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## Do Corporations Use Charitable Gifts As Means to Obtain Political Influence?

*New study estimates 7.1% of corporate charitable giving, totaling about \$1.3 billion annually, is politically motivated*

A new academic study has concluded that 7.1% of all U.S. corporate charitable giving, about \$1.3 billion annually, is politically motivated and correlated with the relevance of the Congressional representative of the charity's district to the business interests of the corporation. The authors conclude that this charitable giving may be a form of political influence that goes mostly undetected by voters and shareholders, and is directly subsidized by taxpayers.

The study, "[Tax-Exempt Lobbying; Corporate Philanthropy as a Tool for Political Influence](#)," was written by Marianne Bertrand of the University of Chicago Booth School of Business, Matilde Bombardini and Francesco Trebbi of the University of British Columbia, and Raymond Fisman of Boston University. It has been published on the Social Science Resource Network.

Based on reviews of 320 corporate private foundations associated with Fortune 500 and S&P 500 corporations, they show that grants given to charitable organizations located in a congressional district increase when its representative obtains seats on committees that are of policy relevance to the company foundation. They say that the pattern parallels that of publicly disclosed political action committee (PAC) spending. As additional evidence, they show that a member of Congress's departure leads to a short-term decline in charitable giving to the district, another pattern similar to PAC spending.

The authors have studied gifts in districts of politicians "who are particularly important to the firm's profitability." In part, they studied contributions to charities with which the legislator had a direct connection, such as serving on the board. They said that a charity "is more than four times more likely to receive grants from a corporate foundation if a politician sits on its board."

"To understand how charitable contributions directed to a congressional district may serve as a useful channel of political influence," they said, "one can build on the notion of credit-claiming by self-motivated politicians." They noted previous research that said "much of congressional life is a relentless search for opportunities to engage in [such credit-claiming]."

Their estimate of politically related giving for 2014 was about \$1.3 billion, which was 280% greater than PAC spending and about 40% of total annual lobbying expenditures for the year.

The authors argue that the diversion of charitable funds can result in a “welfare loss” in several ways. One is the “loss of information that may be useful to voters in forming their decision strategies” because it is so difficult to trace the political contributions. Another is the tax subsidization of “what amounts to the political voice of certain special interests.” Third is the lack of information and transparency for shareholders, and fourth is due to a “misallocation of charitable funds.” The authors conclude that “corporate foundations are at a minimum not in compliance with the spirit of the law” but do not prescribe any type of change in rules that govern corporate charitable giving.

## YOU NEED TO KNOW

The authors acknowledge that others have raised points like these in regard to corporate responsibility efforts in general, but claim to provide “the first systematic empirical support for such concerns.” Their conclusions sound reasonable. What, if anything, should be done about it is a different question.