SEC Proposal Would Disclose Political Donations by Public Companies

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A proposal before the Securities and Exchange Commission that would require public companies to disclose political contributions has drawn some favorable comments from investors, but it won’t go a long way in meeting the demands of those advocating for more transparency in political fundraising.

A group of 10 law professors filed a formal petition asking the commission to require corporations to list political contributions in annual proxy statements sent to shareholders. The professors cite a growing interest among shareholders for disclosure of political contributions.

“Many shareholders recognize that the interests of executives and directors with respect to political spending might differ from those of shareholders,” said Lucian Bebchuk, a Harvard Law School professor who co-chaired the group of professors seeking the new rule. “Such shareholders are naturally concerned when, as is commonly the case, their company provides them with no information about its political spending.”

The agency has posted several comments from other outside observers supporting the rule, including the International Corporate Governance Network, which represents institutional investors with a combined $18 trillion in assets.

The issue has come to the fore in the wake of the Supreme Court’s landmark Citizens United v. Federal Election Commission decision in early 2010, which legalized independent corporate political spending. In the majority opinion, the justices wrote that shareholders are responsible for controlling the actions of executives in charge of the corporate purse, opening the door for new rules, as long as they don’t violate the First Amendment.

“Prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters,” Justice Anthony M. Kennedy wrote in the decision.

Advocates for transparency have been pushing various ways, both in Congress and the executive branch, to force interest groups to disclose their financial backers. So far, none has been enacted.

Private firms exempt

The proposal at the SEC would leave out private companies, which have provided the bulk of corporate political spending. Publicly traded companies appear to be much more reluctant to risk offending shareholders and customers by supporting political interest groups beyond the trade associations that advocate for their business interests.
The proposal faces an uncertain future. The agency is still consumed with the implementation of the Dodd-Frank financial regulation law. Republicans in the House, who have already targeted the SEC’s funding, could offer resistance on political disclosure, which has turned into a partisan issue since the *Citizens United* ruling.

Bradley Smith, co-founder of the Center for Competitive Politics, which opposes regulating political speech, said the proposal is unwarranted.

“This is just part of the general overreaction to *Citizens United*,” Smith said. “Even before *Citizens United*, corporations could spend in 28 states, including New York, California, Delaware and Illinois.”

**Out of steam, money**

Tim Pawlenty’s decision to bow out of the presidential race three weeks ago appears to have been motivated by more than his poor showing in the Ames straw poll — his campaign also had run out of money.

His campaign debt is in the ballpark of $400,000 and could rise as more invoices come in the door before the close of the quarter, when financial numbers must be reported to the Federal Election Commission, according to a former Pawlenty official, who spoke on the condition of anonymity to discuss internal campaign matters.

Pawlenty raised $4.5 million for his campaign, including $600,000 for the general election, which he must return to donors now that he’s out of the running.

In the past, former candidates have gotten financial help from their adversaries in exchange for endorsements or other help. In 2008, presidential candidates Hillary Rodham Clinton and Barack Obama tried to foster party unity by working together to pay down the $22.5 million Clinton’s campaign owed to creditors when she conceded the Democratic nomination fight.

Clinton still ended the 2008 campaign season $6.4 million in the red, but her campaign has been able to pay most of it off through a combination of fundraising and renting her list of supporters to other political groups, disclosure documents show. She still owed $289,000 to the firm of longtime adviser Mark Penn as of June 30, according to disclosure documents.

A former aide to Pawlenty declined to comment.