

Corporate Political Strategy on Three Continents
A Managerial Comparative Approach at Global Level
Part I - United States of America and Russia

Simona BUȘOI

The Bucharest Academy of Economic Studies, Romania

E-mail: simona.busoi@ase.ro

Phone: 021319 19 00/401

Amedeo ISTOCESCU

The Bucharest Academy of Economic Studies, Romania

E-mail: amedeoistocescu@yahoo.com

Phone: 021 319 19 00

Abstract:

This is the second part of our study¹ on corporate political activity, an issue that should be regarded as very important in the firm's interaction with the political factor.

The aim of this scientific approach is to present a comparative analysis on corporate political strategies in various parts of the world, referring in particular to the United States of America, Russian Federation and People's Republic of China, and finally, to Romania. We shall focus on the characteristics of the corporate political strategies in the countries mentioned before, in specific economic, political, legal, historical and cultural conditions. It will be seen that the political activity of the corporations can generate different results in countries with different degrees of development, different political system and cultural background. In the end, we intend to show which are the resemblances and the differences between the corporate political activity in the four countries from three continents, and which the path for Romania is in this regard.

For this is a complex matter, as there are many characteristics of the corporate political activities and examples meant to illustrate these activities in the four countries, we present here, for editorial reasons, a first part of our analysis, regarding corporate political activity the US and Russia. Russia today is an important player in the world, both politically and economically, and the old antithesis between the two countries, USA and Russia, has turned into a new kind of competition, as a result of the major changes that took place in Russia in the recent decades. In the second part we shall refer to China, an economic power that can not and must not be ignored, and Romania, our major interest, and we'll also present the final conclusions of our study.

Keywords: *corporate political activity, corporate political strategy, lobby, campaign finance, interest groups, oligarchs, economic rationality, United States of America, Russian Federation*

JEL classification: M14, L21

¹ This is the continuation of the article "The Impact of Corporate Political Activity over Strategic Management", published in the same journal, Volume 10, Issue 1, March 2009.

Introduction

A reference to Abraham Lincoln and his allegations is always full of meaning. In the opinion of Arthur Seldon², if Lincoln lived now, he would see that the government is not "of the people, by the people, and for the people"³ anymore, but "of some people, by and for some people". Arthur Seldon refers to interest groups and economic governance in the United States of America, United Kingdom and Europe. Using the positive *Public choice* approach, we don't comment the disappointment that Abraham Lincoln would have felt in the situation described before. We just make a comparative analysis of the corporate political activity in the United States of America and Russia, later will shall include in this comparison, in the second part of this study, China and Romania. The rationale of this approach is the analysis and the understanding of the facts, because whether we want or we don't, corporations, as actors in the economic and in the political markets, will always pursue their own interests, while respecting the legal framework or sometimes even breaking it.

Corporate political activity can be regarded as a part of a wider management function - corporate public affairs - which, by definition, are designed to facilitate exchanges between an organization and its political and social stakeholders.⁴ Political activity of the company has its role in the political national and international arena, because it can be a source of „efficiency, market power and legitimacy [...]”⁵.

Between the United States of America and Russia there are certainly important differences, determined by each country's culture, by the specific mentalities and historical, social and political factors. We propose in this article to present and to analyze, in terms of corporate political activity, the differences and similarities between these factors in these two countries. As you will see, there are still major differences between the strategic approaches at the managerial level of the corporate political activity in these states nowadays.

1. What happens in United States of America?

The actual economic crisis has established an important increase of the political activity of the corporations. Now, more than ever, according to the financial crisis and to a massive reduction of sales, the companies are lobbying to get fee reductions, to obtain funds in order to save companies from bankruptcy or various other features. Obviously, the policy of the company is becoming more

² Gordon Tullock, Arthur Seldon, Gordon L. Brady, *Government Failure. A Primer in Public Choice*, CATO Institute, Washington, D.C., 2002, pp. ix-x

³ Fragment from the speech of Abraham Lincoln at Gettysburg, one of the most famous definitions of democracy.

