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Securities & Investment

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Securities & Investment: Background

Traditionally, the securities and investment industry's political influence efforts were led by stockbrokers, bond dealers and brokerage houses, but as Wall Street itself has evolved -- and likewise Washington's interest in regulating the new frontiers of finance -- the industry's Washington money game is now dominated by the new breed: hedge funds and private investment firms.

This industry has always been an important one in Washington -- both in terms of the campaign dollars it sends to candidates and the money it spends on K Street -- but since 2012 it has become the single largest source of political contributions. In the 2012 cycle, the industry was responsible for \$283 million in contributions, the vast majority coming from individuals who work in the industries, rather than corporate PACs. The emergence of wealthy individuals in this industry is hard to ignore: In 1990, the industry's corporate PACs contributed \$4 million to candidates and committees, and individuals \$8.5 million. The amount from PACs more than tripled by 2012, but the amount from individuals was nearly 22 times greater (\$177.9 million).

Despite often having a reputation for being a right-leaning, GOP-friendly grouping, the securities and investment industry only took that turn after a Democratic Congress passed the Dodd-Frank Wall Street Reform And Consumer Protection Act in 2010. As recently as 2008, the industry's donations favored Democratic candidates by a margin of 57 percent to 42 percent. In prior cycles the industry's preferred party was almost always the one that was in power, bouncing between the left and right as leadership in Congress switched. In 2010, however, with each party controlling one chamber, the industry leaned towards Republicans, and in 2012 it went hard for Republicans -- with 69 percent of donations going to the right.

Securities and investment is also a driving force in the post-*Citizens United* outside money game. In 2012, the industry was the largest source of cash for outside groups like super PACs and 527s. The industry accounted for at least \$95.1 million in cash for outside groups, with the bulk (\$88.2 million) coming from individuals in the industry. These individuals demonstrated an even stronger penchant for conservatives, with 76 percent of their donations going to conservative outside groups.

In terms of lobbying, securities and investment is a force to be reckoned with, although it is not as dominant on that front as in campaign finance. In 2013, the industry ranked eighth in overall spending on federal lobbying, paying K Street \$98.3 million. Three of the top five organizations from Wall Street in terms of total spent on lobbying are trade associations -- the [Investment Company Institute](#) (the biggest spender in 2013 with \$5.4 million), the [Securities Industry & Financial Market Association](#) and the [Managed Funds Association](#). [FMR](#) (the parent company of Fidelity Investments) round out the top five.

Lobbying overall has been on the decline since 2010, and the securities and investment industry's spending has been in line with the trend. Wall Street hired 809 lobbyists that year; by 2013 it had dropped to 781. The industry's spending on lobbying also peaked in 2010 at \$105.6 million and has declined every year since, although the industry's \$98.3 million spent in 2013 is higher than the \$96.1 million it spent in 2009, shortly before the battle over financial regulation reform began.

-- Russ Choma

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