

GCGC 2026 · DISCUSSION

Index Investing and Corporate Governance in the Age of Impunity

Marco Becht · Solvay Brussels School, ULB & ECGI

A discussion of Becker, Fahlenbrach & Mahdikhani, The Global Rise of Index-Based Ownership of Firms

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The Problem of Twelve

When a Few Financial Institutions Control Everything

By John Coates

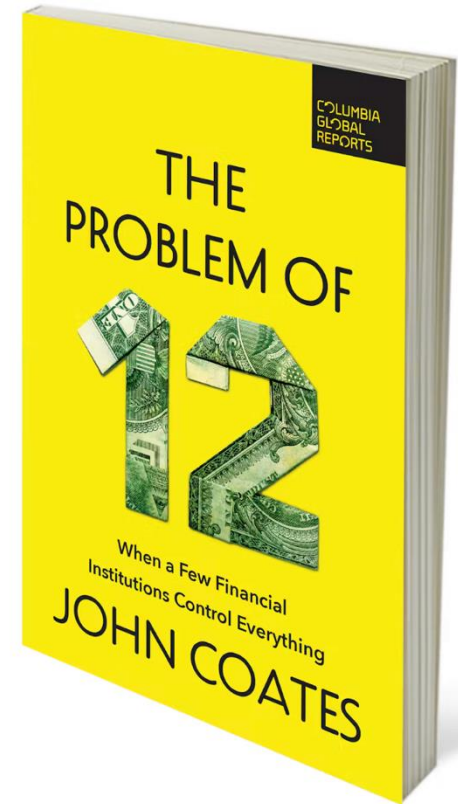
A “problem of twelve” arises when a small number of institutions acquire the means to exert outsized influence over the politics and economy of a nation. In this book, Harvard law professor John Coates brings his vast insider knowledge of how our financial institutions work to reveal how this problem came about, and offers much-needed guidance for how to understand, manage, and check this power, while preserving the good that these funds can do.

ISBN: 9798987053546

ebook ISBN: 9798987053553

On Sale: August 15, 2023

Pages: 190



Becker, Fahlenbrach & Mahdikhani (2026)

The Index Problem of 17%?

16.9%

of global market capitalisation is index-based by 2023, up from 3.5% in 2004.

A four-variable model identifies index investors with 97% accuracy.

5,300

firms at least 10% index-owned, end 2023

US: mid-caps more index-owned than large-caps. Asia and Europe: rising, but concentrated in the largest firms. Free float and indexing growth explain the regional pattern.

2018 GCGC CONFERENCE: HARVARD

5:00 PM

Panel Discussion: Index rule makers as a potentially powerful force in corporate governance

Moderators: Marco Becht & Stephen Davis | Panelists: David Blitzer, Matthew Mallow, Jonas Jølle

Motivated by

Snap's no-vote IPO (2017)





Harvard Law School Forum on Corporate Governance

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Corporate Governance by Index Exclusion

Posted by *Scott Hirst (Boston University)* and *Kobi Kastiel (Tel Aviv University)*, on *Wednesday, June 12, 2019*

Comments Off



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Tags: Capital markets, Dual-class stock, Incentives, Institutional Investors, IPOs, Listing standards, Public firms, Securities regulation, Shareholder rights, Shareholder voting

More from: [Kobi Kastiel](#), [Scott Hirst](#)

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Pay Governance

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- Index providers (S&P, FTSE, MSCI ..) decide what enters an index;
- **Index providers hold a governance power they usually decline to use;**
- **Contractarians: Investors can choose between indexes – no problem.**
- **Large Asset owners can commission any index they like.**

