



## TDS STRATEGY MEMO:

**AMERICAN BUSINESS HAS THE POWER TO STOP  
THE GOP ASSAULT ON DEMOCRACY –  
HERE'S A STRATEGY TO MAKE THEM DO IT.**

BY  
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During the decades when Mexico was a one-party state ruled by the PRI (Partido Revolucionario Institucional) at first glance elections in that country appeared to be serious affairs. Candidates traveled the country, gave speeches, inaugurated bridges and hugged babies while campaign workers hung signs and banners across major streets and painted walls with campaign slogans.

On election night, however, in small towns across the country, the wooden boxes that contained the votes were brought to a room above the mayor's office and "official" vote counters—every one of whom was a member of the PRI—tabulated the votes and then waited for a phone call from the governor's office telling them how many votes needed to be added or altered in order to achieve the desired local total.

Average Mexicans knew perfectly well what was going on. With their characteristic blend of cynicism and fatalism they vividly described the vote rigging as "Electoral Alchemy" and one prominent writer described the country as a "Surrealist Democracy." *"From a distance,"* he wrote, *"one observes what appear to be Democratic elections but when one views them more closely it becomes clear that this is an optical illusion."*

America is now well on its way to creating an electoral system that functions like Mexico's during its era of one-party rule. In Republican states across the country honest election officials—many of them Republicans—are being driven out of office and replaced by partisan Trump supporters who openly signal their willingness to reject any inconvenient election result as "fraud" and declare the loser the winner. In state after state lower-level non-partisan election workers are being fired or pressured to quit by threats of legal prosecution or physical attack.

As President Biden noted:

[The threat is] about moving from independent election administrators who work for the people to polarized state legislatures and partisan actors who work for political parties. To me this is simple. ***This is election subversion. It is the most dangerous threat to voting in our history.***

The particularly insidious quality of this assault on American democracy is that the consequences will not become apparent until election night. Until then the GOP functionaries will sanctimoniously promise that they will, of course, be scrupulously fair.

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There is only one force in American society that currently has enough influence and power over the GOP to prevent this calamity from occurring – the American business community. Although they are allies of the GOP on most issues, in this case for three reasons their interests profoundly diverge.

1. Actually stealing an American election is a recipe for profound civil chaos. Trump supporters may not care if America is irrevocably torn into two bitterly divided nations but American business most certainly does.
2. In a nation where the majority of the voters and very substantial majorities of young people vote Democratic, most major corporations cannot allow themselves to be perceived as servile tools of the GOP.
3. Most corporate leaders and college educated executives are not fanatical Trumpists. As Blumberg Businessweek notes “most executives who lean to the right view themselves more in the mold of George H.W. Bush than say Senator Ted Cruz of Texas.” On university boards and at charity events their personal and social relationships overlap with many moderates and liberals.

The difficult challenge, however, is figuring out how to apply effective pressure on American business – pressure that will convince them to financially defund the GOP if Republicans attempt to engage in the blatant vote theft that is now their very clear backup plan for future elections.

The challenge is complex but not impossible. In the following pages a strategy is suggested for how this can be done.

## **Challenging Corporate Financial Support for GOP Election Theft**

In response to the widespread outrage over the January 6<sup>th</sup> assault on the Capitol, many major corporations temporarily “paused” all political contributions to corporate Political Action Committees but this was widely and accurately dismissed as an entirely cosmetic stalling tactic to buy time until the furor died down. By July many of these same corporations were resuming political contributions in “business as usual.”

But the profound political revulsion at the assault on the Capitol was evident in the case of Toyota which initially refused to join the pause, saying that it “*supports candidates based on issues that are important to the auto industry and the company.*” Toyota then backed down when it was hit with a powerful social wave of criticism including a threatened ad campaign by the Lincoln Project. Although it only conceded that its actions “*troubled some shareholders,*” with electric and other non-carbon based vehicles like the Prius playing a key role in its future plans, it could not afford to infuriate the millions of college-educated consumers that it was hoping to win.

## **The First Obstacle: Corporate “Money Laundering” of Political Contributions.**

The laws that govern corporate political contributions allow companies to “launder” those contributions in a variety of ways. Legally prohibited from making direct contributions, corporations can create PAC’s (political action committees) but these can only channel limited amounts of cash with clear reporting requirements.

Beyond this, however, corporations can contribute unlimited funds to “527” organizations like “leadership PACs” and GOP party committees like the National Republican Congressional Committee, the National Republican Senatorial Committee, The Republican Governor’s Association and the Republican State Leadership Committee, all of which can donate to politicians who supported the Republican assault on democracy without identifying any specific company as the source of the funds.

