

Index

- accounting 113
 - ambiguity 119
 - chain of information 233–7
 - creative 232
 - credit risk 131–2
 - definition of 114
 - dualist organization 129–30
 - ‘dynamic’ approach 115, 116, 118
 - France 117
 - functions of 119–20
 - Germany 117
 - international standardization and fair value 123–6
 - and the representation of the economic system 118–19
 - ‘static’ approach 115–16, 117, 118, 119–126
 - and stock markets 120–21
- accounting models, diversity 116–17
- accounting regulations 233–4
- Accounting Regulatory Committee (ARC) 131
- accounting research, and fair value 126–7
- accounting standards 123–5, 123–6, 233
 - continental Europe 121
 - Germany 121
 - United States 120–21, 123
- accumulation of capital 85–6, 99–100
- acquisition policies 237
- actuarial value 122
- AFEP (French Association of Private Businesses) 59
- agency relationship 67
 - origin of concept 29
 - and shareholder value 28–31, 46
- Aglietta, M. 191, 208, 258
- Ailsa, R. 80
- Albert, M. 77
- Alchian, A. 28
- Allen, F. 189
- American Institute of Certified Public Accountants (AICPA) 120, 236
- American Law Institute 9
- Andrade, G. 20
- Anthony, R. 120
- ‘anti-community taboo’ 43
- anti-takeover devices 7
 - France and Germany 70
- arbitrage 181
- Arthur Andersen 224, 226, 230, 235, 236
- Artus, P. 17, 20
- Askenazy, P. 18
- asset management
 - delegated management 175–8, 180
 - effect on financial markets 181–2
 - and financial instability 172–82
 - Jensen alpha 179
 - performance criteria and incentives 178–81
 - performance-related remuneration 179–80
 - risk tolerance 177–8
 - Sharpe ratio 179
 - Treynor index 179
- asset prices, debt leverage, and probability of default 195
- asset valuation 11, 124–5, 143–51
 - debt leverage and the probability of default 196–8
- asset-backed securities 163, 164, 169
- assets, depreciation 98
- audit firms 206, 235–6
- Austrian school 255
- balance sheet restructuring, and financial deflation 193–201
- Banerjee, A. 143
- bank supervision *see* Basel II
- banking, and fair value 131
- banking crises 141, 142
- bankruptcies, United States 232–3

- bankruptcy threshold 162
- banks 77–8, 84
 - banking and fair value 131
 - and indebtedness 100
 - influence on firms 86–7
 - investment banks 207
 - investment in capital markets 60
 - and risk transformation 263
 - and risk valuation 140–41
- Barca, F. 50, 62
- Basel Committee for Banking Supervision 202
- Basel II 132, 133, 162, 202–3
 - and endogenous risks 203
 - first pillar 203
 - and Germany 204
 - and ratings agencies 207–8
- Batsch, L. 7, 11, 32
- Baudchon, H. 14, 18
- Baudru, D. 81, 181
- Becht, M. 50, 62, 80
- Beffa, J.-L. 7, 82
- Bellon, B. 14
- Benghozi, P.-J. 18
- Bentson, G. 205, 231
- Bercovitz, J. 37
- Berle, A. 2, 5, 23, 24, 25, 26, 41, 42, 46, 78, 243, 250, 261
- Berle and Means' critique of shareholder value 262
- Bernanke, B.S. 208, 220
- Bernstein, P. 33
- Beveridge-Nelson decomposition 185
- Bhide, A. 81
- Biondi, Y. 121
- Black, B. 54
- Black, F. 217
- Blair, M. 38, 39, 40, 46, 82
- blockholdings 53, 62, 262, 273
- board of directors 30–31, 37, 39, 275
 - European proposals 248
 - French law 58, 59
 - German law 57
 - independence 241, 242–3
 - United States law 55–6
 - worker participation 63
 - worker representation 266–8
- Bois, M. 129
- Boltanski, L. 73
- Bordo, M. 209
- Bordogna, L. 65
- Borio, C. 191, 209
- Bossaert, T. 177
- Boutillier, M. 62
- Bouton, D. 9
- Bouton Report 9
- Boyer, R. 14, 95
- Bratton, W. 224
- Brender, A. 148, 200, 258
- British Bankers' Association 169
- Brossard, O. 14, 18
- Bruck, C. 83
- Burkart, O. 4
- business angels 96
- Cadbury, A. 9
- Cadbury Report 9
- Campbell-Shiller decomposition 147
- Campell, J. 280
- capital
 - accumulation of 85–6, 99–100
 - social ownership 268–72
- capital asset pricing model (CAPM) 179
 - pricing of assets in 9–10
- capital markets
 - Europe 3
 - and external growth 4–5
 - instability 262
 - and institutional investors 5
 - liberalization 3
- capital ratio 203, 204
- capital requirement, disparity 206
- capitalism 252–3, 265, 273
- Cartelier, J. 114
- Catala, N. 45
- central banks 219–20
 - intervention in the secondary market 220
- Chabanas, N. 79
- chain of information 233–7
- Challe, E. 147, 185
- Chandler, A. Jr 79
- Charreaux, G. 32, 45
- Chatterjee, S. 227
- Chiapello, E. 73
- Cioffi, J. 72
- Cisco Systems 94
- Clark, R. 29, 56
- co-determination system, Germany 57

