Public Debate and Stock Prices:
Evidence from the Voting Premium[*]

Fabio Braggion
(Tilburg University)

Mariassunta Giannetti
(Stockholm School of Economics, CEPR and ECGI)

December 2013

Abstract. An intense debate on the use of limited-voting shares developed in the UK during the 1950s. We show that negative news coverage of limited-voting shares is associated with an increase in the relative price of voting and limited-voting shares, even if no new material information has been revealed. The effects are stronger for firms that are difficult to arbitrage. Furthermore, negative news coverage is followed by *lower* returns for voting shares than for limited-voting shares. Our results suggest that the public debate may have limited firms' ability to use limited-voting shares and have broader implications for corporate governance.
Keywords: Corporate Governance; Dual Class Shares; Public Debate
JEL Codes: G02, G1, G3

1. Introduction

Firms' corporate policies are subject to heated debate. Public debate provides a disciplining device for firms (Dyck, Volchkova, and Zingales, 2008), but market participants may change their views on particular forms of corporate governance or financing even if they are not harmful to shareholder value. An example is the negative media coverage of executive stock options that Kuhnen and Niessen (2012) argue may have led firms to make less use of this form of compensation. Public debate may thus affect firm valuations, access to financing, and more in general corporate policies in a way that is unrelated or may even deviate from the maximization of shareholder value.

This paper explores the effects of public debate on limited-voting shares. Many companies around the world use dual class shares, that is, share structures that deviate from the principle of one-share-one-vote. The discount at which limited-voting shares usually sell is attributed to firm ownership structure, corporate governance and the probability of a takeover or a proxy context (Zingales, 1994 and 1995; Nenova, 2003; Hauser and Lauterbach, 2004; Kalay, Karakas and Pant, 2012). The voting premium would emerge because voting shareholders expect to receive larger payments for their shares than limited-voting shareholders.

However, public debate could also influence the relative price of limited-voting and voting shares and limit firms' ability to issue limited-voting shares even if the latter do not affect negatively firm performance or the returns of limited-voting shareholders. We exploit an intense debate about the use of limited-voting shares, which starting from the mid-fifties developed over 15 years in the UK. This setting is ideal for our purposes. First, it allows us to evaluate whether negative news coverage of limited-voting shares was warranted using the ex post returns of voting and

1

limited-voting shares and firm performance. Second, public opinion is nowadays somewhat crystallized against non-voting shares (Giannetti and Simonov, 2006; Li, Ortiz-Molina and Zhao, 2008; Leuz, Lins and Warnock, 2009; McCahery, Sautner and Starks, 2010) and would thus be impossible to exploit the swings in the intensity and tone of public debate as we do.[1]

We show that the relative price of voting and limited-voting shares (henceforth, the voting premium) moves synchronously across firms and exhibits large increases and reversals between 1955 and 1970 in a way that cannot be explained by changes in firms' characteristics. The synchronous changes in the voting premium appear to be related to the tone of the debate on the use of limited-voting shares. In particular, negative news coverage is associated with an increase in the voting premium even if it does not reveal any new material information.

The results are robust to controlling for firm characteristics and general market conditions, such as aggregate stock market and bond returns, the total number of takeovers announced in a month, or whether a firm was a takeover target. One possibility is that news against dual class shares proxy for negative information, not captured by our controls, about the future cash flows accruing to shareholders with limited-voting rights relative to voting shareholders. An alternative explanation is that the public debate affects and reflects investors' views on limited-voting shares that shift over time in a way that is unrelated to corporate fundamentals.

To distinguish between these two hypotheses, we perform several tests. First, we show that the effects are stronger for illiquid and high volatility stocks, which are more difficult to arbitrage, indicating that the effect of negative news coverage is unlikely to depend on expected differences in the payments accruing to voting and

---

[1] We describe the institutional setting in detail in Section 2.

limited-voting shareholders. Second, we show that the increases in the voting premium are driven exclusively by a decrease in the price of limited-voting shares. Any unexpected increase in the benefits accruing to voting shareholders (or a transfer from limited-voting to voting shareholders) should also lead to an increase in the price of voting shares that we do not observe. Thus, our results are more consistent with lower demand for limited-voting shares leading to lower prices for these stocks and a higher voting premium.

Third, the tone of the debate has a similar effect on limited-voting ordinary shares and preference shares. Both types of shares carried high dividend yields and had limited-voting rights and, most importantly, were contributing capital in perpetuity, a feature that in the public debate was considered to have to be associated with voting rights (see, for instance, *The Economist*, April 14, 1956). However, preference shares, having right to a preferential dividend, were less subject to criticism. Proposals of enfranchising limited-voting shareholders or banning future issues of limited-voting shares mostly entailed ordinary shares. The fact that limited-voting ordinary shares and preference shares were similarly affected by the debate is thus consistent with the notion that prejudice against limited-voting shares drives our findings. It also suggests that preferential dividends and the fact that dividend payments were capped for non-participating preference shares cannot explain how the dynamics of the voting premium is related to the tone of the debate.

Last, we explore whether the differences in the prices of voting and limited-voting shares are justified by ex post returns. If news coverage revealed information about the future cash flows of limited-voting shares relative to voting shares, we would expect that the prices of voting and limited-voting shares will reflect future returns and, in particular, that voting and limited-voting shares will offer on average

equal returns. If news coverage instead reflects investors' views unrelated to fundamental information, we should expect that the price difference between voting and limited-voting stocks will not be justified by ex post returns. In other words, the voting premium should be systematically reversed, especially after periods of negative news coverage of limited-voting shares.

We find that negative news coverage of limited-voting shares increases the voting premium, but is systematically associated with lower returns for voting shares relative to limited-voting shares over the next quarter (six months). Furthermore, a higher voting premium is related to *lower* returns for voting shares than for limited-voting shares over the next quarter. These findings indicate that changes in the voting premium are unlikely to be explained by changes in the relative magnitude of the benefits accruing to voting and limited-voting shareholders. This interpretation is confirmed by the fact that there are no major differences in corporate governance or operating performance between dual class firms and the control firms with single share structure.

Our findings provide evidence that investors' views matter for stock prices. We also provide some evidence that the increase in the voting premium resulting from negative media coverage may have led companies to reduce the use of limited-voting shares.

Our paper is related to a strand of literature showing that media coverage affects aggregate stock returns (Shiller, 2000; Huberman and Regev, 2001; Tetlock, 2007; Engelberg and Parsons, 2011; Garcia, 2013). We show that public debate may affect securities' relative prices as well as firms' ability to use limited-voting shares. It is not our objective, however, to identify the causal effect of media coverage on the relative prices of voting and limited-voting shares, but rather to show that public opinion –

4

which is both reflected and shaped by the news—may affect investor demand and the relative price of securities. In this respect, our contribution is also related to Hong and Kacperczyk (2009), who show that investor distaste for "sin" stocks affects stock prices and returns.

Our findings are also consistent with Schultz and Shive (2010), who using intraday data show that investors shift their trading patterns to take advantage of price discrepancies between dual classes of shares. Like ours, Schultz and Shive' findings indicate that the voting premium may be at least partially due to mispricing. We highlight, however, that this mispricing may be persistent.

The remainder of this paper is organized as follows. Section 2 and Section 3 describe the institutional background and the news classification, respectively. Section 4 describes sample construction and data sources. Section 5 presents the empirical analysis. Section 6 concludes.

2. Institutional Background

2.1 The Stock Market in the UK

The stock market played an important role in the funding of UK companies since the 19th century. The 1948 Company Act had introduced disclosure rules for prospectuses and specific penalties for non-disclosure (Cheffins, 2008, pp. 356-360). It also allowed for proxy voting and made provisions for shareholders holding 10% of the votes to force an extraordinary meeting of shareholders.

By 1955, when our sample starts, the companies listed in the London Stock Exchange had highly dispersed ownership. For instance, Franks, Mayer and Rossi (2009) document that the proportion of shares held by the top 3 shareholders was only 33.83% in 1950. Other studies provide similar evidence. In the sample of Braggion

and Moore (2011), the average holdings of the Top 3 shareholders between 1895 and 1905 were 24%. Moreover, the average holdings of companies' directors were 8.1% already in 1911 (Hannah and Foreman-Peck, 2011).

Families owned only minority stakes, but had sometimes maintained control of listed companies with a disproportionate representation on the board and, increasingly after up to the 1950s, with dual class shares (Franks, Mayer, Rossi, 2005 and 2009). Companies issued both ordinary limited-voting shares and preference shares. The latter gave (limited-voting) shareholders right to a preferential dividend, and were in some instances participating to further dividend distribution (participating preference shares).

Table 1 shows the proportion of commercial and industrial firms complying with the "one-share-one-vote principle" in snapshots starting from 1896 until 1986.[2] The proportion of firms with dual class shares increased in the earlier part of the sample, possibly because in the later nineteenth century the London Stock Exchange required to place at least 2/3 of any security to the public in any public issue. This rule ensured that there was sufficient liquidity, but made difficult the formation of control blocks (Hannah 2007). To reduce the dilution of control, firms started to issue limited-voting (ordinary or preference) shares to the public (Cheffins, 2008, pp. 226-227).[3]

Limited-voting shares were considered particularly suitable for retail investors, which dominated the buy side of the market and that were not in a position to acquire real knowledge of the business in which they invested (Cheffins, 2008, pp.108-121). These investors used dividends as the metric for evaluating firm performance. Thus, the prices of all shares, regardless of their class, were disproportionately influenced by

---

[2] In this table, we complement our dataset with earlier data from Braggion and Ongena (2012), which are available only for selected years.
[3] Approximately, 10 % of listed companies had limited-voting ordinary shares.

dividends and sentiment affecting the demand for shares and insensitive to retained earnings (Fisher, 1961; *The Economist*, June 9, 1979).

In this context, we ask whether the public debate may have affected the relative price of limited-voting and voting shares. It may suggest so the fact that the proportion of firms with equal voting rights declined to 41% during the period between 1958 and 1964, which, as we show below, coincided with the most heated phase of the debate on the use of dual class shares. The proportion of one-share-one-vote firms rose again after 1964 reaching 50% in both 1970 and 1980 and arriving to 57% in 1984.

However, during the fifties, an active market for corporate takeovers had also emerged in the UK (Cheffins, 2008, pp. 307-308). Up to 1968, bidders could acquire a target purchasing only voting shares at a premium. Thus, expected additional payments accruing to the holders of voting shares could determine the increase in the voting premium. In what follows, we control for takeover activity and how this relates to the debate on limited-voting shares.

2.1 The debate on limited-voting shares

Up to the first half of the fifties, issues of limited-voting shares proceeded smoothly and did not raise any criticisms. The debate on one-share-one-vote started at the beginning of 1956, when the quotations' committee of the London Stock Exchange, following the advice of the Chartered Institute of Secretaries, a professional association, recommended for the first time that non-voting ordinary shares should be explicitly designated as such (Times, February 1, 1956).[4] The

---

[4] The debate that emerged in the UK did not have a correspondent in the US. By 1900, in most of the US states the default voting rule for ordinary shares without preferential treatment was one-share-one-vote. This trend culminated in 1926 with the New York Stock Exchange disposing that, from then on, it would have allowed only trading of securities issued by companies whose ordinary shares complied

announcement also mentioned that this was not a necessary condition for obtaining a listing and that shares with limited-voting rights were not recommended to report any explicit wording.

The debate that ensued was probably ignited by the fact that during the same period, institutional investors were gaining increasing importance, even though retail investors were still prevalent (Cheffins, 2008, pp. 344-345). Institutional investors exhibit a preference for the standardization of contracts and against dual class shares, which has been noted also in studies using more recent data (Giannetti and Simonov, 2006; Li, Ortiz-Molina and Zhao, 2008; Leuz, Lins and Warnock, 2009; McCahery, Sautner and Starks, 2010). It is unclear whether institutional investors' preferences for one-share-one-vote were driven by expected returns. Institutional investors' support for one-share-one-vote share structures may have derived also from the option of becoming active in shaping firm policies, but what is crucial here is whether investors' inability of taking an active role translated in weaker firm performance (a proposition that we test below and for which we find no evidence).

A characteristic of the debate is that hardly any new material information that may have affected expectations on the relative returns of voting and limited-voting shares was revealed. No corporate scandals or other major events occurred. Rather, opinions were often reiterated by institutional investors, which may both have affected and reflected how all market participants viewed limited-voting shares.

