

# UT professors find mixing business with politics pays off

November 11 2010

---

Now that the 2010 election is over, here is something to consider for the 2012 race: If you want to fatten your company's profits, contribute to a political campaign.

A study by two College of Business Administration professors at the University of Tennessee, Knoxville, found that when firms engage in corporate political activities, such as lobbying and making campaign contributions, they enjoy about 20 percent higher performance. The study, by Russell Crook and David Woehr, along with Sean Lux of the University of South Florida, entitled "Mixing Business with Politics: A Meta-Analytic Study of Corporate Political Activity," will be published in the January 2011 edition of the [Journal of Management](#), and available online at <http://jom.sagepub.com/>.

The researchers looked at more than 7,000 firms over various time periods, analyzing what leads firms to engage in corporate political activity. They found that the larger the firm, the more likely it was to be politically active. Also, politicians with more policy-setting clout are more likely to be on the receiving end of corporate contributions. Incumbents are also more likely to receive corporate attention.

This research follows the January 2010 decision by the U.S. Supreme Court in *Citizens United vs. Federal Election Commission*, which overturned a long-standing ruling limiting business spending on political campaigns. According to the researchers, this arguably opens the door to even higher levels of corporate political activity. Indeed, despite the state

of the U.S. economy, more money flowed to politicians during this past election cycle than ever before.

"There will be more corporate political activity because donations will be subject to less scrutiny and transparency; thus it will be more difficult to track down the source of corporate political activity," said Crook.

"Given this, we think that the Supreme Court ruling means that corporations and politicians will develop closer relationships than ever before."

The authors do not speculate as to why corporate political activity leads to fatter profit margins but point to examples such as the Copyright Term Extension Act, dubbed the "Mickey Mouse Protection Act," in which Disney successfully lobbied to extend U.S. copyrights by 20 years.

While the authors say these dealings do not smack of corruption, they do say it is a cause for concern to policymakers, managers, journalists and citizens alike.

"We do not believe that this activity is illegal, but this activity constrains natural market forces and is thus undesirable. And with the new Supreme Court ruling, it is only going to get worse," said Crook.

Provided by University of Tennessee at Knoxville

Citation: UT professors find mixing business with politics pays off (2010, November 11)  
retrieved 7 July 2024 from <https://phys.org/news/2010-11-ut-professors-business-politics.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.