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Big Business courted big controversies in the 2022 midterm elections. Were the returns on their political donations worth the risks?

Big Business courted big controversies in the midterms. Was it worth it? | Fortune

BY **MARIA ASPAN**

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In Pennsylvania's crucial elections this month, Outback Steakhouse's attempt to back a pro-business candidate went over like a week-old Bloomin' Onion.

The restaurant chain's publicly traded owner, Tampa-based Bloomin' Brands, this summer bet that Mehmet Oz could win the Keystone State's fiercely contested U.S. Senate seat. Oz, a talk-show doctor endorsed by Donald Trump, had promised in January that he would "not take one dime of corporate PAC money, not one dollar." But some corporate political action committees donated anyway, wooed by Oz's opposition to environmental regulations and tax hikes—potential that eventually won him the U.S. Chamber of Commerce's endorsement as a "pro-business champion." In July, Bloomin's PAC donated $2,500 to Oz.

Sure, $2,500 is a small amount for the restaurant operator, which had $4.1 billion in 2021 revenue. (Corporate PACs are limited to donating $5,000 per candidate per election, although companies can also donate—essentially without limits—to so-called Super PACs and "dark money" groups.) Bloomin's PAC spent a total of $93,000 this election cycle on 37 federal candidates, 70% of whom were Republicans, according to OpenSecrets.org.

Still, Oz turned out to be a particularly unfruitful target. First Bloomin'—which is named after Outback's signature appetizer, a 1,600-calorie deep-fried onion—saw its preferred candidate go viral over healthier vegetables: In a much-mocked campaign video, Oz attempted to bond with ordinary voters over inflation, by awkwardly grocery shopping for what he called "crudités." Then, less than three weeks before the elections, when the *Philadelphia Inquirer* reported that Oz had collected at least eight different corporate PAC donations despite his pledge not to, his campaign said it would refund Bloomin's money.

"That really shows you how sleazy the whole corporate-donation situation is—because if you're not going to call me on it, I'm going to keep it," says Larry Noble, a former general counsel for the Federal Election Commission.

(A Bloomin' Brands spokesperson told *Fortune* by email that Oz's campaign returned the PAC's donation on Oct. 25, and declined to comment further. A spokesperson for Oz's campaign did not respond to requests for comment.)

After all that, Oz lost—to Pennsylvania lieutenant governor John Fetterman, whose victory in the swing state helped the Democrats keep control of the Senate and stave off a Republican sweep of Congress. While the GOP successfully flipped the House of Representatives, the Democratic party held onto more power than many polls had predicted—and many business leaders had hoped. The Chamber of Commerce, for one, was "disappointed that several excellent candidates who had our strong support did not prevail in their races," CEO Suzanne P. Clark said in a Nov. 9 press release. "They would have been effective voices for business and made a meaningful impact in the next Congress."

Across the nation, big companies and their executives are feeling a similar campaign-cash hangover. Those that donated to federal candidates hoping to reshape the balance of power in Washington failed to make a broad difference—with results likely to guarantee two years of gridlock. Donations to many GOP lawmakers came with the reputational costs of supporting election deniers, abortion opponents, and other politicians whose platforms anger customers and employees. Donations to Democrats, meanwhile, carried their own risks, especially at a time when powerful GOP lawmakers are threatening investigations and other reprisals for "woke" corporations.

"Getting involved in partisan politics can be a way to shoot your brand in the foot," says Ciara Torres-Spelliscy, a campaign-finance expert and professor of law at Stetson University. "It's the ultimate reputational risk."

As politics get even more toxic, the downsides of corporate campaign contributions are growing. Last year's Jan. 6 insurrection at the U.S. Capitol set off a temporary flurry of corporate soul-searching about backing controversial candidates, but most companies eventually went back to business as usual. Corporate PACs and business trade groups spent more than $52 million on 2022 campaign contributions to lawmakers who voted against certifying the 2020 presidential election results, OpenSecrets.org reported this week.

But as the midterm results demonstrated, companies aren't even guaranteed an upside from some of these fraught investments. So are they really worth the risk? Or is it time for Big Business to rethink spending money on elections at all?

More money, more problems

Big companies, and the people running them, have been trying to influence election outcomes for decades. And since the Supreme Court's

2010 *Citizens United* ruling opened the flood gates for corporations and wealthy individuals to make unrestricted—and more opaque—donations to political candidates, outside spending on elections has skyrocketed. The combined spending by businesses and businesspeople helped to make the 2022 midterms the most expensive in history, according to Open Secrets.

As of Oct. 28, business-related PACs had poured an estimated $167 million into Republican federal candidates in 2022, and $137 million into Democrats. Donations from business-related individuals, including billionaires, went even further: Investor George Soros single-handedly spent more than $128 million in this election cycle, entirely on Democrats; meanwhile, most of the other top individual donors—including Citadel's Ken Griffin, Blackstone's Stephen Schwarzman, venture capitalist Peter Thiel, and Oracle's Larry Ellison—collectively gave hundreds of millions of dollars to Republicans. (Disgraced FTX founder Sam Bankman-Fried was one of the only other top individual donors to heavily back Democrats, to the tune of $37 million. After his crypto company melted down this month, several lawmakers said they would donate Bankman-Fried's campaign contributions to charity.)

