USC FBE APPLIED ECONOMICS WORKSHOP
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Risky Business? Disclosure and Shareholder Approval of Corporate Political Spending[†]

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Abstract

We utilize a quasi-natural experiment to examine whether mandating greater disclosure and shareholder approval of political expenditures reduces shareholder risk. In particular, we examine the Neill Committee Report (NCR), which led to the passage of the United Kingdom's Political Parties, Elections and Referendums Act 2000 (PPERA) and strengthened disclosure of and required shareholder approval for campaign contributions. Using a differences-in-differences methodology, we find that politically active firms saw an *increase* in stock price volatility after the NCR's release. These results present a challenge to arguments for mandating greater disclosure and shareholder oversight of corporate political activities.

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