- Coase, R. 28
- Coffee, J. 81, 234, 235
- cognitive approaches to the firm 44
- Cohen, D. 15
- Cohen, E. 120, 243
- Cohen, S. 72
- Cohendet, P. 18
- Colasse, B. 12, 120, 121
- Colette, C. 115, 128
- collateralized debt obligations (CDOs)
163, 164
interposition of a SPV in structuring
166
in portfolios of CDSs 166
structured as a SPV 165
- collective investment vehicles 173
- collective learning 44
- collective savings 269–70, 274
tax incentives 270–71
- Committee on the Global Financial
System 179
- Commons, J. 114
- communism 255
- company, definition of 114
- company programmes 104–7
- ‘conceptual accounting framework’,
United States 120
- confidence in currency 209
- conglomerates 171–2
- contract theory 34
- ‘contractual’ approach to the firm 43
- control 28
forms of 24–5
and legal property 24
- Conyon, M. 95
- Corbett, J. 4
- corporate accounting, distrust of 120
- corporate control 95–8
- corporate governance 1, 2, 22, 23,
47
board of directors 30–31
charters 80–81
European accounting regulation
247–9
and financial capitalism 252–3
internal mechanisms 30
and labour law 54–5
literature review 29–30
and prudential regulation 202–3
and Sarbanes-Oxley Act 245, 246
and the stock market 92–8
United States 2
- corporate governance models 49–59
- continental European model
 (‘insider’ model) 49, 59, 273–5
 principal transformations 72
- convergence 60–71
France 58–9
Germany 56–7
United States model (‘outsider’
model) 49, 55–6
- Corporate Governance Principles* 9
- corporate governance regimes 84–5
control by majority shareholders 84,
92
control by the stock market 84, 96
global study 107–9
internal control 84, 96
local study 110–11
- corporate law 54
convergence 61–2, 71, 72–3
France 58
Germany 56–7
United States 55–6
- corporate strategy 90–92
- cost accounting 120
- counterparty risk 167, 168, 170
- Coutinet, N. 240
- Coutrot, T. 35
- creative accounting, Enron 232
- credit, and stock prices 188–93
- credit default swaps (CDS) 164, 165,
166–8
and insurance companies 169
risk premia 171
- credit derivatives 164
price fluctuation 176
protection for buyers and sellers 169,
170
- credit regimes 88
- credit risk
accounting 131–2
cost of 154
and liquidity 176
- credit risk transfer instruments
asset-backed security 163, 164, 169
collateralized debt obligation 163,
164, 165
credit default swap 163, 164, 166–8,
169

- credit-linked note 163
- credit risk transfers
 - financed 164
 - and market instability 162–72
 - mechanisms 164–8
 - size of market, US 169
- credit risk valuation, degradation 170–72
- credit risk valuation models 155
 - reduced form models 155–9
 - structural models 151–62
- CreditMetrics 157, 158
- Crouzet, P. 136
- Cunningham, L. 246
- Curien, N. 268
- currency, confidence in 209

