

research newsletter

Controlling Shareholders

Introduction

This, the second edition of the ECGI Research Newsletter, focuses on the important subject of Controlling Shareholders. Drawing from six published papers in our Finance and Law Working paper series, it looks at how controlling ownership is evident in some companies and not others and why this has developed over time.

Looking in detail at some of the instruments through which companies are controlled, one particular area of disagreement is the proportionality principle, the ratio between ownership and voting, which is more commonly debated under the narrower topic of one-share-one-vote. There are arguments on both sides, some of which are aired in this newsletter by two leading practitioners and a leading academic. They are given perspective and context by the book which we review in this issue, *A History of Corporate Governance around the World*.

This newsletter is published to coincide with the third conference in the Transatlantic Corporate Governance Dialogue series entitled *Controlling shareholders and corporate governance: Better monitors or more self-dealing?* held in Brussels on 27th June 2006. For further details, please visit www.tcgd.org



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The ECGI is extremely grateful to the Fédération des Experts Comptables Européens (FEE), the representative organisation for the accountancy profession in Europe, for kindly agreeing to sponsor this new initiative over the next three years in recognition of the valuable work they believe the ECGI is undertaking.

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Research digest

Six working papers on this topic have been published by the ECGI. The papers set out the authors' propositions in detail and supply the accompanying evidence. This digest pulls out some of the key strands from the papers which can be downloaded from the SSRN website via the ECGI website www.ecgi/wp

The Origins of the German Corporation – Finance, Ownership and Control by Julian Franks, London Business School, CEPR and ECGI, Colin Mayer, Saïd Business School, University of Oxford, CEPR and ECGI, and Hannes Wagner, Saïd Business School, University of Oxford and Munich School of Management (Finance #110/2005)

At first sight, German financial markets look remarkably similar to their UK counterparts, and yet the ownership of German corporations is very different from the Anglo-American model. It is highly concentrated in the hands of families and other companies. By international standards investor protection in Germany is weak, although that is now changing. According to certain models, weak investor protection is consistent with high levels of concentration of ownership but the authors of this paper question whether this explains the way the German market has developed and whether it was always thus.

At the end of the 19th and beginning of the 20th centuries, firms in the UK and in Germany were raising large amounts of finance externally to fund growth. However, while in the UK, the growth was primarily through acquisition, in Germany growth was principally by internal investment and by acquiring partial stakes in other firms.

In the UK, the issuance of equity for acquisition caused a rapid decline in concentration of ownership. In Germany, concentration of ownership remained high and, according to some measures, actually increased. In some respects, the separation of ownership and control documented for the UK and US was therefore also a feature of early German corporate history. But there are two important differences. Firstly, most insider ownership was associated with members of the supervisory rather than the management board and the decline in insider ownership was at the expense of supervisory rather than management board members. Secondly, the decline in insider ownership was offset by an increase in the concentration of ownership by outsiders. This was associated with increasing ownership in the hands of banks and other companies, the latter especially so from the 1930s onwards.

Can regulation explain these developments? At one level, the clear answer to emerge from this paper is no. Investor protection was equally weak in Germany and the UK in the first three decades of the century when most of the developments documented in this paper occurred. But that response is probably more a reflection of the inadequacies of existing measures of investor protection than of the irrelevance of law and regulation. By the beginning of the twentieth century Germany had enacted a corporate code that provided more extensive corporate governance than existed in virtually any other country at the time. This may have been critical to the rapid development of the German stock market at the end of the 19th and the beginning of the 20th century.

Furthermore, the Exchange Act of 1896 reinforced the control of the banks over German securities markets. Companies became dependent on banks for access to securities markets in the way in which firms in Britain were dependent on local investors for sources of equity. And since banks acted as custodians of minority investor shares, they could also, in principle, encourage firms to uphold minority shareholders as well as their own interests. Whether they did or whether their dual role as investors and custodians was a source of conflict is a critical issue. Dispersed but geographically concentrated shareholders in Britain may have been better able to protect their interests than shareholders represented by banks in Germany.

