

# Corporate lobbying: The Chamber of Secrets

## The biggest business lobby in the United States is more influential than ever

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AMERICA'S first chamber of commerce was founded in Charleston in 1773, but it was not until April 22nd 1912 that business found a national voice. At the urging of President William Howard Taft, the Chamber of Commerce of the USA was established by a gathering of 700 delegates from 44 states, representing 324 voluntary organisations, in a Washington hotel. Taft turned the meeting over to his commerce secretary, Charles Nagel, suggesting he keep it brief "in order that the inventive genius and the power of original thought in this representative body... may not be restricted."

For much of the Chamber's first 85 years it sought to settle disputes by consensus, much like its small-town namesakes. That began to change in 1997 when the wiry Thomas Donohue (pictured) was appointed chief executive after a stint reinvigorating America's trucking association. The organisation he inherited was cash-strapped and lacked punch. His goal, he wrote at the time, "is simple—to build the biggest gorilla in this town—the most aggressive and vigorous business advocate our nation has ever seen."

He has succeeded on many measures. Today the Chamber is by far the most muscular business lobby group in Washington. From its historic headquarters opposite the White House it wields huge political influence, spending heavily to sway congressional contests. In doing so it has become more controversial and, say critics, more pro-Republican. This has done its coffers no harm: in 2010 it took in \$189m in contributions and grants, roughly five times its pre-Donohue inflows.

Today's Chamber is not shy about staking out strong (some would say extreme) positions on hot-button issues: it has led the running on supporting tort and entitlement reform and greater domestic energy production, and in opposing "excessive" regulation, government-run health care and cap-and-trade schemes. Its leaders seem to love locking horns with the left, not least the labour unions that spend hundreds of millions promoting their views in each election cycle. "Our adversaries will never leave the field, so neither can we," says Bruce Josten, the Chamber's chief lobbyist. Labour groups have been so spooked by its surging testosterone that they have set up US Chamber Watch, an outfit dedicated to undermining it.



The Chamber's spending on lobbying has jumped under Mr Donohue (see chart 1), though it fell sharply last year as an unprecedented lobbying blitz on health and financial reform subsided. It is expected to rebound after November's elections. The Chamber uses both its team of in-house lobbyists and outsiders. Last year it paid a team led by Michael Mukasey, a former United States attorney-general, \$180,000 to call for amendments to declear the Foreign Corrupt Practices Act.

Its electioneering activities are equally impressive. Its political spending exceeded that of all other groups bar the two parties in the 2010 mid-terms, according to the Center for Responsive Politics, a campaign-finance watchdog. Much of the money goes on "issue advocacy" ads, which do not explicitly back or attack candidates but discuss their stance on business issues.

Business associations naturally lean right. But critics say the Chamber has become more brazenly pro-Republican under Mr Donohue. Its ranks of lobbyists, strategists and flacks bristle with former Republican congressional attack dogs. Its people are said to meet periodically with Republican-supporting groups to share intelligence, such as polling data, and to co-ordinate ad spending. It has ties to Karl Rove's American Crossroads political action committee, whose president is the Chamber's former chief lawyer.

The Chamber is not unrelentingly pro-Republican. In the mid-terms it spent \$9m supporting 40 Republican candidates in the House and \$2m backing 11 Democrats. But it can be particularly harsh on Democrats it dislikes, sometimes overstepping the mark: \$2m-worth of TV spots upbraiding Sherrod Brown for backing higher taxes used an apparently doctored picture showing the Ohio senator with a stubbly beard that made him look dodgy.

The Chamber also works hard to get business-friendly state judges and attorneys-general elected. An obscure but increasingly influential piece of its empire, the Institute for Legal Reform (ILR), plays an important role here. Mr Donohue established it to counter the growth of “frivolous” corporate-liability lawsuits. Funding comes in large dollops (of generally more than \$500,000) from companies in industries affected by such suits, including chemicals and insurance.

No longer merely a vehicle for tort reform, the ILR is increasingly used to attack any law the Chamber dislikes. In 2011 it accounted for one-third of its total lobbying expenditure. The Chamber’s in-house law firm, the National Chamber Litigation Centre (NCLC), supports the ILR’s work, filing lawsuits and amicus briefs. On April 17th the organisation sued the Commodity Futures Trading Commission over its mutual-fund rules.

The ILR is one of several organisations-within-the-organisation rolled out to focus on issues close to big members’ hearts. Others include the Center for Capital Markets Competitiveness and the Institute for 21st Century Energy. These vehicles have been a fund-raising coup, drawing big donations on top of annual dues. Mr Donohue seems to have realised that the more of them he unveils, the more companies will feel that they have in the Chamber a champion for their pet causes.

When he arrived, only a quarter of *Fortune* 1,000 companies were members, with many of them paying paltry dues. Today most are, and they part with generous sums. Bosses admire the Chamber as a gutsy advocate for business at a time when free markets are besieged.

