

# Does Corporate Lobbying Benefit Society?

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## *Abstract*

*Lobbying, defined as an effort to influence policy through strategic communication, has grown dramatically in recent years. This paper presents three viewpoints regarding the societal impact of corporate lobbying on society: one perspective argues that lobbying will be primarily beneficial, an alternative perspective contests this viewpoint and suggests that it is generally harmful, and the third argues that the impact is contingent on a number of factors. Proponents of lobbying argue that it is a vital mechanism to transmit valuable information and expertise to policymakers, leading to substantive legislative solutions for resolving complex societal issues. Critics, on the other hand, point out that business dominates lobbying and can leverage vast resources to push biased information in the pursuit of narrow profit-oriented interests. There are three key axes of contention between these three perspectives; first, concerning the definition of lobbying and its relation to corporate power; second, its relationship to democratic processes; and third, regarding alignment or conflict between societal and business interests. The paper examines these issues and draws implications for future research.*

### Introduction

Does corporate lobbying benefit society? Depending upon what “benefit society” entails, this could mean corporate lobbying leads to welfare enhancing policy outcomes, either with or without policy change. It has been argued that corporate lobbying can lead to substantive legislative solutions for resolving complex societal issues, such as human rights abuses, discrimination and inequality, climate change, or the depletion of key environmental resources.<sup>1</sup> On the other hand, a large body of literature suggests that corporate lobbying, among other forms of corporate power, tends to deepen governance deficits<sup>2</sup> or distort regulatory regimes in ways that exacerbate social and environmental problems. In this paper, we review both sides of this debate, as well as more nuanced attempts to address our motivating question.

Lobbying, an effort to influence policy through strategic communication, is a powerful tool that firms and coalitions of firms view as a vital mechanism to transmit valuable information and expertise to policymakers.<sup>3,4</sup> Lobbying may protect business from burdensome and poorly designed regulation or promote policies that support a flourishing, globally competitive economy that generates investment, employment, and hence resources that can be used for social benefits, from education to the natural environment. In addition, there are historical and current examples where corporations have lobbied legislation that promotes societal welfare, at least from the perspective of some stakeholders. The Business Coalition for Workplace Fairness supported the Employment Non-Discrimination Act, a federal bill that did not pass, but would have provided the same basic protections to LGBTQ workers that were already afforded to non-LGBTQ workers across the country. More recently, a group of more than 220 companies of all sizes and sectors across the U.S. has supported the John Lewis Voting Rights Advancement Act (VRAA) (10/05/2021), based on the rationale that all Americans deserve “equal voting rights, this is a moral, social, and economic imperative.”<sup>5</sup> Or, in present-day climate change politics, the We Mean Business Coalition, comprising hundreds of large corporations—including co-founders IKEA, HP, Amazon, and Verizon--is urging the U.S. federal government to set ambitious climate goals.<sup>6</sup>

In contrast, critics argue that corporate lobbying leverages the vast resources of major corporations to pursue narrow profit-oriented interests, at the expense of other stakeholders and the wider society. Critics of corporate lobbying point to egregious cases that appear to put profits before the public good, for example, the enormous efforts over the past several decades by fossil fuel-related sectors to delay and weaken action on climate change, or by the pharmaceutical industry to protect their market power and

high prices. Business has demonstrated a relatively united front in mobilizing to hamper union activity and to frustrate efforts to improve the social safety net on issues such as parental leave and expansion of healthcare. In addition, corporate lobbying may overwhelm other stakeholders, particularly since the Citizens United Supreme Court ruling of 2010 that allows corporations to spend unlimited amounts of money on causes in the name of 'free speech.' These concerns are also shared, to some degree, by numerous segments of the public, including institutional investors, advocacy groups, and many citizens. Gallup polling suggests that the public perceives lobbyists as among the least honest professions, ranking them below used car dealers and members of Congress.<sup>7</sup>

This paper presents three viewpoints regarding the societal impact of corporate lobbying: one perspective argues that lobbying will be primarily beneficial, an alternative perspective contests this viewpoint and suggests that it is generally harmful, and the last viewpoint argues that the impact is contingent on a number of firm-specific and political factors. While there appears to be general agreement on all sides that business possesses substantial financial and technological resources, as well as valuable technical expertise, which could potentially be used to assist policymakers in advancing broad societal goals, there are several key axes of contention between these three perspectives.

First, proponents of lobbying usually define lobbying narrowly as the transfer of information and analysis that policymakers find valuable because they lack the relevant expertise, time, and resources to generate their own knowledge about pressing social issues. Critics of lobbying, on the other hand, tend to define lobbying more broadly as an integral part of corporate influence over policy. Although lobbying may provide strategic information, this information is often biased and may be deployed in concert with other political tactics such as donating to political action committees (PACs), civil society organizations and think tanks, issue-specific campaigns, and/or industry association initiatives.