Identifying the Effect of Managerial Control on Firm Performance by Renee Adams, Department of Finance, Stockholm School of Economics and ECGI, and Joao Santos, Federal Reserve Bank of New York (Finance #101/2005)

In this paper the authors refute the common belief that managerial control is purely detrimental to performance. Most empirical studies in the US which relate managerial control to performance, concentrate on control through

share ownership. The problem with shares is that they can provide managers not only with voting rights but also with cash flow rights, which can align the interests of the management with those of the shareholders. This makes it very difficult to assess properly how much performance is affected by the fact that the managers have voting powers and therefore more control over the business as opposed to the financial benefits they accrue from the cash flow rights.

The authors argue that they have found a way to measure voting rights separately from cash flow rights by using a unique sample. Where shares are held in a fiduciary capacity, the voting rights can be assigned to the fiduciary manager and the cash-flow rights are assigned to the beneficiary. There are situations when the fiduciary might invest in their own shares, for examples banks. A US study in 1966 found that 196 out of the 210 largest commercial banks surveyed held shares in themselves in a fiduciary capacity. More importantly, 162 of them had some voting authority over these shares. More recent studies show that this is still the case. Another study found that each of the top 20 bank holding companies in 2000 controlled some of their voting rights through their trust departments. Whilst the authors accept that the unique nature of banks does raise some concerns about the wider application of their findings, they also feel that banking institutions, as a result of their trust activities, hold their own stock sufficiently often to provide a unique opportunity to study the effect of managerial control on firm value. They argue that own-bank shares provide no cash-flow rights to bank managers and therefore represent pure voting control to the extent that the bank managers can vote these shares.

The findings of this research do not suggest that managerial control is always a positive thing, but equally it is also not always negative as so many other research reports have suggested. The findings set out here indicate that, although firm performance may decrease where managers obtain too much control, there is robust evidence to show that some voting control in the hands of managers may be beneficial for all shareholders.

Dominant Shareholders, Corporate Boards and Corporate Value: A Cross Country Analysis by Jay Dahya, Baruch College, CUNY, Orlin Dimitrov, Schulich School of Business, York University, and John McConnell, Krannert Graduate School of Management, Purdue University (Finance #099/2005)

This study of the relationship between corporate value and board composition in firms with a dominant shareholder, encompassed 799 firms from 22 countries. It considers whether a 'strong' board can offset the market value discount experienced by firms domiciled in countries with weak legal protection for shareholders. This discount is often attributed to the ability of a dominant shareholder to divert corporate resources from other shareholders to

themselves for personal consumption. In essence, the question that the paper addresses is whether a dominant shareholder could increase firm value by appointing an independent board and whether the effect of the board's composition on firm value, if there is any, is different between countries with weak and those with strong legal shareholder protection.

Fundamental to the interpretation of the study's results is the assumption that 'independent' directors lead to a 'stronger' board.

The research found a positive and statistically significant relationship between firm value and the percentage of the board made up of directors not affiliated with the dominant shareholder. The implication is that a dominant shareholder, were it so inclined, could raise the value of their firm by appointing an 'independent' board and this would be especially so in countries that provide weaker legal protection for shareholders.

Should the dominant shareholder decide to appoint a strong board, a question that arises is whether a sufficiently independent board could recover the full value discount associated with the firm operating in a weak legal environment. The research indicates that a dominant shareholder could make up some but not the full loss in value by appointing a 'strong' board.

However, this increase in value is not without cost to the dominant shareholder. The cost of a strong board is the loss of the ability to divert corporate resources for personal gain. For the dominant shareholder, the question becomes one of trading off the personal value of losing that ability against the value increase in their shares. The value increase will only be valuable to the dominant shareholder if they expect to sell shares either from their own personal account or through the firm to raise capital for value-increasing projects. Otherwise, there would appear to be little incentive for the shareholder to unilaterally appoint a 'stronger' board.

Therefore dominant shareholders are more likely to choose independent directors when their firms have profitable investment opportunities and a shortage of internal capital to fund them.