For instance, on February 26, 1956, the retiring president of the Chartered Institute of Secretaries held a speech on the dangers posed by limited-voting shares. The arguments are nicely summarized in an article published in *The Economist* on

---

with the one-share-one-vote principle. Until 1985, when the ban was eliminated, only limited-voting shares with preferential dividend (preference shares) were allowed for trade in the New York Stock Exchange.

April 14, 1956: "*Non-voting shares ought always to be regarded with reserve (…)
They can put control in the hands of an irresponsible oligarchy with a minority
financial stake (…). The danger lies in the perpetuities that non-voting shareholders
are powerless to control.*" [5]

Similarly, on August 1, 1957, at the Annual meeting of The Trustees
Corporation Limited, an institutional investor, the fund manager stated (as reported in
the Times of London): "*I refer to the practice that is becoming increasingly prevalent
of issuing non-voting ordinary shares. (…) I deprecate this practice. (…) It is surely
right that all those who own the risk bearing capital should be entitled to share in the
control of the company*".

Over the next two years, almost every month, there were stories with negative
coverage of limited-voting rights. The news mostly referred to institutional investors
that expressed an opinion against dual class shares in their annual meeting and
reiterated the "*commonly accepted doctrine that all equity shareholders should have a
voice in the control of the company*" (The Economist, June 1, 1957).

Institutional investors were reported to have developed a "marked distaste" and
a "prejudice" against the "undesirable practice" of issuing limited voting shares and
started to frown upon limited-voting equity issues. On August 24, 1957, The
Economist notes: "*The growing dislike by many institutions for non-voting shares will
be –and indeed already has been— reflected in a widening of the price difference
between the voting and non-voting shares where both are quoted.*"

Furthermore, some companies were unable to recapitalize the limited-voting
shares and started unifying the different share classes and provided voting rights to all
shareholders.

---

[5] During this period, most of the shares with limited-voting rights had no voting rights at all. This
explains the non-voting shares terminology used in the press at the time.

Starting from 1959, we find stories that justify the use of limited-voting rights. For instance, on July 27, 1959, in a public statement, the exchange expressed support for shares with restricted voting rights, especially if they gave right to a preferential payment of dividends. Another story published on November 13, 1959 by the Times of London justified the use of dual class shares on the ground that nobody is obliged to buy limited-voting shares. Acceptance of dual class shares was reinstated by the Jenkins Committee, which in the summer 1960 argued that it may be desirable that control is retained by insiders and limited-voting shares could be issued, especially by small family firms. Similar news followed. However, institutional investors still refused to participate in the issuance of new shares involving restricted voting rights. An animated debate ensued with both the Institute of Directors and the London Stock Exchange. The former advocated in favor of dual class shares; the latter issued a pronouncement stating that it would be wrong to refuse the trading of limited-voting shares. Other bodies, such as the Board of Trade and the Institute of Secretaries, pronounced in favor of dual class share structures. Thus, companies started issuing again limited-voting shares and put off unification plans.

The debate started again in June 1964 when Chrysler purchased a stake in Rootes Motors, a deal that was judged favorably, but in which limited-voting shareholders received limited gains. Thus, in October 1964, we find a call for a new bill abolishing limited-voting shares and, in the following months, companies experienced new problems in issuing limited-voting shares and a few firms unified their different share classes. The debate resumed again and substantially followed the same cycle as in the previous years.

The debate remained lively in the second half of the 1960s, but it toned down during the 1970s. After 1970, we find a very limited number of news concerning the

desirability of limited-voting shares. The news also supported the idea that opinions in the market had crystallized and dual class shares were now generally viewed as an inferior claim. For instance, the Times on May 30, 1970 reported that *"The pragmatic stock market view is that voting shares deserve to be rated at a premium over non-voting shares"*. Similarly, on December 9, 1970, *"the opinion in the City and industry has moved against differential votes"*. Taking this evidence in consideration, we end our sample period on December 31, 1970.

3. Classifying the Tone of the News

To capture investors' views of limited-voting shares, we quantify the tone of the news during a period of heated debate on dual class shares. The approach of using the media to quantify investor attitudes is similar to Tetlock (2007), who shows that media pessimism predicts downward pressure on aggregate market returns, followed by a reversion to fundamentals. Our objective, however, is not establishing the causal impact of media coverage, but whether investors' views, which are both reflected and shaped by the public debate, affect relative asset prices.

We start by searching the Times of London Digital Archive and the Financial Times Historical Archive for news regarding dual class shares using the words "non-voting shares", "voteless shares", "restricted voting rights", and "limited-voting rights" from 1955 to 1970. The terminology "dual class shares" was not used at that time and yields no results.

Our search yields 1266 news from the Financial Times and 610 news from the Times of London.[6] We adopt two alternative methodologies to quantify investor attitudes towards limited-voting shares. The first methodology, similar to the one

---

[6] It should be noted that the volume of news during our sample period was much smaller than nowadays. It is quite telling that the number of pages of the Times increased by nearly 600% from 1955 to 2004.

followed, among others, by Tetlock (2007), relies on an automated program that counts the number of words expressing negativity or positivity. The procedure involved several steps. First, we transformed the scanned images reporting the news into text using the ABBYY software, the leading package in optical character recognition (OCR) processing.[7]

To quantify the tone of each article, we fed the text files into the Pennebaker et al. (2007) linguistic inquiry and word count (LIWC) software. The program automatically processes text files and analyzes their content based on an internal dictionary. We focused on the scores identifying the degree of positive and negative emotions in each article. The program's default dictionary contains a category consisting of 500 words to measure negative emotions and 405 words identifying positive emotions. However, the built-in dictionary may not well represent the degree of negativity and positivity in a finance context. For this reason, we also classify the tone of the news using the dictionary of Loughran and McDonald (2011), which was specifically built to capture negative and positive emotions in a finance context. Using the two alternative dictionaries yields similar results and, for brevity, we only present results using scores based on the built-in dictionary.

Our final index of negative (positive) news coverage is obtained by summing the negative (positive) scores attributed to the news published during a month. In this way, we not only capture the intensity of negative and positive emotions, but also the intensity of the debate.

The advantage of this methodology is that it quantifies the tone of the news in a non-arbitrary way. The main disadvantage is that different types of news are included

---

[7] Once the conversion was completed, we had to resolve two additional problems. First, many times the scanned images contained several articles, but only one (or few) of them displayed the desired keyword. In these cases, we manually extracted the relevant article(s). Second, while the quality of the transcription was generally good, the accuracy of OCR processing was low for some images. In these cases, we manually corrected the transcription errors.

in the factor quantifying the tone of news coverage. This may create noise (Boudoukh, Feldman, Kogan, and Richardson (2013)).

For this reason, we also use a second methodology, similar to the one followed by Bhattacharia, Galpin, Ray and Yu (2009). We read all news from the Times of London in chronological order and classify them according to their tone towards dual class shares. Out of the original 610 news, a subset is related to specific companies and their handling of limited-voting shares: For instance, news about share unifications or problems regarding the issuance of limited-voting shares. To be conservative, we concentrate only on news that are the least likely to provide any fundamental information, unavailable to market participants. Following Shiller (2000) and Tetlock (2007), we focus on a subset of news that are opinions publicly stated by authoritative figures either in the business or in the political worlds, such as institutional investors, the Board of Trade, or Members of Parliamentary Committees. Such news unequivocally reinstates known positions rather than new information.

We classify news reiterating known arguments against (in favor) of dual class shares as negative (positive) for limited-voting shares.[8] From our classification, the debate appears to be heavily skewed towards negative news. Out of 112 news, only 26 can be classified as positive. This negative bias of the media is consistent with prior work (Green, Hand and Penn, 2011; Kuhnen and Niessen, 2012). In what follows, we define a month to have negative (positive) news coverage if there is at least one story against (in favor of) dual class shares.

Using either of the two indexes, we explore whether the tone of the news during a month affects the voting premium, measured using end of month prices, thus

---

[8] In the results we present using this alternative score, we do not attempt to classify the extent to which news are positive or negative by counting the number of positive and negative words. The approach we follow biases our estimates against finding any effect of the news. The main conclusions of the paper are invariant if we measure the tone of this subset of news using Pennebaker et al software, as we do for the first indicator.

effectively using lagged news coverage. We control for changing macroeconomic conditions, such as the inflation rate, as well as for the fact that the volume of news may change, due to the development of communication technology, by including year fixed effects throughout the analysis of the voting premium and the stock returns.

4. Data

4.1 Sources and Sample Construction

To construct our sample, we obtain a list of companies listed in the London Stock Exchange from 1955 to 1970 from the London Share Price Database (henceforth, LSPD). The sample includes 2,166 companies and covers all the largest companies listed on the London Stock Exchange during this period plus a random 33% of the remaining firms. The LSPD has been widely used in existing historical studies (see, for instance, Dimson, 1979) and does not suffer from survivorship bias. From the LSPD, we also obtain data on prices and returns of ordinary voting shares at a monthly frequency, starting from January 1955.

Since the LSPD does not provide information on stocks' voting rights or prices for multiple share classes of the same firm, we hand-collect information on shares' voting rights from the Stock Exchange Official Yearbook. The Yearbook was first published in 1875 with the purpose of providing information on joint stock limited liability companies quoted in the London Stock Exchange. It is regarded as the most authoritative source of information on the matter. We retrieve data on voting rights on an annual basis from 1956 to 1970 for all firms listed in the yearbook in the sections "Commercial and Industrial".

Slightly over 12% of the dual class firms in our sample issued limited-voting ordinary shares or participating preference shares (Slightly over 10% of the limited-

voting ordinary shares and participating preference shares are participating preference shares).[9] The rest of the dual class firms issued non-participating preference shares. All limited-voting shares either carried no voting rights or granted voting rights only in very specific circumstances, such as the liquidation of the company or a significant delay in the payment of the preference dividend. Even if these eventualities occurred, limited-voting shareholders could usually vote only on a specific set of issues.

We then hand-collect prices and dividends of limited-voting shares at monthly frequency, starting in January 1955 and ending December 1970, from the London Stock Exchange Daily Official List, available at the Guildhall Library in London.[10] We record dividends, par value of shares and bid and ask prices in the last trading day of the month. We compute the price of limited-voting shares as the average of the bid and ask prices at the end of the month (as we do for the price of voting shares).

We collect data for both limited-voting ordinary shares and preference shares because in the literature the latter are generally treated as equity without voting rights even when they have no right to participate in further dividends distributions (see, for instance, Faccio and Lang (2002) and, for the historical period we consider, Franks, Mayer and Rossi, 2009). [11] Theoretically, this is the case because preference shares have two important features of equity contracts: The claims of preference shareholders have unlimited horizon (Fluck, 1998) and firms' inability to pay dividends does not lead to default.

Some may argue however that since the benefits of non-participating preference shareholders are capped, these securities are more similar to debt. To address such a

---

[9] The list of firms with limited-voting ordinary shares or participating preference shares and non-participating preference shares is presented in the Appendix.
[10] This is the same source used by LSPD to compile the prices of voting shares.
[11] Consistent with the notion that preference shares were considered and treated as equity by investors and firms, a significant number of companies quoted in the London Stock Exchange had preference shares carrying full voting rights. We do not include preference shares with full voting rights in our analysis.

concern, below, we show that our results are robust when we restrict the attention to limited-voting ordinary shares and participating preference shares.[12] Furthermore, we show that the voting premium is not related to the return of debentures, a common form of debt during the sample period. More importantly, controlling for the returns of fixed income securities leaves the effect of the public debate on the voting premium invariant.

Finally, we merge the information on share prices with the Cambridge/DTI Databank, which provides financial statements and other firm-specific information for UK publicly quoted companies in the commercial and industrial sectors between 1948 and 1990. Meeks and Wheeler (1999) provide a detailed description of this data source. Table 2 summarizes the main variables in the analysis.

4.2 Stylized Facts

Following Zingales (1995) and Rydqvist (1996), we compute the voting premium as the price of a voting share issued by a firm minus the price of a limited-voting share issued by the same firm, divided by the price of the limited-voting share. For robustness, we also compute two additional proxies for the voting premium that take into account the number of votes each share grants and the differences in cash flow rights between voting and limited-voting shares, respectively. The results we obtain using these two alternative definitions are very similar to those obtained in the benchmark case.