Second, scholars who see a positive role for lobbying generally assume that the political system is an open, pluralist arena in which multiple stakeholders are vying for influence, so that business lobbying is often ineffective and corporate power is contested and constrained. This perspective generally views corporate engagement in politics as a healthy part of the democratic process; indeed, business is seen as playing an important public-spirited role in stepping up to fill a "governance gap,"<sup>8</sup> sometimes in coalitions or 'multi-stakeholder initiatives.' By contrast, critical scholars draw from strands of social theory that view lobbying as part of the larger hegemonic structures of corporate power that operate through

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instrumental, structural, and discursive processes.<sup>9</sup> Corporate lobbying, from this perspective, represents the privatization of governance and the erosion of democracy.<sup>10</sup>

Third, supporters of lobbying tend to acknowledge the possibility that the interests of business (and their shareholders) may be aligned with those of other stakeholders, or at least, that there are substantial areas of potential “shared value”<sup>11</sup> where firms can pursue corporate social responsibility (CSR) strategies that generate both higher profits and social benefits. This viewpoint has been reinforced more recently, as more firms express support for the Business Roundtable’s proclamation that a firm’s purpose is to maximize stakeholder value rather than shareholder value. If firms align their corporate political activities (CPA) with their CSR strategies, as the literature advocates, then corporate lobbying will be more likely to support social objectives.<sup>12</sup> Critics, on the other hand, view a firm’s shareholder and stakeholder interests as fundamentally misaligned due to structural conflicts between the goals of capital and labor, corporate strategies and the natural environment, or because of endemic market failures. This misalignment might stem from large-scale externalities regarding climate change and toxic chemicals, the incentives for firms to exploit monopolistic market structures, or to take opportunistic advantage of information asymmetry, for example, in consumer finance.

In an era in which the incomes generated by large transnational corporations have surpassed those of many governments, the intervention of corporations in national and international political processes, including through lobbying, bears heavily on issues of social welfare and on the prospects of societies to address grave challenges such as climate change and human rights violations. Transnational firms are also facing increasing pressures for disclosure and action to improve their environmental and social performance. Hence, tackling the question of the social and political consequences of corporate lobbying is timelier than ever, and should be of interest to management audiences and beyond.

The article is structured as follows. The first section tackles the definition of lobbying, due to the prevailing confusion regarding the meaning of lobbying, as well as some definitional variance among scholars. Then we move to develop, in turn, the cases for and against corporate lobbying, and the “it depends” arguments. We conclude by providing future research directions.

### **Definitions of Lobbying**

In terms of the different perspectives presented about the impact of lobbying on society, much of the contention centers on the definition of

lobbying which exists in different literatures. There is a consensus that lobbying is a form of corporate political activity.<sup>13,14,15</sup> Lawton, McGuire, & Rajwani<sup>16</sup> define a broad set of political efforts to “Influence governments through campaign contributions, direct lobbying, government membership on company boards, voluntary agreements, political action committees (PACs), and, at times, even bribery.” Nevertheless, the Lawton, Doh, and Rajwani<sup>16</sup> list need not be considered exhaustive as other forms also exist, such as industry association membership, “astroturf” efforts,<sup>17</sup> independent expenditures on political advertising, other “outside lobbying” aimed at changing public opinion,<sup>18</sup> and corporate philanthropy.<sup>19,20</sup>

Despite the broad array of possibilities for CPA, the focus of this piece is on lobbying. Lobbying is frequently confused with other types of CPA--and it is often misconstrued as money exchanging hands between firms and elected officials. Importantly, no legal lobbying in the US involves the transfer of funds from a firm or its treasury directly to a politician, her staff, or her agents. That would be a bribe and would be illegal. That said, via other forms of CPA, there are legal opportunities for political expenditures via legal campaign contributions for corporate-linked entities such as PACs (political action committees) comprised of donors linked to firms via employment, executive roles, or shareholder rolls. There are also opportunities for firms to fund independent expenditure committees to run campaign advertisements via “Super PACs” or 501c (3) Social Welfare Organizations. While these are political influence activities, they are not lobbying efforts.

A common definition of lobbying employed in political science and economics research states that lobbying is “the transfer of information between interest groups [including firms] and politicians, their staffs, and agents.”<sup>3</sup> Some management researchers concur with this definition and state that “lobbying involves communicating information for the purpose of influencing actions.”<sup>21</sup> Regardless of which definition is used for lobbying, the information and knowledge transmitted by a firm in the political arena to decisionmakers can take various forms and in practice includes sharing statistics, facts, arguments, forecasts, signals, threats, and/or potential responses to proposed policies.<sup>22,23</sup>

While accepting that lobbying involves transmission of information and symbols rather than cash and tangible gifts, more critical approaches in political science and sociology highlight the political instrumentality of lobbying, whereby the information transmitted to decision-makers is strategically biased in such a way as to influence them to support the policy agendas favored by the lobbying agent.<sup>24</sup> Accordingly, scholars have defined lobbying as a “mechanism of influence”<sup>25,26</sup> or “political instrument,” which business (or any other pressure group) “deploys in order to get its way.”<sup>27</sup>

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Legal definitions of lobbying at the state level in the U.S. vary, but mostly emphasize such efforts to influence policy by using communication.<sup>28</sup> From this perspective, lobbying is understood as a form of “persuasion,”<sup>29</sup> or the subtle “framing” of a policy debate linking the interests of the lobbying party with the public interest.<sup>30</sup> Some even conceptualize lobbying as a “legislative subsidy,” whereby the lobbyist provides assistance and resources that help allied policymakers to win policy struggles.<sup>31</sup>

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The argument for why lobbying is good for society is straightforward once we understand its definition as the exchange of information between firms and politicians. In fact, it is difficult to construct an argument where society would be better off without firms (or ordinary citizens) being able to share information they have a unique ability to generate and accumulate with their government. This idea is so basic that the First Amendment of the US Constitution provides constitutional protection to the practice of lobbying stating, “Congress shall make no law ... prohibiting the free exercise thereof or abridging the freedom ... to petition the Government for a redress of grievances.” Hence, it is apparent that the Founding Fathers of the United States believed the ability to lobby, at least, was good for society. Madison even wrote in *Federalist 10* that the ability of groups to lobby was essential to liberty and the legitimacy of the proposed republican form of government.<sup>32</sup> Having a plethora of information and understanding all sides is critical to making sound and legitimate public policy--and corporate lobbying enables just that.