Does Corporate Control Determine the Cross-listing Location? by *Wissam Addallah, Lebanese American University and Marc Goergen, Sheffield University Management School and ECGI (Finance #098/2005)*

Following the liberalisation of financial markets during the 1990s, a growing number of firms have cross-listed their shares on stock exchanges around the world. Empirical studies show that companies cross-list in order to raise financing, to reduce their cost of capital, to improve the liquidity of their stock, to gain name recognition and

increase the visibility of their products in the host market. Minority shareholders are better protected in the common law system than in the civil law system. Consequently, capital markets in common law countries are much larger and more liquid than those in civil law countries.

The authors of this paper find that the control structure is a determinant of the cross-listing location and that companies with concentrated control are more likely to cross-list on common law markets. If a corporation has a dominant shareholder, that shareholder will need to balance up the benefits of having control of the company (i.e. of being able to consume private benefits of control) against the benefits of diversifying the ownership (i.e. of sharing the risk and improving liquidity) and losing that control. The authors report that the loss of private benefits of control does not appear to influence the decision to cross-list on a common law market.

For a dominant shareholder the opportunity to sell off to small investors may be limited on the home market. For instance, in countries where investor rights are not well protected, risk-averse investors who want to diversify their portfolios may be unwilling to do so because of the high costs associated with the acquisition of information about, and the monitoring of, their investments.

In this situation, the dominant shareholders might choose to cross-list on a more liquid and developed market with better information production and a larger investor base, such as the US capital market, a common law market. By doing so, they expose their company to the international community and to a broader shareholder base, which in turn increases the risk-sharing potential. Therefore, it is expected that the higher its risk, the more likely the company will cross-list on a common law market. The authors find support for this argument.

Companies also cross-list in order to raise capital, especially when they face financial constraints in their home country. By listing abroad, the firm improves its access to funds and thereby overcomes the domestic constraints. In choosing where to cross-list, financially constrained companies will choose markets which are more liquid than their home markets. In line with this argument, the authors find that firms that are large compared to their home markets tend to cross-list on a common law market.

According to the pecking-order theory of capital structure, companies use equity finance when internally generated funds are insufficient to meet their investment programmes, and further debt-financing is no longer possible due to the company's high leverage. The authors argue therefore that companies with a higher level of leverage are more likely to cross-list on the common law markets. They find evidence for this.

One Share - One Vote: A European Rule? by Guido Ferrarini, Law School, University of Genoa and ECGI (Law #058/2006)

Should the EU legislate to enforce the model of 'one-share – one vote'? This is the fundamental question under debate in this paper, a question which the author looks at from various perspectives.

He discusses the 'Breakthrough Rule' put forward by the Winter report (The Report of the High Level Group of Company Law Experts on Issues related to Take-over Bids published in 2002,) the criticisms of that rule and why he considers the impact of the rule to be negligible.

He also considers the debate which went on in the US twenty years ago when the NYSE listing rules were reviewed and common standards were adopted for the US Stock Exchanges and NASDAQ.

The paper then looks at the increased agency costs created by dual class structures, and similar arrangements separating control from cash flow rights, before moving on to provide a comparative analysis as to what extent the one share – one vote standard has been implemented in the US and in EU Member States. In particular he considers the listing requirements introduced by the US Stock Exchanges and NASDAQ (after the repeal of the strict one share – one vote standard enforced for more than 50 years by the NYSE) and the way in which pyramidal groups were discouraged in the US through tax reform.

He moves on to examine in more detail the European Takeover Directive and its rules on transparency of ownership structures, finishing with a look at the cases decided by the European Court of Justice concerning golden shares, their relevance from the one share – one vote standard's perspective and the partial convergence of national company laws in this area.

Overall, he concludes that there is no need to legislate. The one share-one vote rule is frequently, but not always optimal and there should be flexibility as to choice of the best voting structures for different circumstances. What is more important is to ensure (as is already regulated by the Takeover Directive) that there is transparency of ownership structures.

