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Trade Groups Join Bush on Social Security; Though individual firms are wary, nearly 100 associations answer a White House battle cry.

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Snow swirled outside the White House as presidential advisor Karl Rove strode into Room 450 of the Old Executive Office Building, just across from his West Wing office.

Four weeks had elapsed since his boss, President Bush, embarked on a national campaign to overhaul Social Security -- and the reception was as chilly as the Washington winter. Polls showed the public wary, Republicans were balking on Capitol Hill, and businesses that had agreed to lend support were dropping out under pressure from labor unions.

The White House had summoned dozens of the nation's most influential business lobbyists so Rove could personally deliver the message that Social Security was the president's No. 1 domestic priority -- and introduce the committee charged with building support for it.

Even in a business community still divided on the issue, the private talking-to penetrated deeply.

Since that Feb. 24 meeting, nearly 100 state and national trade associations -- representing bankers and bakers, restaurateurs and road builders -- have joined Compass, the Coalition for the Modernization and Protection of America's Social Security.

It was clear "from folks who looked you right in the face that this president is serious ... and that anything business can do to help on this journey will be important. And it will be noted," recalled Dirk Van Dongen, president of the National Assn. of Wholesaler-Distributors and one of those charged with recruiting members for the committee.

But while the business associations convey support to the White House -- and funnel money to the Social Security campaign -- individual companies that make up the trade groups are for the most part declining to take a public position.

A Los Angeles Times telephone survey this month of the 20 largest U.S. companies found only two willing to publicly support the president's proposal on Social Security.

The companies are caught between the clearly expressed desires of the White House and the fierce opposition of labor, which is pressing business to renounce the Bush plan. That

struggle is occurring against the backdrop of the proposal's poor showing in most public opinion polls, especially among older Americans.

American businesses have traditionally stayed out of partisan policy debates except on issues that directly affect them. Business trade groups typically lobby for legislation involving tax, regulatory and healthcare questions that go directly to the bottom line, while avoiding hot-button social issues.

The solvency of Social Security is a business concern, but the element of Bush's plan that would let workers divert part of their payroll taxes to private investment accounts would not necessarily address that. Many business executives say privately they are more interested in other things: strengthening the dollar, and reducing healthcare costs, taxes and the trade deficit.

Nonetheless, the Bush White House wants to harness business on the Social Security issue to communicate with workers, fund ad campaigns and counter labor's muscle.

Among the half dozen or so leading groups supporting the Bush plan are two coalitions made up almost entirely of trade associations: the Alliance for Worker Retirement Security, based in Washington, and Compass, the coalition that saw its ranks swell after Rove gave it a push at the Feb. 24 meeting.

And their attention to grass-roots activities coincides with a tighter focus from the Republican National Committee.

Under its new chairman, former Rove aide Ken Mehlman, the RNC is becoming more of a full-time campaign operation dedicated to building support for the Bush agenda, said RNC spokeswoman Tracey Schmitt.

Each Friday, the RNC hosts representatives from the Business Roundtable -- made up of chief executives from 160 of the country's best-known corporations -- Compass and aligned organizations, along with staff from Rove's office.

At these meetings, RNC staff tally their efforts to build support for the president's plan in key congressional districts. Compass offers similar campaign-style reports. The group's executive director, Derrick Max, said in an interview that his organization had generated 300,000 telephone calls to voters in key states on Social Security, organized 150 town hall meetings on the topic and is active in 70 congressional districts. It plans to spend \$18 million backing the president's initiative.

At the Business Roundtable, communications director Tita Freeman says her organization supports Bush's initiative not to side with the GOP but because "it is the right thing to do for future generations. We are joining with any and every group that believes that this needs to be addressed now," she said.

Nonetheless, the Republican tilt has caught the wary eye of Democratic Party leaders. Senate Minority Leader Harry Reid of Nevada and his staff have met with a few of the leading trade groups and questioned their close association with the White House campaign.

The trade group executives say they do not have a partisan bias and that their members are simply united behind a desire to fix Social Security. For example, today the National Assn. of Manufacturers plans to announce that "98% of board members surveyed said they favored personal accounts" as part of Social Security reform.