And beyond these organizations there are also industry groups like the Chamber of Commerce, the American Association of Manufacturers, and industry trade groups in Real Estate, Insurance and other fields that are equally free to channel corporate contributions to support politicians who attempted to derail the 2020 election.

According to estimates from the Center for Government Accountability and The Citizens for Responsibility and Ethics in Washington, the Republican Governor’s Association, the Republican State Leadership Committees and Republican Attorney Generals Association alone have in recent years given over 1.05 billion to the GOP—twice as much as to Democrats—with much of this funding coming from corporations. This translates into a GOP financial advantage that exceeds \$200 million that was directly provided by corporations.

The question then is how these intricately “laundered” corporate political contributions can be influenced.

### **Popular Campaigns to Influence Corporations**

For progressives and Democrats, the first strategy that naturally comes to mind is consumer boycotts but, realistically, the relatively few successful consumer boycotts of a corporation have generally focused on a single company and a single issue and were often limited to one city, state or region. A campaign to pressure corporations to withhold financial contributions to the GOP, in contrast, needs to be national in scope and target the widest possible range of firms.

The alternative strategy that is now increasingly coming into focus is “activist stockholder” campaigns that attempt to impose binding resolutions on corporations or replace corporate leaders.

### **Activist Investors and Activist Stockholder Campaigns**

Many of the most widely reported campaigns by activist investors in recent decades have been launched by corporate raiders like Carl Icahn and T. Boone Pickens and dealt with conventional business issues. But there is also a history of progressive stockholder campaigns. Unions have leveraged the influence of their pension funds which at certain times had the funds of 4 million members and controlled as much as 250 billion in assets. Faith-based coalitions have also used their financial power. The Interfaith Center on Corporate Responsibility, for example, includes 300 global institutional investors who represent 500 billion in assets.

More recently, a variety of pro-environmental and pro-racial justice campaigns have employed stockholder actions as part of their strategy, becoming sufficiently powerful to now be discussed in the business press under their own buzzword “ESG (Environmental/Social/Governance) Activism.” These campaigns have achieved some significant successes, forcing climate change resolutions and mounting direct challenges to corporate management.

## The Latest Trend – Corporate Political Responsibility

The latest trend is focused precisely on the issue of corporate political contributions and political influence under the label of “Corporate Political Responsibility.” It is a direct response to the growing anti-democratic extremism of the GOP.

At first glance stockholder activism would seem an extremely unlikely tactic for successfully influencing corporate behavior in a progressive or Democratic direction. The traditional conception of a “stockholder” was a wealthy individual who owned individual stocks in a set of companies. Once a year he (and it was inevitably a “he”) would receive paper “proxies” that entitled him to vote his shares on the issues to be raised at a corporation’s annual meeting.

Today, in contrast, most shares in corporations are owned by institutions – mutual funds, commercial banks, insurance companies, corporate and institutional pension funds, college endowments, investment firms, private foundations, hedge funds and boutique asset management firms.

Individuals, meanwhile, hold most of their personal savings in 401K retirement accounts, IRA’s, 527 College Savings Accounts and similar financial instruments and invest their money in institutional intermediaries like mutual funds or bank or insurance company products rather than by directly purchasing shares of stock in individual companies. As a consequence, the right to vote proxies at annual meetings is controlled by these financial intermediaries rather than directly by the individual investors.

It is the dominance of these intermediate financial institutions that provides opportunities for influencing corporate behavior. Legally and ethically these institutions are acting as *fiduciaries* – which is defined as “[holding] a legal or ethical relationship of trust with one or more other parties. Typically, a fiduciary prudently takes care of money or other assets for another person... good conscience requires the fiduciary to act at all times for the sole benefit and interest of the one who trusts.”

As such these financial institutions are obligated to take into account the wishes of their clients in regard to the voting of the shares at corporations’ annual meetings.

This has led to a rise of shareholder activism at every level of the institutional investment system. One recent event that shook the investor community was decision of three of the largest mutual funds – BlackRock, Vanguard and State Street, to support a challenge to Exxons’ board of directors.

As the *New York Times* explained:

Wall Street has seen its share of strange bedfellows, but a recent alliance of investors that took on Exxon Mobil was unprecedented.

Last week, an activist investor successfully waged a battle to install three directors on the board of Exxon with the goal of pushing the energy giant to reduce its carbon footprint. The investor, a hedge fund called Engine No. 1, was virtually unknown before the fight.

The tiny firm wouldn't have had a chance were it not for an unusual twist: the support of some of Exxon's biggest institutional investors. BlackRock, Vanguard and State Street voted against Exxon's leadership and gave Engine No. 1 powerful support.