Figure 1 presents the evolution of the voting premium for our sample firms. It illustrates two points. First, although for the median firm the voting premium was zero at the beginning of the sample period, there was large cross-sectional variation

---

[12] Participating preference shares are considered equivalent to limited-voting ordinary shares in all studies of the voting premium (see, for instance, Nenova, 2003).

with some firms having a negative voting premium and others with a positive voting premium. We will attempt to capture this variation considering cross-sectional differences in firm characteristics.[13] Second, and more importantly for our purposes, there appear to be large changes in the voting premium that are synchronous for firms with voting premium in the first, second and third quartile. This suggests that the changes in the voting premium are determined by factors affecting all firms. This evidence resembles the one on the close-end fund discount, which is also known to move synchronously across different funds for reasons that are often considered to be related to investor sentiment (Lee, Shleifer, and Thaler, 1991).

In our context, however, the nascent market for takeovers may have increased the expected cash flows accruing to voting shareholders and driven the voting premium up for all firms. Figure 2 shows that the number of acquisitions concluded during a month and the voting premium of the median firm at the end of that month are indeed related. Similarly, Figure 3 shows that the voting premium is also positively related to the intensity of the debate on dual class shares that we proxy using the number of news covering the one-share-one-vote rule during a month. This empirical evidence indicates that exploring the role of the takeover market and the public debate is important for our analysis.

5. Results

5.1. Determinants of Negative News coverage

We start by exploring how the tone of news coverage is related to market conditions, takeover activity, and the voting premium itself. We capture market conditions and, more in general, systematic risk factors using the market return and

---

[13] Also, given the large variation in the voting premium, throughout the empirical analysis, we winsorize the voting premium at 1% level.

the Fama-French factor portfolios, small-minus-big and high-minus-low.[14] We further construct a factor capturing firms' acquisition activities as the number of acquired and delisted firms in the current and following three months.[15] Columns 1 and 2 of Table 3 show that none of these factors appear to be associated with negative news coverage of limited-voting shares. Also, negative news coverage of limited-voting shares does not simply reflect a high voting premium as a high voting premium for the median company is not necessarily followed by negative news coverage.

These results are unsurprising as the magnitude of the voting premium, market conditions or the takeover market are generally not mentioned in connection to limited-voting shares. It appears instead that the debate on limited-voting shares was ignited by the advent of institutional investors, which in occasion of their shareholder meetings or press interviews were reiterating their views on the subject, independently from market conditions or specific firm situations. The tone of the debate reveals how some investors were viewing limited-voting shares and may also have changed the views of other investors. It is thus interesting to ask how the tone of news coverage affected the relative price of these securities.

5.2 Negative News Coverage and the Voting Premium

The rest of Table 3 relates the negative tone of the news covering limited-voting shares to the voting premium. Throughout the analysis, we control for differences in dividend and liquidity between voting and limited-voting shares (Bailey, 1988). While

---

[14] Following Fama and French (1993), we construct the small-minus-big portfolio by classifying firms with market value above the median of the firms in the London Share Price database as "big", and firms with market value below the median as "small". Similarly, the low-minus-high portfolio is constructed by classifying firms with market-to-book ratio above the 70th percentile of the firms in the London Share Price database as "high" and firms with market-to-book below the 30th percentile as "low". Portfolios are rebalanced at the beginning of each year.

[15] Franks and Harris (1989) indicate that this was nearly the maximum amount of time lapsing between the announcement of an acquisition and its completion.

differences in liquidity are highly significant and indicate that the voting premium is smaller if voting shares are less liquid, it does not appear that differences in dividends affect the voting premium.

More importantly, negative coverage of limited-voting shares is associated with a higher end of month voting premium. The effect is not only statistically significant, but also large from an economic point of view. The estimates in column 3 of Table 3 imply that, a one-standard-deviation increase in the score capturing negative news coverage increases the voting premium by 9 percentage points, which is almost 20% of the average voting premium. Importantly, the effect is somewhat smaller, but still highly statistically and economically significant in column 5 where we control for the lagged voting premium of the median company. [16]

We also test whether there is an effect of stories justifying deviations from one-share-one-vote on the voting premium (column 4). We find that positive coverage of limited-voting shares also tends to increase the voting premium. While this is at first sight surprising, positive news coverage of dual class shares in our sample is more frequent when the debate is heated and there is more negative news coverage (the correlation between the scores of positive and negative news coverage is 56% and statistically significant at the 1% level). Also previous literature shows that only negative word counts have predictive power for aggregate stock returns (Tetlock, 2007). For this reason, in what follows, we focus on negative coverage of limited-voting shares.

The voting premium could be related to market conditions. This could be the case for instance if extraction of private benefits of control by insiders changed over the business cycles (Lemmon and Lins, 2003). This is not a big concern because our

---

[16] In all tests, we cluster errors at the firm level. Results would be invariant if we also clustered at the time level.

earlier analysis shows that negative news coverage is unrelated to market factors. Nevertheless, we include the market return and the Fama-French factor portfolios, small-minus-big and high-minus-low, as controls. In column 6, the market factor and the small-minus-big factor portfolio appear to be positively correlated with the voting premium suggesting that the price of voting shares is relatively higher during good times. Since limited-voting shares are often distributed dividends before voting shares, it is unsurprising that the returns for voting shareholders are higher when market conditions are stronger. Most importantly, negative news coverage continues to have a positive effect on the voting premium.

We also control for acquisition activity, using the number of acquisitions in a month and the following quarter. This variable, to which we refer as the acquisition factor, captures the notion that the voting premium may increase in anticipation of future takeovers. As we would expect, months with high acquisition activity have higher voting premium (column 7), but our main results remain unaffected. To further address concerns that the effect of negative news coverage may be related to the takeover market, we define a dummy variable that takes a value of 1 between the month of the announcement and the completion of the acquisition for any firm that becomes an acquisition target in our sample. We then explore whether the voting premium of target firms is more exposed to negative news coverage. As we would expect, in column 8, target firms have higher voting premium, but there is no evidence that their voting premium has a different exposure to negative news coverage.

In unreported tests, we estimate the probability of each firm being target of an acquisition. As is common in the literature (Dong, Hirshleifer, Richardson, and Teoh, 2006; Edmans, Goldstein and Jiang, 2012), we estimate the probability that a firm in a

20

given year is target of a takeover as a function of firm size, measured by the logarithm of market capitalization, age, leverage, cash holdings, profitability, the market-to-book ratio, a dummy capturing whether the firm is a family firm, a dummy capturing whether the firm is a subsidiary, and industry fixed effects, using a probit model. We then use the predicted probability as a proxy for the probability that the firm is taken over. Our results are similar to the ones we report in column 8. Results are equally invariant if we exclude any firms that are target of a takeover, further confirming that the debate is unlikely to be related to the takeover market.

The value of a vote may increase not only when firms are subject to takeovers, but also before shareholder meetings. Since most shareholder meetings occurred in May, June and July, in column 8, we repeat our tests excluding the months of April, May, June and July. The effect is, if anything, stronger than the one reported in our baseline regressions, indicating that negative news coverage is unlikely to capture corporate events affecting the value of a vote.

Another possible concern is that voting and limited-voting shares have different exposures to liquidity risk and that aggregate liquidity is somewhat related to the debate on dual class shares. Not only we control for the differences in liquidity between voting and limited-voting shares throughout the analysis, but in column 8, we also test whether the impact of the news on the voting premium is larger for firms for which voting and limited-voting shares have a larger difference in liquidity suggesting a different exposure to liquidity risk. In column 10, the effect of negative news coverage on the voting premium does not appear to depend on the difference in liquidity, indicating that different exposure to liquidity risk of voting and limited-voting shares cannot explain our findings.

21

We also consider that limited-voting securities, especially if benefiting of preferential treatment, have features that make them more similar to debt. If the returns of fixed income securities were somewhat correlated with the tone of the debate on dual class shares, this could bias our findings. We are able to obtain aggregate returns of debentures, a type of fixed income security that was highly popular for corporate financing during this period at yearly frequency from Coyle and Turner (2013). To be able to evaluate to what extent, the premium is related to the return of fixed income securities, we exclude year fixed effects and test whether the inclusion of the aggregate debenture returns has any effect on our estimates. Results in Table columns 1 to 4 in Panel B of Table 3 show that the coefficient of our variable of interest is unaffected if we control for the return of fixed income securities. This is the case whether we include only the nominal return, as in column 3, or the nominal return and the inflation rate, computed as the difference between nominal returns and real returns of the debentures in column 4.[17] Also, the two new control variables are not statistically significant indicating the voting premium is unlikely to be related to the return of fixed income securities.

Finally, in columns 5 and 6, we distinguish between limited-voting ordinary and participating preference shares and non-participating preference shares.[18] As noted before, some may liken the latter to debt and is therefore important to evaluate whether they are driving our findings. Furthermore, preference shares, giving right to the payment of a preferential dividend, were rarely converted in ordinary shares and

---

[17] In unreported robustness checks, we use the UK Bond returns index of Dimson et al (2002) instead of the Coyle and Turner (2013) index as a measure of fixed income securities returns. While the Coyle and Tuner (2013) index is based on the returns of corporate fixed income securities, the Dimson et al. (2002) index is based on the returns of Treasury bonds. Our results are invariant.

[18] A few firms have both limited-voting ordinary or participating preference shares and non-participating preference shares. For this reason, the sum of the number of observations in column 5 and 6 is larger than in column 1. When we do not distinguish between limited-voting ordinary or participating preference shares and non-participating preference shares, we only consider limited-voting ordinary or participating preference shares if the company has any.

any discussion of regulation always entailed enfranchising only limited-voting ordinary shares. We find, however, that our results are similar in both subsamples.[19] This indicates that expectations of changes in regulation or of unifications are unlikely to drive our findings and suggests that a prejudice against contributing capital without the possibility of voting became stronger among market participants when the debate intensified.

Table 4 presents a battery of robustness tests aiming to control for differences in firm characteristics. Column 1 includes controls for firm age, market capitalization, leverage, and cash holdings. It is evident that the effect of negative news coverage on the voting premium remains unchanged, suggesting that changes in firm characteristics and sample composition do not drive our results.

Column 2 explores whether changes in corporate governance, coincident with the tone of the debate on one-share-one-vote, may have determined changes in the voting premium. As we mention before, during this period, ownership of listed companies was already dispersed, making control highly contestable at least in principle. Entrenchment, however, may still have been possible through the board of directors and in family firms. Family firms appear to have a lower voting premium, suggesting that control in these firms is indeed less contestable. The voting premium is also larger in years with higher board turnover, but the coefficient is not statistically significant. More importantly, these controls do not affect the impact of negative news coverage on the voting premium.

Finally, in column 3, the coefficient of the negative coverage remains unaltered when we absorb time-invariant firm heterogeneity by including firm fixed effects. This result suggests that any firm attributes that are slow to change, such as ownership

---

[19]Results are similar if we exclude the participating preference shares, which are only 11% of the observations.

structure or corporate governance, are unlikely to explain our findings. It is also consistent with the evidence that corporate ownership in this period was already highly dispersed and therefore unlikely to be related to the voting premium. The earlier evidence that a firm's age, which is known to be negatively related to ownership concentration, is not statistically significant also indicates that ownership concentration is unlikely to be important in our context.

We then explore whether our results may be driven by share contractual characteristics. For instance, while most dual class firms issued non-voting shares, some had limited-voting shares. This may bias our estimate of the voting premium, although it is unclear whether it could drive its changes, especially because our estimates are invariant when we include firm fixed effects. To mitigate any concerns, column 4 shows that our estimates are unaffected if we divide the premium, by the difference in the number of votes between the two shares classes (the difference is just one for most firms). In column 5, we also correct the voting premium for the few cases in which voting and limited-voting shares have different cash flow rights.[20] Estimates are once again unaffected.

Our results so far indicate that the bad news score is not related to the Fama-French risk factors, differences in systematic liquidity risk, or merger waves. Also changes in firm characteristics that are known from previous literature to affect the voting premium leave unaffected the coefficient of our proxy for the tone of news coverage. However, negative news coverage includes disparate news some of which

---

[20] To correct for differences in cash flow rights, following Zingales (1994), we use the following definition of the voting premium: $\dfrac{1}{(n_v - n_{nv})} \dfrac{(P_v - P_{nv})}{P_{nv}} - \dfrac{\varepsilon}{\rho P_{nv}}$, where P_v (P_{nv}) is the price of a voting (limited-voting) share, n_v (n_{nv}) is the number of votes of voting (limited-voting) shares, ε are the cash flow rights of limited-voting minus the cash-flow rights of voting shares, and ρ is the discount rate. We compute the discount rate as the average monthly return of all stocks listed in the London Stock Exchange between 1955 and 1970.

could be related to the revelation of fundamental information on the value of voting relative to limited-voting shares. For this reason, we repeat all of our tests concentrating on a subset of news from the Times on London, which happens to restate only well-known opinions on the desirability of dual class share structures. The correlation between the two proxies for negative news coverage is 23%. Thus, we can perform a truly independent test of our maintained hypothesis. The estimates in column 1 of Table 5 imply that in months with negative news coverage, the voting premium, which is about 7 percentage points for the median firm, increases by 2.4 percentage points, that is, by over 25%.