⁴ C. Fleisher, N. Blair (1999), „Tracing the parallel evolution of public affairs and public relations: an examination of practice, scholarship and teaching”, *Journal of Communication Management*, 3, 276-292, apud Phil Harris, Craig S. Fleisher, *The handbook of public affairs*, SAGE, 2005, p. 147

⁵ Jean J. Boddewyn, Thomas L. Brewer, „International-Business Political Behavior: New Theoretical Directions”, *Academy of Management Review*, 1994, Vol. 19, No. 1, pp. 119-143

important and the political strategy should be considered as a part of the strategic management process of the company.

In the independent daily journal "The Washington Examiner," Timothy P. Carney⁶ analyses *The Economic Recovery and Reinvestment Act*, promoted by President Barack Obama and voted by the United States Congress, over the lobbying system. He shows that both small companies, which have not conducted up to now lobbying activities, but also big companies with extensive experience in this regard, have hired lobbying firms to obtain some advantages and many of them have succeeded.

"Borrowing \$787 billion from the next generation and spending it as rapidly as possible may or may not provide a jolt to the United States of America economy. But one thing is certain: H.R. 1, the Economic Recovery and Reinvestment Act, has already triggered a lobbying boom, suggesting once again that the 'Age of Obama' will be a golden age for K Street".

Timothy Carney shows how the National Association of Home Builders or Better Place Inc., an electric car company, but also some big companies as Time Warner and Cysco Systems received as a result of the lobbying carried out, various forms of subsidies. These are just some of the numerous companies, large and small, who have made efforts in this regard.

*"Does the lobbying boom matter? Even if you reject Obama's anti-lobbyist, man-of-change rhetoric from the campaign trail, there are costs. Some of these new lobbyists, once they've gotten their slice of the stimulus pie, might say farewell to Washington, but most will stick around. They'll find new ways to game Washington for a profit — new subsidies and new regulations to drive business their way or hurt their competition.[...] And on legislative intent, was Congress trying to boost the economy or reward interest groups that can help their re-election?"*⁸

In general, it is known that industries subject to government regulations are particularly lobbying. In this position and "Detroit Big Three", General Motors, Chrysler and Ford. On this issue, of great actuality in the U.S., refers Kendra Marr in an article⁹ in the Washington Post. Thus, in the opinion of Greg Martin, spokesperson for GM, the car industry is probably the most heavily regulated in the country. And "The lobby is a form of expression protected by law. It is for us a transparent and effective way of expression on regulations that impact on business and our employees. "

⁶ Timothy P. Carney, "Obama's stimulus: The Lobbyist Enrichment Act", *The Washington Examiner*, 18.02.2009, <http://www.washingtonexaminer.com/politics/Obamas-stimulus-The-Lobbyist-Enrichment-Act-39753637.html>, accessed 31.03.2009

⁷ K-Street is a street in Washington DC, famous for the fact that is the location of the lobbying firms from Washington.

⁸ Idem

⁹ Kendra Marr, "Carmakers Lobbying as They Get Bailout Money", *Washington Post*, 11.03.2009, <http://www.washingtonpost.com/wpdyn/content/article/2009/03/10/AR2009031003310.html>, accessed 1.04.2009

"Using government money to lobby against consumer and environmental protections is wrong", said, on the other hand, Ed Mierzwinski, program director for United States Consumers Public Interest Research Group, referring to the criticism generated by allegations that the companies use a part of the money received as aid from the local Government in order to do more lobbying. In response, the same Greg Martin believes that "companies should not be required to forfeit their legal rights if they receive federal funding." In the same article are presented the amounts that companies in the car industry in the United States, both American and branches of Japanese companies, have spent on lobbying in the last three months of the year 2008: General Motors - \$ 3.9 million, Chrysler, together with its parent company, Cerberus Capital Management - \$ 3.4 million, and Ford, which has not requested federal aid, has spent for lobbying on other issues approximately \$ 2.3 million. The corporate political activity of the American subsidiaries of the Japanese multinational companies was also present: Toyota spent \$ 1.3 million, and Honda - \$ 945,000. The evolution of the lobby of the three American car companies has an upward trend in the case of General Motors and Chrysler, in the Cerberus Capital Management, and decreasing for Ford (figures 1, 2, 3).