The stunning result turned the sleepy world of boardroom elections into front-page news as climate activists declared a major triumph, and a blindsided Exxon was left to ponder its defeat.

...Observers say Engine No. 1's victory shows there is a path for shareholder activism to change how companies approach issues like racial diversity and the environment, often considered distractions from producing profits.

Engine No. 1 held only 0.02 percent of Exxon's shares, giving it a similar portion of proxy votes, while BlackRock, Vanguard and State Street, together accounted for nearly 20 percent of the voting shares.

Analysts say it's hard to overstate the impact that Exxon's defeat will have on corporations across the country.

In 2018, BlackRock, Vanguard and State Street cast an average of about 25 percent of the votes in elections for directors of all of the companies in the S&P 500. The mere threat that some of those votes are more likely to be cast against management will force executives to think long and hard about how to address their concerns, analysts say.<sup>1</sup>

At the same time, coalitions have emerged among socially concerned investment groups that are designed to leverage their collective influence. One such coalition is specifically focused on corporate contributions to GOP pro-insurrectionists.

A coalition of over 125 state treasurers, public pension fund trustees, foundations, socially responsible investors and religious funds with assets under management of over \$1.5 trillion is calling on the boards of 82 corporations to immediately stop contributions to any elected official who sponsored voter suppression efforts or voted against the certification of the Presidential election following the January 6 Capitol Insurrection and to comprehensively disclose all political contributions.

Earlier this year in the aftermath of the Capitol Insurrection, a similar coalition sent letters to the top six asset managers to answer for their political contributions and history of blocking shareholder accountability efforts on corporate lobbying and political spending disclosure. In response, JPMorgan Chase decided to continue to withhold political contributions from some of those Republican members of Congress who voted against certifying the 2020 Election.

The coalition is coordinated by Majority Action, a nonprofit shareholder advocacy organization, and the Service Employees International Union (SEIU), which unites two million service and care workers, along with the Interfaith Center on Corporate Responsibility, Investor Advocates for Social Justice, Adasina Social Capital, Robert F. Kennedy Human Rights and other partners.

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<sup>1</sup><https://www.nytimes.com/2021/06/09/business/exxon-mobil-engine-no1-activist.html>

In the letter, the coalition calls for each company to amend their political contributions policy to preclude any contributions from the company, its subsidiaries and Political Action Committees (PACs) to any candidates or campaign committees that have sponsored efforts to restrict or impede voting rights or otherwise disenfranchise or limit the civil rights of communities of color, to cease contributions to members of Congress who voted against certification of the 2020 election following the events of January 6, and to provide full public disclosure of the recipient and amount of all direct and indirect election-related spending.<sup>2</sup>

Finally, at level of the individual investor, new systems are being developed to give individuals more information and power over the financial intermediaries who hold the proxy rights to the shares that they own. One start-up effort of this kind is Tumalo Corp, a system developed in the U.K. which allows pension funds, mutual funds and other investment institutions to provide their individual clients with a portal which allows them to see the companies that the financial intermediary has invested in, read information about upcoming votes and issues at these companies' annual meetings and directly communicate their opinions to the firm in question.

The Tumalo website explains the idea:

Users are able to access Tumelo via their personal account with the pension fund, mutual fund or other investment provider. They can see and explore companies in their portfolio. Users learn about upcoming shareholder votes and submit vote preferences for issues they care about. Tumelo collects preferences from all users and informs those responsible for voting ahead of company annual general meetings.<sup>3</sup>

Although, as the legal owner of the individual stocks, the right to vote at annual meetings technically belongs to the pension fund or mutual fund rather than the individuals themselves, when a system of this kind is leveraged by social media, its potential influence is tremendous. One need only imagine a media headline that read *"200,000 small investors flood Company X's annual meeting with written demands that corporation halt contributions to GOP."* Or even more dramatically *"200,000 small investors demand Company X's board of directors be fired if they do not halt contributions to the GOP."* When combined with large numbers of small activist investors who temporarily buy very small amounts of stock through "retail" brokers like Robin Hood, the level of public pressure that could be created is substantial.

It might be thought that major corporations, being generally pro-Republican, would fiercely resist any pressure of this kind. But, as noted above, defending America's democratic institutions is not a typical "left" demand that threatens a company's bottom line. On the contrary, significant sectors of the business community clearly and urgently recognize that undermining the American system of government poses a profound threat to American business itself.

The extent of this recognition was dramatically illustrated during the 2020 election by the open alliance of the Chamber of Commerce with the AFL-CIO to protect the democratic system against Trump's assault.

