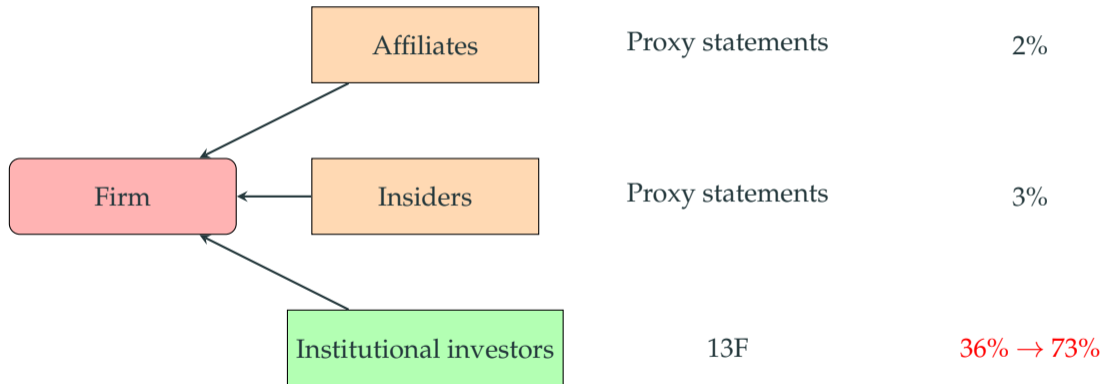


Discussion of "The Ownership Structure of US corporations" **by Lewellen and Lewellen**

Nicolas Crouzet

Kellogg

The ownership structure of the equity of public US corporations

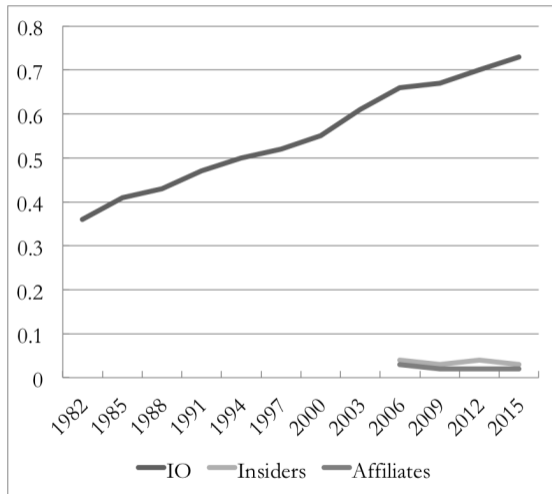


"Dark matter" in ownership structure?

$$s_{IO} + s_{IA} < 1$$

$$\Delta s_{IO} > -\Delta s_{IA}$$

Who are IO substituting for?



Institutional ownership and competition

Azar, Vives (2021): effects of ownership structure in an oligopoly with J firms

$$s_{j,j} = 1 - \phi + \phi/J, \quad s_{j,-j} = \phi/J$$

$$\max \pi_j + \lambda(\phi) \sum \pi_{-j}$$

$\uparrow \phi \rightarrow \uparrow$ markups

ϕ is common ownership

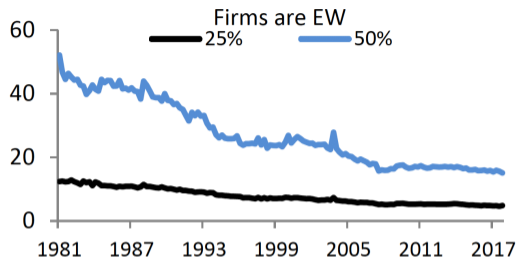
Gutiérrez, Philippon (2018): $\uparrow s_{IO} \xrightarrow{\textcircled{1}} \uparrow \phi \xrightarrow{\textcircled{2}} \downarrow$ competition

$\textcircled{2}$ Azar, Schmalz, Tecu (2018); Lewellen, Lowry (2021)

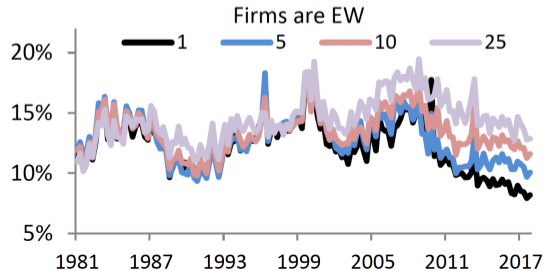
$\textcircled{1}$?