Controlling Shareholders and Corporate Governance: Complicating the Comparative Taxonomy by Ronald Gilson, Columbia Law School, Stanford Law School and ECGI (Law #049/2005)

Normally, complicating something is not usually regarded as a good thing, but there are exceptions to every rule. In this paper, the author has looked at the control structures which dominate public corporations everywhere other than the US and the UK and feels that the dichotomy

between 'controlling shareholder' systems and 'widely-held shareholder' systems is too simplistic for meaningful analysis in relation to the shareholders' role in corporate governance and so he seeks to complicate it by breaking down the overall category of 'controlling shareholders' into its concomitant levels.

In fact he goes further than that and argues that the dichotomy is simply wrong. He concludes that that the appropriate distinction is between systems that support a diversity of shareholder distributions and systems that essentially support only a controlling shareholder distribution. *"In the end, institutions are shaped by a form of corporate governance plate tectonics, in which the demands of current circumstances grind against the influence of initial conditions,"* he says. *"Thus, a more complete explanation for the distribution of shareholdings must incorporate politics, law and efficiency, together with the serendipity of each country's initial condition."*

A common perception is that a controlling shareholder structure is associated with 'bad law'. Where minority shareholders are not protected from controlling shareholders extracting large private benefits of control, the argument runs, entrepreneurs will not part with control through public offerings because then they would run the risk of their own subsequent exploitation by someone else. Under this analysis, controlling shareholder systems will be characterised by weak equity markets, with too much liquidity tied up in control blocks, and by large differences in the value of controlling and minority blocks as a result of private benefit extraction by the controlling shareholder.

In fact, the author points out, countries with both good and bad law are characterised by controlling shareholder systems. For example, both Mexico with bad law, and Sweden with good law, have controlling shareholder systems. Moreover, countries with a controlling shareholder system experience dramatically different levels of private benefit extractions. Mexican controlling shareholders are said to expropriate approximately half the value of the company; in contrast, expropriation by Swedish controlling shareholders is limited to approximately one per cent of company value.

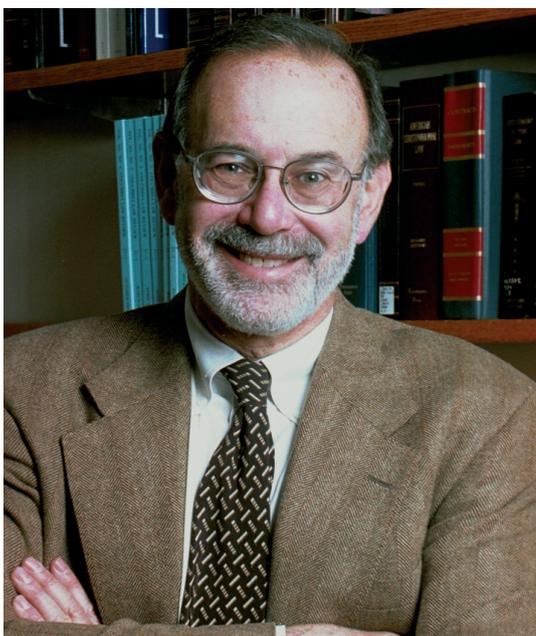
To further complicate the controlling shareholder landscape, controlling shareholders come in different forms, for example families as opposed to widely-held corporations, and hold control through different devices; some controlling shareholders' control is matched by their equity investment, while others' control is leveraged through structural devices like dual class stock and pyramids. At least in some countries, early empirical studies suggest that the level of private benefit extractions differs among different types of controlling shareholders. Benefit extraction is lower when the controlling

shareholder's stock is widely-held, as opposed to family owned, and when the divergence between control and equity is smaller.

An academic viewpoint

Ronald J Gilson is Charles J Meyers Professor of Law and Business at Stanford Law School, Stern Professor of Law and Business, Columbia Law School, American Law Institute member and a Co-Reporter of the ALI Principles of Corporate Governance, and ECGI Fellow.

Professor Gilson is not fully convinced by the law and finance approach set out by Andrei Shleifer and others. He says that the difference between common law and civil law on its own cannot alone explain why widely dispersed ownership is predominant in some jurisdictions (notably the US and the UK) as opposed to the controlling shareholder model which is more usual in the rest of the world.



