One Million Americans Want Corporations to Reveal Political Spending

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By John Light
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A coalition of academics, good-government advocacy groups and shareholder activists announced last week that one million Americans have written the Securities and Exchange Commission (SEC) asking for a rule to make corporations reveal how they spend money for political purposes.

The campaign has been underway since 2011, when ten corporate transparency experts from leading universities submitted a petition for rulemaking to the SEC. Others quickly got behind the cause, and by the following spring, 250,000 people had commented on their petition. Last week, the comment count reached one million, almost all in favor of a rule. There are a handful of dissenting comments, however — notably from industry groups including the Chamber of Commerce and the American Petroleum Institute.

“When we filed the petition we certainly didn’t anticipate that a million Americans would engage with this issue,” Columbia University law professor Robert Jackson, one of the original group of petitioners, told BillMoyers.com.

In a blog post, Jackson and fellow petitioner Lucian Bebchuk noted that the issue had attracted far more comments than any other the SEC had ever considered. Asked why, Bebchuk, a widely cited professor of law, economics and finance at Harvard, said, “The case for transparency in this area is clear and compelling to a broad spectrum of people, including individuals who would otherwise not consider expressing a view on SEC matters. The current freedom of public companies to spend money on politics without telling their investors is clearly unacceptable to a large number of people who care enough about it to write to the SEC.”

Silence from regulators

Bill Moyers Essay: Make Corporations Disclose Political Donations to Stockholders

Despite the deafening calls for action, the SEC has been silent on the issue for months. In 2012, former FEC Chair Mary Schapiro indicated that the agency might soon issue a rule governing corporate political disclosures. But when the commission’s 2014 to-do list was released in November 2013 under Schapiro’s successor, Mary Jo White, the rule had been dropped from the agenda.

At the time, Jackson told The Washington Post he was hopeful that the agency might still act. The SEC is required to make certain rules (such as those mandated by Dodd-Frank), but has the power to go further and make rules not required by legislation. But in an interview last week, Jackson said that despite the million comments, he is less hopeful now than he was at the end of last year.
“Unfortunately, since [November 2013], the SEC has done several things that are not mandated by statute… The signal since last year has been that this commission is very inclined to relax the rules that apply to disclosure, not to tighten them,” said Jackson, citing moves by the SEC to limit the power of shareholder activists. “And it seems less and less likely that the commission is going to take this petition seriously.”

**Broad support**

Shareholders, by and large, support SEC action. CFA Institute, an international association of investment advisers and financial analysts, surveyed its members and found that 60 percent of respondents said that companies should be able to make political contributions, but with full disclosure. An additional 27 percent said companies should not be able to make political contributions at all. Only 13 percent of investors supported the status quo — with corporations able to make political contributions without telling the public.

And not all businesses oppose the law. In 2011, roughly 60 percent of publicly traded S&P 100 companies voluntarily disclosed their political donations. At a press conference last week, John Bogle, the founder and former CEO of the investment management company Vanguard, said, “Disclosure of corporate political contributions to the corporation’s shareholders — its owners — is the first step toward dealing with the potentially corrupt relationship between corporate managers and legislators. Shareholders must not be left in the dark while their money is spent without their knowledge.”

**Why the inaction?**

The SEC’s two Democratic Commissioners have indicated their support for the rule and the two Republicans have indicated their opposition. Disclosure advocates expected Obama’s pick to chair the agency, Mary Jo White, to be the tiebreaker, but she has remained silent.

Some advocates attribute this to White’s closeness to the corporate community. White spent 10 years as chair of the litigation department at the elite law firm Debevoise & Plimpton, where, for $2.4 million a year, she defended embattled corporate executives.

But the anti-disclosure lobby’s allies in Congress have also put pressure on White not to act. In May 2013, at the height of the “IRS scandal,” White was called before the House Financial Services Committee and questioned by Republicans about the proposed rule — which, like the IRS’s investigation of dark money groups, would target both parties’ well-heeled backers.

“No one is working on a proposed rule now,” White said at the hearing. And, since then, she has not indicated that anyone ever will. This silence is what disclosure advocates find most frustrating.

“I would much rather evaluate Mary Jo White’s view on this on the merit,” said Jackson. “But the problem is, there are no merits because she hasn’t said anything. If the chairman were to conclude that it’s not in investor interest to do this, I think many people will be disappointed. And we could debate whether that’s the right decision. But right now all there is is silence. And, really, candidly, for the chairperson — the supposed leader of the agency — to offer nothing but
silence in response in a million investors’ requests… that really strikes me as a vacuum in leadership at the commission.”

The agency is expected to issue an agenda for 2015 later this fall.