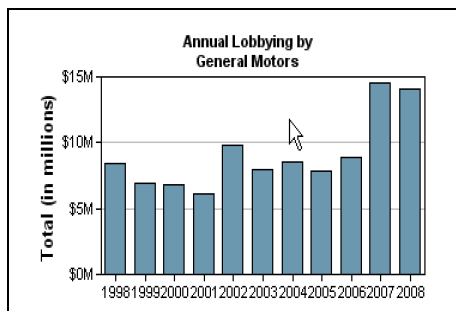


Figure 1 Evolution of the amounts spent by General Motors during the last ten years, 1998 - 2008¹⁰

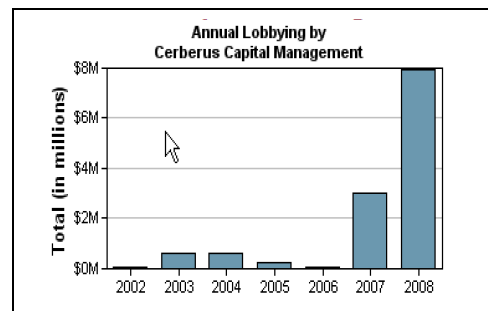


Figure 2 Evolution of the amounts spent by Cerberus Capital Management during the same period, 1998 - 2008¹¹

¹⁰ <http://www.opensecrets.org/lobby/clientsum.php?lname=General+Motors&year=2008>, accessed 1.04.2009

¹¹ <http://www.opensecrets.org/lobby/clientsum.php?lname=Cerberus+Capital+Management&year=2008>, accessed 1.04.2009

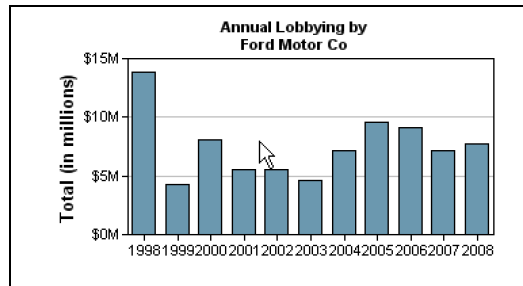


Figure 3 Evolution of the amounts spent by Ford during the last ten years, 1998 - 2008¹²

To illustrate the extent of lobbying practices in the United States of America and especially the evolution of these activities, the figures 4 and 5 show the amounts spent on lobbying activities and the increasing number of the companies that are doing lobby during the last ten years, so between 1998 and 2008.



Figure 4 Evolution of the amounts spent on lobbying activities during the period 1998 - 2008¹³



Figure 5 Number of companies with lobby activities in the U.S. between 1998 and 2008¹⁴

In the United States of America the lobbying activity and campaign contributions have a long tradition. For defending the right to lobby is even invoked The First Amendment, which provides the right "to petition the Government for a redress of grievances". Since the second half of the nineteenth century, due to excessive growth of government spending and abuses arising from the lobby, American legislators had to regulate these activities, Georgia putting the lobby outside the law in the 1877 Constitution. This is no longer possible today,

¹² <http://www.opensecrets.org/lobby/clientsum.php?lname=Ford+Motor+Co&year=2008>, accessed 1.04.2009

¹³ <http://www.opensecrets.org/lobby/index.php>, accessed 2.02.2009

¹⁴ Idem

especially because it would be immediately invoked the First Amendment violation.

Regarding campaign contributions, always present in the United States of America, even if they are limited by law¹⁵, they represent a priority for the American companies, through direct contributions, where the law allows, or through PACs.

Denis C. Mueller shows that three observations can be made about the direction and the level of the campaign contributions, observations supported by an extensive literature based on empirical studies and valid in the case of corporate contributions - contributions are made in favor of a candidate that:

- has a position most similar to the one who contributes;
- is willing to change his position to one that is approved by the contributor;
- she/he is most likely to win - when this probability is higher, the contribution is greater.¹⁶

Corporate political activity is seen in two ways. Some voices, including scholars, say that it derives from the fact that the companies depend in their activity on the political factor and that this kind of activity can not be avoided. Other voices, including the public, and a part of the journalists, disapprove corporate political activity, accounting it responsible for the government's failures.