Professor Ronald J. Gilson

The work set out by Shleifer et al makes a presumption that some places have 'good' law (where the minority shareholders' rights are protected) and 'bad' law, (where there is little if any effective protection of minority shareholders' rights), and that controlling shareholders are usually to be found in countries with 'bad' law.

The problem with this analysis, explains Professor Gilson, is that it doesn't explain why some countries which are generally accepted to have 'good' law, also have a

prevalence of controlling shareholders. In Sweden, for example, generally accepted as having 'good' law, about 50% of companies have a controlling shareholder but, as Eivind Kolding asserts in the interview on page 7, this model works well over there. Professor Gilson also points out that in the US, although shareholdings are mostly diverse, there are still a substantial number of corporations with controlling shareholders, even though the US has a 'good' law system.

Professor Gilson argues that a better definition of 'good' law might be that it supports both types of shareholding model, whereas 'bad' law only supports the one model. The current argument for European harmonisation moving towards one share-one-vote neglects the fact that different controlling shareholder systems have quite different characteristics. If there are countries which are currently operating both models under 'good' law, what is the problem? In countries where disclosure is transparent and minority rights are protected, shareholders know what they are getting into and can make a decision about whether or not to invest in a company with a controlling shareholder based on the individual circumstances.

The problem is different in those countries where minority shareholders are not protected and, as Shleifer et al predict, we see only controlling shareholders. But here the problem is how to improve the country's legal system.

A different set of issues addresses not the position of minority shareholders, a concern in bad law countries, but the macroeconomic consequences of controlling shareholders, which are relevant in good law systems as well. It should be remembered that the controlling shareholder might not be motivated by pecuniary reasons alone. For a controlling shareholder, benefits may be measured in much wider terms than simply stock value. A controlling shareholder in a large company (particularly if its influence spreads out in the pyramid model typically seen in some countries) can have a very attractive social position and wield significant political power, which will have an influence on the company's performance that is independent of, and sometimes inconsistent with, efficient economic performance and may result in slower adaptation to change. Here, however, there is little empirical evidence that highlights the issue.

A similar issue is that the performance of typical family owned company, which may be generations down the line from the original founder, may suffer from regression to the mean in the talents of successor generations. But here there may be a saving grace. As increasingly poor performance creates the potential for an ever larger premium to change the share structure, family members may conclude that control may be outweighed by the prospect of increased wealth.

The problem of controlling shareholders in good law systems hanging on to control for personal reasons pale in comparison to the problems caused by controlling shareholders in bad law regimes. Rather than trying to harmonise European corporate governance into one particular model, Professor Gilson argues that there would be more benefit in investing in improving legal systems, and therefore the likelihood that controlling shareholder patterns reflect greater efficiency. And for this purpose, it is more important that existing minority rights are effectively enforced than the particular cluster of those rights. Russia, for example, had a modern corporation statute that was not enforced.

One approach to improving enforceability in countries without effective enforcement of minority shareholder rights would be a European Commercial Court. Individual countries could allow their corporations to elect that Court to resolve corporate governance disputes. Companies that decided not to be bound by the Court would have to explain their reasons for doing so, in much the same way that 'comply or explain' works in corporate governance. He suggests that lenders and shareholders might feel more comfortable dealing with companies in a bad law country that elected good law, thus encouraging countries and companies to improve their governance through more effective enforcement without resorting to one size fits all legislation.

A practitioner viewpoint

Jean-Pierre Hellebuyck is Vice-Chairman of AXA Investment Managers, a subsidiary of the AXA group. AXA Investment Managers is a dedicated, multi-specialist asset manager with €450 billion under management. Mr Hellebuyck is responsible for €13 billion of those funds and in addition has two research departments within his brief, Investment Strategy and Responsible Investment. He is also Chairman of the Corporate Governance Commission of the French Asset Management Association (AFG) and a Member of the Commission des Sanctions of the French regulator, Autorité des Marchés Financiers (AMF).