We further interact this proxy with firm characteristics because understanding which firms are more affected may give us further insights on the mechanisms leading to the association between negative news coverage and the voting premium. If negative news coverage leads the prices of voting and limited-voting shares to diverge in a way that is not warranted by fundamentals, we should observe that the effect of negative news coverage on the voting premium is larger for stocks that are difficult to arbitrage. An arbitrage would involve buying limited-voting shares and shorting voting shares. The risk of such arbitrage is larger for firms with volatile returns or illiquid stocks, as it is potentially more costly to unravel the position if needed. In column 4, we find that the positive effect of negative news coverage on the voting premium is driven by stocks with highly volatile returns. Similarly, we measure the illiquidity of a firm's stocks using the sum of the bid ask spreads of voting and limited-voting shares. In column 3, the effect of negative news coverage appears to be driven by firms with more illiquid stocks. These findings support the notion that the changes in the voting premium following negative news coverage are unlikely to be related to fundamentals.

In columns 4 and 5, we provide evidence on the extent to which changes in the voting premium are driven by changes in the price of voting or limited-voting shares. We believe that this evidence is informative on the mechanism driving our main results on the voting premium, even though only suggestive, because the price of a share is expected to be affected by firm characteristics and exposure to market factors to a much larger extent than the voting premium, in which heterogeneity is controlled for by taking the difference in the prices of different share classes of the same firm.

Any explanation of the voting premium based on fundamentals would imply an increase in the benefits accruing to voting shareholders (for instance, because of a control contest) or a transfer from limited-voting to voting shareholders. Thus, we should observe that increases in the voting premium are driven by an increase in the price of voting shares, eventually accompanied by a decrease in the price of limited-voting shares. If instead news matters because of investor views unrelated to fundamentals and a decrease in the demand for limited-voting shares, the price of the latter is expected to decrease. This is precisely what we find. During months with negative news coverage, the price of limited-voting shares is lower, but there is no statistically significant change in the price of voting shares. Furthermore, the effect of news coverage is similar for limited-voting ordinary shares and participating preference shares (column 6) and non-participating preference shares (column 7).

5.3. The Relative Returns of Voting and Limited-voting Shares

In this subsection, we design a more direct test to explore whether news indeed capture investors' views or if instead they are related to some omitted factor rationally affecting the expectations on future cash flows. We conjecture that if news coverage leads to correct pricing of voting relative to limited-voting shares, we should observe

that the news are unrelated to the future relative returns of voting and limited-voting shares, precisely because any information should already have been incorporated in prices. Even if news were slowly incorporated into prices, we would expect that the returns of the voting shares are higher than the returns of the limited-voting shares following negative news coverage, because news may approximate fundamental information about future cash flows, which is not immediately understood by market participants.

If instead we were to find that months with negative news coverage are followed by systematically lower returns for voting shares than for limited-voting shares, it would appear that the news are related to too pessimistic expectations on the returns of limited-voting shares. In this case, the higher voting premium following negative news coverage of limited-voting shares would appear to be unjustified by ex post returns.

The results in Table 6 strongly support the latter hypothesis. The estimates in column 1 indicate that news with a more negative tone towards dual class firms are followed by lower returns over the next quarter for the voting shares of a firm relative to the limited-voting shares of the same firm. The results are similar for both proxies for negative news coverage. In column 1, a one-standard-deviation increase in the bad news score decreases the returns of voting shares relative to limited-voting shares by 5 percentage points, a large number considering that the median difference in returns over a quarter is zero. Similarly, in column 2, the difference in quarterly returns following months with negative news coverage is about 1.5 percentage points. This evidence suggests that market participants over-react to negative news coverage and that changes in the relative price of voting and limited-voting shares are then reversed.

In column 3, we include the voting premium together with the negative news score. We continue to find that months with negative news coverage are followed by quarters with lower returns for voting shares than for limited-voting shares. This indicates that our results are not driven by the fact that there is more negative news coverage when the voting premium is higher. We also find that months with a higher voting premium are systematically followed by quarters with lower returns of voting shares relative to limited-voting shares. A one-standard-deviation increase in the voting premium yields a differential of 2 percentage points between the returns of voting and limited-voting shares.

In the remaining specifications of Table 6, we control for possible determinants of the different returns of voting and limited-voting shares that could be correlated with the news coverage.[21] First, we control for the possibility that voting shares are more exposed to some systematic risk factors, related to negative news coverage. This is unlikely because voting and limited-voting shares are claims on the same firm cash flows and differential exposure may only arise from the fact that limited-voting shares are sometimes senior to voting shares in the payment of dividends. Nevertheless, when we control for the market return and the Fama-French factors, the coefficient of negative news coverage is unchanged (columns 4).

If takeovers, changes in dividend policies, or unifications of different share classes are related to negative news coverage in a way that is not completely anticipated by market participants, we could observe that limited-voting shares have higher returns after periods in which dual class shares receive negative news coverage and the voting premium is higher. This, however, would not be attributable to investor views, but rather to the fact that firms' reaction to negative news coverage and to a

---

[21] Importantly, in unreported estimates, we find that this effect is stronger for firms that are difficult to arbitrage.

high voting premium is not fully anticipated. For this reason, we test whether the predictive power of negative news coverage is driven by expectations of takeovers, unifications, or changes in dividend policies.

In column 5 and 6, respectively, we include the acquisition factor and a dummy that is equal to one if the firm is being target of an acquisition. In months with many acquisitions, the returns of voting shares are higher than the returns of limited-voting shares. Similarly, voting shares of firms that are being acquired, experience higher returns. However, we continue to find that negative news coverage is associated with too pessimistic expectations on the returns of limited-voting shares. In unreported specifications, we also control for the probability that a firm is acquired. Our results are equally unaffected.

In column 7, we test whether our results may be driven by share unifications. Firms may be more likely to unify their share classes if the voting premium increases because this may increase their cost of issuing equity or even prevent equity issuance. The unification announcement would then lead to the convergence of the price of voting and limited-voting shares. To consider this possibility, we include a dummy that takes a value equal to 1 if the firm unifies the different classes of shares in the following year. Unifications of different share classes appear to be preceded by lower returns for limited-voting shares relative to voting shares, but our main result is unaffected.[22]

In column 1 of Panel B, our results are similarly unaffected if we control for the dividend differential of voting and limited-voting shares as well as for differences in liquidity. Our results are also qualitatively invariant in the subsamples of limited-voting ordinary and participating preference shares and non-participating preference

---

[22] In unreported specifications, we also show that all estimates are invariant if we exclude any firm that unifies its share classes during the following year.

shares in columns 2 and 3 of Panel B, respectively, indicating that no particular feature of the latter drives our findings.

Finally, columns 4 and 5 of Panel B show, respectively, that our findings are invariant if we include firm fixed effects and independent of the particular time horizon we use to compute the relative returns of voting and limited-voting shares. Negative news coverage of dual class shares is followed by lower returns for voting shares even if we consider returns over the next six months.

5.3. Firm Performance and Corporate Governance

In this subsection, we explore whether there are real differences between dual class and one class firms that may justify the voting premium. We also show that a larger number of stories against limited-voting shares during the previous year leads firms to unify their share classes.

Firms choose optimally whether to issue limited-voting shares and it is hard to evaluate whether having a dual class share structure has a causal effect on performance.[23] In our context, it may just be interesting to establish an association between dual class share structure and corporate performance to evaluate whether dual class firms are worse along any dimension that may justify the voting premium.

However, the institutional context allows us to construct credible instruments. The negative news coverage of dual class firms may lead companies to unify their share classes. Similarly, positive news coverage may induce firms to maintain their dual class share structure. We use our proxies for positive and negative news coverage

---

[23] Existing evidence on whether dual class shares have a negative causal impact on firm performance is inconclusive (Adams and Ferreira, 2008). For instance, Gompers, Ishii and Metrick (2010) find evidence that firms' valuations decrease in the insiders' control rights. However, Smart, Thirumalaib, Zutter (2008) show that the operating performance of dual class firms is similar to that of single-class firms. In all these studies, it is hard to establish causality because firms decide optimally whether to use and maintain a dual class share structure.

as instruments for whether a firm has dual class shares. We then explore to what extent firms' performance (or corporate governance) depend on their own share structure and a number of controls.[24]

All dependent variables are defined in deviation from their annual mean. Thus, our instruments having the same value for each firm in a particular year cannot have a direct impact on the dependent variable, which does not go through the firm's dual class or one class share status: Any systematic time effects would affect average firm performance, but there is no reason to expect that they would affect the deviation from the average firm performance.

Table 6 shows that our instruments are highly relevant and that indeed stories against dual class shares increase the probability that firms become one-share-one-vote. However, having one-share-one-vote share structures does not translate in better performance, as measured by the firm's ROE, ROA, or investment. Similarly, firms with one-share-one-vote share structures do not seem to have better corporate governance. If anything, board turnover is lower in these firms, although there is no difference in the sensitivity of turnover to performance. The only difference is that one class firms have lower leverage, possibly because having easier access to the equity market they may be able to rely to a lower extent on debt. This evidence is consistent with prior research indicating that dual class shares have no negative impact on firm performance. (e.g., DeAngelo and DeAngelo, 1985; Adams and Ferreira, 2007)

Focusing on dual class firms, we also explore to what extent the premium is associated to performance and corporate governance.[25] As Table 7 shows, we find no

---

[24] This part of the analysis is undertaken at an annual frequency, as data on corporate governance and accounting performance are available at an annual basis.

[25] While we present ordinary least square estimates, the results are similar if we use the same instrumentation strategy as in Table 6.

evidence that a higher premium during the previous year is associated to worse performance or corporate governance. If anything, companies with higher premium experience slightly higher ROE and ROA. A one-standard-deviation increase in the voting premium yields a 0.7 percentage points (4%) increase in ROE. Results are similar if we use the contemporaneous level of the voting premium. Overall, there appear to be no evidence of higher extraction of private benefits of control in dual class firms and in firms or years with high voting premium, corroborating our previous evidence that the changes in the voting premium are not always justified by fundamentals.

6. Conclusions

This paper shows that the debate on one-share-one-vote, which developed in the UK during the fifties, affected the voting premium and that the changes in the voting premium were not justified by the ex post returns of different share classes. Furthermore, we find no evidence that companies with dual class shares or a higher voting premium have weaker corporate governance or are less profitable. Overall, this evidence suggests that the public debate played a role in explaining the voting premium and may have affected negatively firms' ability to use dual class shares.

More in general, our results suggest that public debate may affect asset prices, firm cost of capital, and corporate governance, even if this is not justified by fundamentals and if current arrangements are not harmful for minority shareholders. These findings may provide a rationale for why an increasing number of firms choose to go private and escape the limelight of the stock market.

References

Adams, R. and D. Ferreira, 2007, One Share-One Vote: The Empirical Evidence, *Review of Finance*, 12, 51–91.

Bailey, W., 1988, Canada's Dual Class Shares: Further Evidence on the Market Value of Cash Dividends, *Journal of Finance* 43, 1143-1160.

Barberis, N. and A. Shleifer, 2003, Style investing, *Journal of Financial Economics*, *68*, 161–199.

Bhattacharya, U., N. Galpin, R. Ray, and X. Yu, 2009, The Role of the Media in the Internet IPO Bubble, *Journal of Financial and Quantitative Analysis* 44, 657-682.

Boudoukh, J., R. Feldman, S. Kogan, and M. Richardson, 2012, Which News Moves Stock Prices? A Textual Analysis, Working Paper, University of Texas, Austin.

Braggion, F. and L. Moore, 2011, "Dividend Policies in an Unregulated Market: The London Stock Exchange, 1895-1905". *Review of Financial Studies*. 24, 2935-2973.

Braggion, F. and S. Ongena, 2012, "A Century of Firm – Bank Relationships: Did Banking Sector Deregulation Spur Firms to Add Banks and Borrow More?", Working Paper, Tilburg University.

Cheffins, B., 2008, *Corporate Ownership and Control: British Business Transformed*, Oxford University Press, Oxford.

Cooper, M. J., O. Dimitrov, and P. R. Rau, 2001, A rose. com by any other name, *Journal of Finance* 56, 2371–2388.