But there are splits in the unified business front that the associations like to present. Last week, one of the huge investment firms that makes up the Securities Industry Assn. asked that the trade group "cease all funding" of groups such as Compass because they are viewed by some as "politically motivated and polarizing" and do "not represent the collective views of the SIA constituents."

In a letter written to the association's directors, the chief executive of Sanford C. Bernstein & Co. asked that the trade association board "formally issue a statement of complete neutrality" on Social Security reform, including private accounts, when it meets this week.

"Given the divergence of views among the member firms and the complete lack of unanimity that we have, it seems inadvisable to maintain our recent posture," wrote the CEO, Lisa Shalett, who represents the company's parent firm, Alliance Capital Management, on the association board.

Her letter, provided to The Times by another leading financial services firm, says that Alliance Capital believes "we serve our clients by devoting our energies to reacting to and interpreting public policy, and not by aggressively attempting to shape the course of public debate."

Despite conventional wisdom that Wall Street embraces the plan for personal accounts because it would enrich its firms, many are uninterested. That is partly because it would directly benefit only a handful of brokerages that specialize in small investors -- and because the issue is so laden with controversy and any financial crisis in the system is still years away.

When Treasury Secretary John W. Snow visited a prominent New York investment house recently to talk up Social Security, a top executive asked why the White House was putting Social Security, which does not face a crisis for years, ahead of more immediate worries such as the weak dollar and the swollen federal deficit.

Snow's only response, according to one person who was in the room, was to acknowledge the import of those issues but reiterate that Social Security was the president's priority.

Despite such stories of ambivalence, the president of the Business Roundtable, John J. Castellani, says that a Social Security overhaul, including private investment accounts, has been a longtime priority for his organization.

Although only a few of his member companies speak openly in favor of the idea, Castellani says the position was arrived at by consensus years ago. The Roundtable supports and helps run Compass, which he thinks has made progress in educating the public on the subject.

Critics contend, however, that organizations such as Compass are virtually an arm of the Republican Party and that contributions to it are, in effect, campaign contributions.

"This is the new soft money," says Bruce Freed of the Center for Political Accountability, which encourages corporate transparency and board oversight of political giving.

"Donations made by corporations through trade associations are becoming a very serious problem.

"This spending can have a profound effect on political outcomes -- and sometimes on a company's bottom line and reputation. Yet trade associations and their corporate members don't have to disclose where the money comes from or how it is spent."

With the Social Security discussion launching such an array of difficult questions, many companies are seeking a low profile on the issue.

In The Times' survey of leading corporations, one of the two companies that that said it backed the Bush initiative was pharmaceutical giant Pfizer Inc. Its chairman and CEO, Henry A. McKinnell Jr., is chairman of the Business Roundtable.

Before Rove stepped up the pressure, Pfizer had issued statements to unions and a news organization saying it had no position on Bush's proposed restructuring of Social Security. Last week, the company said its previous statements were wrong and that it had supported the Business Roundtable approach all along.

Pfizer's annual meeting in San Diego later this month will take up a resolution from Teamsters Union shareholders calling for disclosure of the company's spending on some political causes.

"If a company contributes to organizations that do political work, like the Alliance or Compass, the union would like to see that information disclosed," said Louis Malizia, assistant director of the Teamsters' office of corporate affairs.

Pfizer executives recommend that shareholders reject the resolution. The company says it discloses contributions to election campaigns but doesn't think those standards apply to legislative issues.

Officials at many unions, including AFSCME and the AFL-CIO, say they are fighting Bush's proposal and corporate backing of it because they see it as part of an ongoing erosion of traditional retirement benefits. The unions and several allied groups, including AARP, plan to spend millions to convince the public and employers that private accounts are not the way to reform Social Security.

The threat of union action has made many Wall Street firms wary. Some union pension fund trustees, who manage portfolios in the billions of dollars, have said they would consider an investment company's position on Social Security, among other factors, when they review funds managers.

Max, the executive director of Compass as well as the Alliance for Worker Retirement Security, said that he "underestimated the impact that individual companies would feel for lending their name" to the personal accounts cause.

Given the controversy the issue engenders, he is considering inviting only trade associations to join his organizations because they give individual companies a buffer.

"If you are a CEO, you don't want your product bought and sold based on a political issue," he said.