Mr Hellebuyck is very much a believer in the concept of one share – one vote. *"You need all shareholders to have equal power,"* he says. *"If you have different voting rights then you have a minority of shareholders whose economic rights are not reflected in their voting rights."*

Some argue that the original owners of a company have the best interests of that company at heart, and that therefore they are best placed to make business decisions and, effectively, the other shareholders should leave them to get on with running the business. *"How can you justify that?"* asks Mr Hellebuyck. *"Why should a small number of*

shareholders have better judgement than the majority, just because they have a historical connection with the company? What if the controlling shareholders' judgement is poor? The majority would be powerless to prevent them from taking actions which could devalue the company."

Of course, if the controlling shareholder does have a clear strategy, sound ideas and good quality management then they can run a very efficient company, but it is rather like having a benign dictator. If it works well then it works very well indeed, but even the most benevolent dictator can get things wrong. Without the checks and balances which come from a more equal and diverse shareholding base, there is nothing to prevent them from making very costly mistakes, to the detriment of the other shareholders'.

Mr Hellebuyck believes that when someone is not challenged enough, when they don't have to formulate explicitly the arguments to justify their decisions to others, they can be prone to making poor decisions. Without the discipline of having to work through all the pros and cons of a situation in order to answer any possible query that might be raised, important factors can be missed.

He feels a much better model is to have a direct link between the shareholder and the company and for that reason it is more efficient to have one share – one vote.

However, he also points out that it isn't quite as simple as just looking at one share – one vote. It is important to look at the powers of the shareholders in the different jurisdictions as well. In the UK and France, for example, shareholders have a lot of power, whereas in Germany and



Jean-Pierre Hellebuyck

Scandinavia they typically have to share that power with other stakeholders such as employees. This can make certain decisions much harder to get through, for example in the case of a takeover bid, and certainly makes a single European wide prescriptive regulation a very complex issue.

Mr Hellebuyck concludes, however, that it has now been proven that companies with good governance are providing better returns in the medium term than those without, and he defines three key aspects of good governance:

- Having independent directors
- Having a separate Chair and CEO
- Having one share – one vote.

Another practitioner viewpoint

Eivind Kolding joined the A.P Moller - Maersk Group in 1989 working in various positions within the Management Secretariat and Corporate Secretariat of the A.P. Moller's - Maersk Group's head office in Copenhagen. He became Managing Director for Maersk Hong Kong Ltd in 1996 and was appointed Chief Financial Officer and Executive Vice President of A.P.Moller in 1998. As well as being a member of the Board of The Maersk Company Ltd, Mr Kolding is Vice-Chairman of the boards of Danske Bank and Danmarks Skibskreditfond (Denmark Ship Finance).

Maersk's share capital is made up of two classes of shares, 50% A shares and 50% B shares. The A shares have voting rights and the B shares have no voting rights. That is the only difference between the two classes. In all other terms and rights they are identical.

Mr Kolding believes in the free market. *"Owners should have the right to decide freely what capital structure they prefer and they should be able to raise capital when they want whilst still retaining control of their business"*.

It is this matter of raising capital that he feels is at the root of the issue. He believes that a dual structure gives the owners more opportunities to raise capital to develop the business and feels that if they didn't have this option, some owners might refrain from raising capital at equity markets to the detriment of the development of the company.

Mr Kolding says that he has seen no empirical evidence to prove that having equal voting rights across all shares adds value. The evidence he has seen shows that there is no difference between the two structures, or possibly that having a dual share structure is slightly better. He also argues that there is no evidence that a company which does not have a dual share structure is managed any more effectively than one that does.



Eivind Kolding

When asked whether, in his experience, companies who do have non-voting shares find it harder to raise capital, he pointed out that he has no personal experience of this as it is a long time since Maersk raised additional capital, but from other companies he knows he would say that they have not experienced any problems. *"It all comes down to market forces,"* he says. His argument is that if investors thought their investments were likely to be prejudiced by not being able to vote their shares, they would not invest in the company and then the share structure would have to change in order to attract investment.

