

SEC pressed to abandon corporate political spending disclosures petition

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House Republicans repeatedly warned the chairman of the Securities and Exchange Commission on Thursday against dragging the agency into a political fray, evoking the scandal at the IRS over the targeting of conservative groups.

During a [three-hour hearing](#), lawmakers said they were disturbed to learn that the SEC is considering a petition that would require publicly traded companies to disclose their political contributions. They described the initiative as highly partisan and said it would undermine the agency's credibility if adopted, especially in light of the controversy that has recently enveloped the Internal Revenue Service.

“We’re giving you an opportunity today to make a clear and emphatic statement that you will refuse to be bullied by these outside radical groups that are trying to exploit the corporate disclosure process,” said Rep. Scott Garrett (R-N.J.), who pressed SEC Chairman Mary Jo White to remove the petition from the agency’s list of issues to tackle for the year.

White, the sole witness testifying before the House Financial Services Committee, told the panel that agency staff members are reviewing the petition and that she does not want to “prejudge” the issue without the benefit of their analysis. She also suggested that action was not imminent.

“No one is working on a proposed rule now,” she said.

The issue dates to July 2011, when a group of 10 professors from leading law schools submitted the petition. A groundswell of support ensued, with retail investors, state treasurers, union pension funds and elected officials at the state and federal levels writing to the agency in favor of the plan. The initiative attracted more than 500,000 mostly favorable written comments from the public, a record response for the agency.

Late last year, the petition gained traction when the SEC added it to its agenda, signaling that it may consider formally proposing a rule this year. Now, the big unknown is whether White, who joined the SEC a month ago, will back the plan and advance it.

On Thursday, White walked the line, telling lawmakers that she is an “apolitical” and “very independent” person who will defer judgment on the topic until further study by her staff. But several lawmakers kept pushing.

The committee’s chairman, Rep. Jeb Hensarling (R-Tex.), said the IRS’s “tactics of harassment” raise questions about how pervasive this type of conduct is within the administration. He asked White whether the White House had contacted the SEC about the issue or expressed an interest in seeing the potential rule on political donations.

White said she was not aware of any such contact.

Advocates of campaign finance reform say comparisons to the IRS debacle are weak.

“The IRS controversy is about partisanship, not disclosure,” Lisa Gilbert, director of Public Citizen’s Congress Watch division, said in a statement. “Tying the IRS’s problems to the SEC rulemaking on corporate political spending is the height of political theater.”

The professors who submitted the petition have noted that they did not agree on whether corporate political spending helped or hurt shareholders, but they all shared the view that public companies should not have free reign to spend their shareholders’ money on political communication without revealing what they’re doing.

One of the professors, Lucian Bebchuk of Harvard Law School, said the SEC would merely be doing its job if it adopted the disclosure rule, not playing politics.

“If the SEC chose not to adopt disclosure rules because of its concerns about the possible political effects of providing investors with the information they need, that choice — rather than the choice to adopt rules — would reflect inappropriate consideration of political matters,” Bebchuk said.

Rep. Brad Sherman (D-Calif.) made a similar point when questioning White, noting that Republicans were basically pressuring a regulator not to give in to pressure.

“You’ve been called upon by the chair of the relevant subcommittee to resist outside political pressure, refuse to be bullied and to demonstrate the SEC’s independence by immediately acceding to the demands of the chair of the relevant subcommittee and the full committee,” Sherman said.