PORTFOLIO RESTRICTIONS INVESTMENT POLICY

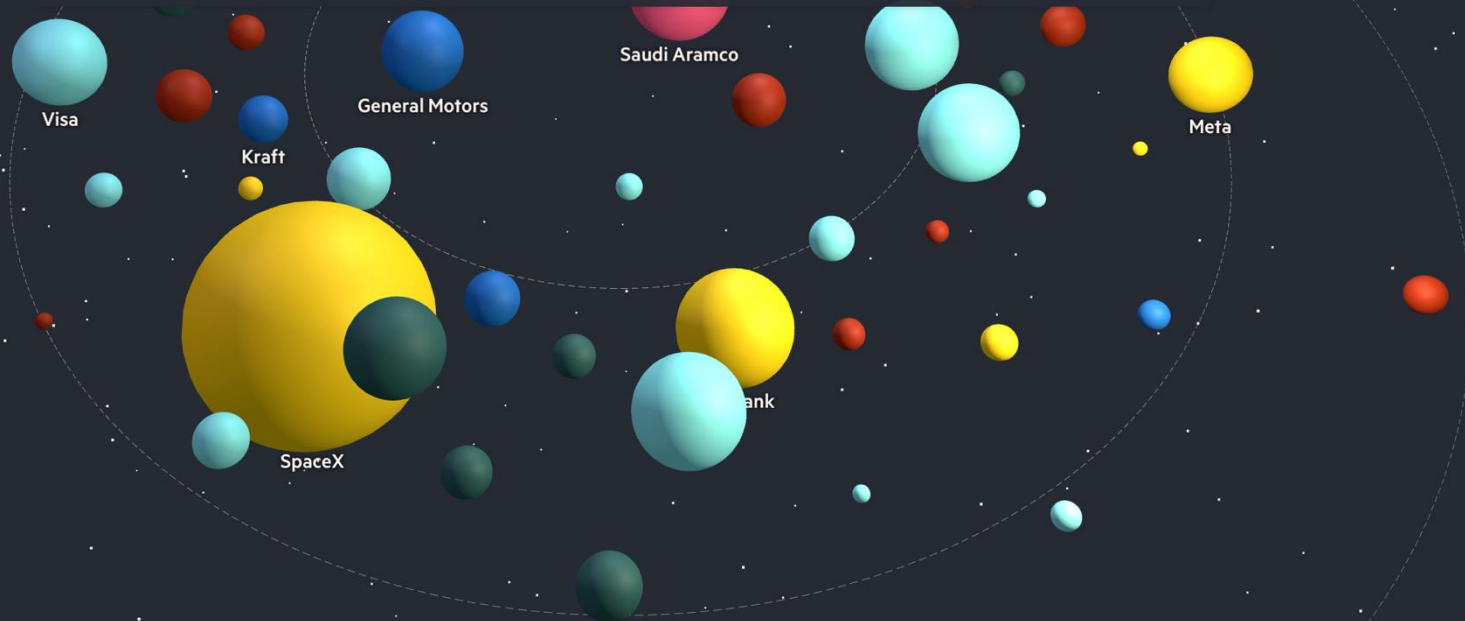
The Investment Committee views engagement as a strategy for the prudent management of risk-adjusted returns and opposes any efforts that would either implicitly or explicitly attempt to direct or influence it to pursue investment activities that would violate and breach its fiduciary duties. CalSTRS' opposition to such efforts is based on several considerations:

- Divestment would eliminate CalSTRS' standing and rights as a shareowner and foreclose further engagement;
- CalSTRS' investment may be sold to another investor that may not share CalSTRS' views, which would result in fewer opportunities for engagement; and
- Divestment may result in significant associated costs.

Visual story

How SpaceX could pull millions of savers into Musk's orbit

The world's richest man is shooting for Mars. Ordinary investors may have no choice but to come along for the ride



From Unbound to Absolutist Controllers

Planet Musk

Passive investors will also be forced to accept SpaceX's governance risks.

Musk will control a supermajority of class B stock with 10 times the voting power of ordinary shares, giving him 80 per cent of the vote and making it impossible for him to be ousted.

Shareholders will be denied the right to sue and disputes will be settled in “mandatory arbitration” in Texas.

The CEO will also get a trillion-dollar pay deal if he grows the valuation to \$7.5tn and establishes a 1mn-strong human colony on Mars. He will get even more stock if he launches a network of data centres into space capable of delivering 100 terawatts of computing capacity.

Engagement, voting and litigation tools rendered ineffective.

SpaceX will pull millions into its orbit



SpaceX
IPO



Inclusion in
major indices



Passive funds and
pensions gain exposure



Millions of savers
indirectly own SpaceX

Source: FT research

THE WORLD'S 100 LARGEST PENSION FUNDS



Pension Fund Benchmark Indices

Fund	Equity benchmark index	SpaceX inclusion?
GPFG (NBIM)	FTSE Global All Cap	Yes*
GPIF	MSCI ACWI (ex Japan, ex China A)	Yes†
NPS	MSCI ACWI ex-Korea	Yes†
CalPERS	Custom FTSE All World, All Cap	Yes*
CalSTRS	MSCI ACWI IMI	Yes*
AP7	MSCI ACWI	(Yes)
AkademikerPension	MSCI ACWI	No

Yes = SpaceX would enter the fund's benchmark. † with certainty. * fund maintains formal restriction / divestment policies. **(Yes)** AP7: risk-based exclusions since Dec 2025 — no longer a near-index portfolio. **No**: AkademikerPension excluded the SpaceX IPO over governance and valuation (Reuters, 29 May 2026).

