Corporate Political Strategy: A Description of Lobbying Techniques and an Explanation for the Shift from Personal Relationship-Based Approaches to Intricate Grassroots Coalitions from 1970-2000

By Thomas V. Panoff
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PREFACE

As an undergraduate business school student, much time is spent learning about concepts such as net present value, SWOT analysis, operations management, core competencies, and firm value chains. However, very little time is spent on the interaction between firms and government. Any exposure to the interplay between government and business is usually limited to vague references of antitrust matters in an economics class or tax policy in an accounting course. Though corporate political strategy is often rated by top executives as a high priority, it is a topic that is, for the most part, left relatively untouched in business education at the undergraduate level.

This paper attempts to address this neglect. Long fascinated by both business and politics, I chose this undertaking to explore corporate political strategy. Specifically, I wanted to describe current methods corporations use to influence policymakers and to explain the shift that has occurred since the 1970’s, from an emphasis on personal relationship-based approaches of lobbying, to massive grassroots lobbying coalitions of corporate stakeholders.

The inspiration and research for this paper is based primarily on my internship experiences in Washington, D.C. Since 1997, I have worked for three consecutive summers in Washington—for a member of the House of Representatives, a federal regulatory commission, and a private lobbying firm—allowing for unique insights into corporate attempts to affect public policy. Each endeavor provided me with a wealth of experiences, as well as friendships that helped shape the scope and content of this paper. Most notably, while working for the lobbying firm, I spent three months
helping to organize a grassroots coalition of electric utilities, consumer leagues, labor unions, environmental groups, and recreational organizations brought together by the mutual desire to lobby Congress to pass a bill streamlining the relicensing process for nonfederal hydroelectric dams. In addition to first-hand work experience, research for this paper is based on an extensive literature review and interviews with lobbyists, corporate government affairs staffs, and government officials.

While the large number of people who aided me in this project and provided me with guidance during the most challenging of times makes naming everyone a near impossibility, there are several individuals whose contributions cannot go unrecognized. I owe a great debt to U.S. Rep. Dale Kildee for giving me my first opportunity to participate in federal politics and for continuing to serve as a model for integrity and dignity in a profession where those qualities are easily lost. Larry Rosenthal, now a Washington lobbyist, took me under his wing for two summers, teaching me valuable lessons about politics, governing, and people. To this day, Larry remains one of the most skilled, knowledgeable, and versatile experts on government that I know. R.D. Folsom and Bob Schule, both of the Wexler Group, have my most sincere gratitude for teaching me more about successful lobbying, persuasion, and advocacy than I ever could have imagined, and for doing so in the most honest, professional, and collegial manner possible. Professor George Siedel, of the University of Michigan Business School, epitomizes excellence in undergraduate education. Even before the first day of class, Professor Siedel was there for me, as a scholar, mentor, coach, role model, and friend. He has my utmost respect and most sincere thanks. I would also like to thank my friends, Michelle, Luke, Dan, Graham,
Dan, Chad, Drew, and Matt for constantly reminding me that there is more to life as a college senior than researching corporate lobbying and for showing me the enormous value of $2.50 on Thursday nights. Lastly, I would like to thank my parents, Angelo and Christine, and my brothers, Mike and Chris, whose support for all of my endeavors over the past twenty-two years has been ubiquitous and unconditional. My admiration, appreciation, and love for them is unyielding.
Corporate Political Strategy: A Description of Lobbying Techniques and an Explanation for the Shift from Personal Relationship-Based Approaches to Intricate Grassroots Coalitions from 1970-2000

Mention the word lobbyist and one conjures up images of smoke filled rooms, money under the table, and three-martini lunches. While images of shady behavior and rampant corruption popularized by Thomas Nast cartoons and Mr. Smith Goes to Washington may have aptly portrayed aspects of the political environment during their time, they no longer are accurate when characterizing the current practice of political lobbying by corporations. To be sure, direct contact and personal relationships still play a vital role in corporate political strategy. However, over the past three decades, there has been a systematic shift in corporate political behavior from an approach of influencing public policy based primarily on direct lobbying and personal contacts, to one of highly intricate grassroots coalitions of corporate stakeholders.

Political activity by corporations is a necessity. Complying with government regulations is often listed as one of the most costly aspects of doing business in the United States. These costs increased dramatically in the 1970’s with greater government involvement and bureaucratic influence in the private sector. Rather than simply reacting to the new regulations and the government’s larger presence in their business operations, firms began to take a more proactive role in shaping the regulations that would ultimately affect them. As a result, there was a surge in political activity by corporations that began in the 1970’s. Now, nearly all Fortune 500 companies have some degree of political representation in Washington, DC.
number of corporations with a full-time Washington, DC office has risen from 175 in 1968, to over 600 in 1998.  

This paper will explore why corporate political activity has shifted its focus over the past thirty years from personal relationship-based approaches of influencing policymakers, to an emphasis on grassroots coalitions of corporate stakeholders. A case study of the tobacco industry’s defeat of a 1998 Senate bill, which would have settled lawsuits by state attorneys general against the industry will be used to illustrate why it is in a corporation’s interests to lobby policymakers. This will lead into a discussion of various forms of lobbying techniques, followed by a description of the shift toward grassroots coalitions. The case of USA*Engage will be used to illustrate the inner-workings of a coalition.  

This illustration will be followed by an explanation for the shift toward coalitions by corporations when lobbying, and propose four primary causes for the shift: more stringent federal rules regulating political behavior, a political climate characterized by greater transparency, economic incentives for corporations gained through pooling resources, and advances in technological capabilities. Finally, the implications and effects of the shift on corporations, government institutions, and the public will be examined.

**Why Corporations Lobby**

**Case: The 1998 Tobacco Battle**

According to the Centers for Disease Control and Prevention, teen smoking rose from 27.5% of high school students in 1991 to 36.4% in 1997.  

Amidst the
massive political pressure to take action, attorneys general from over forty states filed suit against major tobacco companies seeking to recover Medicaid expenses. After considerable legal wrangling, on June 20, 1997, a settlement was struck between the states and the tobacco industry. According to the settlement, the tobacco industry agreed to pay $368.5 billion over twenty-five years, including $60 billion to settle class action suits brought by smokers. Among the key provisions were severe restrictions on advertising practices. Additionally, the tobacco industry agreed to significant fines if teen smoking did not drop 60% in ten years. While the settlement was a legal milestone in regards to its scope and massive dollar value, it still required congressional approval.

On November 7, 1997, U.S. Sen. John McCain (R-Ariz.) introduced Senate Bill 1415 to start the process of making the landmark settlement federal law. The bill, which was referred to the Commerce Committee (chaired by Sen. McCain), would have drastically changed the nature of the tobacco industry. It ballooned the original $368 billion settlement up to a figure of $516 billion. The major provisions of the bill included a $1.10-a-pack excise tax increase and strengthened regulatory authority for the Food and Drug Administration (FDA) over nicotine and cigarettes. After days of intense negotiations, the Commerce Committee, by a 19-to-1 vote, reported the bill out to the full Senate for consideration.

The McCain bill, probably the most sweeping piece of legislation to affect the tobacco industry to date, was a call to arms for the large tobacco companies. Though they had been following the bill’s developments all along, it was not until the bill made it to the Senate floor that the tobacco industry stepped up its opposition efforts
and political lobbying muscle. The industry’s lobbying technique was two-tiered: public issue advocacy and direct lobbying.

The tobacco industry, long known for its creative marketing, used its experience and competitive advantages in advertising to mount a massive $40 million media blitz to raise public opposition to the bill.¹¹ The print and television advertisements, which ran nationally, portrayed the bill as a massive tax increase and a government intrusion into the lives of citizens. Those parties who favored the bill, including leading health and consumer organizations, did not seriously contest the media campaign orchestrated by the tobacco firms. The tobacco industry’s efforts to sway the public were successful. According to a poll by Republican pollster Linda DiVall, voters opposed McCain’s bill by a margin of 57% to 34%.¹²

Not being content with the shift in public opinion alone, tobacco firms also intensified their direct lobbying efforts by meeting with members of Congress. They enlisted the efforts of heavyweight lobbyists, including former National Republican Party Chair Haley Barbour and influential former members of Congress, such as ex-Senate Majority Leader George Mitchell (D-Maine).¹³ The following chart illustrates the increase in lobbying expenditures of the major tobacco companies/associations from 1997 to 1998, when McCain’s bill was introduced in the Senate:

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>British American Tobacco</td>
<td>$ 25,180,000</td>
<td>$ 4,060,000</td>
<td>520%</td>
</tr>
<tr>
<td>Philip Morris</td>
<td>$ 23,000,000</td>
<td>$ 15,800,000</td>
<td>46%</td>
</tr>
<tr>
<td>Smokeless Tobacco Council</td>
<td>$ 2,320,000</td>
<td>$ 1,834,000</td>
<td>26%</td>
</tr>
</tbody>
</table>

SOURCE: Center for Responsive Politics
Tobacco industry spending on lobbying increased at an overall rate of 76%, from $38.2 million in 1997, to $67.4 million in 1998. Some of the largest single fees for lobbying work registered by Washington lobbying firms were generated by the tobacco industry. In 1998, Philip Morris paid the firm of Verner, Liipfert et al, $3,620,000 for its work on tobacco issues.

