March 1, 2013

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, Northeast
Washington, D.C. 20549

Re: File No. 4-637, Petition for rulemaking to require public companies to disclose to shareholders the use of corporate resources for political activities.

Dear Ms. Murphy:

These comments do not directly address the above rulemaking. However, a recent comment letter on this matter from Professor John Coates IV (Coates) asks the Commission to disregard my scholarly work in this area, which other petitioners have cited in their comment letters.[1] Coates' comments on my work contain misrepresentations which the Commission should dismiss.

I understand from Coates' comments that the U.S. Chamber of Commerce and 28 other trade associations filed a comment letter on this rulemaking in which they cite an independent analysis I conducted at the request of the Manhattan Institute for Policy Research, examining the economic impact of political activity by corporations. Much of Coates' letter attempts to denigrate that analysis and myself. To begin, he repeatedly misrepresents my role and credentials, referring to me not by name but only as "the MI-lobbyist." I am not now nor have I ever been a lobbyist for anyone, a precise role and term which a law professor such as Coates surely recognizes. In addition, the Manhattan Institute is a 501(c)3 private foundation prohibited from lobbying. As Coates also knows, I am presently chairman of an economic advisory firm, and my credentials include a Ph.D. and M.A. from Harvard University. I have been a Fellow of Harvard University, the National Bureau of Economic Research, the Brookings Institution, and the Georgetown University McDonough School of Business. I have served as U.S. Under Secretary of Commerce for Economic Affairs (1998-2001). Those whom I have personally advised on a range of economic subjects, and without compensation, include SEC Chair Mary Schapiro, whom I advised on issues involving naked short sales, as well President Bill Clinton, British Prime Minister Tony Blair, Vice President Albert Gore, Jr., Treasury Secretaries Robert Rubin and Timothy Geithner, British Foreign Secretary David Milliband, then-Senators Hillary Clinton and Barack Obama, and International Monetary Fund director Dominique Strauss-Kahn. I also was asked by senior SEC staff to brief them on three occasions on my research in the area of "fails-to-deliver" during their deliberations regarding Reg SHO and its amendments.

Coates also has misread my study of the subject, "Do Political Engagements by Corporations Help or Harm Their Shareholders?"[2] He claims that the literature which I reviewed there does

[1] http://www.sec.gov/comments/4-637/4637-1473.pdf.
[2] http://www.manhattan-institute.org/html/lpr_1.htm.

not demonstrate or support my conclusion that corporate political activity often benefits shareholders and rarely harms them. This claim is remarkable, for among the 54 peer-reviewed articles and books covered in my study, Coates is the only author who found the opposite, namely, that corporate political activity generally harms shareholders. I appreciate that Coates is not an economist or political scientist. Nevertheless, his reading of the literature is virtually the opposite of the broad consensus among political scientists and economists.

My own conclusions are the same as those reached in the most comprehensive study of interest-group activity and influence, by arguably the country's three leading scholars in this area – Dr. Kay Schlozman, the J. Joseph Moakley Endowed Professor at Boston College; Dr. Sidney Verba, University Professor at Harvard University; and Dr. Henry Brady, Dean of the Goldman School of Public Policy at the University of California at Berkeley.[3] As I noted in my study, these authors analyzed political activity by all kinds of interests, including issue-oriented groups, unions and non-profit institutions as well as corporations. They reviewed all published, statistical studies of such influence and concluded that, "[s]ome of them find significant influence; others show no significant influence. However, there are none that demonstrate a significant negative impact of organized interest activity on policy." They also reviewed all published case studies of the same question and found that, "1) organized interests do not always win; 2) they often get their way; 3) and, win or lose, organizations are never worse off, and are usually better off, for having gotten involved than they would have been if they had not been at the table."

Coates cites four articles to support his claim that my study does not encompass the entire literature. Yet, he does not provide any specifics regarding how those four articles might support his own views as against the conclusions of the authors of the more than 50 articles and books which I cite in my study. He also claims that with regard to two other studies which he concedes I did review, I failed to discuss certain points regarding corporate governance which he believes support his own case. In fact, I did examine those points at some length. I concluded, again along with most analysts other than Coates, that those issues of corporate governance do not reach or materially affect the question of how political activity affects shareholder value.

The remainder of Coates' letter focuses on his criticism of my critique of his own work. In this regard, he recurs repeatedly to personal attacks: My criticism is said to demonstrate, for example, "a basic lack of familiarity with academic research" or "a failure to understand elementary statistics." I understand that debates between lawyers are more adversarial than the professional discourse of economists or political scientists, but these personal attacks demean the Commission's deliberative process.

I will not respond further to his various assertions about my critique beyond noting again that in contrast to his conclusions, my critique is consistent with the overwhelming consensus of political scientists and economists who have studied these questions over many decades. I will mention, however, that Coates does not address certain issues which I raised that are especially critical to his analysis, including a regression design which introduced self-selection bias into his sample. Equally troubling, and again in contrast to most literature in this area, Coates' two

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[3] Schlozman, Kay Lehman, Sidney Verba, and Henry E. Brady. *The Unheavenly Chorus.* Forthcoming. Princeton: Princeton University Press.

studies consider only a company's decision to contribute politically or lobby, or not, without considering the level or intensity of those activities and associated expenditures. Issues in the law sometimes produce black-or-white decisions, but most economics and political science proceeds by measuring degrees. Finally, Coates does not mention that his second article concedes what he claimed to have disproven in his first article – namely, that shareholders benefit from the political activities of many corporations in at least certain industries, including those in regulated industries such as telecommunications and finance, and those with large sales to the government such as defense suppliers.

As for the rest of my review of the relevant literature, including other issues I have raised about the Coates articles, I am confident that to the extent that these matters bear on this SEC rulemaking, the Commission will fairly assess both my work and Coates' studies. Thank you.

Sincerely,

Robert J. Shapiro

Robert J. Shapiro

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