

Estimation files are located in two main folders:

1. The files for estimating the specifications in Tables 5 and 6 are located in the folder “Code/MainSpecifications;” and
2. The files for estimating the specifications that implement the control function approach in Table 7 are located in the folder “Code/ControlFunction.”

The Matlab script `Main.m` in each of these folders estimates the model. The estimation procedure involves the use of the modeling language AMPL (version 10.0) and the solver Knitro (version 11.1) in a Unix environment (though other environments may be used with simple adjustments to the code). The AMPL code for estimating the model is in the scripts with extensions `.run` and `.mod`.

The `Main.m` program in each of the folders requires as inputs the details of the specification to be run, and starting points. The starting points can be chosen arbitrarily, although to reduce computation time we suggest starting from reasonable guesses, such as those that can be obtained from simple multinomial logit versions of the choice model (without the inertia component). Starting points can be provided as either `.sol` files (option `Start_Switch=1`), or by a `.csv` table (option `Start_Switch=2`).

The `Main.m` script in the MainSpecifications folder (i) uploads the data (using the script `PrepData.m`) and generates a `.dat` file, (ii) estimates the model by calling AMPL/Knitro, (iii) computes standard errors (using other auxiliary scripts), and (iv) computes counterfactuals. The `Main.m` script in the ControlFunction folder performs steps (i)-(iii) for the control function specification.

Data are in the file `Data.mat`. This file includes both the firm-level and state-level variables.

Firm-level variables:

| | |
|------------------|--------------------------------------------------------|
| Firm_id | Firm identifier |
| Time_id | Year identifier |
| Inc_id | State of incorporation id |
| Hdq_id | State of headquarters id |
| Managers_dum15 | Managers' ownership > 15% |
| Director_dum15 | Directors' ownership > 15% |
| Officer_dum15 | Officers' ownership > 15% |
| takeover_prem | Takeover premium in the industry |
| InstOwn_perc | The fraction of institutional ownership |
| At0_100 | Total assets <\$100m |
| At100_1000 | \$100m<Total assets<\$1000m |
| At1000 | Total assets>\$1000m |
| ControlFct_resid | First stage residual for the control function approach |
| SP500 | Inclusion in SP500 dummy |

State-level variables:

| | |
|--------------|---------------------|
| Time_id | Year identifier |
| State_option | State identifier |
| ATS | ATS index |
| DIR | LP(DIR) index |
| OFF | LP(OFF) index |
| PillStat | Poison pill statute |
| DeadH | Dead Hand pill |
| ExtremeS | Extreme statutes |