

October 8, 2012

Ms. Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, Northeast  
Washington D.C. 20549  
By email: rule-comments@sec.gov

Re: File No. 4-637, Petition to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities

Dear Ms. Murphy,

I am writing today on behalf of The New School Advisory Committee on Investor Responsibility (ACIR) to urge the SEC to design and adopt rules requiring disclosure of corporate political spending. In particular I write in support of petition 4-637 (“to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities”).<sup>1</sup>

Petition 4-637 was submitted on August 3, 2011 by a committee of prominent law professors seeking to address the issue of corporate political spending transparency, about which many investors have increasingly become concerned in the past few years. The petition has since received a record number of comments, illustrating the extensive concern from investors, professors, and citizens alike regarding political expenditures by corporate managers using corporate assets for political purposes without disclosure to shareholders. Investor interest in political spending disclosure has grown in recent years,<sup>2</sup> as the magnitude of corporate funds flowing to politicians has increased and with it the materiality of such expenditures to investment choice.

Disclosure of information on corporate political spending is critical for the operation of corporate accountability mechanisms, including those that the Supreme Court has relied upon in its analysis of corporate political speech.<sup>3</sup> Without mandatory disclosure regulations imposed by the SEC it is not possible for shareholders to effectively monitor the use of corporate resources for political activities. Monitoring is critical to determine whether a corporation’s political speech advances its long-term interests or impedes those interests, and whether the magnitude

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<sup>1</sup> Committee on Disclosure of Corporate Political Spending, *SEC Petition for Rulemaking 4-637* (Aug. 2011), <http://www.sec.gov/rules/petitions/2011/petn4-637.pdf>.

<sup>2</sup> Consortium of Investment Professionals, *Re: File No. 4-637, Petition to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities* (Nov. 2011), <http://www.sec.gov/comments/4-637/4637-11.pdf>.

<sup>3</sup> *Citizens United v. Federal Election Commission*, 130 S. Ct. 876 (2010), finding that “...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. Shareholders can determine whether their corporation’s political speech advances the corporation’s interests in making profits, and citizens can see whether elected officials are “in the pocket” of so-called moneyed interests.”

of corporate funds flowing to political causes and politicians detracts materially from earnings, adversely affects share price, or constitutes corporate waste.

As SEC Commissioner Luis Aguilar recently recognized, “It is one of the SEC’s core functions to identify gaps in information that investors require, and then close that gap (sic) as quickly as possible.”<sup>4</sup> It seems to us at The New School that requiring disclosure of corporate political spending rests squarely within the responsibility of the SEC to achieve marketplace fairness and protection of investors.

U.S. colleges and universities collectively hold approximately \$400 billion in endowment investments; over a quarter of these are in publicly traded companies.<sup>5</sup> Given this enormous financial stake in public corporations, those of us responsible for the stewardship of educational institutions have a correspondingly large interest in ensuring the effective operation of corporate accountability mechanisms. Of equal or even greater importance, we also have a profound interest in ensuring that corporate funds of companies in which we are invested are not used for political expenditures inimical to our chartered purposes. Without full disclosure, this goal is impossible to achieve.

At the unanimous request of the students, faculty, trustees, and staff that comprise The New School’s ACIR, I urge the Commissioners to act swiftly in implementing the disclosure recommendations outlined in petition 4-637.

Sincerely,

Terra Lawson-Remer, Chair  
Advisory Committee on Investor Responsibility

ACIR Members

Terra Lawson-Remer, Faculty, Assistant Professor of International Affairs  
Bevis Longstreth, Board of Trustees, Investment Committee  
Malcolm Smith, Board of Trustees, Investment Committee  
Chris Crews, PhD Student, Department of Politics  
Izza Aftab, PhD Student, Department of Economics  
Susan Sawyer, Staff, Office of the General Counsel  
Ian Morlan, Staff, Office of Finance and Business

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<sup>4</sup> Commissioner Luis A. Aguilar, U.S. Securities and Exchange Commission, *Shining a Light on Expenditures of Shareholder Money*, Practising Law Institute’s SEC Speaks (Feb., 2012).

<sup>5</sup> National Association of College and University Business Officers, *2011 Commonfund Study of Endowments Final Report* (Mar., 2012).