Its enemies have attacked some of its fund-raising manoeuvres. In 2010 Chamber Watch complained to the IRS about an \$18m grant from Hank Greenberg’s Starr Foundation to a charity linked to the Chamber. Soon after the gift was received, a similar sum was channelled to the Chamber itself in the form of a loan from the charity. The tax code bars charitable donations from being used for political purposes. The Chamber insists it has stayed within the law. The IRS will not say whether it is investigating.

Critics also attack the Chamber’s claim that it speaks for all businesses. It professes to represent the interests of 3m firms of all sizes. But around 90% of these are linked to it only loosely, through their membership of the 2,000 or so state and local chambers that are affiliated with it. That leaves some 5,000 regional chambers that are not, some of which decry the Chamber’s combative culture: dozens distanced themselves from it during the mid-terms. Winthrop Hallett of the Mobile Area Chamber of Commerce, in Alabama, believes the Chamber offers “tremendous value”, even for those who dislike some of its tactics. But he accepts it has caused “heartburn” at some local chambers.

Small firms can get a lot out of the Chamber—its annual small-business summit is well-regarded, for instance. But some feel under-represented: most of the firms represented on the board are large. Others worry that they are being used as pawns. In a letter to a Philip Morris executive just after he took over, Mr Donohue said that small firms “provide the foot soldiers, and often the political cover, for issues big

companies want pursued”, because Congress listens more to them than to big business.

That is not the only cover the Chamber provides. Oil and drug companies, among others, use it as a proxy through which to pursue their less popular causes anonymously, avoiding the pillorying they might incur if they spoke up directly.

Mr Donohue, who declined to be interviewed for this article, has occasionally spoken about this fixer role. He once told the *Washington Monthly*: “We’re the reinsurance industry for individual industry associations and state chambers of commerce and people of that nature.” When industries are on the back foot, as Wall Street was in 2008, “they’ll come to us and say, ‘Can we collect our reinsurance?’ ” He added: “I want to give [members] all the deniability they need.”

The black-box nature of the Chamber makes deniability easier. As a “501(c)(6)” non-profit, it has to list all donations over \$5,000 but not the names of the givers. Its latest tax filing, for 2010, includes dozens of pages of individual contributions, each with a blank in the “name” field. (Only a handful of companies have voluntarily published their contributions.) Donations of \$1m or more accounted for over half of total contributions, suggesting that large firms dominate its funding.

Bill Allison of the Sunlight Foundation, which advocates greater openness, believes this opacity feeds concerns that the Chamber’s main purpose is to act as a front for a subset of members on a relatively small number of controversial issues. Fiercer critics accuse it of operating a pay-to-play system. Mr Donohue has talked about the importance of “big companies having a voice in the Chamber commensurate with their level of support”. It certainly bust a gut on behalf of the health insurers that banded together to give \$86m in 2009 to attack Obamacare.

The influence particular companies wield on the 16 policy committees that shape the Chamber’s stance on everything, from environmental regulation to e-commerce, is unclear. This process is murky; recorded votes are rare.

Mr Josten insists that all interested parties get a fair hearing, and that Chamber staff work assiduously to find a consensus when members are divided, as was the case with the Stop Online Piracy Act, which media groups supported and internet firms opposed. (The Chamber ended up backing the bill, which subsequently stalled.) Some corporate giants, including Apple and Nike, have been so upset with the Chamber’s stance on certain issues—particularly climate change—that they have left the organisation or its board. Since the membership is so diverse, some disaffection is inevitable, says Mr Josten.

Others have been turned off by allegations of cold-war tactics to neutralise opponents. E-mails leaked in 2010 described how a group of technology and security firms cooked up a plan to spy on and feed disinformation to Chamber Watch and discussed it with the Chamber’s law firm. The e-mails seemed to suggest that the Chamber had been briefed on the plan. It denies having hired or solicited proposals from the firms, or knowing about these before the e-mails were leaked.



Whatever the case, no one doubts that the Chamber will continue to push the envelope in defending its members' interests, or that union opponents will keep insisting that its no-holds-barred approach undermines its credibility. One sign that Mr Donohue's constituency sees great value in the red-blooded organisation he has created is the sharp rise in his pay over time, to a level closer to that of a multinational's boss than the typical head of a trade association (see chart 2).

This election season promises to be a humdinger for the Chamber, in terms both of spending and fund-raising. It is expected to spend a record \$50m or more on political ads in 40-odd House and Senate races. It will mark its 100th anniversary by trying to raise an extra \$100m, though what this will go towards is unclear.

Some think Mr Donohue will step down after the elections, having served for 15 years. He once said: "I want to reach the point where each time our policymakers are prepared to act, they stop themselves and say, 'Wait a minute. I wonder what the Chamber will think about this'." Love him or hate him, that is precisely what Mr Donohue has achieved.