In fact, given the time constraints that politicians face, they can make better policy with “legislative subsidies” of information from corporate and non-corporate lobbyists.<sup>31</sup> In this sense, corporate lobbyists can act as a “service bureau” for understaffed members of Congress who pick which lobbyists to listen to in support of their policy objectives (picked to maximize reelection by their constituents). This also allows members of Congress to learn from the relative expertise of those in the trenches of a policy area, given that the politicians themselves are usually policy generalists who may not possess such specialized expertise.

While self-interested groups lobbying like-minded members of Congress may appear to some to reflect corruption, empirical exercises bear out that at least in the United States, lobbying is closer to “benign industry information provision” than “nefarious corruption.”<sup>33</sup> Even in worst case scenarios of revolving door lobbyists trading on who they know, i.e. connection, rather than what they know, i.e. information, lobbyists are found to retain the majority of their revenue even when losing critical ties: on

average, they retain 77% of revenue after losing a tie to a Senator and 91% of revenue after losing a tie to a Representative.<sup>34</sup> This means that at most 23% of the value of lobbyists tied to Senators and 9% of the value of lobbyists tied to Representatives could have come from “who they know.” However, even if they were trading on “who they know,” it could be that connected lobbyists simply had better insights into how to communicate with certain politicians in a manner that would appeal to their pre-existing policy preferences rather than them getting results because of friendships or the like. Taken together, this suggests that lobbying enhances the information available to policymakers above all else.

Another important thing to remember about policymaking is that the status quo bias<sup>35</sup> most frequently leads to little change in policy outcomes. Hence, it can be difficult for corporate lobbyists to be effective unless they can demonstrate convincingly to politicians that all parties will be at least as well off with any policy change as they were before. This is a difficult task which may explain why only 10% of publicly traded firms even choose to engage in lobbying (in the US) at all.<sup>3</sup> Moreover, even when lobbyists choose to be engaged, over 60% of the time they are ineffective at garnering any policy change according to results from the largest scale study of issue specific lobbying ever conducted.<sup>36</sup> This resonates with findings in the management literature that lobbying may be ineffective on average.<sup>37</sup> The reality is that most political markets are simply not very attractive,<sup>38</sup> particularly when the key entity that needs to be influenced is public opinion rather than a pivotal politician in the case of widely salient issues.<sup>39</sup> Hence, one of the main reasons why any individual corporate lobby fails to achieve policy change is because there is typically an incentive for a competing interest (i.e. another firm or even a public interest group) to step into the political marketplace and provide countervailing information.<sup>40</sup>

So how and when do we end up with policy change that is good for society, rather than affirming the status quo? Well, this happens when politicians end up being convinced that the policy change helps their constituents, or at least does not make them worse off. Corporations, of course, in crafting the information that they want to share with politicians, may want to make a self-serving case—and frequently will bring politicians data specific to their interests, for example, on things like the effects of a policy on the firms’ employees that are the politicians’ constituents. Nevertheless, astute politicians are aware that any grand claims about the benefits of a policy made by a self-interested party like a firm may potentially be biased or of low quality.<sup>41,42</sup> Therefore, it is a challenge for any group lobbying, either a firm or a public interest group, to make a convincing case that they are not merely offering cheap talk to the politician that they are

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targeting. One of the most effective ways for a firm to demonstrate that they are sharing accurate and reliable information about how a policy will benefit society is by forming a lobbying coalition. It is often in these instances where we can demonstrate lobbying success either in American or European contexts and in bureaucratic and legislative contexts.<sup>43,44,45,46</sup> Coalitions consisting only of firms usually will not succeed in convincing politicians to pursue their agenda; however, coalitions of firms and their natural opponents work best in soliciting political support. For example, Fremeth and Richter<sup>47</sup> illustrate this in a case study of Hewlett Packard, one of the reasons the firm was credible on its positions on electronic waste legislation was that it was able to partner with groups of environmentalists who agreed and supported their positions.

Of course, politicians may remain self-interested and may be interested in acquiring pork for their districts, perhaps at the expense of money being spent in another district. Politicians of course are often lobbied to bring pork to their districts--and of course firms want to be the beneficiary of that. At face value this may look egregious, like bringing a NASCAR racetrack to a specific congressional district with a lobbied-for tax break;<sup>48</sup> however, looking deeper we will see that perhaps politicians were willing to make that trade-off of tax dollars to that specific district because it was an economically depressed area that needed the new jobs that the track promised. In a broader sense, pork barrel projects via earmarks may actually be a good thing, particularly when they are lobbied upon, as they give politicians margins on which they can make adjustments that benefit society more broadly by allowing for redistribution in ways that allow democracy to work.<sup>49</sup> Lobbying for earmarks may actually “grease the wheels of democracy,” even if it is not always successful for corporate clients, because it provides information within a competitive marketplace of projects advocated by various groups.

The business community’s lobbying efforts can also help reframe and reshape how politicians think about broader social and societal issues such as the display of the Confederate flag (which some groups may frame as racist, and others may frame as part of their heritage). Nevertheless, when politicians think about this issue in terms of the economic interest of their constituents (something business lobbies can help them with) rather than purely as part of a culture war, it can lead to social change. In fact, Grose and Peterson<sup>50</sup> show that economic interests can help create more liberal racial attitudes and, in some states, when a business threatened to leave a community, public officials removed the Confederate flag. Hence, overall, there is value in reframing more thorny social issues in a business or economic frame if the goal is progressive social change.