In the United States, certainly due to the spread of these activities, there is an increasing concern over the corporate political activity, both from the media and from some organizations, such as, for example, *The Center for Responsive Politics*¹⁷, or *Taxpayers for Common Sense*¹⁸, specialized in monitoring of campaign finances and lobbying activities, with the main objective of informing the public and ensuring the highest level of transparency. Also, political figures and journalists often make reference to the negative effects of the interest groups games, including companies, lobbying firms and politicians. The interaction between the politicians and the interest groups is explained as a money game:

- some spend the money for lobbying activities and campaign contributions,
- others use the money received to make their campaigns and to be reelected,
- while the first expect to receive something in return, advantages, subsidies, and a part of the amounts are intended, once again, for lobbying activities and campaign contributions (Figure 6).

¹⁵ <http://www.fec.gov/law/feca/feca.shtml>, accessed 13.04.2009

¹⁶ Denis C. Mueller, *Public Choice III* (3rd edition), Cambridge University Press, United Kingdom, 2003

¹⁷ www.opensecrets.org : "OpenSecrets.org is your nonpartisan guide to money's influence on U.S. elections and public policy. Whether you're a voter, journalist, activist, student or interested citizen, use our free site to shine light on your government. Count cash and make change."

¹⁸ www.taxpayer.net : "Taxpayers for Common Sense is an independent and non-partisan voice for taxpayers working to increase transparency and expose and eliminate wasteful and corrupt subsidies, earmarks, and corporate welfare."

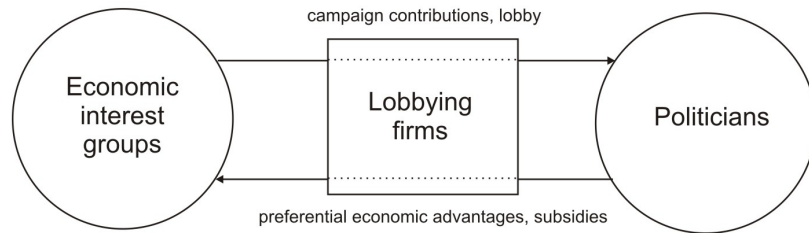


Figure 6 Money game between interest groups and politicians

In a book that recently caused sensation in the U.S., *So Damn Much Money: The Triumph of Lobbying and the Corrosion of American Government*¹⁹, Robert G. Kaiser, Associate Editor and Senior Correspondent at the daily Washington Post, shows the developments in the last 50 years of the interest groups efforts for rent-seeking, and the extent of lobbying activities carried out in Washington and their adverse implications on the United States Government activities.

Robert Kaiser shows, in an interview with Bill Moyers on PBS²⁰, that “money” is the engine and the motive of increased activity of lobbying and campaign contributions. Extremely high cost of a campaign, “2.5 million dollars it costs to run for Senate in North Carolina”, creates a vicious circle in which participate interest groups, lobbying firms and politicians. Companies, wealthy individuals and other interest groups pay these amounts and expect that certain *earmarks*, meaning allocations of funds from the federal budget required for the objectives in the geographical area represented by the politician, to go through.

As the former U.S. Vice President Al Gore shows in his book *The Assault on Reason*, democrat senator Byrd had said, referring to the fact that the United States Senate was empty when the events on the 11th of September took place: “The Senate was empty because the senators were elsewhere. Many of them participated in events aimed at raising funds, which many now feel compelled to attend almost every time, to collect money – many of them from different interest groups – to pay for advertising spots of 30 seconds for their next campaign.”²¹

It seems that the presence of the interest groups in democratic societies is inevitable. For, as Ludwig von Mises said, „The idea of the eighteenth century statesmen was that the legislators had special ideas about the common fortune. But what we have today, what we see today in the reality of political life, practically without any exception, in all the countries of the world where there is not simply

¹⁹ Robert G. Kaiser, *So Damn Much Money: The Triumph of Lobbying and the Corrosion of American Government*, Knopf Publishing Group, 2009

