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If Corporations Can be Taxed, They Can Lobby

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As long as the private sector is subject to government regulation, it will be involved in the political process. It is its constitutional right.

The Occupy Wall Street protestors disagree. Hoisting signs with **slogans** such as, "I'll believe a corporation is a person when Georgia executes one," protesters rail against the right of corporations to promote their views in the marketplace of ideas. This begs the question: is the problem that corporations have too much influence in politics, or that politicians and politics have too much influence on corporations?

Corporations pay lobbyists and fund *SpeechNow* PACs because corporations are subject to government regulations and laws. These regulations and laws dictate how corporations run their businesses—from the price of wages to the proper weight of worktables. Moreover, when politicians and regulators took it upon themselves to regulate the economy and pick winners and losers, it became necessary for the private sector to engage in politics. Thus, corporations have no choice but to spend the money necessary to play in the game that the politicians created.

An example of this interference is the recent push by the campaign finance reform community to use corporate governance rules to create regulations regarding independent expenditures so burdensome that corporations will "voluntarily" surrender their First Amendment rights. These governance rules would require corporations to hold shareholder-wide votes every time management proposed an independent expenditure.

The reform community lauds such proposals as a way to give shareholders a say in where and how much money their company will spend on politics. In theory, independent expenditures create economic risk for corporations. Proponents of this regulation point to the hullabaloo surrounding Target's donation to Rep. Tom Emmer, which created a media sensation and protests that could have damaged the company's bottom line.

In reality, if corporations were required to hold shareholder-wide votes every time management proposed an independent expenditure, the cost of holding these votes is likely to exceed the value of the proposed expenditure at least several times over. Furthermore, contrary to the regulators' concerns, the media sensation and protests surrounding Target's expenditure did not impact the company's value.

The Center for Competitive Politics studied the issues surrounding shareholder value and political activism and recently **released a report** that found the two are not correlated. Unfortunately, the Target protests continue to be used as a convenient excuse to trump up a non-existent problem and to use it as a reason to enact new regulations. The real goal of "shareholder protection" is to stifle corporations from expressing their opinions on any political issue—leaving corporations subject to the will of the government.

If Occupy Wall Street had its way, corporations would be forbidden from educating both politicians and voters about the enormous costs and few benefits that stem from these proposed regulations. Silencing one group may be politically beneficial in the short-term for certain groups. However, it ultimately leaves everyone worse off because it creates a knowledge vacuum. In our society, public and private sectors are hopelessly intertwined. It does everyone a disservice to hold only one group responsible.

The first step in taking corporate money out of politics is to take politics out of the private sector. Corporations make political expenditures because they are part of a system where, in order to survive, they must be heard. It's no coincidence that the first major push to ban corporate involvement in politics came at the behest of so-called "progressives" who wanted to regulate big business at the end of the 19th century.

The First Amendment says that groups of peaceably assembled citizens have the right to express themselves politically. It's fitting that a group calling themselves "Occupiers" are demanding that others be denied that fundamental right.