Taken together, lobbying is essential to political debate and compromise, which are critical in a functioning democracy. Hence, if we want to live up to the Founding Fathers intentions for a representative form of government, we need lobbying, including by corporations.

### **Corporate Lobbying Harms Society**

In this section, we develop three lines of argument to make the case that corporate lobbying is harmful to society. First, we argue that lobbying functions as a component of a broader system of corporate power that undermines democracy. Second, we demonstrate that, in practice, business lobbying tends to overwhelm other stakeholders and interest groups in terms of resources, organization, and access. As a result, business often succeeds in deploying biased information or outright lies to shape policy, a process that is less pluralist than commonly assumed. Third, we critique popular notions of corporate social responsibility and the stakeholder model to argue that corporate lobbying advances the narrow interests of shareholders rather than those of a broader group of stakeholders.

Our first argument is that democracy is premised on the dispersion of power across numerous individual and group interests in society and is generally associated with a pluralist political system in which various interest groups compete for influence and no single segment dominates policy. However, drawing from more critical state theory and political economy, we argue that large corporations exert concentrated political influence to an extent that undermines democracy, and corporate lobbying is an important component of this power structure.

Corporate lobbying raises a fundamental question about the nature of democracy. Although corporations cannot vote, they have many of the rights of “natural persons,” which have been considerably enhanced in the political sphere by the 2010 Citizens United Supreme Court decision in the US. Corporations can play a major role in mobilizing the channels of influence in a democracy through political donations, direct lobbying, and support for think tanks and organizations that work for particular causes. There is, of course, a legitimate role in a democracy for organizations such as unions and civil society groups to help overcome problems of collective action and to coordinate and represent a variety of interests. The question here is what role, if any, corporations should have in this process, given that the constituent stakeholders of a corporation, who are not artificial but rather real persons such as workers, shareholders, creditors, consumers, and the local community, can already mobilize to represent their specific interests? Whose interests does the corporation represent, and does its access to financial and organizational resources overwhelm other social groups?

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Citizens United held that money was simply a form of speech, hence corporations have the right to spend unlimited amounts on political influence. Notably, the court recognized that corporations have access to vast resources but asserted that unequal influence is constitutional and not a form of corruption.<sup>51</sup>

Corporate power in relation to the state, labor, and other social groups has grown in the last half-century, fueled by the increasing concentration of capital, the decline of organized labor, and the dominance of neoliberal globalization both as ideology and policy.<sup>52</sup> By 2020, the revenues of the 500 largest American companies (in the Fortune list) amounted to around 70% of U.S. GDP and 18% of global GDP (Fortune 500).<sup>53</sup> This concentration of corporate power has not only exacerbated economic inequality<sup>54,55</sup> but has also buttressed corporate political power over social institutions, economic governance processes,<sup>56</sup> and public policy more generally.<sup>57,58</sup> Corporate power deployed at the macro-political level shapes societal institutions that structure the nature of work, our identities as workers and consumers, the regulatory environment, and planetary health. Corporate power is exercised through various forms of political action or “mechanisms of influence,”<sup>25</sup> of which lobbying is but one. Political donations, public relations campaigns, grassroots organizing, corporate responsibility programs, and business associations’ coordination of inter-firm political action are additional well-documented mechanisms, which are deployed individually or in concert.<sup>2,27,58</sup> From a neo-Gramscian perspective, the hegemony of business rests on an alignment of economic, cultural, and political forces; processes of accommodation and co-optation enable business to protect itself against challenges from rival groups, such as labor and environmentalists, while projecting an image of moral leadership for the common good.<sup>9,59,60</sup>

Concern has grown in recent years about the implications of the rise of monopolistic internet technology behemoths in sectors including social networks, online commerce, search and advertising, and media/news. In addition to traditional concerns about pricing and innovation within monopolistic market structures, scholars and activists have also brought attention to wider deleterious economic, social, political and environmental impacts of concentrated corporate power,<sup>61,62</sup> with a particular focus on inequality, labor conditions, and policy influence. Lobbying is a key lever for the tech giants to shield their monopoly status, secure tax benefits, and to preserve their exemption from liability regarding content. Facebook and Amazon recently became the largest corporate lobbying spenders in the U.S.<sup>63</sup> Along with Apple and Google, they retain hundreds of lobbyists, spend substantial sums on think tanks and issue advertisements, and donate to 94% of elected politicians on Congressional committees dealing with antitrust

and privacy policy in the US;<sup>63,64</sup> and have mobilized in a similar fashion in Europe<sup>65,66</sup>

Our second argument is that business lobbying is frequently successful in deploying its massive financial and organizational resources as well as personal networks to achieve policy goals and overwhelm opposition from other stakeholders. While various business sectors have different interests and do not always present a united front, there is also substantial common ground for cross-sector mobilization, particularly around maintaining a low-tax, weak regulatory environment and opposing measures that might raise labor costs or the bargaining power of labor. The most formidable business mobilizations tend to occur in periods of social instability and change when broader challenges to corporate power erupt. The surge of anti-business public sentiment and of federal environmental, safety, and other regulations in the U.S. in the 1960s and 1970s triggered a forceful and successful defensive response from the American business class.<sup>67,68</sup> National and global business associations (e.g., Business Roundtable, International Chamber of Commerce) provide the organizational capacity to coordinate these campaigns, combining direct lobbying with coordinated political donations,<sup>69</sup> issue advertising and public relations, legal strategies, and think-tank funding.<sup>68</sup> These business associations have also coordinated the appearance of corporate leaders in Congressional Testimonies<sup>25,70</sup> and organized ‘astroturf’ campaigns that purport to be grassroots efforts.<sup>71</sup>