Though the total year figures are telling, the partial year break down is even more illustrative of the industry’s stepped-up lobbying operations to kill the Senate bill. With McCain’s bill being considered during the first part of the year, the industry’s lobbying expenditures were correspondingly greater in the first six months of 1998. British American Tobacco spent $18.4 million (73% of its total 1998 expenditures) from January to July 1998. Philip Morris spent 63% of its total lobbying expenses during the first six months of 1998. The lobbying firm of Verner Liipfert earned $7 million from cigarette makers from January to July 1998, but just $380,000 in the last six months of the year.

With its two-tiered approach of public issue advocacy and direct lobbying, the tobacco industry was successful in scuttling Sen. McCain’s bill. On June 17, 1998, the Senate essentially killed the bill on two procedural votes by recommitting the bill from the Senate floor back to the Commerce Committee.

The case of the tobacco industry’s defeat of Sen. McCain’s bill exemplifies how it is in a company’s interests to participate actively in the policymaking process. While the $25 million spent by British American Tobacco may seem excessive, its magnitude is miniscule when compared to the billions of dollars it would have been required to pay under either the original $368 billion settlement with the state
attorneys general or the $516 billion McCain bill, not to mention the potential costs associated with greater FDA regulatory control over nicotine as proposed in the Senate bill.

Though the tobacco industry’s defeat of Senate Bill 1415 may appear to be a bit aggressive and fast-paced, political lobbying is an essential practice for any major U.S. corporation. Four of the top five industries who had the largest aggregate lobbying expenditures for 1998, were industries that had major pieces of legislation before Congress, which would significantly alter their industry. Leading the way was the financial, insurance, and real estate sector whose lobbying costs totaled more than $200 million in 1998 alone. During this time, Congress was debating repealing Glass-Steagall, the Depression-era law that limited cross ownership among banking, financial service, and insurance companies. Three of the other top five spenders were the communications/electronics, health, and energy sectors, all of whom had legislative proposals that would drastically overhaul their industries.17

In addition to industries that had major legislation before Congress, many business firms undertook lobbying activities to affect more minor legislative actions or to maintain existing relationships with policymakers. The number of lobbyist-client relationships (i.e., an organization lobbying on its own behalf or hiring an outside entity to lobby for it) swelled 21% from 12,960 in 1997, to 15,705 in 1998, according to the Senate Office of Public Records. Overall federal lobbying expenditures increased 13% from $1.26 billion in 1997, to $1.42 billion in 1998.18

More dramatic than the level of expenditures on lobbying, is the increased number of registered lobbyists (those who work in-house for a specific
corporation/organization as well as those who are independent contract lobbyists).

The following table represents the growth in federal lobbyists over the past three years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Registered Lobbyists</th>
<th>% Increase from previous year</th>
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<tbody>
<tr>
<td>1997</td>
<td>14,946</td>
<td>---</td>
</tr>
<tr>
<td>1998</td>
<td>18,590</td>
<td>24.4%</td>
</tr>
<tr>
<td>1999</td>
<td>20,512</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

SOURCE: Center for Responsive Politics

According to the Center for Responsive Politics, a Washington DC based organization that monitors lobbying expenditures and campaign contributions, in 1998, there were more than thirty-eight registered lobbyists and $2.7 million in lobbying expenditures for every member of Congress.

**Corporate Lobbying Techniques**

The tobacco industry’s defeat of Senate Bill 1415 is a clear illustration of the potential benefits to corporations in becoming politically active when a policy proposal counter to their strategic interests is introduced. The tobacco firms relied primarily on two forms of lobbying: advocacy advertising and professional contract lobbying. These two methods proved successful for the firms, most likely due to the rapid nature by which they could be implemented. However, for more detailed issues and projects with a longer time horizon, other lobbying techniques may be more effective. In addition to advocacy advertising and professional contract lobbying, CEO or top executive contact with policymakers, Political Action Committee
contributions, and grassroots coalitions of corporate stakeholders are also effective methods for companies wishing to influence public policy. There is no formula to dictate which technique should be used in a given scenario. In fact, the most effective lobbying campaigns by corporations are often those that use a combination of the five techniques.

**Advocacy Advertising**

According to the political scientist David Mayhew, the proximate goal of members of Congress is to get reelected. This premise has generally come to be accepted by most political scholars. According to Richard Fenno:

> Representatives and prospective representatives think about their constituencies because they seek support in their constituencies. They want to be nominated and elected, then renominated and reelected. For most members of Congress most of the time, this electoral goal is primary. It is the prerequisite for a congressional career and, hence, for the pursuit of other member goals.

Corporations have also embraced this theory. If elected officials are focused on their own political survival, then they will undertake activities to remain in favor with those who control their fate: their constituents. Recognizing this principal-agent model, many corporations lobby using advocacy advertising, that is, taking their message directly to the public when trying to influence policymakers.

This indirect method of political lobbying has proven to be quite effective for companies. Early in President Clinton’s first term, health care industry lobbyists mounted a massive public relations campaign composed of television, newspaper, and radio advertisements designed to discredit Clinton’s health care reform initiative.
Labeling the reform measure as “socialistic” and “a government tax hike,” managed care companies, pharmaceutical firms, and other health care related organizations were able to sway public opinion to the point where members of Congress were no longer able to support President Clinton without endangering their own reelection prospects. This case, as well as that of the tobacco industry spending $40 million on advertising against the McCain bill, illustrate how bypassing the politicians and going directly to the people can be a very efficacious method for firms wishing to influence public policy.

Political Action Committee Contributions

Though corporations are barred by federal law from directly contributing to candidates for federal office, they are able to donate money to campaigns via Political Action Committees (PACs). Typically, PACs are set up as employee organizations. Thus, for a company XYZ, their PAC would probably have a title of “XYZ Employees PAC.” A normal PAC has an executive board (e.g., president, vice-president, secretary, and treasurer) and replenishes its account on a periodic basis, often semi-annually, based on “contributions” from the corporation’s employees. The executive board is in charge of determining to whom the PAC will donate and the amount of the donations. While the interpretation of federal law governing PACs is a continually evolving process, according to the Federal Election Commission, a PAC can give $15,000 a year to a political party for its spending on campaigns for national office, can make unlimited contributions to a national party for spending on state and local campaigns, party building and voter drives (“soft money”), can make unlimited
independent expenditures that do not go directly to a candidate (but are often intended
to benefit or hurt a specific campaign), and can contribute $5,000 of “hard money” per
candidate for federal office per election (a primary and general election are considered
separate elections).24

Campaign contributions are not necessarily considered a form of lobbying in
its classic sense, as paying a politician to act a certain way would be considered
bribery. However, it would be grossly naive to believe that contributions to a
candidate have no influence on their decision making process. At the very least,
contributions serve as a method of maintaining access to that individual. Since
lobbying is conventionally defined as an attempt “to try to influence legislators or
officials, especially in favor of a special interest,” it is fairly safe to consider PAC
contributions a form of indirect lobbying. Recent records of federal campaign
contributions support this classification. In 1996, credit unions contributed a total of
$823,854 to federal campaigns. In 1998, Congress began to debate legislation that
would tamper with the membership requirements for credit unions seeking to attract
new customers.25 Subsequently, for the 1998 election cycle, credit union contributions
to federal candidates totaled $1,589,311 or a 92.9% increase from 1996.26 Three of
the other top ten industries whose campaign contributions increased dramatically
between the 1996 and 1998 cycles were the finance/credit, electric utility, and
telecommunication industries. All of these sectors had significant industry-altering
legislation pending before Congress in 1998.

While PAC contributions are an important tactic, as an isolated lobbying
method, it is not very effective for corporations. At the federal level, the use of PACs
is an easy strategy to imitate (compared to other methods of influencing policymakers), and thus, limits the competitive advantage that firms can realize by using this strategy.

**CEO/Top Executive Contact**

Advocacy advertising and PAC contributions are the two main methods of indirect lobbying used by corporations. Another lobbying technique, often classified as CEO or top executive contact, is a direct form of influence in which top corporate officials personally contact the policymaker in an attempt to influence their decision on a given matter. The form of contact may be a personal visit, letter, or telephone call—though face-to-face meetings have proven overwhelming to be the most meaningful.

The key to what makes lobbying by top executives so effective is the authority that they possess. For a member of Congress, a meeting with a CEO of a Fortune 500 company denotes a significantly greater level of importance than a meeting with the company’s vice president for governmental affairs or one of their hired lobbyists. One reason this method is viewed favorably by members of Congress is that it can be an excellent *quid pro quo* opportunity. For example, if the CEO of a major car manufacturing company were to meet with a member of Congress to voice his opposition to a bill mandating stricter federal emissions standards for vehicles, the member of Congress could easily use the opportunity with the CEO to try to change the CEO’s mind regarding the proposed closing of one of the company’s manufacturing plants in the congressman’s district. In other words, visits by CEOs
and top executives provide an excellent opportunity for reverse lobbying by the member of Congress knowing that the CEO or top executive has the authority and power that a hired lobbyist or company vice-president lacks. It is for this reason, as well as the fact that many CEOs simply despise the intricacies and slow-pace of decision making on Capitol Hill, that very few top executives make use of this form of political lobbying.

