VoterMedia.org

Mark Latham, Founder • mark@votermedia.org • Tel (604) 608-9779

August 9, 2011

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number 4-637 -- Rulemaking petition on corporate political spending

Dear Ms. Murphy:

I am the founder of VoterMedia.org, a non-profit public interest project to improve the accountability of elected leaders of corporations and democracies. For background, my résumé is on the web at votermedia.org/mlresume.

I support the rulemaking petition (file number 4-637) submitted by the Committee on Disclosure of Corporate Political Spending. So I likewise encourage the Commission to develop rules requiring public companies to disclose to shareholders the use of corporate resources for political activities.

Corporate political spending is one of the biggest conflicts between the interests of CEOs and shareowners. The conflict is caused by two factors:

1. A corporation's political spending tends to buy benefits for that corporation at the expense of the rest of the economy (other corporations and individuals).

2. CEOs tend to concentrate their stock holdings in one corporation far more than the average shareowner does.

The interaction of these two factors tends to cause CEOs to want to do far more corporate political spending than shareowners want. Furthermore, because shareowners' portfolios are more diversified than CEOs' portfolios, the interests of shareowners align more closely (than CEOs' interests) to the interests of society as a whole.

Thus if shareowners are well informed, they will vote to reduce corporate political spending, and this will benefit the economy as a whole. The proposed rulemaking on disclosure of corporate political spending would help inform shareowners, thus bringing about this broad economic benefit.

I discussed this issue in section 7 of the article "Proxy Voting Brand Competition" (*Journal of Investment Management*, January 2007, available at votermedia.org/publications):

> "Among negative externalities, perhaps the most damaging is political influence of corporations through campaign contributions and lobbying. Latham (2003) illustrates the above diversification argument with a corporate contribution linked to a tax break tailored for that one company. Another example is pressure from steel companies to raise tariff barriers on steel. That would increase their profits, but impose higher costs on the rest of the economy. Investors with portfolios highly concentrated in steel would benefit — notably CEOs of steel companies. But most steel company shareowners hold diversified portfolios, so would benefit less and be harmed more by steel tariffs than their undiversified CEO. Better proxy voting advice could help guide this “silent majority” to oppose their CEO in such conflicts of interest. By pursuing their own interests, diversified investors would thus reduce socially harmful corporate activities."

Thank you for your attention to this important component of corporate and democratic accountability.

Sincerely,

Mark Latham
Founder, VoterMedia.org