- Dalton, D. 19
- Danielsson, J. 151, 205
- Davignon Report 64
- Davis, E. 178
- Deakin, S. 66
- Debonneuil, M. 15
- debt 77–8, 86–8
- debt constraints 190–91
- debt deflation 184
 - and nominal expenditure growth 200–201
- debt leverage
 - asset valuation and the probability of default 196–8
 - probability of default and asset prices 195
- debt valuation 151–62, 190
 - economic value of loans 153–5
- decentralization 12
- deconsolidation 134–6
- default 159–61
 - probability of 161, 168, 171, 190–91
 - debt leverage and asset prices 195
- deflation 220–23
- delegation contracts 177
- democracy 256
- Demsetz, H. 28
- depreciation 117, 135, 198–9
- derivatives 130, 142
 - and fair value 131, 133
 - and hedging risks 132–4
- Desbrières, P. 45
- Dietsch, M. 203

- directors *see* board of directors
- discount rate 148, 152, 154, 158, 185, 192
- dispersion of ownership 53
- dispossession 32, 261
- distribution of share ownership *see* share ownership, distribution
- dividends 89, 90–91, 99–100, 147, 198
 - as a proportion of profit 35–6
 - US 35–6
- Donald, D. 245
- Duchateau, A. 203
- Durand, P. 42
- ‘dynamic’ approach to accounting 115, 116, 118

- Easterbrook, F. 34
- economic cycle
 - and financial crises 183–25
 - phases of 183–4
- economic democracy
 - and shareholder sovereignty 263–6
 - and social ownership of capital 268–72
- economic distortions 202
- The Economic Institutions of Capitalism* 37
- economic value 132
 - of loans 153–5
- Economic Value Added (EVA) 9, 11–12, 20, 35, 120
 - and Enron 227
- employees *see* workers
- ‘end of history’ argument 5, 49, 61, 73, 267
- endogenous risk 203, 204, 205
 - procyclical danger 205
- Enron 134, 139
 - accounting fraud 227
 - asset light strategy 227–8, 230, 237
 - bankruptcy 224
 - business model 225–6
 - creative accounting 232
 - derivatives trading 226
 - e-business 226
 - and fair value 230–31
 - LJMs 1 and 2 224, 228–30
 - management 225–6
 - off-balance-sheet accounting 227

- Raptor hedging operations 229–30, 231
- and Special Purpose Entities (SPE) 166, 228, 229
- entrepreneurial firms 33, 47
- entrepreneurs 93–4, 96
- equity affiliates 28
- euphoria, in the financial cycle 183–4, 189, 196, 215
- euro 73
- Europe
 - capital markets 3
 - institutional investors 6
- European Central Bank 216
- European Council of Lisbon 125–6
- European economic area 273
- European Financial Reporting Group (EFRAG) 136
- European model of corporate governance 49, 273–5
- European Union
 - abandonment of sovereignty 136
 - accounting regulation 247–9
 - Accounting Regulatory Committee (ARC) 131, 136
 - accounting standards 136, 137
 - Action Plan for financial services 126
 - directive
 - on accounting 125–6
 - on employees' rights (2002/14/EC) 66
 - on worker involvement (2001/86/EC) 63, 64–5
 - on works councils (94/45/EC) 62–3, 66
 - European Company Statutes (regulations 2157/2001) 63
 - and International Accounting Standard Board (IASB) 125, 136
 - regulation 1606/2002/EC 136
 - thirteenth takeover bid directive 67–9, 137, 138
 - Winter I and II reports 248
- executive compensation 7, 8
- executive remuneration 94, 260
- expansion 183
- expected losses 153, 156, 159
- external growth 97–8
 - and capital markets 4–5
 - external surveillance devices 250
 - Eymard-Duvernay, F. 44
- Faccio, M. 62
- fair value 113, 137, 154, 190
 - and accounting research 126–7
 - and banking 131
 - critical analysis 126–36
 - and derivatives 131, 133
 - and Enron 230–31
 - 'full fair value' 130
 - as a guarantor of the honesty of accounts 128–9
 - and international standardization 123–6
 - as a portfolio selection aid 127–8
 - principle of 121–3
- Fama, E. 29, 31
- Fannie Mae and Freddie Mac 221–2
- Favereau, O. 40, 44
- Federal Deposit Insurance Corporation Improvement Act (FDICIA), US 204, 205–6
- 'finance-led capitalism' 1
- Financial Accounting Standards Board (FASB) 120
- financial analysis 206–7, 236
- financial assets, institutional investors 174
- financial capital, investment in 37–8
- financial capitalism, and corporate governance 252–3
- financial constraints 194
- financial crises 139, 224–51, 265
 - and the economic cycle 183–251
 - history of 183
 - and shareholder sovereignty 237–43
- financial decisions 175
- financial deflation 198–200
 - and balance sheet restructuring 193–201
 - public management 200
 - versus monetary policy 215
- financial engineering 143
- financial industry, democratic control 270–71
- financial instability 208, 209
 - and asset management 172–82
- financial instruments, valuation 124, 130–31