Professional Lobbying

The most widely-used lobbying method by corporations is professional lobbying. Under this category are three sub-groupings: in-house lobbyists, pooled industry lobbying associations, and private contract lobbyists.

In-house lobbyists are employees of a corporation whose primary job is to manage the company’s affairs in Washington. Typical duties of these employees include: monitoring new bills, attending congressional and federal agency hearings, preparing testimony for company officials who go before Congress, writing position papers, educating congressional staffers, directly lobbying federal officials, and maintaining good working relationships with policymakers (including organizing the occasional fundraiser for loyal members of Congress). The size of a company’s Washington office depends on their needs and can range from one person to well over fifty. Typically, the office is managed by a company vice-president for government relations or federal affairs with several subordinate officers.

Another category of professional lobbying, pooled industry lobbying associations, are basically trade associations whose primary focus is to affect public
policy. Companies within an industry realize efficiencies by pooling their interests.

For example, the nation’s largest electric utilities might form a Washington office composed of a professional staff of lobbyists to influence policy that is applicable to the industry as a whole. The member companies would share funding for the lobbying association, with larger members usually contributing greater amounts than smaller firms. While this method has several advantages based on the cost efficiencies inherent in its structure, it does have three primary drawbacks. First, the scope of the association’s potential work is limited only to legislation affecting the industry as a whole; no firm-specific work can be accomplished. Second, companies have to worry about guarding proprietary information from their competitor firms who are also members. Third, as described by Mancur Olson in his seminal work *The Logic of Collective Action: Public Good and the Theory of Groups*, there is the potential for a significant free-rider problem, in that smaller member companies receive the same benefits as the larger member firms, yet they do not usually share the same costs for funding the association.\textsuperscript{28}

The third sub-grouping, private contract lobbyists, are those individuals who are hired for a certain time frame by a company either for a specific job or to handle several matters. These lobbyists generally work for a lobbying firm whose structure and operations closely resemble those of a law firm.\textsuperscript{29} These lobbying firms, which line Washington, DC’s famous K Street, range anywhere from a few professionals to well over 100. While some firms specialize in lobbying on certain issues, many are well diversified and have a wide array of clients. Such diversification helps maintain a
stable revenue stream for the lobbying firm as spending by clients fluctuates as the priorities of Congress and federal agencies continually change.

For all three types of professional lobbying, those individuals who actually do the lobbying typically have similar backgrounds. Most, if not all, lobbyists have worked in government for several years, either for Congress or a federal agency, before entering the private sector as a lobbyist. Such extensive previous work experience for a lobbyist is essential, in that a lobbyist is often measured by how well connected he is to policymakers and their staffs. They also have a particular area(s) of specialization due to their work experience. For example, a lobbyist who previously worked for the House Transportation Committee will be the transportation guru for a particular lobbying firm and bring in airplane companies, car manufacturers, and similar firms as clients. It is also common for all of the three sub-groupings to hire a heavyweight lobbyist, a “rainmaker,” and drop that name when extolling all of the contacts that they possess as a result of having that person on staff. Most often, such a figure is generally a former member of Congress, Cabinet Secretary, or chair of a federal commission.

Whether a lobbyist works in-house at a corporation, for an industry association, or a private lobbying firm, he or she must register with the Secretary of the Senate and Clerk of the U.S. House of Representatives, according to the Lobbying Disclosure Act of 1995. Lobbying firms are required to file a separate registration for each client, but are exempt from registration requirements if the firm’s total income from the client is expected to be less than $5,000 during a semiannual period. Corporations using in-house lobbyists file a single registration and are not required to
file a registration if its total lobbying expenses are not expected to exceed $20,500 during a semiannual period. For lobbying firms, in-house lobbyists, and industry lobbying associations, registration is required no later than 45 days after a lobbyist first makes a lobbying contact, or is employed or retained to make a lobbying contact.\[31\]

**Corporate Grassroots Coalitions**

The last major form of corporate lobbying and the dominant trend in the industry, is that of grassroots lobbying coalitions. Such a coalition is an organization of the stakeholders of many corporations together as a focused and unified entity empanelled to influence a particular policy agenda or piece of legislation.\[32\] Grassroots lobbying coalitions are not an independent method of lobbying, per se, but rather an assimilation of various lobbying techniques coordinated under the shell organization of a coalition.

The structure of coalitions varies depending on its objective, though a tiered system of membership is quite common. As the political scientist Kevin Hula argues, a group’s position on a coalition is determined by its goals, priorities, and resources. These factors lead to three generic groups classified as: core members, players, and tag-alongs. Core members are usually the coalition founders and other resource wealthy groups whose goal is to achieve broad policy goals. Players are specialists who join for tactical reasons, attempting to affect specific provisions of the particular legislation while still contributing significant resources. Tag-alongs or peripheral groups, are members who join for nonpolicy incentives such as information or group
maintenance benefits. Often peripheral groups are encouraged to join coalitions for symbolic and aesthetic reasons. These groups broaden the coalition’s appeal with policymakers by, in many cases, providing “political cover” for a lawmaker. An example is a labor union that is brought onboard a coalition to enable a pro-labor lawmaker to support the coalition’s goals without hurting his political support from constituents.

Coalition operations are generally facilitated by a hired, nonmember group. Often professional lobbying firms perform this function by allocating several staff members to schedule and run the coalition’s meetings, serve as its contact with outside organizations (including the media), organize lobbying assignments for coalition members, coordinate communications among members, provide strategic advice, and perform direct lobbying on behalf of the coalition. Depending on the current status of the targeted legislation, a typical coalition will meet once a week or once every two weeks with its core members. A larger meeting with coalition players and peripherals will generally occur once a month or every other month. In such meetings, the coalition facilitator will update the group on past activities as well as go over assignments for coalition members for the upcoming weeks. Specific lobbying functions are carried on by both coalition members and lobbying firms hired by the coalition, with assignments being determined by the coalition member or lobbying firm that has the best relationship with the targeted policymaker. For example, a corporate coalition member that has a factory in the district of a particular member of Congress would probably be a more credible and influential advocate than a professional contract lobbyist.
The Shift from Direct Lobbying and Personal Relationships to Grassroots Coalitions

Over the past three decades, there has been a systematic shift in corporate political strategy and lobbying tactics used by firms, from a primary focus on direct lobbying and personal relationships with policymakers, to one of grassroots coalitions of corporate stakeholders. The following table based on a survey by Michael Lord of corporate government affairs executives and key congressional staffers illustrates the current preference for grassroots campaigns and coalitions based on perceived efficacy:

<table>
<thead>
<tr>
<th>Government/Public Affairs Executives</th>
<th>Congressional Staff Members</th>
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<tbody>
<tr>
<td>Grassroots Campaigns</td>
<td>49%</td>
</tr>
<tr>
<td>Lobbying by Executives</td>
<td>40%</td>
</tr>
<tr>
<td>Professional Lobbyists</td>
<td>7%</td>
</tr>
<tr>
<td>PAC Contributions</td>
<td>4%</td>
</tr>
<tr>
<td>Advocacy Advertising</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Grassroots Campaigns</td>
</tr>
<tr>
<td></td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>Lobbying byExecutives</td>
</tr>
<tr>
<td></td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td>Professional Lobbyists</td>
</tr>
<tr>
<td></td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>PAC Contributions</td>
</tr>
<tr>
<td></td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Advocacy Advertising</td>
</tr>
<tr>
<td></td>
<td>2%</td>
</tr>
</tbody>
</table>

The growth of grassroots coalitions as a lobbying technique used by corporations is completely natural if one accepts the current consensus among political scientists that reelection is the primary motivational factor for elected officials. To remain in office, policymakers must serve their constituents’ interests. The obvious manifestation and affirmation of this principal-agent relationship is the election process. The value of coalitions is that they tap into the policymaker’s quest for reelection by demonstrating to the policymaker that, through their diverse membership roster, they are accurate representatives of constituents’ interests. The corporate
coalitions that are the most effective, are those whose membership is broad, thus conveying to politicians that agreeing with the coalition is in tune with the wishes of their constituents, and accordingly, will improve their reelection chances. In fact, corporations greatly increase their lobbying power when their coalition includes many categories of stakeholders such as employee groups, unions, distributors, suppliers, retirees, and consumer organizations. The following quote by Lloyd Cutler explains the value of keying into a policymaker's connection with the voters:

Most important is your impact within a constituency—advocating a position that all owners of pharmacies would support, all auto dealers. Having the support of the auto dealers is more important than having the support of General Motors. The dealers have much more importance to the individual Congressman.

The growth of coalitions as the preferred lobbying method by corporations is evidenced by many recent and well-publicized cases. Nearly all major pieces of legislation now pending before Congress have coalitions on either side advocating positions to policymakers. In 1998, companies and organizations representing airlines, aircraft manufacturers, pilots, and others formed a coalition to influence policymakers on potential new industry safety regulations. The same year, a coalition separate from that of the tobacco industry, comprised of core members such as the U.S. Chamber of Commerce, National Association of Manufacturers, and the National Association of Wholesale Distributors, opposed tobacco legislation fearing that it would significantly strengthen the influence and power of trial lawyers. A more recent alliance is the openNET Coalition, which is composed of over 900 of the nation's leading providers of consumer Internet services and dedicated to lobbying
Congress for the rights of Internet users to obtain affordable, high-speed access to the Internet from the provider of their choice. However, probably the most elaborate and well-organized illustration of a grassroots lobbying coalition is that of USA*Engage. Created in 1997 and composed of over 600 businesses, unions, religious groups, recreational associations, consumer leagues, and other organizations, USA*Engage was formed to oppose the Freedom from Religious Persecution Act.

