

How Money In Politics Affects Small Businesses

UNFAIR RULES, UNFAIR RESOURCES

“You’ve got to spend money to make money.” It’s an age-old adage that has taken on new meaning in our current political system. The corrupting influence of money in American politics contradicts the basic tenets of a free market economy. In a free market, superior products and services lead to growth and success. But in today’s political climate, more and more business owners are under pressure to play politics in order to get ahead.

Businesses that can afford to play politics through campaign donations and lobbying expenditures win non-

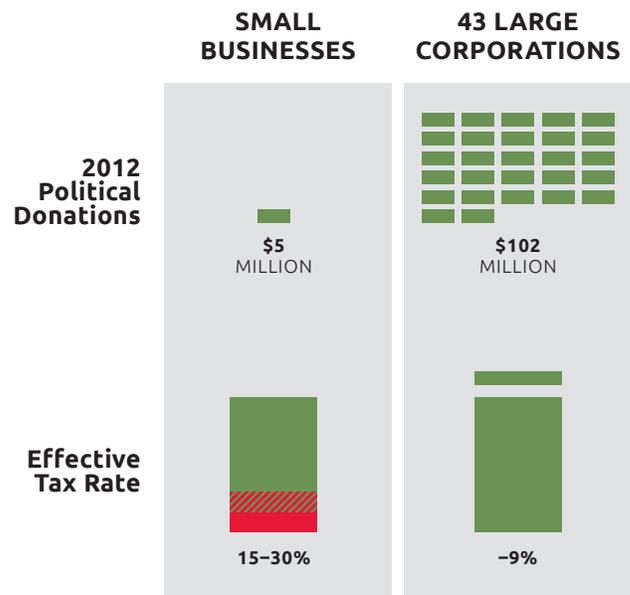
competitive contracts, special tax loopholes, and unfair regulatory advantages. During the 2012 election cycle, big business associations spent **\$188 million lobbying** Congress to pass favorable legislation. Small business associations: just \$4.5 million. Congressional candidates who raise more money win 91% of the time, so politicians know they need to keep their funders happy. It’s an equation that leads to record-breaking profit growth for the country’s biggest businesses, and a stifling environment that blocks innovation and free-market competition for small business and start-ups.

88% of small business leaders have an unfavorable view of the role money plays in politics.

THE GOLDEN RULE: THOSE WITH THE GOLD MAKE THE RULES

In 2012, 43 corporations with a combined annual profit of more than \$35 billion paid an average effective tax rate of -8.9% (that’s negative 8.9) for total **savings** just shy of \$3 billion. Their total political spending during the 2012 election cycle was \$102,082,007, a 3,400% return on investment. While your business is likely paying somewhere between 15%-30% of its income to the federal government, some of America’s most profitable companies like General Electric, Verizon Communications, and Boeing have paid an average of **less than 0% over the past 5 years**. In fact, there were 30 major companies that spent more lobbying than they paid in taxes between 2008 and 2010.

Because money and the pursuit of campaign contributions has become such an integral part of the re-election process, those businesses with the capital to invest in politics are being handsomely rewarded with legislative favors. You have to pay to play, and those who can’t afford to don’t receive the same sympathetic treatment from lawmakers.



Source: Citizens for Tax Justice

“I don’t mind competition. But my small business can’t compete with the millions of dollars that flow into our political system from people who want to keep things as they are.”

– SMALL BUSINESS OWNER IN WISCONSIN

WHAT COMPETITION?

Fair competition is a boon for consumers and motivation for businesses; it fosters innovation, curtails complacency, educates target markets, and helps drive down business costs. Employing teams of lobbyists and “consultants” in the hopes of convincing legislators to enact favorable policies is not fair competition. Often these teams allow large businesses and major corporations to secure contracts and tax breaks that were supposed to benefit small businesses. In 2012 alone, 71 of 100 companies receiving the highest dollar amount in federal small business contracts significantly exceeded the government’s own definition of a small business. The companies in question, including Chevron Corp., Boeing, and Lockheed Martin, received specifically earmarked small business contracts totaling \$9.5 billion. Maybe these contracts are dispersed based on merit, but it’s hard to imagine that the 644 lobbyists currently employed by big business associations don’t play at least some role.

Lobbyists are not the only advantage big businesses have over smaller competition; access to politicians is equally as important. Political donors are 6 times as likely to get a meeting with lawmakers or their chiefs of staff than non-donating constituents. Those meetings can have an effect; after hosting credit union lobbyists and executives in his House office before a congressional hearing, Rep. Andy Barr then protected a tax break worth \$500 million per year for banks. Even more chilling, two chemical companies with annual profits exceeding \$100 million were able to shield a highly toxic pesticide from EPA regulation by directly soliciting the help of Rep. Mike Simpson. After meeting with a handful of lobbyists they employed, Rep. Simpson used

his position as Chairman for the Subcommittee on Energy and Water Development to keep the arsenic-laced pesticide on the market, endangering private drinking wells across the country while potentially earning the companies millions of dollars.

It’s not simply that the playing field is uneven. There are two distinct and separate fields: one for those with the money and access, and one for the rest of us.

SMALL BUSINESS OWNERS KNOW THERE’S A PROBLEM

A vast majority of small business owners are ready for change. 88% of small business leaders view the role money plays in politics negatively – and they stand with the 90% of Americans who support tough new campaign finance laws. This issue isn’t about a few specific lawmakers or party members, but rather the conflict of interest arising from politicians’ dual role as regulators and solicitors of contributions. It’s institutionalized bribery unjustly benefitting a tiny minority with the financial means to matter in Washington. That’s why Represent.Us created the Anti-Corruption Act: model legislation that would help eliminate political corruption in America.

As the backbone of our economy and the heartbeat of local communities, small businesses not only play a vital role in our nation’s long-term economic success, but also in the fight against corruption in our government. Employing 50% of the working population, small businesses can become leaders in the national effort to return America to a nation in which politicians represent the interests of the people above all else.

FAST FACTS

- › Over **50%** of the working population works in a small business.
- › Small businesses create 4,000 new jobs on an average day; **90% of new jobs in America.**
- › Big business associations spend \$188 million on lobbying: **22-times more** than small business associations, which spend a mere \$4.5 million.
- › Between 2008 and 2010, 30 major companies spent **more on lobbying** than they paid in taxes.
- › In 2012, 43 corporations were subsidized by the Federal government with a **-8.9% tax rate.**
- › Those companies saved \$3 billion thanks to their lobbying. That works out to a **3,400% ROI** (return on investment).