Danish pension fund excludes SpaceX citing governance and valuation

By Reuters

May 29, 2026 9:30 PM GMT+8 · Updated May 29, 2026



COPENHAGEN, May 29 (Reuters) - Danish pension fund Akademikerpension said on Friday it had placed SpaceX on its portfolio exclusion list ahead of the company's initial public offering, citing concerns about the governance structure and what it said was an overvalued stock.

(Funds size: ~USD 21bn)

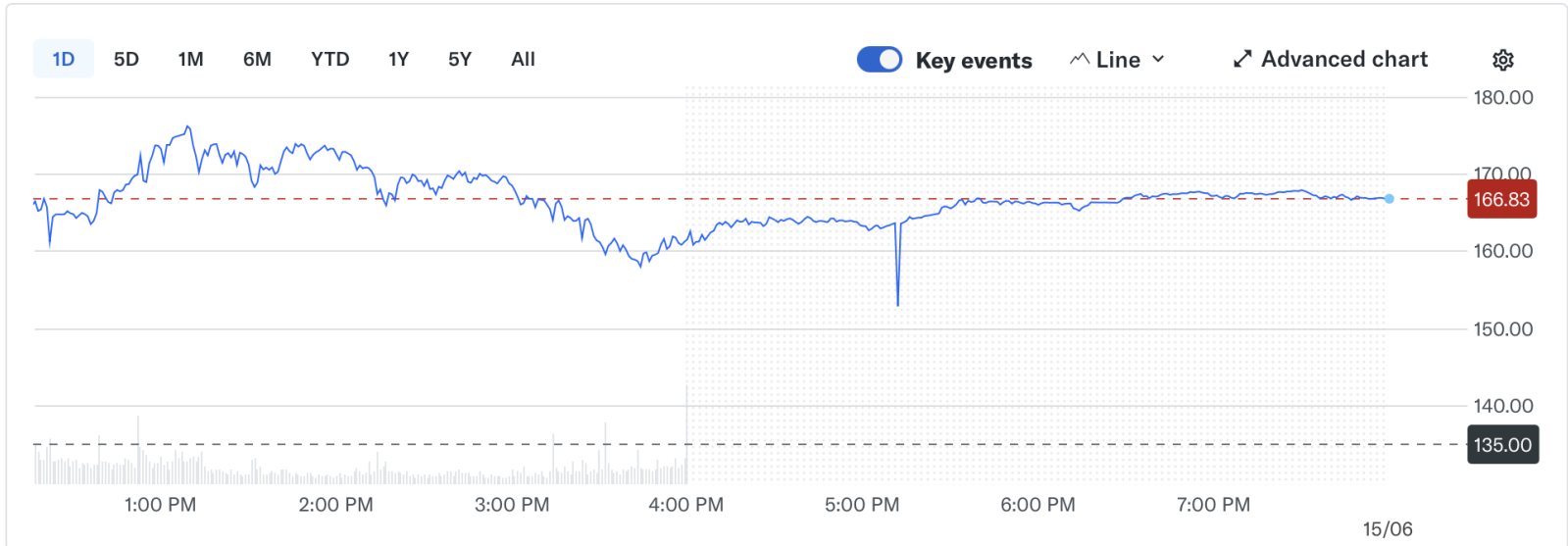
NasdaqGS - Nasdaq Real Time Price • USD

Space Exploration Technologies Corp. Class A Common Stock (SPCX) ☆

160.95 +25.95 (+19.22%) **166.83** +5.88 (+3.66%)

At close: 4:00:00 PM GMT-4

After hours: 7:59:59 PM GMT-4



FRENZIED FINANCE

BY
THOMAS W. LAWSON
OF BOSTON

VOLUME I
THE CRIME OF AMALGAMATED



NEW YORK
THE RIDGWAY-THAYER COMPANY
1906



Minsky Moment

[min(t)skē 'mō-mənt]

A sudden collapse of asset prices following a prolonged period of economic prosperity that led investors to lose sight of risk.

 Investopedia

Paul Krugman

Elon Musk, Human Ponzi Scheme

With Wall Street's help, you're about to be forced to buy stock in SpaceX



PAUL KRUGMAN
JUN 12, 2026

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The Answer to Absolutist Controllers in the Age of **Impunity:** **Divestment and Exclusion**