²⁰ <http://www.pbs.org/moyers/journal/02202009/watch.html>, accessed 27.03.2009

²¹ Al Gore, *Asaltul asupra rațiunii*, RAO Internațional Publishing Company, București, 2008, p. 11

communist dictatorship, is a situation where there are no longer real political parties in the old classical sense, but merely pressure group.”²²

In the United States of America, considered the cradle of the democracy, corporate political activity, whether we speak about the direct lobby or the indirect lobby – by creating *grassroots constituencies*²³ – financial contributions for the parties – *soft money*²⁴ – or the support for the campaigns, direct support or through *Political Action Committees*, (PACs), *independent expenditures*²⁵ or *issue adds*²⁶, is an everyday reality, legislated, often conducted in a transparent manner, in an open and effective competition to influence the political area. Some of these methods are „overland routes” to influence politics, such as a Political Action Committee that supports a candidate (according to law with a maximum amount of \$ 5000) because the company’s employees voluntarily donate money for this purpose. To what extent these donations are indeed voluntary is an issue that can be discussed.

In connection with the possible responses of the corporations to the public policies, Weidenbaum²⁷ identifies three possible reactions:

- *passive reaction* – companies aren’t trying to play a role in the formulation or implementation of the public policies, but only react to the law;
- *positive anticipation* – firms do not seek to change laws, but try to anticipate and adapt their activities so that the laws to become opportunities;
- attempt to change public policy in their favor – *shaping public policy*.

Many United States corporations attempt to change public policy, in order to adapt them to their needs and desires. The extent of these phenomena in the United States causes a lot of attention and, consequently, many academic, economic and politologic studies analyze the causes of such activities, the way they take place and their moral implications.

²² Ludwig von Mises, *Economic Policy. Thoughts for Today and Tomorrow*, Third Edition, Ludwig von Mises Institute, Auburn, Alabama, USA, 2006, <http://mises.org/etexts/ecopol.pdf>, p. 96, accessed 12.01.2009

²³ A company can convince employees, customers, different categories of stakeholders to form a group of citizens concerned about a particular issue of public interest and to express their views and wishes about this matter.

²⁴ It’s about money, unlimited by the law, which political parties can collect from various donations for the current party activities, without apparent connection with the campaign of a particular candidate of the party.

²⁵ Independent expenditures are miscellaneous expenditure to support or, on the contrary, to make a negative advertising for a candidate, without the contribution, the agreement or a notice to that candidate. Usually materializes in ads.

²⁶ Ads on an issue that is known to be supported, promoted by a candidate, without naming the candidate. For example, ads may say that cheapens of the drugs are necessary, beneficial and desirable, when the electorate already knows that a specific candidate supports in his campaign such actions.

²⁷ M. Weidenbaum, “Public policy: No longer a spectator sport for business”, *Journal of Business Strategy* 1 (1) (1980), pp. 46–53

The motivation is undoubtedly the economic rationality, the pursuit of its own interest, to obtain competitive advantage and profit. Of course, not all the firms develop corporate political activities. Most likely to undertake such actions are those companies whose activity is, by its very nature, strongly regulated, so those directly affected by such regulations. Also, a company may modify its behavior in relation to the political factor when it changes its field of activity. In general, large United States corporations, but also American subsidiaries of the foreign multinationals companies, have a corporate political activity. In the figure no. 2 can be seen that Cerberus Capital Management has intensified its lobbying activities with the merger in 2007 with Chrysler.

It may be said that the political activity of the American corporations presents some special features. Normally, we question what causes it, why American companies are so involved in the legislative game, why there are so many lobbying firms, why this phenomenon is also widespread and is growing?

A first part of the explanation can be given on what is called "the American way", the philosophy of life of the Americans, centered on the individual: "I want to get some benefit for me, for my company, for my group of interests." In addition, there is a close connection, already traditional, between the legislative, the interest groups and the lobbying firms, and now it appears that interest groups are perceived, more than ever, as carriers of „vox populi”, in any case closer to the masses of voters than the political parties.²⁸

A second part of the explanation is based on the American political system, different in certain respects from the European system. In the federal presidential American republic the President has legislative initiatives according to his political agenda, but is not sure that the laws proposed by him will be approved by the Congress, even when the party of the President holds a majority in both in the Senate and in the House of Representatives²⁹. The party discipline, according to some analysts, is lower in the United States than in European parliamentary republics, where a majority in the Parliament ensures to the Government the parliamentary approval of laws they initiate. Therefore, in the United States, the senators and the House of Representatives members can be more easily influenced by the interest groups.