Coyle, C. and J. D. Turner, 2013, Law, Politics, and Financial Development: The Great Reversal of the U.K. Corporate Debt Market, *Journal of Economic History* 73, 810–846.

DeAngelo, H., and L. DeAngelo, 1985, Managerial ownership of voting rights: A study of public corporations with dual classes of common stock, *Journal of Financial Economics* 14, 33–69.

Dimson, E., 1979, Risk measurement when shares are subject to infrequent trading, *Journal of Financial Economics* 7, 197-226.

Dimson, E., P. Marsh, and M. Staunton, 2002, *Triumph of the Optimists: 101 Years of Global Investment Returns*. Princeton, NJ: Princeton University Press.

Dong, M., D. Hirshleifer, S. Richardson, and S. H. Teoh, 2006, Does investor mis-valuation drive the takeover market?, *Journal of Finance* 61, 725–762.

Dyck, A., N. Volchkova, and L. Zingales, 2008, The corporate governance role of the media: Evidence from Russia. *Journal of Finance* 63, 1093–1135.

Economist (The), various dates.

Edmans, A., I. Goldstein, and W. Jiang, 2012, The real effects of financial markets: The impact of prices on takeovers, *Journal of Finance* 67, 933–971.

Engelberg, J. and C. Parsons, 2011, The Causal Impact of Media in Financial Markets, *Journal of Finance* 56, 67-97.

Faccio, M. and L. Lang, 2002, The ultimate ownership of Western European corporations. *Journal of Financial Economics* 65, 365-395.

Fama, E. F., and K. R. French, 1993, Common risk factors in the returns on stocks and bonds, *Journal of Financial Economics* 33, 3–56.

Fisher, G. R., 1961, Some factors influencing share prices, *Economic Journal*, 71, 121-141

Fluck, S., 1998, Optimal Financial Contracting: Debt versus Outside Equity, *Review of Financial Studies* 11, 383-418.

Foreman-Peck, J. and L. Hannah, 2011, Extreme divorce: The managerial revolution in UK companies before 1914, *Economic History Review* 64, 1-22.

Franks, J., C. Mayer, and S. Rossi, 2005, Spending Less Time with the Family: The Decline of Family Ownership in the U.K. In R. K. Morck (ed.), *A History of Corporate Governance Around the World: Family Business Groups to Professional Managers*, pp. 581–607. Chicago: NBER and University of Chicago Press.

Franks, J. and R. S. Harris, 1989, Shareholder Wealth Effects of Corporate Takeovers, *Journal of Financial Economics* 23, 225-249.

Franks, J., C. Mayer, and S. Rossi, 2009, Ownership: Evolution and Regulation, *Review of Financial Studies* 22, 4009–4056.

Garcia, D., 2013, Sentiment during recessions, *Journal of Finance*, forthcoming.

Giannetti, M., and A. Simonov, 2006, Which Investors Fear Expropriation? Evidence from Investors' Portfolio Choices, *Journal of Finance* 61, 1507-1547

Gompers, P. A., Ishii, J., and A. Metrick, 2010, Extreme Governance: An Analysis of Dual class Firms in the United States, *Review of Financial Studies* 23, 1051–1088.

Green, J., J. R. M. Hand, and M. W. Penn, 2011, Disseminating Business Information: The Attention-Grabbing Role of Bad News. Working Paper, University of North Carolina.

Hannah, L., 2007, The Divorce of Ownership from Control from 1900 Onwards: Re-Calibrating Imagined Global Trends, *Business History* 49, 404-438.

Hauser, S. and B. Lauterbach, 2004, The value of voting rights to majority shareholders: Evidence from dual class stock unifications, *Review of Financial Studies* 17, 1167–1184.

Hong, H. and Kacperczyk, M., 2009, The price of sin: The effects of social norms on markets, *Journal of Financial Economics*, 93, 15–36.

Huberman, G. and T. Regev, 2001, Contagious Speculation and a Cure for Cancer: A Nonevent that Made Stock Prices Soar, *Journal of Finance* 56, 387-396.

Kalay, A., O. Karakas, and S. Pant, 2012, The Market Value of Corporate Votes: Theory and Evidence from Option Prices, *Journal of Finance*, forthcoming.

Kuhnen, C. M. and A. Niessen, 2012, Public opinion and executive compensation, *Management Science* 58, 1249-272.

Lee, C., M. C., Andrei Shleifer, and R. H. Thaler, 1991, Investor Sentiment and the Closed-End Fund Puzzle, *Journal of Finance* 46, *75-109.*

Lemmon, M. L. and K. V. Lins, 2003, Ownership structure, corporate governance, and firm value: Evidence from the East Asian financial crisis, *Journal of Finance* 58, 1445–1468.

Leuz, C., K. V. Lins, and F. E. Warnock, 2009, Do Foreigners Invest Less in Poorly Governed Firms?, *Review of Financial Studies* 22, 3245-3285.

Li, K., H. Ortiz-Molina, and X. Zhao, 2008, Do Voting Rights Affect Institutional Investment Decisions? Evidence from Dual Class Firms, *Financial Management* 37, 713–745.

Loughran, T. and B. McDonald, 2011, When is a liability not a liability? Textual analysis, dictionaries, and 10-Ks, *Journal of Finance* 66, 35–65.

McCahery, J., L. Starks, and Z. Sautner, 2010, Behind the scenes: The corporate governance preferences of institutional investors, Working Paper, University of Texas, Austin.

Meeks, G., and J. Wheeler, 1999, Cambridge/DTI Databank of Company Accounts, 1948-1990 [computer file]. 2nd ed. Department of Trade and Industry [original data producer]. Colchester, Essex: The Data Archive.

Nenova, T., 2003, The value of corporate voting rights and control: A cross-country analysis, *Journal of Financial Economics* 68, 325–351.

Rydqvist, K., 1996, Takeover Bids and the Relative Prices of Shares That Differ in Their Voting Rights, *Journal of Banking and Finance* 20, 1407–25.

Schultz, P. and S. Shive, 2010, Mispricing of Dual class Shares: Profit Opportunities, Arbitrage, and Trading, *Journal of Financial Economics* 98, 524–549.

Shiller, R. J., 2000, Irrational Exuberance, Princeton University Press: Princeton.

Smart, S. B., Thirumalai, R. S., and C. J. Zutter, 2008, What's in a vote? The short- and long-run impact of dual class equity on IPO firm values, *Journal of Accounting and Economics* 45, 94–115.

Tetlock, P.C., 2007, Giving content to investor sentiment: The role of media in the stock market, *Journal of Finance* 62, 1139–1168.

Times of London (The), various dates.

Zingales, L., 1994, The value of the voting right: A study of the Milan stock exchange experience, *Review of Financial Studies* 7, 125–148.

Zingales, L., 1995, What determines the value of corporate votes?, *Quarterly Journal of Economics* 110, 1047–1073.

Table 1

This table presents the fraction of firms with one-share-one-vote share structure for a number of years up to our sample period. The proportion of one-share-one-vote firms is computed complementing our dataset with earlier data from Braggion and Ongena (2012), which are available for selected years.

Variable	Statistic	1896	1906	1916	1924	1938	1948	1958	1964	1968	1978	1986
One Share - One Vote (0/1)	Mean	0.55	0.58	0.56	0.56	0.48	0.46	0.41	0.41	0.45	0.52	0.58
	N	617	1667	1682	2024	2775	3128	3339	3065	2989	1757	2453

Table 2
Descriptive Statistics

Panel A. Monthly Variables

VARIABLES	Definition	Mean	Median	Sd. Dev.	N
Premium	Price of a voting share issued by a firm minus the price of the non-voting share issued by the same firm divided by the price of the non-voting share. In all estimations (but not in Figures 1 to 3), the voting premium is winsorized at the 1% level.	0.489	0.0711	1.339	38710
Difference Returns	Difference in returns between voting and non-voting shares issued by the same firm in the following 3 months	-0.00619	0	0.379	37441
Bad News	A dummy variable that takes the value of 1 if in a certain month we recorded at least one negative story covering dual class shares	0.130	0	0.336	38710
Good News	A dummy variable that takes the value of 1 if in a certain month we recorded at least one positive story covering dual class shares	0.0502	0	0.218	38710
Bad News Score	The sum of the scores identifying the degree of negative emotions in each article on dual class shares published in a certain month	8.521	6.050	7.510	38710
Good News Score	The sum of the scores identifying the degree of positive emotions in each article on dual class shares published in a certain month	13.99	11.19	11.89	38710
Acquisition Target	A dummy variable that equals 1 between a firm's acquisition announcement and completion	0.00984	0	0.0987	38710
Liquidity Voting minus Limited-Voting	Difference between the bid-ask spread of voting and non-voting shares	-0.00147	-0.00627	0.0362	38710
Dividend Voting minus Limited -Voting	Difference of the annual dividend (expressed as a percentage of the par value of shares) between voting and non-voting shares	0.0511	0.0587	0.253	38630
Return Volatility	Sum of the standard deviation (computed over five years) of the returns of voting and non-voting shares	0.200	0.123	0.320	27443
Illiquid Stock	Sum of the bid-ask spread of voting and non-voting shares	0.0782	0.0644	0.0549	38710
Market Return	Value weighted average of returns of all shares in the London Share Price Database	0.00763	0.00730	0.0405	38496
Small-minus-Big	Difference between the average returns of firms with market capitalization above the median minus the average returns of firms with market capitalization	0.00143	0.00115	0.0169	38496

VARIABLES	Definition	Mean	Median	Sd. Dev.	N
	below the median				
High-minus-Low	Difference between the average returns of firms with market to book ratio above the 70th percentile and average returns of firms with market to book ratio below the 30th percentile	-0.00432	-0.00312	0.0135	38496
Acquisition Factor	The number of acquired and delisted firms in the current and following three months.	17.51	16	8.574	38710

Panel B. Annual Variables

VARIABLES	Definition	Mean	Median	Sd. Dev.	N
ROE	Total Profits (var66 in the Cambridge DTI databank) divided by Total capital and reserves (var60 in the Cambridge DTI databank).	0.207	0.203	0.127	5438
ROA	Total Profits (var66 in the Cambridge DTI databank) divided by Book value of assets (var60+var61 in the Cambridge DTI databank)	0.133	0.131	0.0717	5438
Investment	Expenditure (less receipts) in tangible (var37) and intangible assets (var38) plus trade investments and investments in subsidiaries (var39) divided by book value of assets at the beginning of the year.	0.0799	0.0500	0.159	5438
Chairman's Pay	Chairman's annual salary	960.7	0	4400	5438
Highest Pay	Annual salary of the Highest Paid Director	1236	0	5157	5438
Board Turnover	The proportion of companies' directors that were replaced or dropped in the following two years	0.148	0.125	0.167	2031
CEO Turnover	A dummy variable that equals 1 if the CEO of the company is replaced in the following two years	0.329	0	0.470	1312
Leverage	Long-term liabilities (var8 in the Cambridge DTI databank) plus bank debt and overdrafts (var9 in the Cambridge DTI databank) divided by total capital and reserves	0.490	0.215	0.769	5438
Mkt Value	The logarithm of the firm's market capitalization	8.3913	8.2940	1.3463	39240
Oneshare	A dummy variable that equals 1 if the firm's share structure complies to the one-share-one-vote principle and zero otherwise	0.159	0	0.366	5438
Yearly Bad News	The number of bad news covering dual-class shares in a certain year	1.966	1	2.244	5438
Yearly Good News	The number of good news covering dual-class shares in a certain year	1.059	0	2.088	5438

VARIABLES	Definition	Mean	Median	Sd. Dev.	N
Yearly Bad News Score	The sum of the scores identifying the degree of negative emotions in each article on dual class shares published in a certain year	102.0	107.3	39.28	5438
Yearly Good News Score	The sum of the scores identifying the degree of positive emotions in each article on dual class shares published in a certain year	165.9	146.5	72.47	5438
Age	Firm's age in a certain year; The definition is based on the firm's year of birth provided by the Cambridge DTI databank	11.23	11	4.954	5438
Size	Firm's book value of assets	26.48	5.326	106.1	5438
Family	A dummy variable that equals 1 if a firm is a family firm; Firms are defined as family firms if in their name appears the name of an individual, or the expressions "& brothers", " & sons" " & nephews"	0.601	1	0.490	5438
Cash Holdings	Cash (var21 in the Cambridge DTI databank) plus marketable securities (var19 in the Cambridge DTI databank) held by the firm divided by book value of assets	0.0880	0.0556	0.0950	5438

Table 3

In column 1 and 2 of Panel A, the dependent variable is the Bad News Score in month *t*. In columns 3 to 10 of Panel A and columns 1 to 6 of Panel B, the dependent variable is the voting premium of firm *i* at the end of month *t*. The voting premium is winsorized at the 1% level. In column 9 of Panel A, we exclude observations for the months of April, May, June and July, because most shareholder meetings occur in May, June and July. In column 5 of Panel B, the voting premium is computed considering only ordinary limited-voting and participating preference shares. In column 6 of Panel B, the voting premium is computed considering only preference shares. All models include a constant and year fixed effects as indicated at the end of the table, but coefficients are not reported. Standard errors are presented in parentheses and are corrected for heteroskedasticity and clustered at the firm level in columns 3 to 10 and in Panel B. ***, **, and * denote statistical significance at the 1, 5, and 10%, respectively.

