

## **Citizens United and You**

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Corporations can now spend unlimited funds to influence elections. That was the decision handed down by the Supreme Court back in January of 2010. While this is not new news, there are still many people who have never heard of what is called the ‘Citizens United’ decision.

Basically, what the decision says is that corporate entities (either for or not-for-profits, including unions) can make unlimited and under certain circumstances, anonymous, contributions to independent entities which can then broadcast political advertisements. In effect, it gives a corporation carte blanche to spend money as much money as they want on political ads.

John Bogle, the legendary investor and founder of the Vanguard Group, published an Op-Ed in the New York times last week. Ordinarily a free-market devotee, Bogle was critical of the decision, and urged shareholders to take up their proxies and fight. He said “Shareholders – not self-interested corporate managers – should, and can, decide policies on corporate political contributions.

In fact, Bogle goes so far as to propose the following restriction: “...the corporation shall make no political contribution without the approval of the holders of at least 75 percent of its shares outstanding.” A mighty big number, perhaps big enough to exclude participating companies from political contributions at all.

In a report on campaign finance in the 2010 midterm elections, Public Advocate Bill de Blasio says “Anonymous spending denies investors the means to evaluate their companies’ spending practices, and the risks they may face on account of those practices. Investors must act to urge corporate transparency and Congress must act to give voters transparency.” The report goes on to say that in the 2010 election cycle, groups that accumulated anonymous donations spent more than \$130 million on campaigns.

Two major corporations got in trouble with both their customers and shareholders in 2010 over the issue. Retailers Target and Best Buy gave \$150,000 and \$100,000 respectively to MN Forward, a political group that endorsed and paid for ads for a divisive gubernatorial candidate.

In both cases, customers boycotted the stores and a flash-mob-like video was even recorded in a Target store, which then spread like wildfire on YouTube. The companies had corporate resolutions filed seeking both greater transparency and the establishment of management policies outlining political contribution rules – which they both did implement.

Conversely, a recent article in *Inside Investor Relations* lauded Norfolk Southern for it’s recently beefed up political disclosure policy after receiving a shareholder proposal from the New York City Pension Funds. It said “The shipping and transportation company

will not only disclose its political contributions, but will also state on its website when the company disagrees with political efforts supported by trade associations to which it belongs.”

Just this month, a coalition of socially responsible investment managers sent a letter to President Obama, supporting an executive order that would require full disclosure of campaign contributions by business entities that seek federal government contracts. No action has been taken as of this writing.

Right or wrong, corporate political contributions are now a part of the business-political landscape. As Bogle says, since the Supreme Court had its say, now it's up to shareholders to have theirs. Read your annual proxy notices, do your research and vote accordingly. And if you use mutual funds, you can request voting records from the manager.

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