The Inner-Workings of a Grassroots Coalition
Case: USA*Engage

In May of 1997, Rep. Frank Wolf (R-Va.) and Sen. Arlen Specter (R-Pa.) introduced the Freedom from Religious Persecution Act, which would have imposed trade restrictions on and limited foreign aid to countries with records of religious oppression. Knowing that such a bill was imminent and that its results, if passed, would be devastating to the bottom lines of many corporations with global operations, on April 16, 1997, USA*Engage, a broad-based coalition of American businesses and other organizations, was launched to organize efforts to defeat the Wolf-Specter bill. The coalition consisted of over 674 members, including 40 national and state associations. Some of USA*Engage’s major members included: Boeing, Caterpillar, Unocal, Chevron, Mobil, Texaco, IBM, Motorola, and the National Association of Manufacturers (NAM).

USA*Engage’s operations were organized by two primary groups: the National Foreign Trade Council (NFTC) and the Wexler Group. The NFTC, a
Washington, D.C.-based trade association that represents the nation’s 500 biggest exporters, served as the base for USA*Engage’s contacts with major corporate members. The Wexler Group is a Washington D.C. lobbying firm, headed by former aide to President Carter, Anne Wexler.\footnote{The Wexler Group’s job was to serve as the facilitator of USA*Engage and manage its legislative strategy. In addition to using the Wexler Group, USA*Engage enlisted several other lobbyists, including: Hogan & Hartson (which had President Reagan’s U.S. Trade Representative on staff), former Rep. Michael Barnes, and Powell Goldstein (the former law firm of then-Undersecretary of State Stuart Eizenstat, who chaired the State Department’s sanctions review team).}

The organizational structure of USA*Engage was similar to that of most grassroots corporate lobbying coalitions. It had core members such as the NFTC, NAM, Boeing, Chevron, etc. There were also many player and peripheral companies, usually smaller, regional firms. In addition to business interests, USA*Engage increased its influence with policymakers by having groups such as labor unions, professional associations, environmental groups, consumer leagues, and religious organizations as members.

With its lobbyists on board and organizational structure formalized, USA*Engage began its first objective: defeating the Wolf-Specter bill. The strategy that the coalition settled on matched companies in the coalition with members of Congress with whom they were thought to have some influence. If a particular coalition member did not have a contact with a member of Congress, then either the Wexler Group or another lobbying firm would meet with that lawmaker.
USA*Engage had regular meetings in which core members would brief one another about lobbying meetings that took place, as well as discuss future strategy. Occasionally, meetings with player and peripheral groups took place, though such meetings were difficult from a logistical standpoint. Rather, all coalition members were kept in contact with the coalition’s progress through email, faxes, and conference calls.

In order to strengthen their lobbying efforts and add legitimacy to their position, USA*Engage commissioned several studies, which proved that sanctions were costly to U.S. corporations. According to a study by the Institute for International Economics, sanctions cost the U.S. economy $15-20 billion and caused the loss of 250,000 jobs in 1995 alone. Additional studies were conducted by Georgetown University Law Professor Barry Carter, the Cato Institute, the Center for Strategic and International Studies, and the Center for the Study of American Business. USA*Engage also tried to sway members of Congress by enlisting the help of religious leaders and organizations such as the Rev. Billy Graham, the Christian Coalition, and the U.S. Catholic Conference.

Recognizing that they still had a hard time convincing members of Congress to full-out oppose the Wolf-Specter proposal due to general public support for the bill, members of the USA*Engage coalition decided instead to amend the current bill with provisions that were more favorable to their business operations. Focusing on members of Congress with whom they had the most influence, coalition members were able to include many favorable amendments. The original bill would have created a White House office to monitor religious persecution. The amended version
placed the office under the supervision of the State Department, thus downgrading the office’s status and access to the president. Boeing included a provision that exempted funding from the Export-Import Bank from sanctions. The Export-Import Bank underwrote many of Boeing’s contracts with the government of China, a prime target of the bill. Another amendment allowed for a presidential waiver of sanctions. Yet another, highly-targeted amendment, exempted from sanctions the import of gum arabic from Sudan. Gum arabic is a key ingredient in soft drinks, baked goods, and pharmaceuticals. Sudan is nearly the sole country that produces the product. USA*Engage members PepsiCo and Procter & Gamble were the key forces responsible for advocating the inclusion of this amendment. Ultimately, Congress essentially killed the legislation by “deferring” further consideration of the bill.

After the defeat of the Freedom from Religious Persecution Act, USA*Engage altered its focus from opposition to promotion. The coalition turned to two members of Congress who were considered by most to be key architects of foreign policy on the Hill, Sen. Richard Lugar (R-Indiana) and Rep. Lee Hamilton (D-Indiana), to introduce their own sanction reform bill. On October 23, 1997, Rep. Hamilton introduced the Enhancement of Trade, Security, and Human Rights through Sanctions Reform Act (H.R. 2708) and Sen. Lugar introduced a parallel bill in the Senate (S. 1413). The bills would protect foreign contracts already signed at the time sanctions are imposed and would mandate that sanctions expire after two years unless specifically reauthorized.

In order to gain co-sponsors for the new bill, members of USA*Engage divided lobbying assignments based on key criteria such as geography, past campaign contributions, and historical friendships—similar to their efforts in defeating the Wolf-
Specter bill. The following table lists some of the lobbying assignments that were given to USA*Engage corporate members:

<table>
<thead>
<tr>
<th>Member of Congress</th>
<th>USA*Engage Member</th>
<th>History of Relationship</th>
<th>Additional Interactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rep. William Jefferson</td>
<td>Chevron</td>
<td>Chevron has major operations in Louisiana</td>
<td>$1000 campaign contribution by Chevron four days before cosigning the bill</td>
</tr>
<tr>
<td>(D-La.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rep. Earl Blumenauer</td>
<td>Boeing</td>
<td>Boeing has a plant in the congressional district</td>
<td>$1,500 campaign contribution</td>
</tr>
<tr>
<td>(D-Ore.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rep. David Dreier</td>
<td>Lockheed-Martin</td>
<td>Lockheed-Martin has major operations in California</td>
<td>$4,000 campaign contribution during 1995-96 election cycle</td>
</tr>
<tr>
<td>(R-Calif.)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: Mother Jones

Coalition meetings were held often with the core coalition members and more sporadically with smaller coalition members to keep everyone fully informed regarding the status of the new bill and to brief members on lobbying activities.

In an attempt to aid in its lobbying efforts, USA*Engage tapped into its greatest resource: a broad-based roster of 647 coalition members. In a February 2, 1998 letter to coalition members, USA*Engage Chairman William C. Lane and Vice Chairman Frank D. Kittredge urged all members to ask their corporate stakeholders to write letters to members of Congress expressing their support for the sanctions reform bill. According to the letter:

In their [Sen. Lugar and Rep. Hamilton] view and ours, a successful legislative strategy hinges on our ability to rapidly assemble large, bipartisan cosponsor lists, including majorities
on the House International Relations and Senate Foreign Relations Committees. To achieve this goal, we need your help in mounting a grassroots letter writing campaign on behalf of H.R. 2708 and S. 1413 involving senior executives, suppliers, facility managers, and wherever possible, employees.

Attached to the letter to USA*Engage members was a sample letter to send in to members of Congress, bill summaries, a current cosponsor list, and response form so that the Wexler Group could monitor the progress of the letter writing campaign.

In addition to its direct lobbying campaign, USA*Engage employed other lobbying techniques, including CEO/top executive contact, PAC contributions, and advocacy advertising. Many top executives from major coalition member corporations met with members of Congress urging them to cosponsor the new bill. They also undertook a “continuous and aggressive media education effort” in an attempt to develop public support for the bill in a way that was easily observable for members of Congress. A key component of their advocacy advertising was an extensive opinion/editorial writing campaign in newspapers and magazines across the nation. Coalition members were assigned a newspaper to which they, or some of their corporate stakeholders, were asked to write a letter to the editor extolling the virtues of the sanctions reform bill. According to a progress report sent out by the Wexler Group to coalition members summarizing their newspaper editorial writing campaign, out of 242 opinions/editorials written across the country, 180 were favorable to USA*Engage, 36 were neutral, and only 26 were hostile.