- financial market regulation 54
 - centralization of market authorities 61
 - and convergence 71
 - as a factor of convergence 6
 - German law 56
 - United States law 55
- financial markets 254
 - effect of asset management on 181–2
 - instability 143
 - liberalization 259
 - liquidity of 149–51
 - multiple equilibria in 150–51
- Financial Services Authority (FSA) 172
- financial transparency 61
- financial weakness
 - degree of dissonance 210–11
 - and inflation targeting model 212–13
- financing of investments 4
- firms 252
 - cognitive approaches 44
 - collective nature of 45
 - company programmes 104–7
 - ‘contractual’ approach 43
 - control
 - by corporate governance charters 80–81
 - by debt 77–8
 - by the stock market 81–3
 - internal 78–9
 - majority 79–80
 - financial strategy 90–92
 - influence of banks 86–7
 - Marxist approach to 43–4
 - neoclassical approach to 43
 - as objects of property 258
 - partnership dimension 45
 - power within 46
 - solvency 77
- firms, theory of the firm
 - incomplete contract approach 37, 39–41
 - investments in financial and human capital 37–8
 - partnership theory 41–5, 47, 59
 - profit argument 33–4
 - risk argument 34–6
 - and shareholder value 32–45
- Fischel, D. 34
- Fisher, I. 195
- Fitoussi, J.P. 273
- Fordism 1, 258, 259, 266
- France
 - accounting 117
 - AFEP (French Association of Private Businesses) 59
 - anti-takeover devices 70
 - Code de Commerce* 55
 - control by majority shareholding 80
 - corporate governance model 58–9
 - corporate law 58
 - distribution of share ownership 50–52
 - employee participation 58
 - Financial Security Act 247
 - France Télécom 237, 238–40
 - French Financial Markets Authority (AMF) 61
 - goodwill 135
 - ICT 15
 - institutional theory of the firm 41–2
 - Labour Code 58
 - ‘legal theory of the institution’ 42
 - National Accounting Council 121
 - ‘new economic regulations’ (NRE) 61, 62, 70
 - share issues 4
 - stagnation 199–200
 - state control 79
 - stock market regulation 58
 - takeovers 7, 70
 - Vivendi 237
 - works councils 58, 70
- France Télécom 237, 238–40
- free-rider problem 25
- Frison-Roche, M.-A. 62
- fundamental value
 - determinacy or indeterminacy 147–9, 150
 - and informational efficiency 147
- Furubotn, E. 28
- Galbraith, J.K. 2, 28
- Gale, D. 189
- Garabriel, D. 203
- gatekeeper regulation 244
- gatekeepers 234, 236–7, 245, 247
- Gaughan, P. 82
- Gehrke, I. 6, 60

- general equilibrium 118–19
 Generally Accepted Accounting Principles (GAAP), US 125
 Gennotte, G. 150
 Germany 77
 accounting 117
 accounting standards 121
 anti-takeover devices 70
 and Basel II 204
 boards of directors 267
 co-determination system 57
 control of firms 79
 corporate governance model 56–7
 corporate law 56–7
 distribution of share ownership 50–52
 employee representation 38
 federal market authority 61
 financial market law 56
 Kon Trag law 62
 ‘labour relations doctrine’ 42
 ownership structures 13
 stagnation 199–200
 works councils 57
 Gierke, O. 42
 Gilson, R. 9
 Gilson-Kraakman Report 9
Glass-Steagall Act (1933) 52
 global objectives 44
 Goetschy, J. 65
 Goldstein, A. 80
 Goodhart, C. 203, 205
 goodwill 130, 134–6
 Gordon, J. 242
 Gordon, R. 17
 Gordon-Shapiro equation 103
 Greenspan, A. 220
 Gregory, W. 29
 Griliches, Z. 19
 gross savings 85–6
 Grossman, S. 37, 145
 growth, external 97–8
 growth accounting 16
 Grumbach, T. 58
 Guarriello, F. 65

