Overheard

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Companies dislike the idea of giving investors more say over who runs for board seats. Among their arguments: It could shift power to shareholders, such as unions, which may have goals at odds with maximizing value. The stock market doesn't agree, according to economists Bo Becker, Daniel Bergstresser and Guhan Subramanian.

In August 2010, the Securities and Exchange Commission enacted a rule allowing shareholders with significant stakes to place board nominees on a company's proxy statement. But that October, the SEC delayed implementing the rule in response to a Business Roundtable court challenge.

Examining intraday stock movements, the economists found shares of companies with high concentrations of institutional ownership underperformed the market following the SEC's stay, with companies held by activist institutions faring worst. When a circuit court struck down the rule the following April, there was a similar reaction. Making it easier for outsiders to slate board candidates might not be good for sitting board members, but it could be good for investors.