One of the common criticisms levelled against this kind of structure is that the controlling shareholders could use their voting rights to extract additional value to the detriment of the non-voting shareholders. Once again, Mr Kolding says he has never personally seen an example of this happening. He argues that in fact the structure encourages long term thinking. *"Owners who want to retain control of their business do so because they are in it for the long term; they want to make sure that the company continues and develops, often because they want to pass on a valuable asset to subsequent generations,"* he says.

Another positive element is transparency. The dual share structure is totally transparent. *"When investors buy shares, they know right from the outset whether or not they are buying shares with voting rights. They know where they stand. If they want to have influence, they should invest elsewhere."*

Mr Kolding is very critical of suggestions that the EU should be laying down rules and regulations on this topic. *"I have difficulty in understanding how the EU can consider interfering in the free market"*. If there was no opportunity to have a dual share structure, he believes that less companies would be interested in undertaking the rigorous listing process, there would be less IPOs and

reduced opportunities for raising capital generally.

He also fears that if rules are introduced which make the dual share structure illegal in existing companies, there would be a plethora of lawsuits from current Class A shareholders arguing that the regulations are an expropriation of their rights.

Overall his argument is let the market decide. Don't impose one type of structure or another. Let each company have the freedom to choose a structure which suits its own needs at that time.

Book review

A History of Corporate Governance around the World

Family Business Groups to Professional Managers
 Edited by Randall K Morck. Published by the
 National Bureau of Economic Research,
 ISBN 0-226-53680-7 £62.70
 (see www.ecgi.org/books)

This book starts from the premise that capitalism means different things in different countries. In the US it is characterised by a huge number of corporations, competing with each other on a more or less level playing field. They are run by professional CEOs and owned by a widely dispersed shareholder base which is, apart from a few large institutional investors, disorganised and generally powerless. In most of the rest of the world, power tends to be concentrated in the hands of a small number of immensely wealthy families, both corporate power and often political power as well. Competition is largely a mirage as few firms are genuinely independent.

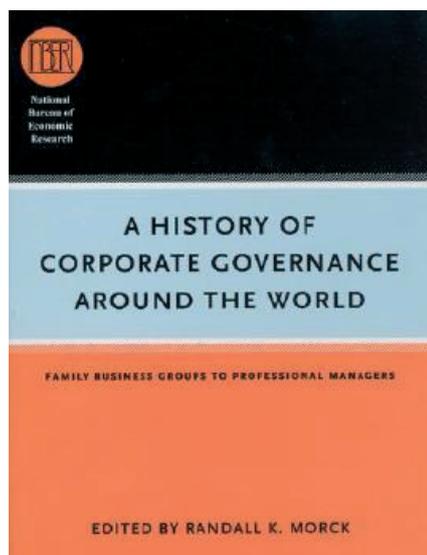
The essays in this book explore how capitalism came to mean, and to be, such different things in different parts of the world. Each essay looks at the history and development of corporate governance in a particular country. The countries chosen are those that make up the Group of Seven (G7) of leading industrialised nations: Canada, France, Germany, Italy, Japan, the UK and the US. There is also a chapter on the Netherlands because it is the oldest capitalist economy and many of the institutions that determine corporate control elsewhere originated there. Sweden is included because it is the standard bearer of an alternative model of capitalism tempered by social democracy. And finally there are chapters the world's two largest developing economies, China and India. The authors are well aware that this leaves out important countries such as Australia, Russia, Spain and Switzerland, not to mention much of Asia, Latin America, Africa and

the Middle East. Presumably they had to draw the line somewhere and the balance of countries they have chosen is a logical and sensible one.

The list of individual authors is extremely impressive and, as well as the main essay on each country, there is also a Comment by another expert at the end of each chapter which gives another perspective.

The introduction by Randall Morck and Lloyd Steier summarises the common themes arising from the different jurisdictions and is fascinating by itself.

Finally, this book has to have one of the best chapter titles in a book of this genre *A Frog in a Well Knows Nothing of the Ocean*. To find out what this chapter contains, you must, of course, read the book!



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