Panel A: The Voting Premium and the News Coverage of Dual class Firms

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Bad News Score					Premium				
									Excluding Shareholder Meeting Months	
Bad News Score			0.011***	0.008**	0.006*	0.011***	0.008**	0.011***	0.015***	0.011***
			(0.003)	(0.004)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.003)
Bad News Score × Acquisition Target								-0.090		
								(0.112)		
Bad News Score* Liquidity Voting minus Limited-Voting										-0.025
										(0.610)
Good News Score					0.005*					
					(0.002)					
Lagged Median Premium	0.978					0.799***				
	(1.157)					(0.084)				
Acquisition Factor		0.018					0.004***			
		(0.018)					(0.001)			
Market Return	0.989	0.012				0.842***				
	(2.129)	(2.240)				(0.131)				
Small-minus-Big	3.296	2.751				1.587***				
	(5.541)	(4.245)				(0.291)				
High-minus-Low	1.579	1.616				-0.096				
	(5.729)	(5.936)				(0.179)				
Acquisition Target								0.547**		
								(0.275)		

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Bad News Score		Premium							
									Excluding Shareholder Meeting Months	
Liquidity Voting minus Limited-Voting			-11.616***	-11.615***	-11.624***	-11.665***	-11.609***	-11.592***	-12.150***	-11.566***
			(1.211)	(1.211)	(1.225)	(1.225)	(1.211)	(1.212)	(1.357)	(1.869)
Dividend Voting minus Limited-Voting			0.465	0.465	0.475	0.470	0.465	0.497	0.451	0.465
			(0.359)	(0.359)	(0.360)	(0.359)	(0.359)	(0.360)	(0.358)	(0.359)
Observations	190	191	38299	38299	37850	38086	38299	38299	28629	38299
R-squared	0.216	0.217	0.147	0.147	0.148	0.148	0.147	0.147	0.151	0.147

42

Panel B: The Voting Premium, Bond Returns and Different Classes of Limited Voting Shares

Subsamples	(1) Full Sample	(2) Full Sample	(3) Full Sample	(4) Full Sample	(5) Limited-Voting Ordinary Shares & Participating Preference Shares	(6) Non-Participating Preference Shares
Bad News Score	0.065*** (0.008)		0.067*** (0.007)	0.065*** (0.009)	0.006** (0.003)	0.010*** (0.004)
Bond Returns		-0.059 (0.258)	-0.208 (0.255)	-0.293 (0.283)		
Inflation Rate				-0.796 (1.492)		
Liquidity Voting minus Limited-Voting	-11.892*** (1.216)	-11.932*** (1.221)	-11.892*** (1.216)	-11.885*** (1.216)	-3.228*** (0.529)	-13.474*** (1.038)
Dividend Voting minus Limited-Voting	0.338 (0.346)	0.333 (0.346)	0.340 (0.346)	0.342 (0.346)	0.300 (0.183)	0.407 (0.388)
Years Fixed Effects	No	No	No	No	Yes	Yes
Observations	38299	38299	38299	38299	3588	36477
R-squared	0.128	0.126	0.128	0.128	0.397	0.154

Table 4
Share Characteristics and the Voting Premium

In all columns except 4 and 5, the dependent variable is the voting premium of firm *i* at the end of month *t*. In column 4, we correct the voting premium for the difference in voting rights; in column 5, we correct the voting premium for the difference in voting rights and cash flow rights. All models include year fixed effects and a constant, but coefficients are not reported. The voting premium is winsorized at the 1% level. Standard errors presented in parentheses are corrected for heteroskedasticity and clustered at the firm level. ***, **, and * denote statistical significance at the 1, 5, and 10%, respectively.

	(1)	(2)	(3)	(4) Correcting for Voting Rights	(5) Correcting for Voting and Cash Flow Rights
Bad News Score	0.016***	0.009**	0.012***	0.012***	0.010***
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)
Cash Holdings	0.489				
	(0.549)				
Mkt Value	0.278***				
	(0.036)				
Leverage	0.189				
	(0.403)				
Age	0.021				
	(0.013)				
Board Turnover		0.227			
		(0.186)			
Family		-0.338***			
		(0.119)			
Liquidity Voting minus Limited-Voting	-12.360***	-11.376***	-2.750***	-2.421***	-2.447***
	(1.451)	(1.273)	(0.367)	(0.393)	(0.636)
Dividend Voting minus Limited-Voting	0.396	0.709*	1.214***	1.433***	4.579***
	(0.352)	(0.401)	(0.248)	(0.270)	(0.470)

44

	(1)	(2)	(3)	(4)	(5)
				Correcting for Voting Rights	Correcting for Voting and Cash Flow Rights
Firm Fixed Effects	No	No	Yes	Yes	Yes
Observations	27026	28484	38299	36503	34856
R-squared	0.240	0.163	0.122	0.121	0.166

Table 5
Mechanisms Driving the Effect of News Coverage

In columns 1 to 3, the dependent variable is the voting premium of firm i at the end of month t. In column 4, the dependent variable is the price of the limited-voting shares of firm i at the end of month t. In column 5, the dependent variable is the price of the ordinary limited-voting shares and participating preference shares of firm i at the end of month t. In column 6, the dependent variable is the price of the preference shares of firm i at the end of month t. In column 7, the dependent variable is the price of the voting shares of firm i at the end of month t. All models include year fixed effects and a constant, but coefficients are not reported. The voting premium is winsorized at the 1% level. Standard errors presented in parentheses are corrected for heteroskedasticity and clustered at the firm level. ***, **, and * denote statistical significance at the 1, 5, and 10%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Voting Premium		Price limited-voting shares	Price Voting Shares	Price Limited-Voting Ordinary & Participating Preference shares	Price Non-Participating Preference Shares
Bad News	0.024***	-0.010	-0.038	-0.008***	0.002	-0.013**	-0.008***
	(0.006)	(0.016)	(0.037)	(0.001)	(0.003)	(0.006)	(0.001)
Bad News × Return Volatility		0.156**					
		(0.073)					
Bad News ×Illiquid Stock			1.243*				
			(0.732)				
Return Volatility		0.090					
		(0.111)					
Illiquid Stock			-5.330***				
			(1.342)				
Liquidity Voting minus Limited-Voting	-11.617***	-11.475***	-9.518***	0.065	-1.710***	1.915	-0.045
	(1.211)	(1.459)	(1.286)	(0.186)	(0.262)	(1.681)	(0.136)
Dividends Voting minus Limited-Voting	0.465	0.931**	0.252	0.046	0.922***	0.502	0.097***
	(0.359)	(0.434)	(0.357)	(0.055)	(0.218)	(0.665)	(0.037)
Firm Fixed Effects	No	No	No	Yes	Yes	Yes	Yes
Observations	38299	38299	27137	38299	38299	3588	36477
R-squared	0.147	0.152	0.147	0.166	0.211	0.167	0.426

46

Table 6

The dependent variable is the difference in quarterly returns between the voting and the limited-voting shares of firm *i* (difference returns). In column 2 of Panel B, we consider only the difference in quarterly returns between the voting and the limited-voting ordinary and participating preference shares of firm *i*. In column 3 of Panel B, we consider only the difference in quarterly returns between the voting and the non-participating preference shares of firm *i*. In column 5 of Panel B, the dependent variable is the difference in biannual returns between the voting and the limited-voting shares of firm *i*. All models include year fixed effects and a constant, but coefficients are not reported. Standard errors presented in parentheses are corrected for heteroskedasticity and clustered at the firm level. ***, **, and * denote statistical significance at the 1, 5, and 10%, respectively.

Panel A: Ex Post Returns of Voting and Limited-voting Shares

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
				Quarterly Returns			
Bad News Score	-0.007***		-0.007***	-0.007***	-0.008***	-0.007***	-0.007***
	(0.001)		(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Bad News		-0.015***					
		(0.002)					
Premium			-0.009***				
			(0.001)				
Market return				0.036			
				(0.042)			
Small-minus-Big				-0.085			
				(0.094)			
High-minus-Low				0.312***			
				(0.062)			
Acquisition Factor					0.001***		
					(0.000)		
Acquisition Target						0.214***	
						(0.020)	
Unification following year							0.029***
							(0.004)
Observations	36211	36211	36211	36211	36211	36211	36211
R-squared	0.048	0.048	0.053	0.049	0.049	0.064	0.048

47

Table 6

Panel B: Ex Post Returns of Voting and Various Classes of Limited-voting Shares

Subsamples:	(1) Full sample	(2) Limited-Voting Ordinary & Participating Preference Shares	(3) Non-Participating Preference Shares	(4) Full sample	(5) Full sample Bi-annual Returns
		Quarterly Returns			
Bad News Score	-0.007***	-0.004*	-0.007***	-0.007***	-0.005***
	(0.001)	(0.003)	(0.001)	(0.001)	(0.002)
Liquidity Voting minus Limited-Voting	0.208***	0.153	0.228***		
	(0.060)	(0.123)	(0.058)		
Dividends Voting minus Limited-Voting	0.034***	0.015	0.032***		
	(0.011)	(0.012)	(0.012)		
Firms Fixed Effects	No	No	No	Yes	Yes
Observations	36211	3408	34376	36211	34847
R-squared	0.048	0.013	0.054	0.047	0.099

Table 7

This sample includes both firms with and without dual class shares. The dependent variable is indicated in each column. In columns 2 to 4 of Panel A and in Panel B, all variables are defined in deviation from the average of the year and parameter estimates are obtained by instrumental variables. The first stage equation for the variable Oneshare is reported in column 1. In column 3 of Panel B, we also instrument Past yearly stock returns∗Oneshare using a first stage in which all variables in column 1 are multiplied by Past yearly stock returns. Standard errors presented in parentheses are corrected for heteroskedasticity and clustered at the firm level. ***, **, and * denote statistical significance at the 1, 5, and 10%, respectively.

Panel A. Operating Performance

	(1) Oneshare	(2) ROE	(3) ROA	(4) Investment
Oneshare		0.117	0.066	0.039
		(0.093)	(0.046)	(0.087)
Yearly Bad News Score	0.048**			
	(0.020)			
Yearly Good News Score	0.032*			
	(0.019)			
Yearly Bad News Dummy	-0.010§			
	(0.011)			
Yearly Good News Dummy	-0.029**			
	(0.011)			
Age	0.035	-0.038***	-0.017***	-0.019**
	(0.026)	(0.008)	(0.005)	(0.009)
Lag Size	-0.042***	0.015***	0.005**	0.010**
	(0.011)	(0.005)	(0.002)	(0.004)
Family	-0.041	-0.012	-0.006	-0.008
	(0.030)	(0.009)	(0.006)	(0.007)
Observations	5438	5438	5438	5438
	0.061			

Panel B. Corporate Governance

	(1) Chairman's Pay	(2) Highest Pay	(3) Board Turnover	(4) CEO Turnover	(5) Leverage
Oneshare	-1,030.965	-2,000.478	-0.467**	-0.103	-0.912**
	(1,353.788)	(1,408.542)	(0.224)	(1.050)	(0.456)
Past Yearly Stock Returns X Oneshare			-2.383	-0.099	
			(1.919)	(4.729)	
Past Yearly Stock Returns			-0.061	0.421	
			(0.214)	(0.525)	
Age	-185.891	-125.480	0.043*	-0.091	-0.050
	(130.192)	(149.448)	(0.023)	(0.067)	(0.061)
Lag size	293.428***	305.107***	-0.012	0.054	0.065**
	(95.278)	(97.396)	(0.013)	(0.049)	(0.026)
Family	149.245	-60.158	-0.044*	0.009	-0.061
	(127.036)	(144.486)	(0.025)	(0.048)	(0.071)
Lag ROA					-2.037***
					(0.432)
Observations	5438	5438	2001	1281	5438

Table 8

Corporate Policies and the Voting Premium

This sample includes only firms with dual class shares for which we can compute the voting premium. The dependent variable is indicated in each column. Parameter estimates are obtained by ordinary least squares. The voting premium is winsorized at the 1% level. Standard errors presented in parentheses are corrected for heteroskedasticity and clustered at the firm level. ***, **, and * denote statistical significance at the 1, 5, and 10%, respectively.