2. What happens in the Russian Federation?

In the first place, why Russian Federation? We chose to study corporate political activity in Russia because recently, no longer than two decades, this country was at the opposite side of the American democracy. Because now is looking ahead to a "normal, modern society". Because it is "the big neighbor" from

²⁸ Petronela Iacob, "Shaping the Political Arena: A Comparative Approach between American Lobby and Euro-Groups", *Transition Studies Review*, Volume 15, No. 2, September, 2008, Society, Policy, Institutions and Governance, Publisher Spriger Wien, pp. 265-272, <http://www.springerlink.com/content/m03671g624413712/>, accessed 13.04.2009

²⁹ Amy Hillman, Gerald Keim, "International Variation in the Business-Government Interface: Institutional and Organizational Considerations", *Academy of Management Review*, 1995, Vol. 20, No. 1, pp. 193-214

the ex-communist block of countries and we wonder if there are similarities between Russian Federation and Romania.

In the opinion of the authors Alexis Gourevich and James Shinn, “in some respects contemporary Russian Federation resembles the United States during its rapid industrialization from 1865 to World War I, though the origins of the sudden creation of wealth by the Russian oligarchs are different. The so-called robber barons created immense wealth by exploiting rapidly growing markets, economics of scale, rapid technical innovation, and an open “political” market that granted them leeway in building and controlling large firms.”³⁰

Another similarity would be that Russian multibillionaires, Russian oligarchies are, alongside the Americans, among the wealthiest people on the planet. According to Forbes magazine, in the first 25 richest people in the world in 2008, with fortunes ranging between 62 and 19.3 billion dollars, are, among others, four Americans and seven Russian people.³¹

What is their connection with the political factor? What is the political involvement of the Russian corporations?

In 1995, while he was preparing for the 1996 presidential elections, Boris Yeltsin launched a massive privatization program called "loans for shares" which required loans to finance his campaign, loans secured by shares in large state enterprises. To the extent that the loans wouldn't be repaid, those who offered them were to come into possession of shares in state enterprises. This was "the birth" of the Russian oligarchs. "Several bankers, including Potanin and Khodorkovskii poured tens of millions of dollars, countless hours of favorable media coverage, and invaluable organizational resources into his campaign, firmly embedding the term "oligarch" in the public discourse."³² It must be emphasized, regarding the parties financing, that until 2001 there was a legislative framework only for campaign contributions, but since 2001 has been adopted a law on financing political parties in general, thereby eliminating electoral funding that completed outside the campaigns and weren't under the incidence of the law.³³

Because the loans were not repaid, these so-called "oligarchs" have become tycoons of Russia, the new owners of the former large state companies, now privately owned. They have held and still hold political power, some of them, like Abramovich, even being elected governors of the Russian provinces.

³⁰ Peter Alexis Gourevitch, James Shinn, *Political Power and Corporate Control*, Princeton University Press, USA, 2005

³¹ http://www.forbes.com/lists/2008/10/billionaires08_The-Worlds-Billionaires_Rank.html, accessed 7.04.2009

³² Andrew Scott Barnes, *Owning Russia: The Struggle over Factories, Farms, and Power*, Cornell University Press, 2006, p. 114

³³ Jeff Gleisner, “Party Funding in Russia”, in Daniel Smilov, Jurij Toplak (editors), *Political Finance and Corruption in Eastern Europe. The Transition Period*, Ashgate Publishing Limited, Hampshire, England & Ashgate Publishing Company, Burlington, USA, 2007, pp. 143-159