While USA*Engage was not successful in getting H.R. 2708 and S. 1413 passed before the 105th Congress adjourned, they have not given up their efforts. Mirror legislation to the previous bill was introduced in the current Congress (H.R.
As of April 2000, there were 112 cosponsors of the House bill and 38 for the Senate version.52

The Shift to Corporate Lobbying Coalitions: The Causes

The tobacco industry’s defeat of Sen. John McCain’s legislation, which would have increased tobacco taxes and given the government greater regulatory power over the product, was a clear illustration of the benefits to a corporation or industry for becoming politically active when a policy proposal counter to their interests is being considered by policymakers. The case of USA*Engage demonstrated the advantages of forming corporate lobbying coalitions composed of corporate stakeholders and described the general modus operandi for such an organization. However, there has been relatively little work done analyzing why grassroots lobbying coalitions have become the method of choice for corporate political activity over the past thirty years. While the analysis of coalitions is a continually evolving endeavor, as is the role of coalitions in the American political system, there are four primary causes for the shift from direct relationship-based approaches of lobbying to grassroots coalitions of corporate stakeholders: more stringent federal rules regulating political behavior, a political climate characterized by greater transparency for elected officials, economic incentives for corporations gained through pooling resources, and advances in technological capabilities.
Federal Regulation of Political Activity

In the beginning days of our country, people assumed that political leaders would be wealthy or at least be supported by the wealthy, and accordingly, mostly represent the interests of the successful businessmen and large landowners. For many years, this was an accurate representation of American political activity. However, during the 19th century, as progressive social movements emerged and voting rights were granted to broader classes of individuals, the power and influence of the wealthy over the political system began to diminish somewhat.

Corresponding to the expansion of the electoral base during the 19th century, the first experiments with campaign finance regulation were undertaken. The first attempt at regulating campaign finance was the Naval Appropriations Bill of 1867, which prohibited officers and employees of the government from soliciting money from naval yard-workers. This prohibition was extended to all federal civil service employees by the Civil Service Reform Act of 1883. President Theodore Roosevelt captured the public’s appetite for reform of the political system in 1905, when he proposed that “all contributions by corporations to any political committee or for any political purpose should be forbidden by law.”

Though the new laws of the 19th century proved to be landmark pieces of legislation, there was still an obvious level of corruption in politics as it was the Golden Age of business in the United States and it was men of industry, rather than the politicians who often dictated public policy. The first significant attempt at campaign finance reform was the Federal Corrupt Practices Act of 1910 (FCPA), which created disclosure requirements for members of the House and Senate and
established expenditure limits for their campaigns. However, with the power of enforcement for this act vested in Congress, the Act was routinely ignored.

The FCPA served as the basic campaign finance law until 1971, when Congress passed the Federal Election Campaign Act (FECA). The Act, later amended in 1974 amidst the Watergate scandal, was the first meaningful legislation that attempted to clean up political activity by insiders. Until this point, corporations, unions, associations, and members of Congress routinely ignored campaign finance laws. In 1966, Jim Wright, Speaker of the U.S. House of Representatives, testified that campaign finance law was “intentionally evaded by almost every candidate…I dare say there is not a member of Congress, myself included, who has not knowingly evaded its purpose in one way or another.” For example, if the law prohibited more than a $100 contribution to a committee trying to elect a member of Congress, a corporation would typically give $99.99 to several committees that were trying to elect the same member or Congress.

The FECA set stringent limits on contributions to federal candidates and established an independent agency, the Federal Election Commission (FEC), to monitor and enforce the tough new requirements. No longer were corporations and unions able to give unlimited sums of money to politicians. Not only did they have caps on their contributions, but they also had strict new disclosure requirements mandated by the FEC. Thus, many of the practices by corporations that were commonplace from the mid-19th century through the 1960’s were no longer feasible. Corporations had to find alternative ways to influence politicians.
Two ways in which corporations modified their political activity in the wake of the 1970’s reform legislation were through greater emphases on joint lobbying efforts and advocacy advertising. While direct corporate contributions to federal candidates were barred according to campaign finance law, companies could contribute through employee and industry Political Action Committees (PACs). Thus, in the late 1970’s there was a PAC boom, in which companies not only formed several employee PACs, but also joined multiple industry PACs. According to Gerald Keim and Barry Baysinger, the number of PACs increased from less than 100 in 1974 to more than 1700 in 1988—a 1600% increase. These associations of companies with mutual interests that developed through PACs were the predecessors of the modern day grassroots lobbying coalitions. Though their operations were not nearly as intricate and complex as modern day coalitions, the companies that came together under a PAC in the late 1970’s and 1980’s had the same desire as the current day coalitions: influence policymakers to act favorably regarding legislation affecting their particular company or industry.

Campaign election law also led to the increase of advocacy advertising by corporations. In 1976, the U.S. Supreme Court in *Buckley v. Valeo*, determined that limits on independent expenditures (election spending not coordinated with candidates or their committees) were violations of free speech and thus unconstitutional. This loophole allowed companies to spend unlimited amounts of money on advertising as long as they did not expressly state their support or opposition to a particular federal candidate. This was also interpreted to mean that corporations could donate unlimited money to national political parties for the same purpose—so called “soft money.”
Fearing the negative feedback they might receive from the public and their consumers if they were to undertake such advertising under their own corporate name, many corporations began to band together into “associations” through which joint media campaigns could be orchestrated and to which any negative response from the public could be directed. Often, the corporate membership lists of these associations were closely guarded secrets. While these associations were often only created for a short duration and had minimal formal organizational structure, they, like the early PACs, served as examples of how corporations and their stakeholders could unite together for a joint political purpose and enabled them to realize, for the first time, the benefits associated with such coordinated operations.

Though the election law reforms of the 1970’s led to the initial wave of corporations and their stakeholders uniting together in lobbying coalitions, changes to lobbying disclosure requirements in the 1990’s also served as an impetus for the use of coalitions. While contributions to federal candidates were heavily regulated ever since the enactment of the FECA in 1971, direct lobbying practices were left relatively untouched. However, on December 19, 1995, President Clinton signed into law the Lobbying Disclosure Act of 1995 (LDA) (P.L. 104-65). This Act dramatically expanded the definition of lobbying to include not only direct contacts with legislators and their staff members, but also certain contacts with high level federal agency officials. The LDA also required registration of individuals and organizations who had previously not been required to register and it expanded the amount of information that must be reported with respect to lobbying contacts and expenditures connected thereto.
Congress passed the LDA recognizing that there was still a public perception of corruption in the practice of lobbying by corporations, unions, and other organizations. The intent of this law was to provide the public with detailed information regarding actual lobbying activities—not only identification of the lobbyist, but specific identification (including bill numbers) of issues on which such activities were undertaken, and the expenses connected with those activities.

According to the Act, a company or organization must register if it has at least one employee who makes at least two lobbying contacts in each six months and devotes at least 20% of their time to lobbying activities, and incurs expenses on lobbying activities of $20,000 or more in each six month period in the calendar year.

Lobbying activities, according to the LDA, include all efforts in support of lobbying contacts, such as preparation and planning, research, and other work used in preparation for the formal lobbying contact. Registration is required with the Secretary of the Senate and the Clerk of the House of Representatives. According to the LDA, whoever knowingly fails to correct a defective filing within 60 days after notice of such a defect by the Secretary of the Senate or the Clerk of the House, or to comply with any other provision of the Act, may be subject to a civil fine of not more than $50,000.

With strict new lobbying regulations in place, as well as new internal House and Senate ethics rules adopted, corporations and other organizations were no longer able to utilize many of the lobbying tactics that were typically associated with direct lobbying. They could no longer take members of Congress out to elaborate lunches, set up junkets in which policymakers would take exotic trips paid for by companies, or
perform many other direct lobbying tactics that had previously been common practice. In sum, with such “sunshine” reform measures, the value of a lobbyist’s or corporation’s personal relationship with a policymaker was severely diminished, in that his amount and degree of access to that policymaker was limited, or at least heavily regulated. Historical relationships with lawmakers were still important, but their effectiveness as a standalone method of influence was not the same following the early reforms of the 1970’s. As a result, companies and organizations representing stakeholders chose to incorporate their experience with and knowledge of direct lobbying into their new lobbying groups (coalitions) that had developed from working together with other companies in industry PACs and advocacy advertising associations.

**Greater Transparency in Government**

Campaign finance laws and stricter lobbying disclosure regulations were factors that undoubtedly led to greater collective action among fellow corporations in such forms as industry PACs and advocacy advertising associations—the predecessors of modern day corporate grassroots lobbying coalitions. However, any analysis explaining the shift towards coalitions from 1970 to 2000, must also explore changes in the political climate of the period in the eyes of both corporations and elected officials.

The early 1970’s were characterized by a palpable sense of public cynicism about politics and government. Probably more than any other two events in American history, the Vietnam War and the Watergate scandal created widespread distrust by
citizens of their government and elected officials. The sense of hope and optimism that the youthful Kennedy Administration brought to the fore of the political landscape in the 1960’s and the “passing of the torch to a new generation” were tarnished in only a decade by public accusations of dishonesty and lying on the part of government officials. In addition, with the increase in federal regulation of business and industry during the 1970’s, corporations intensified their attempts to influence policymakers. With the combination of the distrust generated by Vietnam and Watergate and the perception of policymakers being manipulated by corporations, a threshold level of outrage was reached among the populace. A call went out for greater transparency in government.

Political scientists generally define transparency as openness and accessibility to elected officials. The public’s disgust with the political system and corporate America’s influence on it was manifested in many forms, the most obvious being the massive public demonstrations led by students and activists. However, a more lasting manifestation of the public’s outrage in the 1970’s was the establishment of many government “watchdog” groups. These groups were organized to demand greater government responsiveness to the public and called for more open and honest government. The two leading watchdog groups established in the 1970’s were Common Cause and Public Citizen.

