

The unstoppable rise in lobbying in Washington

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Lobbying by American business is bad for business itself

In 1971 Lewis Powell, an American lawyer who would go on to become a Supreme Court judge, wrote a memorandum for the Chamber of Commerce. Business was the victim of a “broadly based and consistently pursued” assault, he argued. There were few elements of American society that had “as little influence in government as the American businessman, the corporation, or even the millions of corporate stockholders.” It was time for companies to change all this—and acquire political power. “Such power must be assiduously cultivated; and that, when necessary, it must be used aggressively and with determination.”

Powell has been granted his wish. In 2012 corporate America accounted for more than three-quarters of the \$3.3 billion spent on lobbying in Washington, DC. General Electric was the market leader, spending \$21.4m, and Google came second, with \$18.2m. And this is just lobbying in the strict sense defined by American law—ie, the work of registered lobbyists, employed to make direct contact with congressmen and officials. Businesses also employ innumerable other people, in areas such as “government relations”, “public affairs” or “corporate communications”, whose job, in plain English, involves lobbying for or against changes in public policy. Then there are the countless business-funded outfits that say they are simply providing information about a particular industry, and the army of friendly, corporate-sponsored academics, who are all indulging in a subtler form of lobbying.

A big American firm may nowadays have a dozen or more full-time registered lobbyists on Capitol Hill, while also employing the services of a couple of dozen lobbying firms from among the 2,000 or so based around K Street. At a moment’s notice, Gucci-clad glad-handers can flood the halls of Congress, and retired politicians on a retainer can be summoned up to “make a call”. Overworked, underpaid officials find there is always a sympathetic lobbyist on hand to help them draft new regulations.

In a new book, “The Business of America is Lobbying”, Lee Drutman of the New America Foundation, a think-tank, demonstrates that in recent years companies have gone from using lobbying simply to protect themselves from politics (by seeing off such things as tax increases and regulations) to using politics to help them become more profitable. They set the terms of the debate by funding Washington’s innumerable talking-shops; and then work on the politicians and officials to ensure that the legislation locks in their advantage. Mr Drutman’s book complements a 2013 one, “The Fracturing of the American Corporate Elite”, by Mark Mizruchi of the University of Michigan. It argued that whereas companies once lobbied for public goods such as better roads, they are now more inclined to press for company-specific, or at best industry-specific, benefits.

A classic case of selfish lobbying wrapped in a cloak of selflessness was the Medicare Modernisation Act of 2003. Thanks to the pharmaceutical industry's lobbyists, this brought new prescription-drug benefits to millions of older Americans, but without any attempt to control costs through means-testing or bulk-buying. John Friedman, an economist at Brown University, estimated that as a result the drugmakers would gain benefits of \$242 billion over a ten-year period—a healthy return on the \$130m the industry spent on lobbying in the year the law passed.

There is plenty of other academic evidence to demonstrate that every dollar big business drops into the Washington wishing-well repays handsomely. Mr Drutman's book notes studies showing, for instance, that the more companies lobby, the lower their effective tax rate; and that firms which lobby are less likely to be detected for fraud than comparable non-lobbying ones.

There is equally abundant evidence that corporate lobbying is bad for society as a whole. The American Jobs Creation Act of 2004, which began as a measure to cut export subsidies, ended up being stuffed with handouts to big business at the behest of lobbyists. This added to the burden on other taxpayers and helped frustrate efforts to simplify America's Byzantine tax rules. The infestation of lobbyists special-pleading for their clients contributes to Congress's gridlock, which means that important business like fixing the tax code, and improving America's infrastructure, does not get done. Ironically, businesses are themselves among the victims when government seizes up. The tax code is so complex that companies and citizens spend 6.1 billion hours and \$163 billion preparing their tax returns each year. Bad infrastructure damages the competitiveness of American firms.

Pathological and permanent

Is there any chance that America might be able to cure its lobbying cancer? There are occasional signs of hope. The number of registered lobbyists has fallen since Congress passed the Honest Leadership and Open Government Act in 2007. During the 2013 government shutdown, Paul Stebbins, the chairman of World Fuel Services, expressed the private worries of many business leaders when he said that, "We are part of the pathology that got us here." But these signs are probably illusions. The decline in numbers is probably just due to registered lobbyists being rechristened as "strategic advisers", "issues managers" and the like. After the financial crisis Barack Obama worked closely (and opaquely) with lobbyists and other interest groups in crafting his stimulus package and his financial and health-care reforms.

Mr Drutman dashes any hopes that the growth of lobbying can be reversed. He notes that it is "sticky": once companies have made an initial investment in lobbying they almost never give up. They find that the more they do of it, and the better they get at it, the more they get out of it. American companies succeeded in recovering from the slough of the 1970s by overcoming enemies who were outsiders—over-mighty trade unions and anti-business campaigners. Today they have a much trickier problem on their hands: they have to wage war on themselves.