A PROPOSAL FOR THE VOTING CONTROL POWER OF U.S. CORPORATIONS

It should be reasonably clear that in the modern economy the control aspects of the voting rights of the small stockholder whether he or she holds shares directly or indirectly through mutual funds, pension funds or other institutions, is essentially a fiction.

The market for control of corporations exists as does the second hand market for shares called the stockmarket. The two are only loosely connected.

The small (direct or indirect) stockholder who has little ability or time to do a deep analysis of the corporations she holds either does not vote or gives her vote to the corporate controllers.

The proposal here suggests a way to help “level the playing field” by providing the ultimate owner a choice in selecting the institution to whom she delegates permission to vote her shares. This will not prevent any delegation that currently exists. It will merely enlarge the choices. In essence, an individual will be able to vote directly or to assign voting to any legally designated voting agent.

Any not-for-profit corporation would be permitted to register with the SEC as a proxy acceptor. Any individual shareholder could assign his voting rights for the year to a proxy acceptor. Each year the proxy assignment would require renewal. The proxy acceptor would need to communicate to the shareholder for each annual renewal and would be forbidden to make any payments for votes.
This modification should weaken the control of the corporations over their boards and provide a new set of pressures on corporate governance.

The requirement for yearly renewal is to make sure that one entrenched control group is not merely replaced by another. The annual reassignment of the vote should keep competition for control fluid.

This is a highly imperfect, highly political world. In general the only simple pieces of legislation are by dictators or groups of fanatics or true believers in control. Thus the proposal here is not going to solve perfectly the problem of how to deal with uninformed small stockholders of funds and non-financial firms, but may help to give them voice in a direction more aligned with their interests and help to give uninformed owners an enlarged opportunity to exercise their votes.