

Extreme Governance: An Analysis of Dual-Class Firms in the United States

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ABSTRACT

We construct and analyze a comprehensive list of dual-class firms in the United States and use this list to investigate the relationship between insider ownership and firm value. Our data has two useful features for this valuation analysis. First, since dual-class stock separates cash-flow rights from voting rights, we can separately identify the impact of each. Second, we address endogeneity concerns by using exogenous predictors of dual-class status as instruments. While other data sets have provided one of these features, our data set is the first to provide both. We find robust evidence that firm value is increasing in insiders' cash-flow rights.