CED’s Longstanding, Nonpartisan Call to Action on Money in Politics

Over the past 45 years, the Committee for Economic Development (CED) has engaged in advocacy for campaign finance reform. In 1968, CED issued its first call for campaign finance reform with the release of its report, *Financing a Better Election System*. CED called for wide-ranging reforms and stressed the need for greater transparency and increased voter participation in the political process. In 1974, CED repeated its call for disclosure and transparency in a policy study titled, *Restoring Confidence in the Political Process*, which raised concerns about the erosion of public confidence in our government institutions.


Five reports in the past three years have captured the politics of judicial elections, the fallout from *Citizens United*, the importance of small dollar donations, and the prevalence of hidden money:

- *Promoting Small Donor Democracy* – 2013; and

Today, the surge of so-called “secret money” in the political system continues to have a corrosive effect on the functioning and integrity of our democratic institutions. Business leaders and CED believe that the campaign finance system is broken and that disclosure is a key ingredient in restoring confidence in our campaign finance system.
Business Is Concerned with the State of Campaign Financing

The ten CED reports issued over the past 45 years highlight recurring problems that have plagued the campaign finance system, and have been validated by polls and surveys, including our most recent 2013 bipartisan Hart/American Viewpoint national survey of business leaders.

The concerns raised are as follows:

- **Pay-to-Play**: CED’s 2013 survey of business leaders found that 75% of executives believe that “the U.S. campaign finance system is pay-to-play.” Current fundraising practices promote a pay-to-play mentality that encourages political giving as a means of influencing legislative decision making.

- **Distorted Influence**: The growing importance of money in the political system has resulted in an environment in which electoral concerns are predominant in policy deliberations and the need to raise campaign dollars too often shapes policy actions; 94% of business leaders surveyed believe that politicians cast votes to please special interests rather than voters.

- **Declining Trust in Government and Business**: Campaign finance scandals and secret money in the political finance system weaken public trust in democratic institutions; Two-thirds of corporate directors surveyed believe that scandals involving political activities have “damaged public trust in corporate America.”

- **“Shake-down”**: Pressure placed on business leaders to contribute to political campaigns and judicial races results in a “shake-down” effect; 60% of national business leaders and 78% of New York State business leaders surveyed say there is pressure placed on corporate leaders to contribute.

- **Declining Competition in Elections**: The increasing cost of running for office creates a barrier-to-entry for qualified candidates to compete; 81% of business leaders believe the current system limits the quality and diversity of candidates willing and able to run for office and 74% believe it reduces competition in elections.

- **Corruption**: Increasing spending, misleading advertising, and undisclosed donors add to the perception of corruption. The current state of affairs encourages rent-seeking efforts and enhances the potential for corruption in the political process. It increases the emphasis on money, further diminishing the capacity of our representative institutions to develop the type of sound, long-term policies now needed to address the nation’s most pressing problems; 83% of business leaders believe that the current system contributes to Congress’s inability to solve big problems the country is facing and 81% believe it is harder to pass economic reforms and other important legislation.

Recommendations for Reform

CED’s reports and national polls reveal that business leaders believe that the campaign finance system needs reform and that more robust disclosure is key to addressing their concerns. A political process that promotes perceptions that government policies are open to the highest bidder is not in accord with the basic tenets of democratic government. CED believes that any organization that spends money on electioneering should fully disclose the sources of funds and how the funds are used.

A transparent campaign finance system enhances the reputation of both business and government; 86% of business executives said there is not enough transparency in the campaign finance system.

**Trustees recommend the following solutions to address their concerns:**

- **Public disclosure** of campaign contributions is a core requisite of any effective system of campaign finance; 90% of business leaders surveyed support reforms that disclose all individual, corporate and labor contributions to political committees. Despite widespread consensus among the public and the courts supporting disclosure, one-third of all spending by third-party organizations in the 2012 elections came from undisclosed donors. More disclosure is needed to help voters make more informed choices in the political marketplace.

- **Limits on Spending**: Limits on spending should be applied to curb the “arms race” mentality of political spending; 89% of business leaders support limits on donations to political candidates and groups.

- **Increase Voter Participation and Contributions**: Campaign finance reform efforts should aim to increase voter participation and incentivize small-dollar contributions; 82 percent of New York State business leaders surveyed supported a system of campaign financing elections by matching their small donations up to $200 with public funds. Eliminating need for candidates to raise campaign spending - encourages individual contributions, action committees, and party committees may contribute to all candidates, political parties while also requiring full disclosure of all contributions. The total money by having full public financing of political parties while also requiring full disclosure of all contributions. About thirty percent of the election cycle, the eight groups disbursed a total of $1.04 million, which constituted about $1 million. In all, organized groups, excluding party committees, reported $1.04 million, according to data from the Federal Election Commission. Contributions to the non-disclosing groups.

- **Competition**: The campaign finance system should foster an environment that encourages increased competition from a diverse array of candidates. Competitive elections, particularly those that develop into close contests, spur voter interest and stimulate broader voter participation, which strengthens the representative character of elections and improves public confidence in the political process.
Business Support for Campaign Finance Reform

CED’s most recent research paper, *Hiding in Plain Sight: The Problem of Transparency in Political Finance*, focus group polling and a national business leader survey all lead to one conclusion—our campaign finance system is broken and in need of change.

In June 2013, CED engaged a bipartisan team of opinion research companies to help survey business leaders on the issues of campaign finance and reform. Hart Research Associates, a Democratic polling firm, and American Viewpoint, a Republican polling firm, collaborated in conducting qualitative research, and in developing and fielding the survey of 302 business leaders. The results were consistent and compelling, and complemented a September survey of CED Trustees. Focus group participants, business leaders and 83% of CED Trustees agreed that organizations that finance campaign expenditures should disclose their sources of funding, including funds from individuals, corporations, labor unions, and other groups.