Established in 1970, Common Cause became “a nationwide, independent, nonpartisan organization for Americans who wanted to help in the rebuilding of the nation.” Early on, Common Cause secured its place as the nation’s foremost citizen advocacy and government watchdog group. Some of the group’s key activities in the
1970’s included suing the Democratic and Republican National Committees (DNC and RNC) alleging that the parties violated campaign fundraising and spending limits (1971); opposing several federal tax bills because they were produced secretly without public hearing and approved without debate or recorded vote (1972); calling on Congress to “take the mystery and hocus pocus out of congressional proceedings” by allowing proceedings to be publicly broadcast (1975); and fighting to end the B-1 Bomber project, citing that massive special-interest lobbying and conflicts of interest had warped the program (1975). In 1976, they named lobbying reform and disclosure as the top priority for the 94th Congress, claiming that corporate lobbyists and special interests were corrupting the political system.67

Another key advocacy group that came to prominence in the 1970’s was Public Citizen. Founded in 1971 by Ralph Nader, the organization wanted to be “the consumer’s eyes and ears in Washington…and to fight for a more open and democratic government.”68 According to their mission statement, they “stand up for you [citizens] against thousands of special interest lobbyists in Washington—well-heeled agents for drug companies, the automakers, big energy interests, and the like.” Throughout the 1970’s, Public Citizen continued to take on corporate interests in Washington by lobbying members of Congress, filing citizen lawsuits, initiating referenda at the state level, organizing get-out-the-vote (GOTV) drives, and mounting cutting-edge media campaigns.

The cases of Common Cause and Public Citizen illustrate the public distrust and quest for greater transparency that prevailed in 1970’s. These two groups paved the way for more recent and technologically-advanced government watchdog groups...
such as the Center for Responsive Politics, Citizens Against Government Waste, Center for Public Integrity, and Judicial Watch.

In addition to the explosion in the number of watchdog groups, the introduction of television coverage of Congress also opened up the federal government to the public. On March 19, 1979, C-SPAN began broadcasting the U.S. House of Representatives over cable to 3.5 million households. Later, on June 2, 1986, they added coverage of the U.S. Senate. Now, C-SPAN offers two television channels, a newsletter, radio station, and live video World Wide Web coverage of Congress.

Also, during the 1980’s, with the growth of CNN and other television channels dedicated to public awareness, the 24-hour news cycle began to emerge. With television producers forced to fill their airtime and more reporters needing stories, elected officials and corporate lobbyists found it harder to keep secret many of their dealings that previously would have gone unnoticed by the press.

The growth of watchdog groups in the 1970’s and the introduction of television coverage of Congress in the 1980’s were landmark accomplishments in opening the government to the public. However, their impact pales in comparison to that of the Internet during the 1990’s. In the 1990’s, all of the previously mentioned watchdog groups established websites that enabled citizens to access information about the government and their elected officials, information that would have once only been available by sifting through dusty files in the basement of a federal agency building in Washington, DC. For example, at the website of the Center for Responsive Politics, an individual can check current campaign contributions for any federal candidate for the past three election cycles, identify lists of donors who have
contributed over $250 to any federal campaign sorted by zip code, find a list of registered lobbyists and their lobbying expenditures for the past four years, examine industry lobbying expenses, peruse PACs listings, and check state election statistics.

One of the most influential websites credited for making the intricate details of Congress open to the public, is the THOMAS website, which is run by the Library of Congress. In January of 1995, sensing continued public distrust of Congressional proceedings, THOMAS was created by Congress “to make federal legislative information freely available to the Internet public.” According to then-Speaker of the House Newt Gingrich, “If every citizen had the access to information that the Washington lobbyists have, we would have changed the balance of power in America towards the citizens and out of the beltway, and this program [THOMAS] really is a major step in that direction.” On the THOMAS website, an individual can check the roll call votes for any member of Congress, check the status of legislation, read the Congressional Record, skim Congressional committee reports, monitor the legislative calendars for the House and Senate, and retrieve the text of all bills introduced not only for the current Congress, but all the way back to 1973. The following table illustrates the enormous growth in popularity of the THOMAS website:
Each of the past three decades has seen developments in the political environment that have led to a greater degree of transparency for the government and elected officials: the growth of watchdog groups in the 1970’s, television coverage of Congress and the beginnings of the 24-hour news cycle in the 1980’s, and the Internet in the 1990’s. As a result of these developments (and as affirmed by Congress’ creation of the THOMAS website), both elected officials and the corporations trying to influence them were held to a higher standard of disclosure and openness than ever before.

The increased accessibility to the government that citizens gained from 1970 to 2000, led to a higher level of scrutiny of elected officials. As a result, politicians demanded sufficient “political cover” when meeting with corporations attempting to influence their votes. No longer were politicians able to insert a provision favoring a corporation in a 700-page omnibus bill without having their actions made available immediately on the Internet by one of the hundreds of groups who compile “report
cards” for members of Congress based on their voting patterns. In order to remain in favor with policymakers, corporations had to provide them with political cover—a guarantee that by supporting their position, they would not anger their constituents and endanger their reelection prospects. For example, in the case of USA*Engage, in order to get many pro-labor members of Congress to support their sanctions reform bill, the corporate members of the coalition had to include labor unions as members of the coalition so that if a member of Congress was challenged by factory workers back in his congressional district for supporting the bill, he would be able to say that his actions had the support of several labor unions. Thus, not only did corporations rush to sign up unions on their lobbying coalitions, but they reached out to stakeholders such as environmental groups, religious organizations, consumer leagues, and educational institutions in order to secure the political cover needed for the policymakers whom they were attempting to influence.

**Economic Incentives for Corporations**

New federal campaign and lobbying disclosure requirements and greater transparency certainly contributed to the increased use of grassroots coalitions as a lobbying method from 1970 to 2000. However, some of the most fundamental reasons for the shift to coalitions are due to the economic incentives that corporations receive by being members of joint lobbying coalitions. The three trends that characterized the economy over the past thirty years were globalization, privatization, and deregulation. As these trends progressed, companies continued to find themselves challenged by the pressures associated with increasingly competitive markets. One manifestation of this
increased competition was the need for corporations to achieve economic efficiencies in order to survive. Though not as substantial as a merger or acquisition in a company’s survival strategy, grassroots lobbying coalitions serve as a way to increase a company’s competitiveness within an industry.\textsuperscript{75}

Kevin Hula argues that one of the primary reasons why corporations join political lobbying coalitions is to acquire selective information benefits that they would not normally have had.\textsuperscript{76} There are three key ways in which such information advantages are gained. First, the immense size and breadth of coalitions serve as an intimidating force for outside entities that either possess or compile the sought-after data. For example, a federal agency will be far more likely to release the results of a recent survey if the request for the information comes from a coalition of 600 major corporations, than had the request come from a single company or small group of companies.

The second way in which informational benefits are acquired highlights the risks that corporations and groups run by becoming members of a coalition. It is not unusual in the course of a coalition’s operations for requests to be made based on a member corporation’s own internal resources. An example that is quite common is for a member corporation to give the coalition a supplier or customer list under the premise of using those names to solidify further the coalition’s grassroots operations, such as a letter writing campaign. However, once that information is given to the coalition as a whole, the member corporation that donated the resource runs the risk of that proprietary information being used against it by another coalition member who may be in competition with it. Thus, in many coalitions that have competing firms
(e.g., Ford and GM) as members, member companies will place limits on their representative to the coalition as to what types of information they will provide. This technique of competitive information acquisition is one reason why coalitions tend to have so many smaller companies, classified as player members or tag-alongs. They hope to learn critical data from their larger competitors that they probably would not be able to acquire as easily otherwise.

Thirdly, coalition members can achieve informational economies by pooling their resources. Many of the larger coalition member corporations have their own research departments that specialize in the particular legislative matter that the coalition was created to focus upon. By pooling their individual research capabilities, such as by dividing parts of a joint study or allowing one company to research an area where they have a particular core competency, companies are able to come up with the data to support their advocacy with policymakers in a more cost-effective and efficient manner than if the same task were undertaken separately by individual corporations.

Another economic incentive for corporations to join coalitions is the benefit derived through the immense networking possibilities that are inherent in the coalition concept. Typically, each member corporation is represented on a coalition by their Washington, DC representative or a similar corporate official (though larger member firms usually have several such representatives on a coalition). By working together on a weekly basis, often for many months, there is an obvious network that develops among the individuals representing corporations on the coalition. In addition, and potentially more valuable, are the network relationships that a corporation’s representative establishes with policymakers.
Generally, when lobbying assignments are made at coalition strategy meetings, not only does the member firm who has the best relationship with the policymakers attempt to lobby them, but often, representatives from other coalition member corporations attend the meetings with the elected officials. Thus, by joining a coalition and working with lobbyists of other member firms, a company’s Washington lobbyist is able to make connections and establish relationships with key lawmakers that they ordinarily would not have had. This provides an enormous cost savings to corporations in that the only other practical way for them to gain access to a member of Congress with whom they have no relationship would be to pay a large amount to contract with an outside lobbying firm who has a relationship with and access to that lawmaker.