Sector and issue-specific organizations are also powerful in representing business interests at various levels using a similar array of tools. The banking and finance sector succeeded in weakening and then overturning most of the regulations enacted after the global financial crisis of 2008.<sup>72</sup> Corporate efforts to delay and weaken climate change regulation have been particularly successful in casting doubt on the science, raising fears about the cost of action, and creating a broad coalition to oppose action.<sup>73,74,75</sup> Delmas and colleagues<sup>76</sup> found that in the four-year period leading to the eventual failure of a major carbon regulation legislation (the Waxman-Markey Bill) in 2009, corporations spent more than \$1 billion on climate change lobbying. While low-emitting companies spent significant sums to support the legislation, they were far outgunned by high-emitting industries.

Although the fossil fuel industry appears to have moderated its tone in recent years, the NGO Influence Map<sup>77</sup> reports that “in the three years following the [2015] Paris Agreement, the five largest publicly traded oil and gas majors (ExxonMobil, Royal Dutch Shell, Chevron, BP and Total) have invested over \$1 billion of shareholder funds on misleading climate-related branding and lobbying.” Business has also been increasingly active at the state level in the U.S., lobbying on a variety of issues through the American

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Legislative Exchange Council and engaging in campaigns around local propositions and referenda. Uber and other ride share and delivery companies succeeded in passing Proposition 22 in California in 2020, a ballot measure that allows gig economy companies to continue treating workers as contractors rather than employees. Uber, Lyft, and DoorDash spent about \$200 million on the ‘Yes’ campaign, more than ten-times that spent by the pro-labor ‘No’ camp.<sup>78</sup>

UC Berkeley political economist and former Secretary of Labor Robert Reich<sup>79</sup> provides data on the rapid increase in lobbying in recent decades. From 1975-2005, registered lobbyists in Washington, DC multiplied almost 10-fold from 3,400 to 32,890, registered lawyers nearly 5-fold from 16,000 to 77,000, and money spent on direct lobbying more than 20-fold, reaching \$2.2 billion in 2005. By 2020, total lobbying expenditures, using a broad definition, reached \$3.53 billion.<sup>80</sup> A number of studies indicate that the return on investment from lobbying is positive, meaning that these investments deliver the regulatory goods in ways that create financial benefits for business that outweigh the cost of lobbying.<sup>21,48,81,82,83,84</sup>

Business organizations dominate this lobbying activity, accounting for 80%-90% of total post-2000 lobbying expenditures, and similar proportions of business-driven lobbying at the state level.<sup>3</sup> In 2020, business lobbying was about \$3 billion, or 88% of the total.<sup>85</sup> The US Chamber of Commerce (USCC) is regularly the single biggest spender; from the onset of the 2008 global financial crisis, the USCC’s lobbying expenditures surged nearly four-fold from pre-crisis levels to \$144.6 million in 2009.<sup>85</sup> The top-ten list is populated exclusively by business interests, including the class-wide Business Roundtable, industry-level associations from pharmaceuticals and healthcare, banking and finance, and the big tech companies.<sup>85</sup> By comparison, in 2020, labor groups accounted for 1.17% and “ideological groups” 4.52% of total lobbying expenditure, proportions that have remained largely stable since 2008.<sup>86</sup> Organized business, then, spends 70 times more than organized labor.

In addition to financial resources, business also has much better access than other stakeholders to policymakers and regulators, due to political donations and the “revolving door” phenomenon. From 1998-2004, 2,200 former high-ranking federal officials and 200 former members of Congress registered as lobbyists, including most former senior officials of the Clinton administration.<sup>79</sup> Former lobbyists are frequently recruited into government roles; OpenSecrets.org lists more than 200 senior appointees in the Trump administration who were formerly in lobbying organizations.<sup>87</sup> Political scientists calculate that, on average, the “who you know” factor accounts for 23% of the price of lobbyists’ services.<sup>34</sup>

Our third and final point is that corporate lobbying advances the narrow interests of corporate shareholders rather than those of its constituent stakeholders; indeed, it is often at the expense of these other stakeholders. If corporate lobbying were merely a means to aggregate and represent these broader interests, this would be a more legitimate role, though the imbalance of resources across sectors and between large and small firms would still present a concern. Lobbying expenditures are controlled by senior management and form part of a firm's political strategy, which is usually closely coordinated with corporate market strategy.<sup>88</sup>

Advocates of corporate social responsibility (CSR) claim that “in the long run” there is a convergence of business and society interests (i.e., those of shareholders and other stakeholders) which may lead to corporate lobbying presenting broader societal interests. There are strong reasons to doubt this claim, however. One is the large and enduring negative externalities that exist in many sectors, with environmental pollution and particularly climate change as the most paradigmatic example. Even a company like Shell, which has publicly recognized the threat of climate change and has committed to reduce its dependence on fossil fuels, donated \$10 million to the American Petroleum Institute in 2020, an industry associations that is notorious for lobbying to protect oil sector interests and slow down any transition to carbon-free energy.<sup>89</sup> Companies often engage in positive public relations through their CSR activities but lobby to protect their interest through industry associations, which take much more conservative positions than firms. Another example is the trade association CropLife, which represents agricultural and chemical companies who want to protect their ability to manufacture and distribute potentially dangerous chemicals. CropLife has substantial lobbying expenditures and campaign contributions<sup>90</sup> and 5 out of 10 of its lobbyists have held government positions. Recently, the association successfully pushed the US Department of Agriculture to exclude fungicides from international negotiations to limit agricultural chemicals.<sup>91</sup>