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<sup>2</sup><https://static1.squarespace.com/static/5d4df99c531b6d0001b48264/t/60cb487ac536d3292885e51d/1623935099006/Broad+Institutional+Investor+Coalition+Calls+on+More+Than+80+Corporations+to+Stop+Funding+Voter+Suppression.pdf>

<sup>3</sup><https://www.tumelo.com/personal>

As the *New York Times* explained:

*About a week before Election Day, [AFL-CIO political director] Michael Podhorzer received an unexpected message: the U.S. Chamber of Commerce wanted to talk.*

*The AFL-CIO and the Chamber have a long history of antagonism. Though neither organization is explicitly partisan, the influential business lobby has poured hundreds of millions of dollars into Republican campaigns, just as the nation's unions funnel hundreds of millions to Democrats. ...*

*But behind the scenes, the business community was engaged in its own anxious discussions about how the election and its aftermath might unfold. The summer's racial-justice protests had sent a signal to business owners too: the potential for economy-disrupting civil disorder. ...These worries had led the Chamber to release a pre-election statement with the Business Roundtable, a Washington-based CEOs' group, as well as associations of manufacturers, wholesalers and retailers, calling for patience and confidence as votes were counted.*

*But Neil Bradley [the Chamber's executive vice president and chief policy officer] wanted to send a broader, more bipartisan message. He reached out to Podhorzer... Agreeing that their unlikely alliance would be powerful, they began to discuss a joint statement pledging their organizations' shared commitment to a fair and peaceful election. They chose their words carefully and scheduled the statement's release for maximum impact. As it was being finalized, Christian leaders signaled their interest in joining, further broadening its reach.*

*The statement was released on Election Day, under the names of Chamber CEO Thomas Donohue, AFL-CIO president Richard Trumka, and the heads of the National Association of Evangelicals and the National African American Clergy Network. .[It read, in part] "Although we may not always agree on desired outcomes up and down the ballot, we are united in our call for the American democratic process to proceed without violence, intimidation or any other tactic that makes us weaker as a nation."*

Although this indicates that American business will not universally resist demands to restrict corporate contributions to pro-insurrectionist politicians, it is still predictable that there will be general resistance to stockholder limitations on corporations' freedom to contribute as they choose. This will be the case even though many corporations will not really mind campaigns that "force" them to do something they would actually prefer to do anyway.

This means, nonetheless, that a campaign to compel American business to "defund" the GOP if it attempts election theft will inevitably present a vast and complex challenge. The campaign must be visualized as a multi-year effort that needs to be executed in a series of stages leading up to the 2024 elections.



**STAGE 1 – FROM NOW TO NEXT SPRING – BUILDING THE CAMPAIGN INFRASTRUCTURE.**

Groups and organizations with knowledge and expertise in conducting activist shareholder campaigns will need to create a framework for collaboration and joint planning that can debate and define the campaign's objectives and map out a plan of action aimed at having a significant influence on next Spring's annual stockholder meetings. The goal would be to have by that time an operating alliance that is capable of influencing number of corporations to ban contributions to insurrectionary Republicans.

(One critical issue that will have to be debated and resolved is the specific objectives of the campaign. Putting forth a long "laundry list" of the many vile GOP anti-Democratic initiatives will increase corporate resistance while focusing on literal election night vote theft will focus maximum attention on the "worst case" scenario. There is a distinction between a broad or narrow focus: many of the GOP measures make voting more difficult; election night vote theft makes voting utterly meaningless.)

**STAGE 2 – RESPONDING TO THE 2022 CONGRESSIONAL ELECTIONS – NOVEMBER 2022 TO THE 2023 ANNUAL CORPORATE STOCKHOLDER MEETINGS.**

Assuming, as is entirely likely, that one or more state-level elections in GOP-controlled states will indeed be blatantly stolen by partisan GOP election officials, the goal for the 2023 annual stockholders' meetings would then be to enforce binding resolutions on corporations or replace board of directors who refuse to take the needed action to defund the GOP at various levels. The campaign's goal would be to absolutely convince the GOP that large numbers of American corporations will decisively break with the party and quite literally defund it if they attempt to steal the 2024 elections.

It must be recognized that this strategy presents a daunting challenge and is far from certain of success. But it is absolutely vital that an approach of this kind be tried. Unless the GOP is stopped, it has shown that it will engage without any shame or hesitation in the "electoral alchemy" of blatantly stealing elections rather than allow the party to lose in 2024 and will have absolutely no scruples about turning America into a pathetic, "surrealist Democracy" that betrays every principle of the American system of government.