

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