, who are the people who actually make the decisions on political involvement?

It's like any other business decision: There's a committee that reviews it and submits it to the board or the CEO. It's pretty high-level—executive-committee level. The stances they take are a big deal; these are major policy decisions.

Do you think most shareholders, or employees, are aware of these decisions?

No, not at all.

How often do the CEO's personal views play a role?

If he's politically engaged—like, say, Ken Lay at Enron—they'll play a role. For another instance, the word is that Lee Raymond at ExxonMobil can't deal with global warming; he's decided that Exxon's view is to not want any regulations on carbon. A lot of people at ExxonMobil think that's ridiculous and that the company should bite the bullet and help design a new policy. People at ExxonMobil tell me that as soon as Raymond retires, the company will switch its position and come out in favor of the Kyoto Protocol on global warming.

Clearly, this is Raymond's personal view, but it's also his personal assessment of what's in the company's interests. It's a business judgment, and it could change when ExxonMobil gets a new CEO. The CEO's views about what's in the interests of the company matter, but that's true for every decision every CEO makes.

What happens when political power changes hands—as when, say, the Senate switched

from GOP to Democratic control in 2001? Do corporations switch whom they're giving to?

I think companies that care about very particular committee issues are indeed likely to switch. The interesting question is to what extent companies have become more partisan. The pharmaceutical industry, for instance, seems to be very heavily supporting Republicans during this election cycle. But I would be surprised if that industry didn't give a lot of money to Clinton when he was president.

Then you'll be surprised: In 1996, the pharmaceutical industry gave \$95,000 to Clinton—more than three times that to his Republican challengers. And in 2000, it gave more than four times as much to George W. Bush—a half-million dollars—than it did to Al Gore. This year it has given Bush more than \$840,000 so far.

They've obviously decided that the Republican positions on health care are more to their liking.

Does the industry run any risk in skewing its support? How often do companies, or industries, become linked to one political party, or even one politician, and therefore find themselves at a disadvantage when that party or officeholder falls from power?

Companies try hard not to become identified with one party or the other—they want to be risk-averse; they want to hedge their bets. The pharmaceutical industry is atypical. But a lot of times it doesn't matter. Enron was very close to the Bush administration, and I don't think it would have made any difference if it hadn't been—it didn't do the company any good in the end.

Is there ever retaliation? How much does Halliburton have at stake in this election?

Companies worry about this, but I don't think there is retaliation. If John Kerry wins, Halliburton will still be doing stuff in Iraq.

Will the addition of John Edwards to the Democratic ticket make much of a difference to the business community?

I don't see many big issues or hot-button legislation on the agenda in the area of legal reform. Despite controlling Congress, the Bush administration has been completely unsuccessful in all its efforts at tort reform. I'm sure companies aren't *happy* about Edwards, but I don't know that they feel that the chances of reform are going to be any better if Bush is reelected. And it helps that Edwards seems to have defended people who were abused.

I guess it'd be worse if he had specialized in class-action suits.

That's an important point. But either way, the trial lawyers seem to be do-

ing pretty well on their own, without having one of their people as vice president.

How much more do CEOs inherently trust former executives like George Bush and Dick Cheney?

Well, Bush had a pretty mediocre business career, and Cheney became an executive *after* politics, so they're not really executives in the sense of rising up through the ranks and running various companies.

But their orientation is very much toward the world of business.

That was true of Clinton too. I don't think it makes a difference. Thinking back, there have been virtually no presidents who earned their spurs through business. Maybe Herbert Hoover was the closest. Americans haven't elected businesspeople.

I guess we missed our chance—or dodged a bullet—with Ross Perot.

Right—Perot would have been the one.

Now, articles that discuss corporate contributions to candidates tend to identify contributors by company, even though much of that is individual executives, not corporate PACs, handing over cash. Why do these individuals make personal contributions in the first place?

Well, the company has a stake; the company wants access to whoever's president.

