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SEC disclosure rule on political spending needed

By Aimee McQuilkin and Freddy Castiblanco

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What does secrecy in political spending have to do with the SEC and its mission? In a word: everything.

The SEC's mission revolves around protecting investors and maintaining fair, transparent, and efficient markets. The rapid growth of secret political spending undermines this mission. It leaves investors vulnerable to the political whims of CEOs and it replaces competition in well-functioning markets with competition among well-heeled secret donors. This makes losers out of honest businesspeople, and especially local, independent small businesses that don't have deep pockets for pay-to-play politics.

That's why, as small business owners, we support the proposed disclosure rule. And it's why we submitted a letter on Tuesday, on behalf of our small business networks in Montana and New York along with other state-based small business networks across the country, to SEC Chairman Mary Jo White urging the SEC to adopt the new rule. This rule is not only roundly needed – it also fits squarely within the SEC's mission.

From our perspective as small business owners, the case for this rule is simple: If money from our business accounts is used for political spending, we'd better well know about it. It would be a sign of dangerously poor management if we did not. Yet, under current practice corporate funds can be spent in exactly this way, without the owners' knowledge, at the largest public companies in America.

When we invest in a publicly traded company, when we purchase shares, we become part-owners of that company. But under current rules, money from the general treasury of a public company can be disbursed to fund political activities without the owners (the shareholders) having any way to know about it.

Just as in a small business, this should be considered dangerously poor management. It leaves the door open to abuse, secret back-room politicking, and distorted market outcomes influenced by pay-to-play politics. We believe the SEC must act to address this problem.

Small business owners aren't the only ones who support this disclosure rule – many bigger

business executives do, too. While small business interests and big business interests often diverge, support for transparency in political spending crosses the Main Street-Wall Street divide. It also crosses the political aisle.

In a recent survey of U.S. business executives commissioned by the Committee for Economic Development, more than four out of five business executives (including 79 percent of surveyed Republican executives and almost all surveyed Democratic executives) support this type of transparency rule.

The SEC faces intense pressure to abandon this rule-making, particularly from third-party groups that trade on secret political spending and have integrated pay-to-play politics into their organizational fundraising models.

Despite their claims to be safeguarding business interests, these trade groups don't speak for independent small business owners like us or, for that matter, for the many corporate executives who dislike pay-to-play politics. The only thing these groups are safeguarding is their own prerogative to continue soliciting and then spending huge sums of money on political projects, in complete secrecy.

We hope Chairman White and her fellow Commissioners will not allow bullying from groups that benefit from the status quo of secret spending to deter them from moving forward with a rule that fulfills the SEC's responsibilities to protect investors and ensure market transparency. We urge the SEC to adopt the rule on political spending disclosure as soon as possible.

McQuilkin is the owner of Betty's Divine, an independent clothing store in Missoula, Montana and a leader in the Montana Small Business Alliance. Castiblanco is the owner of Terraza 7 Live Music, a café and music venue in Elmhurst, New York and a leader in Small Business United New York.

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