In addition to informational and networking gains and their corresponding economic benefits to corporations, companies who participate in coalitions are able to capitalize on their membership in terms of increasing their customer base and marketing potential. For example, in the early 1990’s, the Coalition for Equal Access to Medicines was created by prescription drug companies and health maintenance organizations to lobby lawmakers to drop proposed drug-pricing legislation. The drug and health care companies also actively recruited the support of consumer groups, age groups, and the National Urban League. As a result of their advocacy on this issue, the health care and pharmaceutical companies signed contracts with these organizations and were able to increase their own customer base and revenues by offering drug and health care plans to the millions of members in these consumer associations.
The last principal cause for the shift to coalitions as a preferred lobbying method for corporations and their stakeholders from 1970 to 2000, is the general improvement in technology that has made previously unimaginable coalitional undertakings feasible. Many recent events have highlighted the increasing role of technology in politics, including the presidential campaign of Sen. John McCain in early 2000. Senator McCain used his interactive campaign website to raise money, register volunteers, and send out email updates to voters. Within only forty-eight hours after his victory in the New Hampshire GOP primary, McCain’s campaign, via his website, raised over $1,000,000 and enlisted 10,000 volunteers.

The modern-day corporate lobbying coalition is a nightmare from a logistical standpoint. Organizing communications among 600 distinct coalition members from across the country is a daunting task for even the most experienced coalition facilitator. It is primarily for that reason, that coalitions did not become a common lobbying method until recently. However, over the past thirty years, advances in technological capabilities have reduced tremendously the logistical challenges of coordinating a coalition’s communications and operations, which helps the coalition facilitator in making sure that coalition members feel they are being fully informed. It is essential to make sure that every member of the coalition is kept apprised of the coalition’s progress in order to convey to them that their membership in the coalition and the resources that they contribute are valued.

While technological developments such as the fax machine in the late 1970’s and 1980’s, as well as conference calling capabilities, contributed to the rise in the
number of coalitions and the ease with which they carried out their operations, technology’s impact on coalitions can best be observed by looking at the 1990’s. During that time, email, cellular telephones, hand-held digital devices, the Internet, and professional lobbying software were the primary technological drivers that eased the communication burdens of the past and paved the way for the modern day grassroots lobbying coalitions.

As previously mentioned, a corporate lobbying coalition is ordinarily facilitated by a hired outside organization, typically a professional lobbying firm. It is the job of that firm to organize the coalition’s meetings, coordinate communication among members, and serve as the liaison to outside groups. With the technological developments of the 1990’s, the facilitator’s job became more manageable, allowing for coalitions with over 1,000 members.

The value of email as a managerial tool was profound. Generally, a coalition facilitator will establish an email list of all the corporate coalition member representatives to the coalition. By creating such a list, announcements of meetings, recaps of lobbying assignments, and other information can be sent to hundreds of members with very little effort. Additionally, a good amount of time and resources were saved when attachments became readily used in email messages. For example, a coalition facilitator could send a draft of the coalition’s position paper or press release to several members as an email attachment. The members could then make their revisions and email them back to the facilitator. Email severely diminished a facilitator’s reliance on faxes, postal mail, telephone calls, and clerical staff. Such cost
savings allowed coalitions to be formed for less money and enabled resources to be used in more substantive areas.

Cellular telephones and hand-held digital devices have also had immeasurable benefits and helped make coalition operations run more smoothly. By being able to reach a coalition member nearly anytime or anyplace, costly scheduling mistakes were eliminated. In addition, the ability to carry resources such as key phone numbers around in the easily accessible form of a digital personal organizer saves time and effort for coalition members. Commenting on the increased use of the Palm Pilot device as a tool utilized by those in Washington to store names and telephone numbers, Vice President Al Gore’s spokesman Chris Lehane said, “this is a town that revels in its Rolodexes [stored in their digital devices]…phone lists are the lifeblood of lobbyists.”

As was the case of its role in leading to greater transparency in government, the Internet has also eased the logistical strains of coordinating the communications among coalition members. Most modern-day coalitions have elaborate websites, often containing position papers, mission statements, the text of the legislation in question, lists of members (with links to their own websites), relevant news articles, and sign-up forms for email updates on the coalition’s progress. A well-designed website cuts down on the resources needed by a coalition to deal with requests from coalition members, reporters, interested citizens, and congressional staffers. For example, instead of needing to hire clerical help to send out extra copies of the text of legislation or a recent news article to a coalition member or interested third party, as was the case in the past, the coalition facilitator can simply direct the interested party
to the website, where they are free to view or download any information on their own. As in the email example, this allows the coalition to conserve its resources and allocate them to areas that are more central to the coalition’s objectives.

While advances in personal communication technology and the Internet aided the growth of coalitions in a substantial manner, the gains made in the area of professional lobbying software should not be ignored. During the late 1980’s and 1990’s, software entrepreneurs began to develop and market software suites that were designed to ease information acquisition and coordination costs for coalitions. Such programs could track voting patterns for members of Congress on key pieces of legislation, contain mass letter writing applications for corporate stakeholders, and channel bulk email campaigns to the appropriate policymakers.

In sum, personal technological advances as well as professional software developments significantly eased the communication burdens and logistical impediments encountered by corporate lobbying coalitions from 1970 to 2000. As a result, over this time period, both the number and size of such “virtual coalitions” drastically increased—demonstrating its phenomenal ascent as the method of choice by corporate American when trying to influence public policy.

**Implications of the Shift**

Whether a coalition of the “Big Three” automakers, labor unions, auto dealerships, and automobile owners’ clubs formed to defeat amendments to the Clean
Air Act in the 1970’s, or the openNet coalition of high tech companies and users created to promote open Internet access in the late 1990’s, it is quite evident that lobbying coalitions of corporations and their stakeholders have gained prominence in the world of lobbying. The following table illustrates the attention grassroots lobbying coalitions have received from the media from 1970 to 2000:

<table>
<thead>
<tr>
<th>Paper / Magazine</th>
<th>1977</th>
<th>1985</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York Times</td>
<td>20</td>
<td>80</td>
<td>160</td>
</tr>
<tr>
<td>Washington Post</td>
<td>15</td>
<td>50</td>
<td>150</td>
</tr>
<tr>
<td>National Journal</td>
<td>2</td>
<td>42</td>
<td>110</td>
</tr>
</tbody>
</table>

SOURCE: Goldstein, Kenneth M.

While greater federal regulation, more transparency in government, economic incentives for corporations, and advances in technology all contributed to the extraordinary growth in coalitions, no analysis would be complete without exploring some of the implications of this change in lobbying preferences on government institutions and elected officials, corporations, and the public in the future.

Government Institutions and Elected Officials

Though initially intimidated by the size, reach, and power that coalitions wielded, policymakers began to recognize the benefits that were brought to the table by coalitions of corporate stakeholders. With coalition memberships being so broad-based, occasionally with close to 1,000 members, politicians had more than ample political cover to support a coalition’s position. Obviously, while there were some positions advocated by coalitions that even the most gifted politician could not
support, policymakers enjoyed the comfort they had with their voters knowing that a coalition’s membership represented almost all of their constituents in one way or another.

The period of blanket political cover that policymakers initially received from coalitions is dwindling. The simple reason is that there is more competition. For every 600-member coalition supporting a particular piece of legislation, there is another 600-member coalition opposing it. Thus, to a greater extent than ever before, politicians will be forced to do their homework and perform their own political calculus in determining what is in their, and presumably their constituents’, best interests.

Additionally, the shift toward coalitions has presented enormous clerical and logistical demands on the offices of policymakers and federal agencies. Under a typical email campaign by corporate stakeholders, it would not be uncommon for offices on the Hill to receive several hundred emails on specific legislation. Not only is the task of dealing with those messages daunting, but more serious for congressional and federal offices with limited resources, it diverts staff from other projects. The large membership rosters of coalitions also place escalating demands on the schedules of policymakers. More coalition members are requesting meetings with elected officials. However, while the number of coalitions has expanded exponentially from 1970 to 2000, the number of members of Congress and the size of their staffs have changed very little over the same time period. Purely from an economic standpoint, with increased demand (coalition member requests, constituent requests, committee hearings, speeches, and legislative work) on politicians and stagnant supply (the
number of politicians and their staff), something has to give. Either less time will be
given to those demanding the policymaker’s attention, including the average
constituent, or increases in the size of their staff (or maybe even the number of elected
officials) will have to occur.

Though it is not a particular focus of this paper, it is worth noting that the
increased number of coalitions will also have a marked impact on another key
government institution: the courts. Not only do coalitions focus their efforts on
policymakers in the legislative and executive branches, but increasingly they have
turned their attention to lawsuits as a method for achieving their goals. For example,
USA*Engage’s key founding member, the National Foreign Trade Council (NFTC),
on behalf of its member companies, filed a lawsuit against Massachusetts challenging
a state law that prohibited companies that do business in Myanmar (formerly Burma)
from providing goods and services to Massachusetts state agencies.\footnote{85} The NFTC
claimed that the state law was unconstitutional on several grounds, but primarily that
the power to regulate foreign affairs rests with the federal government, not the states.\footnote{87} On March 22, 2000, the U.S. Supreme Court sided with the NFTC and struck down
the “Massachusetts Burma law.”\footnote{85} This is just one example of how corporate
lobbying coalitions, or their core members, are turning not just to lawmakers and
federal agency officials, but also to the courts in order to execute their corporate
political strategy and affect public policy.
Corporations

The fundamental premise upon which the market economy is based is competition. In order for corporations to survive, they must remain competitive. This includes in the political arena. Modern day corporations have very little choice but to participate in lobbying coalitions, as it is currently the preferred method of influencing policymakers. The growth of coalitions will cause corporations to alter their operations in three primary ways. First, the professional government affairs staff that most companies already have in place will have to modify their actions. No longer will they be so concerned with only their direct lobbying techniques and relationships with policymakers. Instead, they will have to emphasize group interplay by establishing and solidifying relationships with lobbyists from other corporations, their unions, distributors, suppliers, and customers. Rather than competing with these lobbyists for time with a member of Congress, they will have to learn to work with them.

