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How One Law Student's Political Passion Became A Career

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By Sue Reisinger | October 28, 2021, 4:53 PM EDT Listen to article

Karl Sandstrom

Karl Sandstrom was an impressionable 10-year-old in Portland, Oregon, when John F. Kennedy was elected president in 1960 — old enough to become forever passionate about politics.

Now as the co-founder and chief counsel of the Center for Political Accountability, which has reshaped how corporations view their political spending, Sandstrom recalled that he was enamored with politics and public policy as a kid.

"That's why I went into law. And why I came to Washington, D.C., for law school at George Washington University," Sandstrom told Law360 Pulse in a recent interview. He went on to Georgetown University Law Center for a master's in tax law and has remained in D.C.

He was still a law student when Congress passed the Federal Election Campaign Act of 1971. "I saw that as an opportunity to combine my interest in law and politics," Sandstrom said.

So he convinced various groups to allow him to comment on their behalf on campaign spending regulations as they were proposed.

"I soon passed myself off as an expert due to the lack of any competition," Sandstrom recalled. "I was still in law school, and I knew more than most about the act."

Upon graduation from law school, his campaign spending knowledge led the Democratic National Committee to hire him as an in-house counsel.

From there, he served in-house counsel roles with various congressional committees and subcommittees, spent a year as general counsel of the Association of State Democratic Chairs and served four years as chairman of the U.S. Department of Labor's Administrative Review Board.

Then, in 1998, he was appointed to a commissioner vacancy on the Federal Election Commission, where he was able to continue his pursuit of transparency in campaign spending until he left in 2002 to join a D.C. law firm, Perkins Coie LLP, where he still serves "clients whose values I share" as of counsel.

It was around this time that Sandstrom had lunch with a congressional staffer named Bruce Freed, and they discovered that they both had a deep interest in changing how corporations were secretly influencing elections.

Freed said he became interested in political spending after covering the 1974 campaign finance bill while working for the Congressional Quarterly.

Sandstrom recalled, "In 2003, without any grants or funding and using our own resources, we created the Center for Political Accountability to actually promote corporate disclosure and board accountability, including oversight of political spending."

The center is a nonprofit, nonpartisan entity that advocates for its cause.

"One of the first things we did," Sandstrom said, "was a poll of shareholders, and the Wall Street Journal covered it on the front page. It showed overwhelming support among shareholders for disclosure and accountability, and great shareholder distrust of management in this area."

So they decided to use shareholder resolutions to get the attention of corporate boards. "If you want to change behavior, you have to deal directly with the companies," Freed said.

"Our first-time resolution got 9% of the vote," he recalled. But he added, "filing a resolution is not about getting votes but about getting in a dialogue with the company and reaching an agreement. In 2004, we did that with Morgan Stanley, which was the first company to reach an agreement on disclosure of political corporate spending and on adopting board oversight."

Sandstrom recalled working with proxy services and confronting "the mammoth institutional investors to get them to change course. We saw State Street fairly early recognize that disclosure and accountability are actually good for shareholders, and good for the economy."

Freed and Sandstrom argue that secret backroom deals between companies and politicians distort the economy and actually harm companies by allowing them to avoid their responsibility to act on behalf of the shareholders.

Such spending can create heightened risks for companies if it is later revealed that the spending conflicts with stated corporate goals or values, Freed said.

But critics argue that pressuring companies to disclose their political spending chills corporate speech and infringes the First Amendment right of the business community. Freed and Sandstrom reject such criticism as unconvincing.

In 2011, the center worked with the Zicklin Center for Business Ethics Research at The Wharton School of the University of Pennsylvania to produce the CPA-Zicklin Index of Corporate Political Disclosure and Accountability. Issued annually, the index measures performance in three areas: disclosure, company political spending decision-making policies, and board oversight and accountability policies.

The 2020 Index reported the most success yet in companies adopting the center's model. In 2020, the number of companies disclosing some or all election-related spending was 260, or over half of the S&P 500.

"It has become the norm," Freed said.

Today, shareholder resolutions on disclosure are garnering an average of 48% of the shareholder vote, as well as some majority votes, which is capturing the attention of boards.

But Freed warns that there is much more work to be done "now, with the crisis that our democracy faces. ... Just look at what happened since Jan. 6. Companies called a pause in political spending, but now you have them saying it's time to pause the pause."

Sandstrom said he would be pleased if the U.S. Securities and Exchange Commission passes a rule soon requiring disclosure of and accountability for political spending "and puts us out of work. I think it's the responsibility of the SEC to respond."

Such a proposal has been stalled in the SEC for several years.