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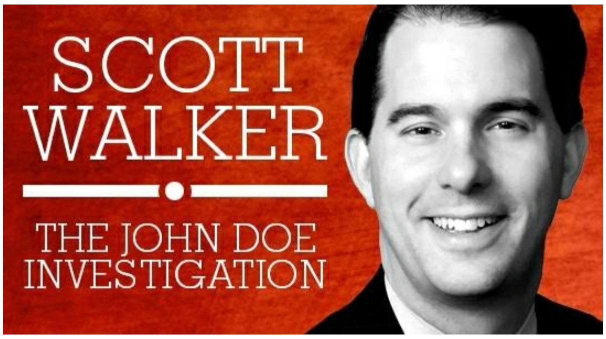
Spotlight on CPA

Wisconsin "Dark Money" Scandal Holds Warnings, Lessons for Companies

Founder's Column
By Bruce Freed



Do scores of court filings unsealed in Wisconsin, alleging illegal coordination of spending and fundraising between Gov. Scott Walker's campaign and conservative groups, foretell nearly unrestrained "dark money" flooding future elections?

According to a New York Times article about the documents, "Prosecutors say Mr. Walker and his aides violated Wisconsin donation limits and disclosure rules by supervising a blitz of political spending by other organizations that could accept unlimited secret donations, including money from corporations."

Walker has not been charged. If his defense prevails – and courts find the coordinated activity legal – the campaign finance landscape could be transformed anew.

That scenario "could bring down the few remaining limits we have left on money in politics. It would allow virtually unbridled coordination between outside groups and candidates, giving money ever more influence over politicians and elections," election law scholar Rick Hasen wrote in Slate.

There's already a virtual spending arms race at play in today's politics. With the last limits removed, the arms race in spending could accelerate dramatically.

This would pose a threat not only of corruption in our democracy but also a danger to corporations' welfare. They would become more vulnerable than ever to shakedown by political figures coordinating with outside, dark money groups that as their name implies, can hide their donors.

It's not overstating, then, to suggest that Wisconsin's dark money scandal sounds a dramatic wake-up call about the risks facing corporations when they spend company cash on politics.

Companies will not be the ones deciding what constitutes legal coordination of political activity. That will be up to the courts. But in event of final court decisions in Walker's favor, companies can take steps to shield themselves and their shareholders from the fallout.

The risks of political spending can be managed and minimized through corporate transparency and accountability, as more companies are acknowledging each year.

Corporate Secretaries Meeting: Political Disclosure Remains Front Burner Issue

For the second consecutive year, the Society of Corporate Secretaries and Governance Professionals convened during its national conference a panel on corporate political activity and disclosure.

Political disclosure continues to be a front burner issue for corporate secretaries. The topic was put on the agenda for the Society's national conference in Boston last week due to strong interest in it expressed by members, according to Society staff.

The panel was made up of Center for Political Accountability President Bruce Freed, who discussed the organization's engagement with companies; Marcel Bucsescu, Assistant Director, Governance Center, The Conference Board, who discussed that organization's perspective and what its corporate members are doing; moderator Geralyn S. Ritter, Senior Vice President, Global Public Policy and Corporate Responsibility, Secretary and Assistant General Counsel, Merck & Co., Inc.; Paul S. Atkins, Chief Executive Officer, Patomak Global Partners, a former commissioner of the Securities and Exchange Commission; and Jonathan R. Macey, Sam Harris Professor of Corporate Law, Corporate Finance, and Securities Law, Yale Law School.

Macey and Atkins voiced opposition to the Center's initiative for corporate political disclosure. You can view slides presented by the Center by clicking here, and slides presented by Atkins by clicking here.

CPA in the Financial Times

The Financial Times reported in an article on June 21, "Increasing numbers of shareholders are demanding that US companies account for their political spending." The article touched on the pros and cons of political disclosure resolutions and spotlighted the Center for Political Accountability.

CPA President Bruce Freed told FT, "We find that companies are slowly and steadily paying more attention to what they are spending, how they are spending, and the impact of that spending. We want companies to be much more careful."

The article also quoted Dan Gallagher, a Republican commissioner at the Securities and Exchange Commission. According to FT, he "attacked the upsurge in activity as part of a 'brilliant plan' by leftwing groups to 'blacklist' companies that contribute to conservative causes."

Further Attacks on CPA

On the heels of a Wall Street Journal editorial attacking the Center for Political Accountability, the Koch brothers-funded Center for Competitive Politics and The Weekly Standard followed up with new assaults.

The Center for Competitive Politics issued a 20-page report online that took aim at CPA; William Laufer, a member of the CPA board of directors; and the Wharton School's Zicklin Center for Business Ethics Research, where Laufer is director.

The latest attack lines mirrored those of the Journal editorial. The CCP paper also gave extensive attention to the CPA-Zicklin Index of Corporate Political Disclosure and Accountability.

"These attacks have become familiar, and their ferocity demonstrates CPA's success and the impact of the CPA-Zicklin Index," CPA President Bruce Freed said. His letter to the editor of the Wall Street Journal, responding to that newspaper's editorial, was published June 1.

Proxy Season/Agreements Update

In the 2014 proxy season, shareholder resolutions for corporate political disclosure and accountability captured sustained support. After one new agreement was reached, the number of publicly held corporations adopting political disclosure and accountability policies climbed to 128.

Of 30 proxy season votes this year on shareholder resolutions for political disclosure and accountability, the average vote was 28.97 percent, in line with a year ago at this time. There were seven votes of more than 40 percent on these shareholder resolutions and one majority vote, of 51.8 percent, at Dean Foods Co.

The latest company adopting a transparency agreement was JetBlue Airways. A shareholder resolution at JetBlue was withdrawn by Domini Social Investments after JetBlue announced its agreement.