 Hansmann, H. 22, 32, 46, 49
 Hart, O. 37
 Hartgraves, A. 231
 Hauriou, M. 42

 Hayek, F.A. 255
 hedges, ‘fair value’ and ‘cash flow’ 133
 hedging 177
 hedging loops 171
 hedging risks, and derivatives 132–4
 hedonic price method 14
 Henry, D. 19
 Hirschey, M. 93
 ‘historical cost’, method of 115
 holistic theory 43
 Holmström, B. 7
 Honoré, A.M. 25
 human capital, investment in 37–8

 incompetence 267
 incomplete contract approach 37, 38, 39–41
 indebtedness 86–8, 90, 91–2, 99–100, 106
 banks’ behaviour 100
 global study 107–9
 and majority shareholders 101
 maximum 111
 minimum 112
 industrial relations 3
 inflation 194–5
 advantages and costs 209–10
 low 215
 inflation-targeting 208–10
 model 212–13
 information, chain of 233–7
 information and communication
 technology (ICT) 2, 13–15
 expenditure 14–15
 and market finance 19–21
 and productive efficiency 19
 and productivity 16–19
 software 15
 United States 14–16
 information technology 140–3
 informational efficiency
 and fundamental value 147
 stock market 144–6
 innovation 93, 94, 95–6, 97
 and the valuation of businesses 185
 instability 1
 institutional investors 8, 46, 62, 80–81, 241, 242
 and capital markets 5–6, 60

- Europe 6
 - financial assets 174
- institutional savings 173
- institutional theory of the firm, France
 - 41–2
- institutions, markets as 255
- insurance 131
- insurance companies
 - capital requirement 206
 - and CDS 168
 - and pensions 173
 - prudential schemas 176
- interest rates 88, 131, 142, 176, 200, 210
 - and risk premium 101–2
 - short-term 219, 219–20
 - virtual and nominal 217–19
- International Accounting Standard Board (IASB) 123–4, 125
 - and the European Union 125, 136
- International Accounting Standard Committee (IASC) 123
- International Accounting Standards (IAS) 123, 176
 - IAS 32 130–31, 136
 - IAS 36 128, 135
 - IAS 39 130–31, 132, 136
- International Financial Reporting Standards (IFRS) 124
- International Monetary Fund (IMF) 169, 255
- Internet, and network effects 187
- investment, in financial and human capital 37–8
- investment banks 76, 80, 207
- investment companies 176–7
- Investment Company Act (1940) 52
- investment funds 1
- ISDA 169
- Italy
 - collective saving 175
 - Parmalat 237–8, 273
 - stagnation 199–200
- Jackson, G. 77
- Japan, ownership structures 13
- Jeanne, O. 209
- Jeffers, G. 5
- Jenkinson, T. 4
- Jensen alpha 179
- Jensen, M. 28–9, 31
- Jobert, A. 63
- Jorgenson, D. 17
- J.P. Morgan 157
- Judicial Aspects of Modern Capitalism* 42
- Jürgens, J. 79
- Kaplan, N. 188
- Kaplan, S. 7
- Kaufman, G. 205
- Kay, J. 45
- Khallouf, J. 133
- Kindleberger, C.P. 183, 189
- Klee, L. 123
- Koo, R. 199
- Kraakman, R. 9, 22, 32, 46, 49
- Krugman, P. 7, 260
- La Porta, R. 50, 52–3
- labour, *see also* workers
- labour governance 47
- labour law
 - and convergence 71
 - and corporate governance 54–5
- labour relations 54
 - and Marxist theory 43–4
- ‘labour relations doctrine’, Germany 42
- labour society 268–9
- Lang, L. 62
- Lazonick, W. 4, 7, 85, 96
- Le Crom, J.-P. 268
- legal property, and control 24
- ‘legal theory of the institution’, France 42
- Leland, D. 195, 196
- Leland, H. 150
- leverage 88, 194
- Liebowitz, S. 187
- Lintner, J. 9
- liquidity 256, 257
 - of capital markets 1, 2
 - and credit risk 176
 - of financial markets 149–51
- liquidity premia 156
- London School of Economics 205
- Lordon 11, 12, 35, 240, 259
- losses
 - expected 153, 156, 159
 - unexpected 156, 170

