



Market Response to Court Rejection of California's Board Diversity Laws

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Abstract

California mandated that firms headquartered in the state include women (SB 826) and underrepresented minorities (AB 979) on their corporate boards. These laws, passed in 2018 and 2020 respectively, were held to be unconstitutional by judges on the Los Angeles County Superior Court in 2022. This paper examines the market reaction to these surprising court decisions, finding that California firms appreciated significantly on the days of the rulings, and there is evidence that firms that were not in compliance with the laws exhibited larger abnormal returns than firms that were in compliance.