Second, companies will be required to institute policies to safeguard their proprietary information. With coalitions consisting of many firms in direct competition with one another and each firm contributing some of its own internal resources to joint coalitional efforts, the environment is prime for corporate espionage and the theft of competitive information. Before joining a coalition, every member corporation should have policies in place to protect themselves from such dangers.
Additionally, a corporation should consider the antitrust implications of working together with its competitors in a coalitional setting.

Third, corporations will have to strengthen their ties to all of their stakeholders. The fundamental power of coalitions is that their broad-based membership is viewed by policymakers as representing the interests of the voting public. Therefore, to be effective, corporations must have exceptional mobilization and communication practices for their stakeholders. They should either have, or be able to generate, detailed lists with contact information for their suppliers, distributors, customers, shareholders, unions representing their workers, retirees, employee organizations, franchisees, and strategic partners. A corporation that has such detailed information available will significantly increase its efficacy in influencing not only other coalition members, but policymakers as well. For many companies, this may mean altering their business practices to repair poor relationships with stakeholders from the past (as is the case with many firms and their employee unions), or creating positive new relationships with individuals once they become a stakeholder (such as a new customer or supplier).

The Public

Although the increased use of coalitions as a lobbying technique will undoubtedly affect the government, elected officials, and corporations, the most profound impact may be on ordinary citizens. The degree to which citizens will be affected will depend on how elected officials and corporations respond to the growth in the number of coalitions.
Corporations will have to walk a fine line in that they want to be able to organize and mobilize the public (who are their stakeholders through relationships such as customers, shareholders, suppliers, etc.) yet not place too much of a burden on them as to alienate them or make them feel overwhelmed. While it is important for a company to have detailed lists of its customers, most would probably agree that electronic methods of recording and sorting consumer purchasing patterns could be viewed as too intrusive and raise serious privacy concerns. For example, if a television manufacturer required a customer to send in a postcard with their contact information to validate a warranty on a new purchase, as is common practice, should they be able to take that information and compile a list of customers that could later be used in organizing a letter writing campaign to members of Congress? When mailing an annual report to shareholders, would it be appropriate for the corporation also to send talking points that shareholders could use to call members of Congress and urge them to vote for legislation that would benefit the corporation? As the battle to capture the interest of corporate stakeholders continues, these types of political and business ethics questions will arise.

The public will also be affected based upon how policymakers choose to respond to coalitions. As more coalition members request meetings with lawmakers and their staffs, will time devoted to the concerns of independent constituents (those not associated with a coalition) be diminished? Will a constituent’s phone call prompted by a coalitional campaign be viewed as more or less meaningful by a member of Congress than constituents calling in on their own? Will a letter from a constituent who did not receive his monthly veteran’s benefits or a letter about Social
Security reform be overlooked by congressional staffers if they are surrounded by hundreds of form letters from coalition members opposing a bill on auto emissions standards? The answers to these questions are not easy, and they will depend on several key variables, the most important of which is time and the rate at which policymakers and their staffs learn to manage the increased demands placed on their limited resources.

**Conclusion**

Whether organized to affect policy on auto emissions standards, health care coverage, trade sanctions, financial services, or Internet access, highly intricate grassroots lobbying coalitions of corporate stakeholders have come to represent the norm in corporate political strategy beginning in the 1970’s. As mentioned previously, grassroots lobbying coalitions are not an independent method of lobbying, per se, but rather an assimilation of various lobbying techniques coordinated under the shell organization of a coalition. Thus, coalitions participate in all types of lobbying, including direct contact, advocacy advertising, CEO/top executive contact, and PAC contributions.

Empirical studies, such as those by Michael Lord, have been conducted to ascertain the perceived efficacy of coalitions at affecting public policy. Results indicate that grassroots coalitions of corporate stakeholders remain more effective in influencing policymakers than any other independent method of lobbying. The key success factor for coalitions is that they, more precisely and coherently than any other lobbying technique, tap into policymakers’ desire for reelection and demonstrate to
policymakers that their diverse membership is an accurate representation of their constituents’ interests.

Though scholars have documented the increased number of coalitions and even confirmed their effectiveness as a means of influencing policymakers, little work has been dedicated to explaining the root causes for the increased popularity of this corporate lobbying method from 1970 to 2000. This paper presented four main causes for the shift toward coalitions over this time period: more stringent federal rules regulating political behavior, a political climate characterized by greater transparency, economic incentives for corporations gained through pooling resources, and advances in technological capabilities. The interesting notion is that all four of these factors represent current, progressive trends. Thus, as they continue to evolve, so will the prominence of coalitions as a part of corporate political strategy in the years to come.

Endnotes


Officially launched in April 1997, USA*Engage, is a coalition of 674 members (mostly large, multinational corporations), formed to promote free trade and defeat the Freedom from Religious Persecution Act, which would have placed trade restrictions on and restrict federal aid to countries with records of religious persecution.


Proposed restrictions included banning animals, humans, and cartoon figures from advertising, as well as a ban on placing a product name or logo such as Camel’s dromedary on promotional items. Even if Congress adopted the proposal, it appeared clear that the tobacco industry would challenge the restrictions on constitutional grounds in court as violations of free speech.


In March 2000, the U.S. Supreme Court, in a 5–4 ruling, stated that the Food and Drug Administration lacks the power to regulate tobacco and invalidated a 1996 initiative by the FDA to restrict the marketing of tobacco to children. This decision makes it quite clear that any federal regulation of tobacco will not be upheld, absent expressed, delegated authority from Congress to the FDA. see Biskupic, Joan, “FDA Can’t Regulate Tobacco, Supreme Court Rules 5 to 4,” *The Washington Post*, March 22, 2000, sec. A, p. 1.


Garrett, *op. cit.*

Gibbs, *op. cit.*


“Influence Inc.—Summary”, *op. cit.*

18 “Influence Inc.—Summary”, op. cit.


25 On August 7, 1998, President Clinton signed the Credit Union Membership Access Act (P.L. 105-219), which protected current membership requirements and practices used by credit unions.


29 In fact, many of the major law firms in Washington, DC have internal subdivisions whose primary purpose is to provide lobbying services and strategic legislative advice.

30 “Influence Inc.—Summary”, op. cit.

31 These regulations are based on the Lobbying Disclosure Technical Amendments Act of 1998 (P.L. 105-166), the legislation that amended the original Lobbying Disclosure Act of 1995 (P.L. 104-65).

32 Corporate stakeholders are by definition anyone who has a stake in the going concern of the corporation and thus include: employees, retirees, shareholders, unions, suppliers, distributors, customers, etc.


34 Lord, Michael D., Business & Public Policy: The Bottom Line (Babcock Graduate School of Management, Wake Forest University, 1998), p. 4. In this survey, key government relations and/or public affairs executives of 500 companies were randomly selected from the 1000 largest firms in the US by market capitalization (166 firms participated—a 33% response rate). For the survey of
congressional staff, administrative assistants and legislative directors from all 535 congressional offices, both House and Senate were sent questionnaires (202 offices participated—a 38% response rate).

35 Mayhew, loc. cit.

36 Cutler is a veteran Washington political insider and recently served as a Clinton Administration advisor during the Whitewater matter.


43 The author of this paper worked as a legislative intern for The Wexler Group during the summer of 1999 and attended several meetings for USA*Engage, though no substantive work was done for either USA*Engage or any of USA*Engage’s members by the author.

44 Silverstein, Ken, “So You Want to Trade with a Dictator,” op. cit.

45 Ibid.


47 Silverstein, Ken, “So You Want to Trade with a Dictator,” op. cit.


49 Ibid.


51 Silverstein, Ken, “So You Want to Trade with a Dictator,” op. cit.

Disclosure requirements for U.S. Senate candidates were not technically added until legislation in 1911 amended the Federal Corrupt Practices Act.

“A Brief History of Money in Politics,” op. cit.

Keim, Gerald and Baysinger, Barry, op. cit., p. 164.


Keim and Baysinger, op. cit., p. 165.


These limits were later modified slightly by the Lobbying Disclosure Technical Amendments Act of 1998 (P.L. 105-166).


Coen, loc. cit.


Ibid.


The website for the Center for Responsive Politics is located at http://www.opensecrets.org

The Library of Congress named the website for President Thomas Jefferson due to his unwavering patronage to the institution, including the donation of his private library to the Library of Congress. The website is located at: http://thomas.loc.gov


76 Hula, op. cit., p. 23

77 Silverstein, Ken, “So You Want to Trade with a Dictator,” op. cit.

78 Coen, op. cit., p. 30


83 Hula, op. cit., p. 89


85 Goldstein, Kenneth M., op. cit., p. 25.

86 The “Massachusetts Burma Law” (7 M.G.L.A. §§ 22G-M), was enacted in June 1996.


89 Lord, Business & Public Policy, loc. cit.