Facts consistent with $\uparrow s_{IO} \rightarrow \uparrow \phi \rightarrow \downarrow$ competition

1. $\uparrow s_{IO} \dots$



2. \downarrow # shareholders needed to reach 50%



3. Turnover of top institutional shareholders is low and falling

Facts at odds with $\uparrow s_{IO} \rightarrow \uparrow \phi \rightarrow \downarrow$ competition: within-firm

1. For the equal-weighted average firm:

3 large blockholders hold 20% of shares

11 next blockholders hold 20% of shares

2. Institutional ownership concentration peaks for mid-size firms

3. No clear relationship between institutional ownership concentration and profitability

<i>Panel C: Profitability portfolios</i>	<i>Low</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>High</i>
Insider ownership	0.070	0.081	0.087	0.097	0.106
Affiliated entities	0.055	0.052	0.045	0.036	0.034
Institutional ownership	0.505	0.578	0.612	0.665	0.663
IO of top inst shareholder	0.097	0.105	0.101	0.108	0.104
IO of top 3 inst shareholders	0.200	0.218	0.216	0.230	0.226
IO of top 10 inst shareholders	0.338	0.380	0.388	0.414	0.409
IO of top 25 inst shareholders	0.425	0.483	0.503	0.542	0.537
# of inst to reach IO of 25% ^a	4.8	4.8	5.2	4.5	4.8
# of inst to reach IO of 50% ^b	17.0	16.5	15.8	14.8	15.5
Fraction of firms with IO>25%	0.694	0.792	0.811	0.857	0.865
Fraction of firms with IO>50%	0.529	0.607	0.645	0.727	0.725

Facts at odds with $\uparrow s_{IO} \rightarrow \uparrow \phi \rightarrow \downarrow$ competition: across firms

1. # firms/ # institutional investors:

in 1982: 30

in 2017: 4

2. Firms tend to have disproportionate weights in their top blockholder's portfolio

3. Shareholders with top blocks tend to have less diversified portfolios

	EW	VW
<i>Panel A: Portfolio weight of top inst shareholders</i>		
Largest stake	3.6%	2.6%
3rd largest stake	1.3%	1.4%
5th largest stake	1.1%	1.7%
10th largest stake	0.9%	1.9%
25th largest stake	0.5%	1.9%

<i>Panel B: AUM rank of top inst shareholders</i>		
Largest stake	50.6%	80.7%
3rd largest stake	52.4%	77.0%
5th largest stake	44.7%	62.5%
10th largest stake	36.6%	49.8%
25th largest stake	31.4%	39.2%

<i>Panel C: Firms owned by top inst shareholders</i>		
Largest stake	588.1	1,633.0
3rd largest stake	910.6	1,894.5
5th largest stake	819.6	1,206.9
10th largest stake	809.2	1,113.8
25th largest stake	966.8	919.5

Smaller comments for the authors

1. If more discussion of $\uparrow s_{IO} \rightarrow \uparrow \phi \rightarrow \downarrow$ competition
use control rights, not cash flow rights

do institutional investors tend to have multiple top blocks?

is there sectoral overlap between the top blocks?

how passive are different institutional investor types?
2. What is the relationship between s_{IA} and firm characteristics? (Paper focuses on s_{IO})
3. Matching by size
firm prefer having an active top blockholder

investors only manage their top block actively