

## SpaceX IPO: does Musk have a divine right to rule the business?

Devina Mehra | 11 June 2026



SpaceX represents one of the most aggressive founder-control set-ups in modern corporate history. (REUTERS)

### SUMMARY

This share issue will leave founder Elon Musk with near total control over SpaceX with very meagre rights for new allottees. Investors won't be able to rely on the checks and balances of corporate governance that they usually take for granted.

This week, history is about to be made with the SpaceX initial public offering (IPO)—the largest IPO ever. The company's valuation is within touching distance of a mind-boggling \$2 trillion.

While most analysis one sees is about that valuation and whether it makes sense in any possible scenario, what's flying under the radar is the fact that investors in the IPO get almost no rights whatsoever.

SpaceX represents one of the most aggressive founder-control set-ups in modern corporate history. Traditionally, public markets grant shareholders three primary rights: to vote, to sue and to sell.

SpaceX has systematically restricted or eliminated these protections to effectively grant all rights to its founder Elon Musk. In other words, the investors are meant to allow Elon Musk to act as a kind of emperor with a divine right to rule, never mind that they are providing him the money to do so.

How is he doing this? First, through dual-class shares where public shareholders have shares with rights that are different from Musk's.

It is no longer 'one share, one vote,' which has traditionally been the basis for good corporate governance.

In the US, dual-class shares reached a peak during the boom of the 1920s, when family businesses went public while keeping key rights within the family. And we know how that boom ended. These were then banned outright by 1940 by the New York Stock Exchange.

This mechanism was reinstated in the 1980s, but the current boom mostly goes back to the Google/Alphabet listing in 2004, which had a system to preserve founder control. This template was then followed by many others in the tech industry such as Facebook/Meta. About 25-30% of recent IPOs in the US have featured dual-class shares.

Even within this framework, the SpaceX case is extreme. Musk is retaining near-total executive authority and shielding himself in multiple ways. While public investors will buy Class A shares with one vote per share, Musk and a select few insiders hold Class B shares, which carry 10 votes per share.

After the IPO, Musk will control roughly 42% of SpaceX's equity but will command 82-85% of its total voting power. Even if he drastically reduces his economic stake in the future, the structure allows him to maintain an absolute lock on control as long as his remaining Class B shares exceed a minimal threshold (roughly 10%) of outstanding Class A shares. Plus, the company can only issue new Class B shares to Musk, his family or Musk-related entities.

In a traditional public company, a board of directors can fire a CEO if the latter fails to perform or acts against shareholder interests. Under SpaceX's IPO terms, with the voting rights he has and his control of the super-voting blocks required to elect or dismiss board members, Musk essentially has the unilateral power to "elect, remove, or fill any vacancy" on the board. Hence, the board can never remove him.

Since Musk's super-voting power guarantees him an absolute majority, he retains sole authority over major corporate actions that typically require independent shareholder approval. These include mergers and acquisitions (M&A) and even actions that involve other companies controlled by him.

The founder can unilaterally approve massive dilutive moves. A recent example is the \$230 billion xAI merger that flipped SpaceX from a \$791 million profit in 2024 to an over \$4.9 billion net loss in 2025. Public shareholders have zero power to vote down these types of insider M&A deals or any future compensation structures to Musk himself.

To ensure that he does not face shareholder litigation the way he did at Tesla, Musk has stripped public investors of traditional paths to legal recourse by building a 'Texas legal fortress.' To give a couple of examples, SpaceX's IPO terms impose strict mandatory arbitration for shareholder claims, severely limiting investors' ability to bring class-action lawsuits.

Any remaining litigation allowed is restricted to a specialized Texas business court under Texas corporate law, which offers far fewer protections for minority shareholders than in states where a number of corporations are registered, like Delaware.

With Musk retaining majority voting power, SpaceX qualifies as a "controlled company" under stock exchange rules. This allows him to bypass standard corporate governance mandates like the requirement of independent directors forming a majority of its board and of its compensation and nomination committees being fully independent.

In short, the SpaceX IPO is inviting public investors to financially back Musk's grand visions for space and artificial intelligence, but they are signing away the traditional mechanisms of corporate governance that are supposed to discipline the management and protect minority shareholders.

Let us also not forget that Musk's leadership has not exactly covered itself in glory on the execution front. Witness Tesla's constantly declining share in the global electric vehicles market, which is now dominated by Chinese players.

Good luck with handing him the keys with little or no recourse to the law!

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