

# **The Power of Shareholder Activism: Blacklisting the Corporation<sup>1</sup>**

## **Abstract**

Corporations have become frequent targets of shareholder and social activism that seeks to improve corporate social and political responsibility. Movement scholars have demonstrated that social activists can affect corporate behavior through the mechanisms of market and political disruption. Yet little is known about whether shareholder activists can disrupt the perception by politicians and market towards the target firms. This study focuses on the political and financial consequences of shareholder political transparency activism. I argue that shareholder activism can increase the target firm's political risk and disrupt politicians' propensity to associate with the target firm. I also argue that shareholder activism can increase market uncertainty by leading security analysts to downgrade the target firm's stock rating. Using a unique panel dataset on shareholder activism and the novel Longitudinal Corporate Political Outcomes Database for SP1500 firms from 2000 to 2018, I employed the difference-in-difference approach to estimate the causal effect of shareholder activism on firms' invited congressional hearings, PAC campaign donation returns, and awarded federal government contracts as well as security analysts' recommendation ratings. Results show that shareholder political transparency activism could lead to a substantial increase in politicians' campaign returns and security analysts' down voting. Although I find a positive association of shareholder political transparency activism with congressional appearances and awarded contracts, it is not statistically significant. I also find three mechanisms could moderate the relationship, including media attention to corporate political behavior and protest, the co-targeting of secondary stakeholder activism, and corporate receptivity to prior shareholder activism. This paper concludes by discussing the implications for working-class shareholder activism and social movements studies.

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Note: results may change due to new data availability and analyses.