Involved in "the palace intrigues", with a role in both the election of Boris Yeltsin and of Vladimir Putin, Boris A. Berezovsky said, according to the statement of Igor Y. Malashenko, adviser on media issues of Yeltsin in the 1996 campaign: "Boris Berezovsky said many times [...] that he sincerely believes that in Russia anybody can be elected president with adequate financial support and control of TV".³⁴

In conclusion, things were and remained complicated in Russia, they are linked to the Kremlin administration and vary with the times and the leaders. And oligarchies, depending on the support they have offered or not to the Russian presidents, and also according to Vladimir Putin's will, knew the ascent or the decline.³⁵

In 2001, Vladimir Putin declared: "The oligarchs represent the large companies that have misused their position in society to influence political decision-making ... I don't think they still exist."³⁶

They continued to exist, but some are in self-exile – Boris A. Berezovsky, Vladimir A. Gusinsky –, others were arrested – Mikhail Khodorkovsky³⁷ – some are still in Russia, but began to have financial difficulties because of the crisis. Vladimir Putin has even started a process of return to state ownership of companies of national interests, oil and gas and banking privatized after the Soviet period.^{38,39}

Jeff Gleisner identifies two reasons for the financial-industrial groups for funding Russian political parties:

- to protect their gains and to go after their own interests through funding the so-called "parties of power", indissolubly connected to the presidential administration;
- the companies were in a way forced to engage in the policies of the political parties because of the absence of a legislative framework for legitimate lobbying in Russia – quoting from Anatoly Kulik: "participation in party politics serves as a method of

³⁴ Richard C. Paddock, "Putin's Rise Chalked Up to Close 'Family' Ties", *Los Angeles Times*, January 04, 2000, <http://articles.latimes.com/2000/jan/04/news/mn-50524>, accessed 14.04.2009

³⁵ <http://news.bbc.co.uk/2/hi/business/692297.stm>, accessed 14.04.2009

³⁶ Marshall I. Goldman, *The Privatization of Russia. Russian Reform Goes Awry*, Routledge, 2003, p. 217

³⁷ Mikhail Khodorkovsky, owner after the mentioned privatization of the oil company Yukos, was arrested in 2003 on charges of fraud, embezzlement and tax evasion. He was the richest man in Russia at that time, with a fortune estimated by Forbes magazine at 15 billion dollars. His arrest was a controversial act, occurring shortly after he became the owner of the newspaper „Moskovskie Novosti” and hired a renowned journalist who strongly criticized Vladimir Putin. Khodorkovsky, Russia's most powerful oligarch at the time has also funded several political parties, including the Communist Party. (<http://news.bbc.co.uk/2/hi/business/3213505.stm>, accessed 14.04.2009)

³⁸ Andrew E. Kramer, "The Last Days of Oligarchs?", *The New York Times*, March 7, 2009, http://www.nytimes.com/2009/03/08/business/08shift.html?pagewanted=1&n=Top/News/World/Countries%20and%20Territories/Russia&_r=1, accessed 14.04.2009

³⁹ Cameron Ross, *Russian Politics under Putin*, Manchester University Press, 2004

self-identification and a space in which one can struggle for a place in the sun".⁴⁰

This kind of involvement went up to the point where the corporations haven't been represented only by supporters in the Duma, but have directly participated in the legislative process.⁴¹

On the other hand, granting by the State of the export licenses, the state guarantees and other incentives for the companies, in the absence of the legal framework for the lobbying activities, made the Duma factions placed near the decision centers to become vulnerable to corruption, shows Anatoly Kulik and Suzanne Pshizova. There is also an amendment: "When the Duma adopts a law, the second position in the system of priorities belongs to the interests of the business environment, while the first position is occupied by the Kremlin interests."⁴²

In the report made by Freedom House Organization on Russia says: "The national Parliament is now firmly controlled by the Kremlin. Lobbying in the State Duma, the lower house, has declined since all legislative decisions are handled by the United Russia faction. The upper chamber's Federation Council has gained notoriety for quickly adopting all bills supported by the Kremlin, even those that go against regional interests, which the chamber theoretically represents."⁴³

The same report shows how it was transferred Yuganskneftegaz, formerly part of the Yukos oil company, in state ownership.