- Loughran, T. 95
 Lyon-Caen, G. 43
- MacCarroll 204
 Magnier, V. 62
 ‘managerial capitalism’ 2
 managerial elite 260–61
 managerial firms 75, 79, 258, 265
 managerial power 264–5
 managerial sovereignty 26–7
 Manne, H. 28
 market finance 252
 and ICT 19–21
 rise to power 2–13
 market instability, and credit risk
 transfers 162–72
 market value 122
 and the takeover market 89–90
 market value added (MVA) 12, 120
 and Enron 227
 markets, as institutions 255
 ‘marking to market’ 122, 143
 ‘marking to model’ 122, 129, 131, 133,
 135, 143
 and Enron 231
 Marris, R. 28
 Marxist theory of the firm 43–4
 Mathérat, S. 132
 Mayer, C. 62, 80, 85
 Means, G. 2, 23, 24, 25, 26, 41, 42, 46,
 78, 243, 250, 261
 MEDEF (French Business
 Confederation) 59
 mergers, United States 83
 Merton, R. 155, 162
 ‘method of historical cost’ 115, 116
 Microsoft 94, 187
 Minsky, H. 189
 Mishkin, F. 202
 Mistral, J. 123, 131, 133, 137, 231
*The Modern Corporation and Private
 Property* 24, 26, 42, 46
 criticism of 28
 monetary policy 91, 92, 111, 112, 199,
 200, 219–20
 institutional framework 211
 and mortgage rates 221–2
 optimal 211, 213
 and prudential regulation 202–23
 and residential real estate 221–2
 versus financial deflation and low
 inflation 215
 Montagne, S. 263
 Moreau, M. 65, 66
 Morin, F. 58, 80
 Morris, S. 151
 mortgage backed securities (MBS)
 221–2
 mortgage market regulatory agencies
 220
 Muet, P.A. 268
 Müller-Jentsch, W. 57
 Mullineux, A. 4
 Murphy, K. 95
 mutual funds 181, 270
 United States 5–6, 180
 Myners, P. 175
 Myners Report, United Kingdom
 175
- NASDAQ 20, 93, 95, 96, 189–90
 national market capitalization, and
 GDP 3
 national sovereignty 255
 ‘negotiated participation’ 54
 neoclassical approach to the firm
 43
 network effects 186, 187
 network technologies 268
 ‘new economy’ 13, 14, 88, 191
 and shareholder value, US 93–5
 and uncertainty 186, 187, 188
 new technology sector 4
 New Zealand 208
 normative agency theory 29, 37
 Norwal agreement 136
- OECD 9
 off-balance-sheet operations 134
 Oliner, S. 17
 Olivier, B. 267
 options
 put 159
 real 189, 190, 191–3
 Orléan, A. 20, 76, 144, 145, 191
 O’Sullivan, M. 4, 7, 85, 96
 over-the-counter (OTC) derivatives
 market 76
 ownership 25, 27, 28, 257, 264, 265
 dispersion 53

- Paillusseau, J. 58
 Panel on Audit Effectiveness 235
 Pareto distribution 158
 Parmalat, Italy 237–8, 273
 partnership theory of the firm 41–5
 partnerships 45
 Pejovic, S. 28
 pension funds 75–6, 80–81, 263, 269, 271–2
 defined benefit 172–3, 194–5
 Myners Report 175
 United States 5
 perfect market, concept 175
 Petit, H. 35
 Petit, P. 15, 19, 20
 Piluso, N. 12
 Pisani, F. 148, 200
 Plihon, D. 4, 5, 13
 political ‘constructivism’ 255–6
 positive agency theory (PAT) 28–9
 compared to property rights theory (PRT) 29–31
 power
 and shareholders 31–2
 and the state 264
 within firms 46, 264
 Powers Report 224, 250
 Powers, W. 224, 250
Principles of Corporate Governance 9
 private property 24–5, 257
 probability of default 161, 168, 171, 190–91, 195
 debt leverage, asset valuation 196–8
 with real options, and speculative bubbles 191–3
 procyclicality, of ratings 203–4
 productivity, and ICT 16–19
 profit 33–4, 85–6
 distribution 89
 dividends as a proportion of 35–6
 and stock prices 185–6
 profit forecasting 148
 property rights 60, 81
 property rights theory (PRT) 28
 compared to positive agency theory (PAT) 29–30, 37
 Prowse, S. 77
 ‘prudential principle’ 117
 prudential regulation
 and corporate governance 202–3
 and monetary policy 202–23
 public savings fund, proposal for 271–2
- Rajan, R. 4, 254
 Raptor hedging operations 229–30, 231
 Rathenau, W. 27
 ratings, procyclicality of 203–4
 ratings agencies 156
 and Basel II 207–8
 ratio of debt to asset value 195
 rationality 175
 real option models 190
 real options 189
 probability of default with 191–3
 Rebérioux, A. 55
 reduced form models 155–9
 transition or migration matrices 156
 value at risk (VaR) 156–9
 Reifschneider, D. 216
 restructuring 82
 Reuschlein, H. 29
 Richard, J. 114–15, 115, 117, 128
 Riley, B. 181
 Ripert, G. 41, 42–3, 46
 risk 9–10, 34–6, 46
 categories 142
 decomposition 143
 interdependence 171
 internal to workforce 38
 management 133–4
 neutrality 155, 156
 Risk Magazine 169
 risk premium 88, 147, 154, 156, 166–7
 and interest rates 101–2
 risk transfer 1, 3, 143
 risk transformation, and banks 263
 risk valuation, and banks 140–41
 RiskMetrics 157
 Ritter, J. 95
 ROA 11, 12
 Robé, J.-P. 27, 264
 Robinson, R. 93
 Roe, M. 2, 11, 12, 52–3
 Romano, R. 38
 Rome Treaty 125
 Rupp, J. 79
- Sagot-Duvauroux, D. 240
 Sainsaulieu, R. 267