	(1) ROE	(2) ROE	(3) Investment	(4) Chairman's Pay	(5) Highest Pay	(6) Board Turnover	(7) CEO Turnover	(8) Leverage
Premium	0.008***	0.007***	0.003	45.703	115.191	-0.003	0.004	-0.039
	(0.003)	(0.002)	(0.002)	(79.670)	(78.610)	(0.004)	(0.019)	(0.025)
Past Stock Returns* Oneshare						0.139	0.034	
						(0.158)	(0.540)	
Past Stock Returns						-0.026	0.683	
						(0.240)	(0.725)	
Age	-0.018*	-0.006	-0.010	-162.991	-106.577	0.031**	-0.069*	0.015
	(0.010)	(0.006)	(0.011)	(305.131)	(349.027)	(0.012)	(0.042)	(0.060)
Lag Size	0.010***	0.001	0.007***	384.930***	432.970***	0.011***	0.056***	0.117***
	(0.003)	(0.002)	(0.002)	(62.993)	(56.237)	(0.003)	(0.013)	(0.023)
Family	-0.019**	-0.010*	-0.011**	159.914	-31.317	-0.019*	0.009	-0.011
	(0.009)	(0.006)	(0.005)	(138.647)	(133.206)	(0.011)	(0.036)	(0.062)
Observations	3355	3355	3355	3355	3355	1409	893	3355
R-squared	0.141	0.149	0.049	0.538	0.660	0.083	0.092	0.189

Figure 1
The Evolution of the Voting Premium
This table describes the evolution of the monthly voting premium for the first (p25), second (p50), and third (p75) quartile of firms.
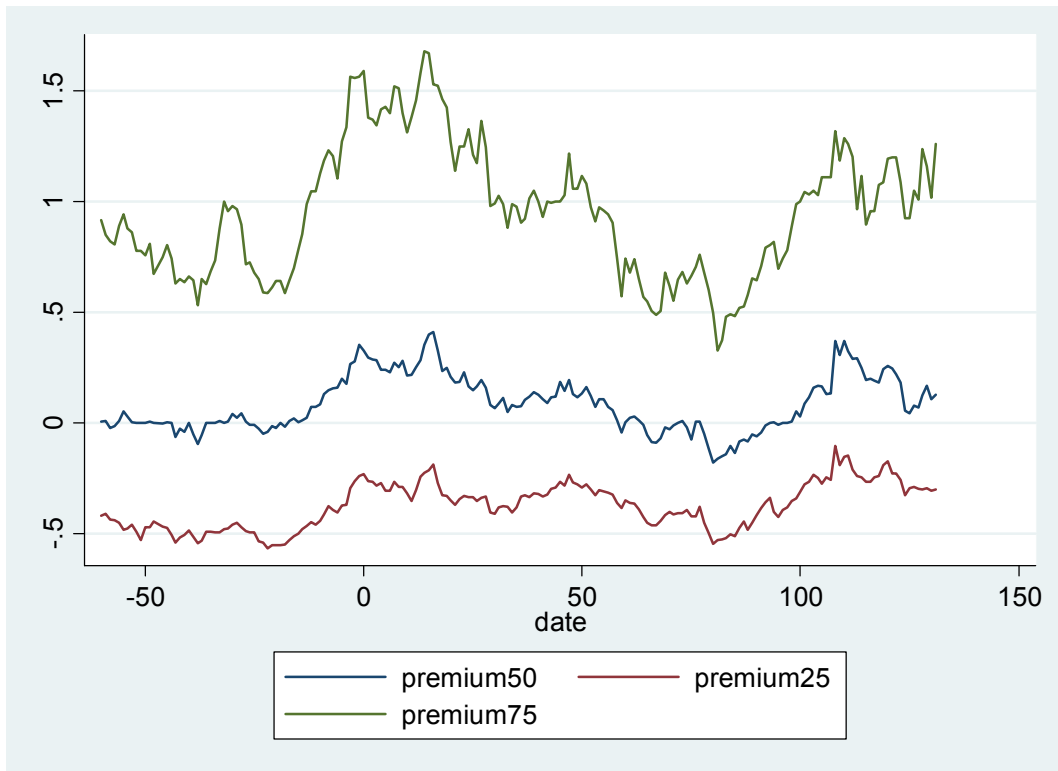

Figure 2
The Voting Premium and the Number of Acquisitions
This table describes the monthly number of acquisitions and the voting premium of the median firm at the end of the month.
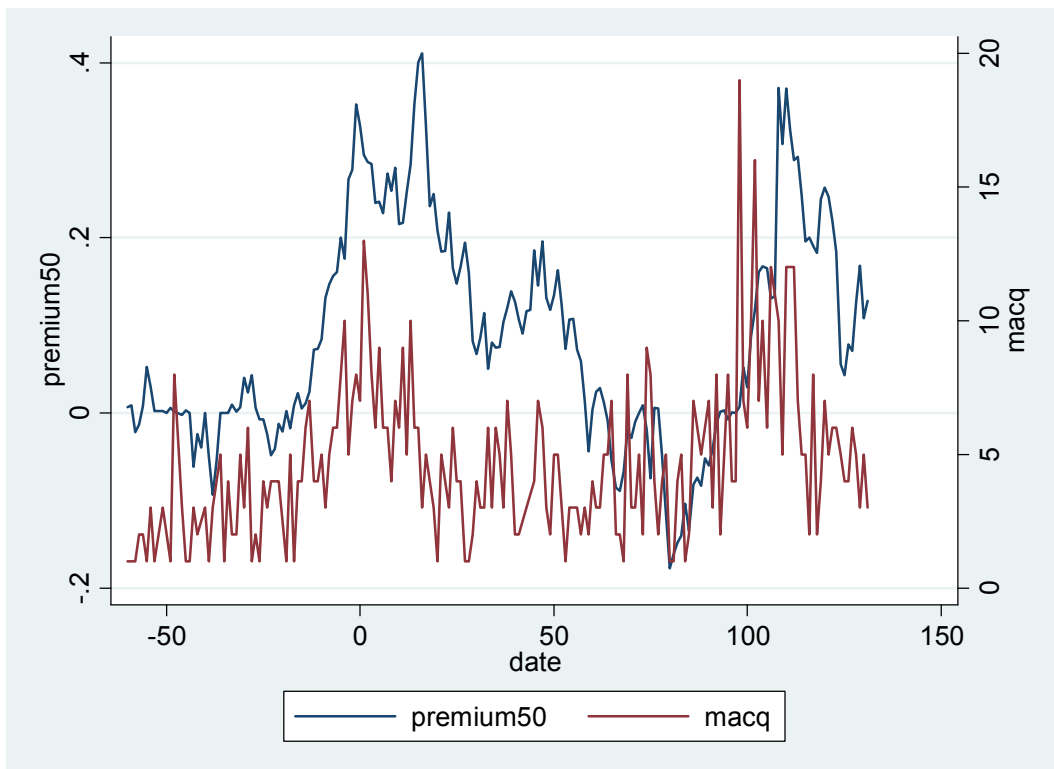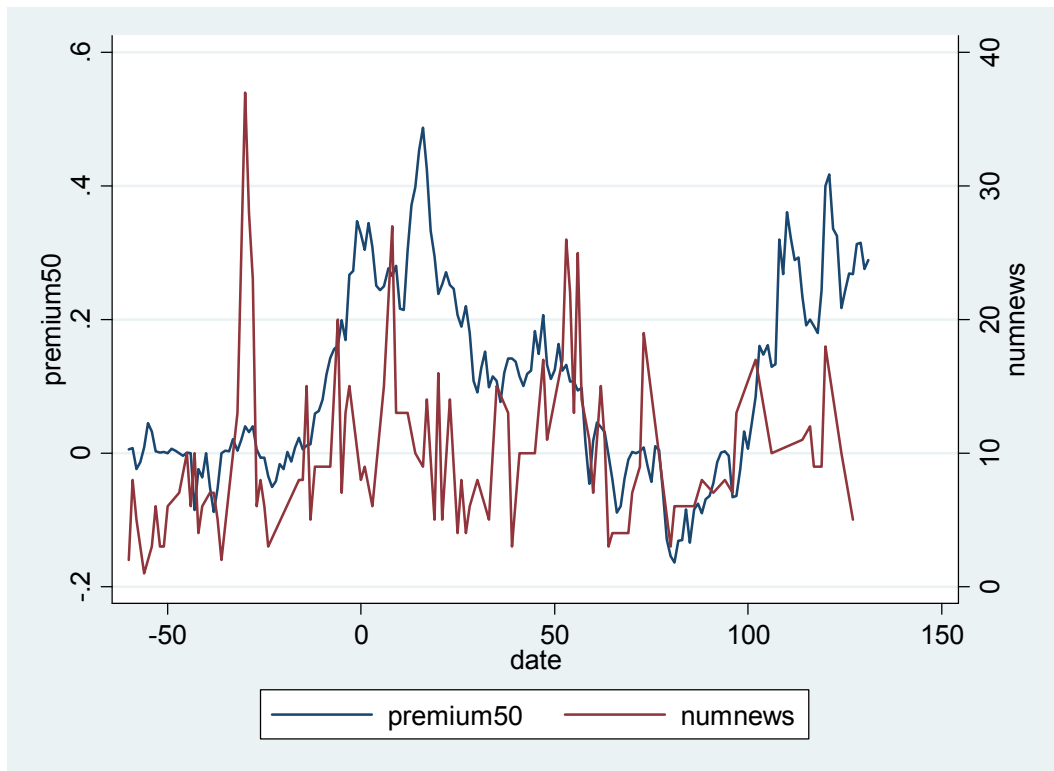
Figure 3
The Voting Premium and the Debate on Dual Class Shares

This table describes the voting premium and the number of news on dual class shares. The frequency is monthly.

Appendix: Companies in the sample and their share classes

A. Companies with limited-voting ordinary shares or participating preference shares

Automatic Telephone & Electric Company, Limited
Aveling-Barford Limited
Beaverbrook Newspapers Limited
Bentley Engineering Group Limited (The).
Brady (G.) & Co. Limited
Bridgewater (G. & T.) Limited
British Celanese Limited
Brooke, Bond & Co., Limited
Chubb & Son Limited
Cohen (A.) & Co., Limited
Decca Limited
Express Dairy Company, Limited
Folkes (John) Hefo Limited
Grand Metropolitan Hotels (Scotland) Limited
Harris (W. J.) & Co., Limited
Henderson (P. C.) Limited
Holroyd (John) & Company Limited.
Homfray & Company Limited
Hook (C. Townsend) and Company, Limited.
House of Fraser Limited
Hudson (Robert) Limited.
Hulton Press Limited
Illingworth, Morris & Company, Limited

Loyds Retailers Limited
Mecca Limited
Morgan Crucible Company Limited (The).
Morris & Blakey Wall Papers Limited
Mount Charlotte Investments Limited
Parker-Knoll Limited
Perkins (Dorothy) Llimited
Pye Limited
Rank Organisation Limited (The)
Ranks Hovis McDougall Limited
Rest Assured Limited
Samuel (H.) Limited
Sears Holdings Limited
Sharpe (W. N.) Limited
Tillotson & Son, Limited
Twentieth Century Cinemas Limited
Ultra Electric (Holdings) Limited
United Caterers, Limited
Wades Departmental Stores Limited
Walker (James) Goldsmith & Silversmith Limited
Warner Holidays Limited
Warren (James) & Company, Limited
Wolsey, Limited

