

## Abstract

This thesis examines the impact of shareholder heterogeneity on decision-making outcomes within firms. Furthermore, the goal of the study is to show how voting and trading intersect. The thesis extends the fundamental model (Levit *et al.* (2024)) of shareholder trading and voting by incorporating various scenarios with different initial conditions. The study demonstrates that even minor adjustments to these initial conditions can significantly influence the voting outcomes, potentially leading to divergent equilibrium states.

The core finding is that the trading and voting game often reaches equilibria that are heavily dependent on the initial composition of the shareholder base. Additionally, the research reveals that self-fulfilling expectations persist across diverse settings. The thesis also highlights a notable discrepancy: while equilibria may be achieved, the objectives of profit maximization and shareholder welfare can diverge, indicating that profit maximization does not always align with welfare maximization.

These insights advance the understanding of corporate governance by underscoring the critical interaction between shareholder trading and voting processes.

**JEL Classification** D71, D72, G30, G34, Q50, Q56, M14

**Keywords** corporate governance, collective decision-making, ESG

**Title** Shareholder Heterogeneity and Shareholder Democracy