A second reason that business and societal interests do not converge is simply that conflicts of interest exist among the various stakeholders; raising pay for workers or spending money to enhance the community are expenses that reduce profits for shareholders. Of course, as advocates of CSR point out, there are opportunities for ‘shared value’ that are mutually beneficial,<sup>11</sup> but these may be limited in nature.<sup>92</sup> It is not surprising that the ride-hailing and delivery sector has fought so ferociously against regulations that would grant gig workers employee status. Critical scholars note that while CSR is not all ‘greenwashing’, it is primarily a mechanism for stakeholder management, intended to deflect and accommodate regulatory threats or pressure from labor.<sup>93,94,95</sup> Indeed, Cho et al.<sup>96</sup> found that lobbying was frequently

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misaligned with expressed CSR values, and their empirical study demonstrated “a significant, inverse relationship between firm environmental performance and political spending. This is consistent with the notion that U.S. firms with relatively poorer environmental performance records may engage more intensely in corporate political activities as part of their overall strategic management of their relationship with the state.”

### **Corporate Lobbying *Can* Benefit Society**

Lobbying, a political tool, entails the provision of information and expertise to governmental decision-makers that can be used by firms for societal good or harm. The impact of corporate lobbying primarily depends on whether corporate preferences for policy converge with those of the wider society. This section examines the circumstances and contingencies under which this might be the case. Moreover, this section assumes that the characteristics of the political market may help to shape the political opportunities for firms to lobby for societal benefit. Even if firms engage in lobbying, the effectiveness of a firm’s lobbying efforts may be curtailed by competing political interests and/or lack of political actor responsiveness. Most of the focus in this section will be on the demand side of the political market: the conditions under which firms might employ lobbying to advocate for policies that improve societal welfare. In the concluding section, we will briefly discuss the supply side, in terms of the scenarios that may lead to policymakers providing corporate regulatory frameworks that serve both business and societal interests.

A firm’s alignment (or lack of) between its CSR and CPA is one avenue for understanding when and how corporate lobbying can serve the public good. Even though a firm’s CSR may represent ‘shared value’, beneficial to business and societal welfare, there is little guarantee that a firm’s social policies and practices will lead to a firm to lobby for the public good. In fact, there are confirmed instances where firms intentionally separate their CSR and political lobbying efforts.<sup>12,122</sup> Despite this, researchers have long called for an examination of the alignment and integration of CPA and CSR.<sup>12,16,97,99,100,101</sup> Moreover, there is emerging research exploring the external and internal pressures on firms to align their CSR and CPA<sup>101,102</sup> and the importance for their convergence.<sup>1</sup> A firm’s decision to align its CSR and CPA can lead, on the one hand, to firm-specific benefits such as legitimacy, reputation, and financial performance and, on the other, to positive societal outcomes such as improved stakeholder relationships and the resolution of pressing social issues.<sup>101,103,104</sup>

The deliberate alignment of CSR and CPA may improve the efficacy of a firm’s lobbying and make it more likely that lobbying will converge with

societal interests. With respect to the first point, research has suggested that a firm's CSR may produce positive spillover effects for its CPA, including its lobbying, by increasing the firm's access to political and legislative decision-making, enhancing the efficacy of its political efforts, and reducing the costs of political involvement.<sup>12</sup> Firms engaging in CSR are more likely to be more visible and reputable, making it easier for them to establish direct contacts with governmental actors.<sup>12</sup> Firms are also more likely to have better information and knowledge for governmental officials due to the diverse set of relationships that they have formed with stakeholders stemming from their CSR practices.<sup>12</sup> In addition, firms are more likely to form unique coalitions as a result of these stakeholder relationships, which in turn will allow them to exercise more political clout.<sup>12</sup> Conversely, recent studies discover that firms targeted by social movement boycotts face more difficulty in the political arena, their political contributions are refunded by elected official, and they are more likely to lose the opportunity to testify and provide their information in congressional hearings.<sup>105</sup>

There is some evidence that firm and societal goals are beginning to converge, challenging the argument that firms are solely pursuing political goals to benefit their shareholders. The aforementioned Business Roundtable's proclamation that the purpose of firms has shifted from shareholders to stakeholders increases the likelihood that firms will support legislation that benefits wider stakeholders. Also, institutional investors such as BlackRock have made similar claims that firms need to focus on social and environmental objectives in order to support business objectives. While the first step is for firms to be concerned about the interests of their stakeholders, it is also necessary for firms to make sure that they are attuned to relevant social policies and processes that can resolve social problems.<sup>106,107</sup> Given the UN Sustainable Development Goals and the UN Guiding Principles for Human Rights, among other global agreements, there is more guidance for firms about societal priorities with respect to global challenges and about how to be positively impactful.

