



**UNIVERSITÄT
BIELEFELD**

Faculty of Business Administration
and Economics



Economics Seminar

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Voting and Trading on Public Information

This paper studies how public information, such as proxy advice, affects shareholder voting and, thus, corporate decision-making. Although public information improves the voting decisions of uninformed shareholders, it also induces privately informed shareholders to sell their shares rather than to vote. As a result, public information impairs information aggregation by voting but improves information aggregation by trading. We show that, overall, public information can undermine corporate decision-making. Furthermore, the effect of more precise public information on corporate decision-making is non-monotonic. Our results give rise to new empirical predictions and have implications for regulation.