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OPINION

Companies need to reevaluate the full range of their political spending

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By Michael E. Porter and Bruce F. Freed Updated January 26, 2021, 3:00 a.m.

Condemnation of the US Capitol insurrection has brought at least one surprising point of hope: Dozens of blue-chip US companies, from Coca-Cola to Goldman Sachs, and JP Morgan Chase, are freezing their political action committee spending to rethink what has happened and how to proceed.

Major League Baseball, General Motors, Boston Scientific, Microsoft, and McDonald's are among the leading names suspending all of their political action committee donations for now. Notable others, including Amazon, Blue Cross Blue Shield, Disney, General Electric, and State Street, are halting the donations to 147 Republican members of Congress who voted against certifying the 2020 presidential election results. Charles Schwab has announced plans to dismantle its PAC.

These are first steps. But only if companies go further and carefully examine their millions of dollars in political spending from corporate funds, not just the more limited PAC spending, can they build responsibly on the trauma — and opportunity — of the moment. (PACs are permitted to give a candidate's campaign up to $5,000 per election, whereas corporations can spend unlimited sums on politics through trade associations, issue-based groups, and money given by individual executives.)

Only fundamental change will benefit citizens, America's fragile democracy, and a healthy competitive business environment. There are two primary reasons: Corporate funding has contributed to the degrading of our democracy, and in many cases it conflicts with professed company stances, eroding public support for business.

This political spending has even played a role in the current crisis: Companies are condemning the Capitol siege and lawmakers who voted to subvert the election results. At the same time, their payments to third-party groups — including politically active nonprofit groups and trade associations — are part of the money trail for what recently unfolded in Washington.

Millions in corporate and trade association dollars have bankrolled, for example, a partisan group supporting Republican state attorneys general who pushed in December to overturn the 2020 presidential election. More recently, an arm of the same group, the Rule of Law Defense Fund, a 501(c)(4) of the Republican Attorneys General Association, encouraged the protest that culminated in the deadly storming of the Capitol by sending out a robocall directing people to march to Congress the day of the pro-Trump rally.

More than 160 business leaders signed a November letter calling on the Trump administration to accept the election results and begin an official transition. Yet at least four of the signers came from companies — Mastercard, Visa, The Travelers, and Marsh & McLennan — that had contributed more than a combined $500,000 to RAGA over the last two election cycles. In the same period, RAGA supported 17 state attorneys general who recently joined Texas in unsuccessfully asking the US Supreme Court to allow four state legislatures to reverse the presidential election results.

In the case of the Capitol attack, 38 corporations and seven trade associations contributed $100,000 or more each to RAGA in the 2020 election cycle. These companies included Anthem ($336,025), Altria ($335,154), Comcast ($315,000), Walmart ($270,100), and AT&T ($215,000). Trade associations included the US Chamber of Commerce ($750,375) and the Pharmaceutical Research and Manufacturers of America ($136,025). Many companies and trade associations, such as the Chamber of Commerce, condemned the Capitol attack.

A chasm between some companies' rhetoric and political spending is not new. In recent years, companies have faced heightened scrutiny and accusations of hypocrisy over their political spending and issues of climate change, racial

gerrymandering of political maps, health care, and LGBTQ rights. These conflicts spell increasing risk for companies' reputations and bottom lines, especially at a time of national polarization and controversy going viral through social media.

In addition, corporate funding has contributed to degrading our democracy by failing to advance sound policy and backing partisanship rather than improving the environment for business. It has contributed to government gridlock and dysfunction. Because business today is the leading source of money in elections and lobbying, it wields major influence.

Only if business reexamines its engagement model and puts its weight behind structural political innovations can it benefit both business and society in the long term. At a time of multiple crises facing our nation, will companies support evidence-based policy positions and take steps to restore the reasoned policy-making the country so sorely needs?

Political spending is the right place to start. Smart and risk-averse best practices call for companies to reevaluate the full range of their political spending, assessing when writing a political check might lead to an extreme outcome, or when funding for a third-party group might explode in unanticipated ways. Applying this kind of three-dimensional perspective is a key part of the Center for Political Accountability's new Model Code of Conduct for Corporate Political Spending.

To move toward a positive, proactive role for business in politics, companies must go beyond their lamentation at an inquest. If they're willing, the more meaningful work lies ahead.

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