Traditionally, companies and executives have argued that their money guaranteed access to successful candidates, to lobby for policies that would protect and expand their bread-and-butter operations. "You can't afford not to engage in the political process," says Neil Bradley, chief policy officer at the U.S. Chamber of Commerce.

Despite its disappointment over Dr. Oz and several other unsuccessful candidates, the powerful business trade group noted that the majority of the politicians it endorsed in 2022 won their elections. With its help: The Chamber's PAC donated $310,500 in this election cycle to 113 federal candidates, 75% Republican and 25% Democrat. "That doesn't mean we're in agreement with every candidate on every issue," Bradley says, "but to suggest that we would have been better off by not participating, and not giving money? I just fundamentally disagree with that."

But now the stakes are becoming much more complicated. In the wake of the Jan. 6 insurrection and the Supreme Court's ruling to overturn Roe v. Wade—among many other social upheavals—big businesses are facing unprecedented pressure to take public stances on political issues and to live up to their promises of corporate citizenship and "stakeholder capitalism."

"Corporations today are facing very dire risks from their engagement in the political process, and from their use of political money," says Bruce Freed, president and co-founder of the Center for Political Accountability, a nonpartisan nonprofit focused on corporate political spending.

Whatever employees and customers might prefer, the solution isn't as simple as companies swinging their donations to the other side of the aisle. Businesses who do speak out on environmental and social-justice issues are also facing punishments from powerful lawmakers opposed to this advocacy. Disney has become the Fortune 500 cautionary tale here, after it opposed Florida's so-called "Don't Say Gay" legislation and provoked the ire—and the punitive policies—of Republican Governor Ron DeSantis. (DeSantis just won re-election in a landslide—and celebrated by promising to "fight the woke in the corporations.") In Washington, Republican lawmakers have threatened to hold Congressional investigations and hearings into companies whose political leanings anger them, including those who suspended donations in the wake of Jan. 6.

That's another argument for companies going cold turkey across all candidates, instead of letting P.R. crises dictate when to donate and when to abstain. "Political spending just opens up corporations to a host of problems and issues on both sides," says Dorothy S. Lund, an associate law professor at USC and co-author of a January article in the *Harvard Business Review* arguing that corporate political spending is "bad business."

"You risk reputational harms from your customers and your employees," and meanwhile "Republicans have really been targeting corporations for their political activities," Lund adds. "It's a dangerous game."

Cold turkey, then a relapse

Some companies have long agreed with her—and happily sit out every election.

Donating to politicians "is increasingly risky," says Christopher Padilla, vice president for global government and regulatory affairs at IBM. "You write a check to a member of Congress and the perception is that you're endorsing everything that member stands for—even things that you may not be comfortable with."

IBM has never donated to political candidates—and Padilla says this policy hasn't damaged the company's ability to effectively lobby lawmakers, or to have its views heard in Washington. (And he's saved himself from having to attend tedious campaign-donor receptions at D.C. hotels, "just to get 10 minutes to talk about some obscure tax issue.")

"I don't think PACs are bad. I've worked for companies that have them," Padilla adds. But these days, he sees most corporate political donations as "a crutch—companies keep doing it, because they've always done it," instead of rigorously reassessing their investment strategies, or putting in the work to build less transactional relationships with lawmakers.

In the wake of January 6, after hundreds of companies said they were pausing or ending their political donations to lawmakers who questioned the legitimacy of the presidential election, Padilla heard from plenty of other executives interested in following IBM's lead. Almost two years later, most of those companies have resumed donations, including to election deniers—and Padilla is disappointed by how little has changed.

"I thought, frankly, that there might be more reassessment of PACs after January 6," he says. But "for some companies, it's just the way they've always done this work—and so they can't see any different way to go."

Now, as businesses assess the impact of their 2022 political investments and gear up for the next presidential elections, even some business-friendly lawmakers are telling them to rethink their donation strategies. "Quit writing checks to everybody," West Virginia Senator Joe Manchin, the powerful conservative Democrat, told the chief executives gathered at the Fortune CEO Initiative summit early this month. "You all are supporting bad behavior."

Manchin went on to say that he thinks corporate donors should think of their money as "investments" in lawmakers who commit to specific goals, rather than "contributions." A spokesperson for Manchin declined to comment further, but clearly he's a popular bet for businesses: He's raised almost $8 million in the past two years, including more than $1.2 million from PACs, and he wasn't even on the ballot this month.

One of those donors? Outback Steakhouse's parent company, which a year ago gave another $2,500 towards Manchin's next campaign, if he runs for re-election in 2024. Better luck to Bloomin' then.