Other highlights from the Hart/American Viewpoint poll include:

- 85% say that the campaign finance system is in poor shape or broken, and 87% say the system needs major reforms or a complete overhaul;
- 90% of those surveyed support reforms that disclose all individual, corporate and labor contributions to political committees;
- 75% of executives say “the U.S. campaign finance system is pay-to-play;” and
- 71% believe that major contributors to campaigns have too much influence on politicians.

Business leaders called the 2012 elections the “worst ever” based on media saturation and third-party advertising. Many questioned the funding sources for the influx of commercials they saw chasing the 6-7% undecided vote. There was a strong belief that too many advertisements distorted the real issues over a money-fueled campaign season that was too long. There is also strong concern that some deep-pocketed individuals, corporations and interest groups can buy access that gives them far more influence over elected officials than ordinary citizens and small businesses owners.

Business leaders believe that although political contributions are based on principled actions, personal beliefs, legitimate industry needs and business realities, the money is funneled into a broken system in need of reform.

CED’s report, *Hiding in Plain Sight: The Problem of Transparency in Political Finance*, outlines how hidden money in the 2012 election undermines the intent of campaign finance laws upheld by the courts since *Buckley v. Valeo*.
In all, organized groups, excluding party committees, reported $1.04 billion in election spending in 2012, or more than the total sum reported in the previous three federal elections. About thirty percent of the election spending reported by nonparty organizations in 2012 was the result of electioneering by groups that did not disclose their donors. The total amount spent by these groups, $311 million, represented a steep increase as compared to previous elections.

Supreme Court Chief Justice John Roberts wrote in *Doe v. Reed* that public disclosure "promotes transparency and accountability in the electoral process to an extent other measures cannot."

Business leaders surveyed believe that campaign finance reform is necessary, but many are skeptical about whether suggested reforms would be effective or not. In the Hart/American Viewpoint poll, 86% of business executives said there is not enough transparency in the campaign finance system; 91% went further to say they desired more transparency; but many were skeptical about whether suggested reforms would be effective or not. Increasing disclosure of political spending and contribution limits received the most support among proposed reform solutions.

90% Support Full Disclosure
80% Support Limits on Contributions

- Disclosing all individual, corporate, labor contributions to political committees or other organizations that spend money in election campaigns

- Reducing influence of individual donors by limiting total amount an individual may contribute to all candidates, political action committees, and party committees

- Encouraging individual contributions, especially small contributions, by giving them tax-exempt status

- Eliminating need for candidates to raise money by having full public financing of political campaigns

- Encouraging citizens to participate in elections by matching their small contributions up to $200 with public funds

- Removing all restrictions on contributions to candidates, PACs, Super PACs, and political parties while also requiring full disclosure of all contributions

Big Spenders

*In the 2012 election cycle, the eight groups ranked highest in campaign spending - each of which spent at least $10 million - disbursed a total of $233 million, which constituted about 72 percent of the total amount reported by non-disclosing groups.*
Looking Ahead to 2014

Campaign finance reform is not on the agenda on Capitol Hill but attention is already focused on the 2014 midterm elections, when all 435 House of Representatives, and 33 Senate seats will be filled—along with countless state legislatures and gubernatorial posts. And independent committees supporting possible candidates for President in 2016 are already raising money. Fundraising efforts are already underway for 2014 and 2016.

CED believes that the use of hidden money in elections undermines First Amendment guarantees and is contrary to the basic values of our democracy. CED also believes that the money raised and spent to influence voting decisions and election outcomes should be publicly disclosed. Reform is needed to ensure that the funds used to finance election activities are brought to light. Disclosure is a necessary safeguard against corruption in the political process, since it helps to reduce excesses and promotes full public scrutiny of financial transactions. It also facilitates enforcement of the law. Most important, disclosure promotes a more informed citizenry by providing information that allows citizens to fully assess election messages that seek to influence their decisions. We also support disclosure because it offers an equitable approach to the secrecy problem that plagues our current system. CED believes, however, that participation by all parties is important and that disclosure should not be used by one party to attempt to squelch participation by others.

CED commends the companies that have taken a public leadership role in voluntarily disclosing political spending: Aetna, Merck, Microsoft, Norfolk Southern, Exelon, American Electric Power, Prudential Financial, Time Warner Inc., UPS, Intel, Wells Fargo, PG&E Corporation, Aflac, Safeway, Tenet Healthcare, Goldman Sachs, Altria and Campbell Soup. In addition, corporate governance policies can help increase this kind of transparency in the political finance system.

CED Trustees believe that transparency is an essential ingredient of free and competitive markets; it is equally important to free and competitive elections.
Over the past 45 years, the Committee for Economic Development (CED) has engaged in advocacy for campaign finance reform. In 1968, CED issued its first call for campaign finance reform with the release of its report, *Financing a Better Election System*. CED called for wide-ranging reforms and stressed the need for greater transparency and increased voter participation in the political process. In 1974, CED repeated its call for disclosure and transparency in a policy study titled, *Restoring Confidence in the Political Process*, which raised concerns about the erosion of public confidence in our government institutions.


Today, the surge of so-called “secret money” in the political system continues to have a corrosive effect on the functioning and integrity of our democratic institutions. Business leaders and CED believe that the campaign finance system is broken and that disclosure is a key ingredient in restoring confidence in our campaign finance system.