Another necessary condition for lobbying to be beneficial to society is for firms to respond to recent calls for corporate political responsibility, "defined as a firm's disclosure of its political activities and advocacy of social and environmental beneficial public policies, not just CSR."<sup>11</sup> Firms have often objected to governmental intervention to solve complex societal issues, preferring instead some type of self-regulation, based on unilateral and/or multilateral private governance collaborations with other firms and stakeholders. Although numerous positive spillovers stem from aligning CSR and CPA, firms seem reluctant to co-create with governmental actors. Barnett and co-authors<sup>107</sup> discuss how firms often lobby successfully for self-

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regulation, but the authors make a compelling case that firms should change their mindset and help co-create better environmental regulation. Lyon, et. al, makes a similar case, building on Vogel's arguments<sup>98</sup> that if "companies are serious about acting more responsibly, then they need to re-examine their relationship to the government as well as improve their own practices."<sup>1</sup>

A recent study analyzes the political hesitancy of a subset of "shared value" firms, defined as integrating their CSR with their competitive goals, that are ranked on Fortune's Change the World list, denoting that they are leaders in integrating business opportunities and solutions for social problems.<sup>102</sup> The study finds that shared value firms are more likely to allocate resources to lobbying, have lobbying breadth (number of legislative acts and number of government agencies they were involved with), and political connections (revolving door lobbyists) than firms in the control group (firms unranked on the Fortune's Change the World list). However, during the study's timeframe, shared value firms do not stand out in terms of deploying political tools to support their social agenda. When shared value firms are politically involved, they are more likely to focus on educating government officials about social issues rather than actively promoting and supporting specific legislative bills that correspond with their social agenda.

Despite these obstacles, there is also some emerging evidence that U.S.-based firms do recognize the necessity for political solutions for pressing social issues. A recent study<sup>76</sup> finds that from 2006 to 2009 both clean and dirty firms were active in lobbying around federal environmental legislation, implying that the clean firms promoted pro-environment governmental intervention. Firms are also acting collectively on this front. For example, participants of the CEO Fortune Initiative, a forum for global corporate leaders committed to addressing major social problems as part of their core business strategies, signaled their support for governmental solutions.<sup>108</sup> Increasing pressure from investors, especially BlackRock, for more comprehensive disclosure of zero-carbon corporate transition strategies may also pressure firms to recognize the need for common regulatory frameworks.<sup>109</sup> One of the working groups associated with the CEO Fortune Initiative acknowledged that "The case is growing for more federal-level policies, such as a market-driven price on carbon."<sup>108</sup>

Another challenge for firms to overcome is to ensure that all their political tactics (including lobbying) are serving stakeholder interests. According to a recent report, *Conflicted Consequences*,<sup>110</sup> firms' spending through PACs sends a public message about their stance on a societal issue, whereas firm's expenditures going to nonprofits such as Social Welfare Organizations—which do not require disclosure—represent a firm's private priorities. A recent article has noted that firms have incentives to conceal their



expenditures,<sup>111</sup> and may use mechanisms like Social Welfare Organizations to pursue their profit-oriented political goals. Jia, Markus and Werner<sup>111</sup> highlight the example of January, 6, 2021, when numerous corporations, including AT&T, Coca-Cola, Dow, Hallmark, JPMorgan and Marriott, indicated that they would no longer use their affiliated PACs to contribute to members of Congress, or at least those Representatives who did not vote to certify Joe Biden's win in the 2020 U.S. presidential election.<sup>112</sup> Interestingly, the same firms did not cease their political support to politicians through their contributions to "dark money groups" and through lobbying.<sup>111</sup>

Realizing possible problems of political concealment, there has been more focus on how corporate governance oversight of political expenditures and political transparency may help firms to use their political efforts to benefit society. Lyon and colleagues<sup>1</sup> underscore that political transparency is "the crucial safeguard to protect society from capture by private interests." The Citizens United decision has increased concerns about political transparency, as firms have increased their investments in social welfare organizations that do not have to disclose their donors.<sup>105</sup> In general, firms have been reluctant to voluntarily disclose information about their political expenditures, unless it is required. This lack of disclosure has led to the creation of information asymmetries making it difficult for corporate boards, shareholders, and other key stakeholders to monitor top management's political investments.<sup>37,102</sup>

At this point, shareholder resolutions have emerged as an important source of pressure on firms to increase their political transparency. The Center for Political Accountability (CPA), a non-partisan nonprofit, has pressured firms by submitting resolutions to disclose more information about political spending and lobbying and improve their corporate governance and oversight of political expenditures. BlackRock and Vanguard, institutional investors, supported these pro-disclosure shareholder proposals, leading to a record high of investor votes.<sup>113</sup> The CPA/Zicklin Index of Corporate Political Disclosure and Accountability rates the S&P 500 firms with respect to their political transparency and governance. Analyzing these data, Goh, Liu, and Tsang<sup>114</sup> find that more socially responsible and better governed firms tend to be more politically transparent. The hope is that more politically transparent firms will also be more likely to pressure governmental actors to make decisions to enhance societal welfare.

Lastly, potentially more effectively than voluntary disclosures are state-mandated disclosure obligations and emerging guidelines concerning lobbying transparency. Delmas and Friedman<sup>4</sup> have identified some limits of current lobbying disclosure rules in the U.S, particularly that firms do not

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have to specify their lobbying positions. This lack of information makes it difficult for key stakeholders to discern the influence of firms on governmental actors, and clearly makes it much more difficult to determine whether lobbying benefits society. Another failure of U.S. disclosure rules is their avoidance of certain forms of lobbying. Delmas and Friedman note that firms may engage in shadow lobbying, grassroots lobbying, and revolving door efforts, none of which currently legally requires disclosure. On a more positive note, there are ongoing global initiatives to address the lack of transparency and integrity in lobbying, such as the OECD's proposed framework, OECD Principles for Transparency and Integrity Lobbying.<sup>4</sup>

In conclusion, corporate lobbying may be an effective tool to influence governmental decisions that increase societal welfare if a firm's business and social goals converge in the political arena. Moreover, firms are likely to have more success with their lobbying efforts in terms of exercising political clout if firms are part of broad and diverse coalitions that represent public interests.<sup>12</sup>

### **Discussion and Conclusion**

While three distinct perspectives about the impact of lobbying have been presented, there is a strong consensus amongst us (as authors and scholars) that there are numerous theoretical and empirical research opportunities for further exploration of the relationship between corporate lobbying and societal welfare.