B. Companies with preference shares

Aaronson Bros. Limited
Agar, Cross & Company, Limited
Albright & Wilson Limited
Allen (J. J.), Limited
Allied Industrial Services Limited
Amalgamated Industrials Limited
Anchor Chemical Company Limited (The).
Angus (George) & Company, Limited
Aplin & Barrett Limited
Ascherberg, Hopwood & Crew, Limited
Ashworth (John) & Co. (Timber) Limited
Asquith Machine Tool Corporation Limited
Associated British Engineering Limited
Associated British Picture Corporation Limited
Associated Commercial Vehicles Limited
Associated Electrical Industries Limited
Associated Engineering Limited
Atkinson Lorries (Holdings) Limited
Automatic Telephone & Electric Company, Limited
Automotive Products Associated Limited
Aveling-Barford Limited
Averys Limited
B H D Engineers Limited
BTR Industries Limited
Bakelite Limited
Balstone, Cooke & Rayonese Limited
Bardolin Limited
Barker (John) And Company, Limited
Barnes (James), Limited
Bath And Portland Group Limited (The)
Beaverbrook Newspapers Limited
Belliss & Morcom Limited
Bentalls Limited
Bentley Engineering Group Limited (The).
Berger, Jenson & Nicholson Limited
Berry (J.) & Sons Limited
Bestwood Company Limited (The).
Bibby (J.) & Sons Limited
Bigwood (Joshua) & Son Limited
Birfield Limited
Blundell-Permoglaze Limited
Blythe (William) And Co. Limited
Boosey & Hawkes Limited
Bourne & Hollingsworth (Holdings) Limited
Bovril, Limited
Bowater-Eburite Limited
Bradford Dyers' Association Limited
Braid Group Limited
Bridgewater (G. & T.) Limited
Brilliant Signs Limited
Bristol Aeroplane Company, Limited
Bristol Stadium Limited
British Aluminium Company, Limited
British Celanese Limited
British Coated Board & Paper Mills Limited
British Home Stores Limited
British Industrial Plastics Limited
British Match Corporation Limited
British Paints (Holdings) Limited
British Printing Corporation Limited (The)
British Ropes Limited
British Sisalkraft Limited
British Syphon Company, Limited
British Timken Limited

British United Shoe Machinery Company, Limited
British Xylonite Company Limited (THE)
Brittains, Limited
Brocklehurst-Whiston Amalgamated Limited
Brooke, Bond & Co., Limited
Brown (John) And Company, Limited
Buckingham (J. H.) & Compy. Limited
Buist (Charles G. S.) Limited
Button (Alfred) and Sons, Limited
Cadbury Schweppes Limited
Caffyns, Limited
Calders Limited
Calico Printers' Association, Limited (The)
Caribonum Trust Limited
Carr (John) (Doncaster) Limited
Carrier Engineering Company Limited
Carrington and Dewhurst Limited
Carters Tested Seeds Limited
Chambers Wharf and Cold Stores Limited
Chivers & Sons, Limited
Chubb & Son Limited
Churchill & Sim Limited
Clayton Dewandre Holdings Limited
Clifford Motor Components, Limited
Cole (E. K.), Limited
Cook (James W.) & Company, Limited
Courtaulds, Limited
Courtney, Pope Limited
Cow (P. B.) & Company, Limited
Crittall Manufacturing Company, Limited
Crofts Engineers (Holdings) Limited
Crompton Parkinson Limited
Cronite Foundry Company Limited
Cropper (James) & Company Limited
Crowley, Russell & Company Limited
Crown Cork Company, Limited (The)
Crowther & Nicholson Limited
Crystalate Limited
Currys, Limited
Dallas (John E.) & Sons Limited
De La Rue Company Limited (THE)
Decca Limited
Delta Metal Company, Limited
Denison (Edward) (Yeadon) Limited
Denny (Henry) & Sons, Limited
Dickinson (John) & Co., Limited
Downing (G. H.) & Company Limited
Drake & Mount, Limited
Drey, Simpson & Co. Limited
Dreyfus & Company, Limited
Dubarry Perfumery Company, Limited
Dudley & Company Limited
Dunster (John J.) & Son Limited
Duport Limited
Eastwoods Limited
Edge Tool Industries Limited
Ellams Duplicator Company Limited
Elson & Robbins, Limited
Enfield Cables Limited
English Calico Limited
English China Clays, Limited
English Electric Company, Limited (The).
Ericsson Telephones, Limited
Eugene Limited

Evans (Outsizes) Limited
Express Dairy Company, Limited
Fairdale Textiles Limited
Farley's Infant Food, Limited
Faulkner Greene & Company Limited
Financial News, Limited
Fine Spinners And Doublers, Limited
Fisons Limited
Fleming & British American Optical Industries Limited
Fluidrive Engineering Company Limited
Ford (Louis G.) Limited
Ford Motor Company Limited
Foseco Minsep Limited
Foster Brothers Clothing Company Limited
Galloway (John) & Company Limited
Garrard Engineering And Manufacturing company, Limited
Gestetner Limited
Gill & Duffus Limited
Glenfield & Kennedy Holdings Limited
Glossop (W. & J.) Limited
Godfrey (Sir George) and Partners (Holdings) Limited
Goode Durrant & Murray (Consolidated) Limited
Grainger & Smith, Limited
Grand Metropolitan Hotels (Scotland) Limited
Grant Bros. Limited
Greaves & Thomas Limited
Greengate and Irwell Rubber company, Limited
Griffiths Hughes Proprietaries Limited
Gunner (R.) Limited
H.P. Sauce Limited
Hadfield (J. J.) Limited
Hall (L.) (Edmonton) Limited
Hall Harding Limited.
Handley Page Limited
Hanson (Saml.) & Son Limited
Harrison & Sons, Limited
Harrisons & Crosfield, Limited
Hartmann Fibre Company, Limited (The)
Harvey & Sons Limited
Harvey's Belgravia Foods Limited
Hawker Siddeley Group Limited
Hinde (Fras.) & Sons Limited
Hoffman Manufacturing Company, Limited (The)
Holyrood Knitwear Limited
Homfray & Company Limited
Hook (C. Townsend) and Company, Limited.
Hoover Limited.
Hoskins & Horton Limited
House of Fraser Limited
Hovis Limited
Hoyle (Joseph) & Son Limited
Ilford Limited
Illingworth, Morris & Company, Limited
Illustrated Newspapers, Limited
Imperial Chemical Industries Limited
Ingle (W. L.), Limited
Initial Services Limited
International Computers And Tabulators Limited
International Publishing Corporation Limited
International Tea Company's Stores, Limited (The).
Jentique Limited
Jewson & Sons, Limited
Johnson & Slater Limited
Johnson (Richard) & Nephew, Limited

Johnson and Phillips, Limited
Johnson, Gibbons Limited
Johnson, Matthey & Co. Limited.
Jones (Samuel) & Co. (Holdings) Limited
K Shoes Limited
Kaufmann (H) Limited
Kayser Bondor Limited
Keelavite Hydraulics Limited
Kelsall & Kemp, Limited
Kier (J. L.) & Company, Limited
Kinloch (Provision Merchants) Limited
Lambert Howarth Group Limited
Lamson Industries Limited
Lancashire Cotton Corporation Limited
Lancashire Dynamo Holdings Limited
Langdon (J.) & Sons Limited.
Lewis's Investment Trust Limited
Liebig's Extract of Meat Company, Limited
Lines Bros. Limited
Lister (R. A.) & Company, Limited
Lloyd's Packing Warehouses (Holdings) Limited
London And Northern Securities Limited
London Brick Company Limited
London Electric Wire Company and Smith, Limited [The]
Low & Bonar Limited
Loyds Retailers Limited
Macarthys Pharmaceuticals Limited
Macro Refrigerators Limited
Makin (J. & J.) Paper Mills Limited
Mallinson (William) & Denny Mott Limited
Manbre & Garton, Limited
Manchester Garages, Limited
Manganese Bronze Holdings Limited
Maple & Company, Limited
Marshalls Universal Limited
Martonair International Limited
Mason (Henry) (Shipley), Limited
Mather & Platt, Limited
McCorquodale & Company Limited
Mecca Limited
Mellowes & Company, Limited
Merritt and Hatcher Limited
Metal Industries Limited
Midland Industries Limited
Mitchell Construction Holdings Limited
Mitchell Cotts Group Limited
Monk (A.) & Company, Limited
Monsanto Chemicals Limited
Morgan Crucible Company Limited (The).
Morley (I. & R.) Limited
Morris (Herbert), Limited
Moseley (David) & Sons Limited
Murex Limited
National Canning Company, Limited
Naylor (T. & A.) Limited
Needlers, Limited
Newnes (George), Limited
Newton, Chambers & Company, Limited
Norcros Limited
Nurdin & Peacock Limited
Olympia Limited
Parkinson (Sir Lindsay) & Co. Limited
Parsons (C. A.) & Company, Limited
Patons & Baldwins, Limited

Pearson (S) & Son Limited
Pegler-Hattersley Limited
Perkins (Dorothy) Llimited
Peterborough Motors Limited
Pharaoh Gane & Company, Limited
Phoenix Telephone and Electric Holdings Limited
Pinchin, Johnson & Associates, Limited
Plessey Company Limited (The)
Powell Duffryn Limited
Pressed Steel Company Limited
Prestwich (J. A.) Industries Limited
Priestman Brothers, Limited
Pye Limited
Pyrene Company, Limited (The)
Qualcast, Limited
Quality Cleaners Limited
Radiation Limited
Radio Rentals Limited
Raleigh Industries Limited
Rank Organisation Limited (The)
Ranks Hovis McDougall Limited
Reckitt & Colman Holding Limited
Redfearn National Glass Limited
Rediffusion Limited
Reeves (F.J.) Limited
Reichhold Chemicals Limited
Renold Limited
Reyrolle Parsons Limited
Rogers (R. H. & S.), Limited
Rose (L.) & Co., Limited
Rotaprint Limited
Rowe Brothers & Co. Limited
Rowntree-Mackintosh (Ireland) Limited
Ruston & Hornsby, Limited
S. & U. Stores Limited
Sagar (W. & J.) Limited
Salts (Saltaire) Limited
Samuel (H.) Limited
Scottish Cables Limited
Scottish Heritable Trust, Limited (The)
Sears Holdings Limited
Seddon Diesel Vehicles Limited
Selincourt & Sons, Limited
Sharpe (W. N.) Limited
Shaw (Francis) And Company Limited
Sheffield Twist Drill And Steel Company Limited
Showerings, Vine Products & Whiteways Limited
Smethwick Drop Forgings Limited
Smith & Wellstood, Limited
Spear & Jackson Limited
Spicers Limited
Spillers Limited
Spratt's Patent Limited
Square Grip Reinforcement Company (London) Limited (the)
Staveley Industries Limited
Steetley Company Limited (The)
Sterling Industries Limited
Stimpson-Perkins Limited
Stoneware Limited
Stroud, Riley & Co., Limited
Sunday Pictorial Newspapers (1920), Limited
Symes (A.E.) Limited
Thompson (John) Limited
Tilley Lamp Company Limited

Tillotson & Son, Limited
Tootal Limited
Tozer Kemsley & MillBourn (Holdings) Limited
Transparent Paper Limited
Trust Houses Limited
Tuck (Raphael) & Sons, Limited
Turner & Newall, Limited
Turner Manufacturing Co Limited
Tyzack (W.), Sons & Turner Limited
Unigate Limited
United Biscuits Limited
United City Merchants Limited
United Glass Limited
United Molasses Company, Limited (The)
Universal Grinding Wheel Company, Limited
Vab Products Limited
Villiers Engineering Company Limited (The)
Viyella International Limited
Wade Potteries Limited
Walker (James) Goldsmith & Silversmith Limited
Wall Paper Manufacturers, Limited
Wallis & Company (Costumiers) Limited
Walsall Conduits Limited
Warner Holidays Limited
Warren (James) & Company, Limited
Weber, Smith & Hoare, Limited
Welch, Margetson And Company Limited
West Riding Worsted And Woollen Mills, Limited
Westover Garage, Limited
White, Tomkins And Courage, Limited
Whitecroft, Limited
Whiteley (B. S. & W.) Limited
Whites (Timothy) & Taylors Limited
Whiteside (H. S.) & Co., Limited
Whitworth And Mitchell Textorial Limited
Wiggins , Teape & Co. Limited
Wild (Thomas C.) & Sons, Limited
Williams Furniture Limited
Williams Hudson, Limited
Willows Francis Limited
Wilmot-Breeden (Holdings) Limited
Winterbotham, Strachan And Playne, Limited
Winterbottom Book Cloth Company, Limited
Wolf Electric Tools (Holdings) Limited
Wolsey, Limited
Wood, Rozelaar & Wilkes, Limited
Woodall-Duckham Group Limited
Woolcombers, Limited
Wright's Biscuits Limited
Wright, Layman & Umney, Limited
Yardley And Company, Limited
Yorkshire Fine Woollen Spinners Limited
Zwanenberg Associated Food Companies Limited