De Facto Voting Power and the Value of Voting Rights

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Abstract:

We provide evidence that lower shareholder voter turnout raises the market value of voting rights. Consistently, we show that turnout is persistent, allowing investors to anticipate participation. For identification, we exploit the 2010 NYSE Rule 452 amendment eliminating broker authority over uninstructed shares as a shock to turnout in director elections. We further find low turnout to predict contentious governance events where votes are more pivotal, and that the negative voting premium-turnout relation is stronger when these events are more likely. Results indicate that investors price de-facto voting power and that persistent participation shapes the value of corporate control.

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