One area of contention amongst the three perspectives is how to define lobbying. Should lobbying be viewed more narrowly as a form of information and communication, or as a communicative mechanism of influence that is an integral component of corporate political and market power? This definitional disagreement implies a need for further research into the linkages between corporate lobbying and other forms of CPA. Several existing studies indeed observe relationships between lobbying and PAC contributions, for example.<sup>115,116,117,118</sup> Some of the studies suggest that campaign contributions can buy access and time from elected officials, thus potentially increasing lobbying's effectiveness. More research is needed into how lobbying works with other types of political tactics, especially some of the political approaches that are growing in prominence: the use of Super PACs and Social Welfare Organizations, whose members need not be disclosed and whose firms need not report their participation. Beyond the definitional issues is the question of whether lobbying conveys valuable technical knowledge and expertise or is systematically biased to support narrow interests.

A second contentious area concerns the magnitude of corporate lobbying. Corporate lobbying often overwhelms the competition, seriously undermining the political pluralism on which democracy is premised. But corporate lobbying should not be viewed as monolithic. There are examples in which firms encompass broader stakeholder interests in society. Indeed, in some cases, corporations lobby as part of broader coalitions that include non-business partners to support social and environmental legislation. Scholars even suggest that forming such alliances “may enhance the firm’s clout in the policy process, as it increases the number of like-minded players in the policy arena.”<sup>12</sup> To advance this debate, scholars may seek to broaden the inquiry into the full plethora of interests, positions, resources, and strategies involved in a given policy debate. Such analyses, which scholars have started to conduct,<sup>76</sup> are crucial for advancing our understanding of the societal impact of corporate lobbying and the conditions under which business prevails. Another avenue is to explore the critical role that broader political coalitions may play in leading to increases in societal welfare, building on Fremeth and Richter’s Hewlett Packard<sup>47</sup> case study that explores the information flows between advocacy groups and firms underlying the formation of these coalitions. For example, it is worth studying how and when advocacy groups work with firms to educate them about political opportunities, which may lead to politically more effective coalitions and more purposeful lobbying.<sup>119</sup>

The supply side of the political market suggests that governmental actors might be more responsive to passing business-related legislation that promotes societal benefits. For example, elected officials facing tough re-election prospects may have an incentive to be more innovative and responsive to constituent demands regarding societal issues, so that they can claim credit for them. More work is needed to understand the political dynamics that would encourage the passage of societal legislation. Interestingly, we are currently watching this unfold with President Biden’s Build Back Better Act, the massive legislative package addressing childcare, healthcare and climate change (and other issues) that is a cornerstone of the President’s domestic agenda. The research question from a supply side perspective is, when will lawmakers feel pressure to pass this type of legislation, and can they enlist corporate support?

The last point of contention is whether business and social interests converge. There are frequently structural reasons for misalignment, for example, due to substantial environmental externalities or the costs of improving workers’ wages and conditions, and so corporate lobbying can promote narrow shareholder interests. Yet there is increasing pressure on firms to change their corporate purpose and maximize value for a broader

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range of stakeholders. Given this dispute, there appears to be a need for more research analyzing the scope of 'shared value' opportunities and how these might be enlarged. More research is also needed regarding how firms perceive stakeholder interests and craft their political preferences when lobbying. One possible path is to focus on a firm's corporate governance in relation to oversight of political expenditures and disclosure. The Center for Political Accountability has developed principles emphasizing the important role that corporate boards play in increasing accountability regarding political spending and transparency with internal and external stakeholders. Bagley, Freed and Sandstrom<sup>120</sup> emphasize that board members often lack the expertise to address key questions such as "deciding whether the company should engage in political spending and disclose political expenditures; and ensuring that appropriate oversight and other policies and procedures are in." The authors emphasize that boards should be responsible for reviewing "the impact of political spending on stakeholders, the firm's long-term interests on broader issues in which it may have a stake, and the needs of the society in which the company operates."<sup>120</sup> In terms of empirical research, there needs to be more questions raised about the composition of corporate boards and board member expertise to ensure that corporate lobbying, and political efforts in general, converge with societal interests.

One last suggestion is that more scholarship is needed about the role of transparency in shaping corporations' political endeavors. Transparency is expected to serve as a constraint on a firm's ability to lobby only for its narrow interests and perhaps to open more 'shared value' opportunities for broader coalitions. There are recent examples of private attempts to promote disclosure obligations, such as the 2019 shareholder resolution (nonbinding) at Chevron, calling on the company to report on the relation between its climate lobbying expenditures and the Paris Agreement goals.<sup>121</sup> In addition, there are other firms disclosing "the broad range of political activities that they are involved in which may influence public policy," such as grassroots efforts and affiliate activities.<sup>4</sup> More research is needed to understand the benchmarks for and drivers of political transparency, building upon Goh, Liu, and Tsang's<sup>114</sup> recent research. While shareholder activism has been effective in increasing the extent of political transparency amongst large U.S. firms, do these efforts go far enough? Delmas and Friedman<sup>4</sup> outline the necessity for additional information that needs to be disclosed such as providing public information on a firm's lobbying position. As state mandated disclosure laws emerge, future research can look at the types of firms that support these types of legislative efforts and their impact on lobbying practices.

Corporate lobbying is both highly controversial and consequential. Scholars would do good to further examine the intricate nexus between lobbying, various firm interests, and the greater good.

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