So do employees give because the company encourages them to?

I think it's mostly senior people—or the partners—and they're giving on behalf of the company. Companies put a lot of pressure and effort into hustling these funds from their executives, and presumably they tell them, "This is important to us."

Isn't that illegal?

Well, to *coerce* them is illegal. But the disclosure laws mean that everyone knows what everyone is giving, so executives have no protection. The company can tell John Jones, "We encourage you to give," and it can look up the results—it knows whether he's given, and Jones

knows that the company knows. That's the paradox of disclosure laws.

Actually, in researching political contributors, I found fewer executives than I expected.

A lot of political scientists argue that there's underinvestment in politics, that people and companies should give a lot more than they do, given the stakes involved.

But companies give a lot, and more every election. Now, when it comes to participating in the political process, corporations act like single-issue voters: They're interested in taxes and regulations and trade policies, and they don't care about most social issues.

Or, say, foreign policy.

But don't corporate and personal interests sometimes diverge? Presumably, the individuals who decide where to direct PAC money do care about social issues as well as economic ones. How often do executives wind up supporting candidates whose policies and even personalities they despise?

Firms vary a lot in how they deal with it. I don't think it's common for executives to have active personal political agendas that differ a lot from their companies' interests. You can imagine, for instance, Jewish executives doing a lot on Israeli stuff, but I don't think there would be any tension there.

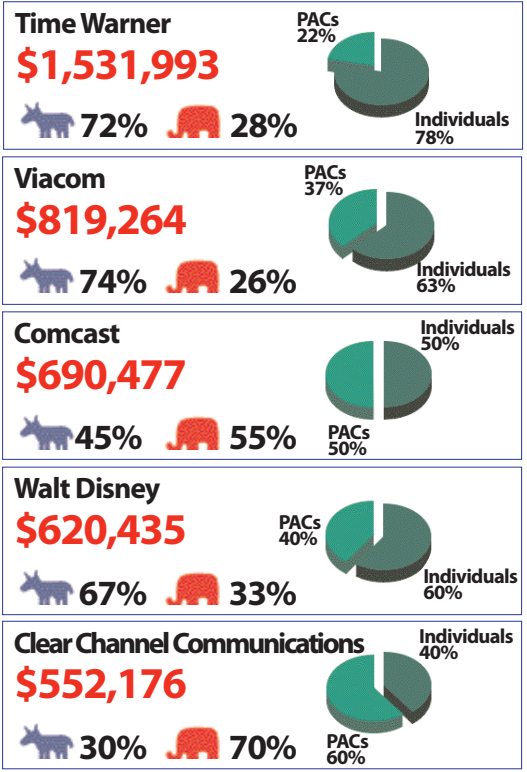
But that's because that's so far removed from company business. There are famous, or infamous, cases like Thomas Monaghan of Domino's Pizza and Carl Karcher of Carl's Jr., who are both

outspoken anti-abortion activists. But it's not as though Domino's or Carl's Jr. has ever had an official policy on abortion.

Right—there are different sets of issues.

But what if you're Tom Monaghan, and want your company to have access to the head of a

**Political Contributions: Election 2004
TV/Movies/Music**



particular Senate committee—but as it happens, that senator is a pro-choice crusader?

Well, Monaghan would give his own personal funds to whomever he wants, of course, but I think Domino's contributions would still go to things that were important to the company. Those conflicts are not terribly common—an issue in which a politician had a preference on a policy issue that agreed with that of the executive and disagreed with the interests of the company. It's not obvious that someone who is against abortion would also be likely to have policy preferences that differ from Domino's on some other issue. Maybe there's someone out there who wants to raise the minimum wage and is against abortion. But it's more likely

There have been virtually no presidents who earned their spurs through business.

that you'd find someone who's against both abortion *and* the minimum wage. There's always been a tension in the business community between executives' hearts and their more pragmatic pocket-books, and to the extent that Republicans are in power, that tension is diminished. ♦