Also, close associates of Vladimir Putin's occupied important positions in the managing boards of the key companies in the energy field, which, says the Freedom House Organization, made it possible for the Kremlin to exercise control over them.

In an interview for Times Magazine⁴⁴, in 2005, immediately after his resignation from office, Andrei Illarionov, former economic adviser of President Putin, described Russia as follows: "The process of this state evolving into a new corporatist⁴⁵ model reached its completion in 2005. [...] The strengthening of the corporatist state model and setting up favorable conditions for quasi-state monopolies by the state itself hurt the economy. Like Gazprom purchasing Sibneft, and another state monopoly purchasing other private company." Stressing the fact that he was talking about quasi-state monopolies, Andrei Illarionov showed that although the stock of those companies belonged to the state indeed, the way they operated had quite little in common with the state interests. And the corporatist character was given by the fact that the members of the cabinet or of the team of President Putin (Mr. Vladimir Putin was the President of Russia in 2005) occupied

⁴⁰ Jeff Gleisner, op. cit., p. 155

⁴¹ Idem

⁴² Anatoly Kulik, Susanna Pshizova, *Political parties in post-soviet space: Russia, Belarus, Ukraine, Moldova, and the Baltics*, Greenwood Publishing Group, 2005, p. 35

⁴³ <http://www.freedomhouse.org/template.cfm?page=47&nit=366&year=2005>, accessed 14.01.2009

⁴⁴ Yuri Zarakhovich, "Q&A: Putin's Critical Adviser", *Time*, Saturday, Dec. 31, 2005, <http://www.time.com/time/world/article/0,8599,1145192,00.html>, accessed 23.02.2009

⁴⁵ In this interview Andrei Illarionov used the term "corporatism" with a similar meaning to what other authors called "corporatism".

at that time key positions in the boards of the companies. Something like this had never happened in Western democracies, said Illarionov, with the exception of the Italian corporativism.

In conclusion, in Russia "corporate political activity" knows a specific form, different from that seen in American pluralism, closely related to the wealth of the oligarchs, to their political power, but also to the will and power of Kremlin.

3. Conclusions

As we have shown, both U.S. companies, as well as those in Russia are concerned with ways of influencing political decisions and they act specifically in this direction, depending on the political environment in the country. Business people are always focused on their profits and the company management adapts the strategies to the environment in which the company operates, including in terms of corporate political activity. Politicians create the political environment, and the managers try both to anticipate and to react to these measures of the politicians in order to make profit. And this is true in the U.S. and Russia, with features described above.

At least at the desire level, the target is "The good citizen corporation" –, with reference to its involvement in the social issues of the community, a company with Corporate Social Responsibility. But may be a corporation "a good citizen" and still involve in politics? We think this might happen in a few situations, only through collateral beneficial effects on citizens as stakeholders, for example on their employees, but also on the inhabitants of the town in which they operate. Often, however, the collateral effects on people might be negative: the takeover of government funds in the benefit of a company means fees collected from taxpayers, or, in some situations, the development of a company with government help affects the environment. Another example of negative effect on people: a company car which is lobbying to impose in U.S. a surcharge to the Korean cars means to carry on a rent-seeking activity. The company will benefit as a result of this tax, but the citizens won't.⁴⁶

Certainly, corporations are not engaged in political activities for altruistic reasons. But, the issue is not that a company has to be altruistic, it can't and it mustn't be, it only has to play by the rules. And the responsibility lies with legislators to establish the rules, whether they are under the pressure of the interest groups or not.

Without denying that the corporate political activity has negative effects as well, we also have to admit that this kind of activity is a reality of nowadays generated by economic rationality of the market players, especially large companies, heavily regulated. In fact, it is normal to have a feedback from these companies to the laws and regulations with regard to their economic activities and in some cases it is normal for these companies to try to anticipate these regulations in order to create the so much needed competitive advantage.

⁴⁶ Gordon Tullock, Arthur Seldon, Gordon L. Brady, *op.cit.*, p. 43

In order to limit the corruption and the traffic of influence, it is desirable that such corporate political activities, *ex ante* or *ex post*, to be made in daylight, in a transparent and regulated manner.

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