- Sarbanes-Oxley Act
 - and accounting 246
 - and corporate governance 245, 246
 - United States 244–7
- Saunders, A. 218
- Scandinavia, innovation 95
- Schmalenbach, E. 115
- Securities and Exchange Commission (SEC) 55, 56, 120
- Segrestin, D. 43
- service industries 19
- Shapiro, C. 15
- share buy-backs 94, 95, 97
- share issues, as a percentage of firms' financing 4
- share ownership, distribution 49–52
 - and the legal framework 52–5
- shareholder primacy 32, 263
- shareholder sovereignty 26–7, 253
 - and economic democracy 263–6
 - failure of 257–63
 - and financial crises 237–43
- shareholder value 1, 12–13, 20, 22–48, 88, 127, 139, 193
 - in the 1980s 259
 - and the agency relationship 28–31
 - Berle and Means's critique 262
 - board of directors 241, 242–3
 - and institutional investors 241, 242
 - intellectual genesis 23–32
 - and managerial power 261
 - and the 'new economy', US 93–5
 - and politics 254
 - questioning of 38–9
 - and stock options 241–2
 - and theory of the firm 32–45
- shareholders 7–8, 9, 11, 84–5
 - minority shareholders and stock market prices 102–4
 - and power 31–2
- Sharpe ratio 179
- Sharpe, W. 9
- Shiller, R. 97, 143, 147, 185
- Shin, H.S. 151
- Shleifer, A. 29, 181
- shocks 149
- Sichel, D. 17
- Silberston, A. 45
- Slinger, G. 66
- social ownership of capital 268–72
- social rights 258–9
- Söderström 7
- Solow, R. 16, 19
- Spain 66
- special negotiating body (SNB) 64, 65
- special purpose entities (SPE) 134, 164
 - collateralized debt obligations structured as 165
 - and Enron 228, 229
 - interposition in structuring of a collateralized debt obligation (CDO) 166
- special purpose vehicles (SPV) *see* special purpose entities (SPE)
- speculation 145
- speculative bubbles 188–90
 - and the probability of default with real options 191–3
- Stability Pact 200
- stagnation, France, Germany and Italy 199–200
- Statement of Financial Accounting Concepts (SFAC) 120
- 'static' approach to accounting 115–16, 117, 118, 119–126
- Steil, B. 178
- Stern & Steart 9
- Stiglitz, J. 141, 145
- Stiroh, K. 17, 18
- stock market
 - control by 81–3, 85, 95–8
 - informational efficiency 144–6
 - as the mainspring of governance 92–8
 - self-reference 146
- stock markets 3–5, 60
 - and accounting 120–21
 - functions of 85
 - 'institutionalization' 6
 - number of companies listed 50
 - share issues 85
 - volatility 148
- stock options 5, 7, 80, 89, 94, 97, 241–2
- stock prices 185
 - and credit 188–93
 - and minority shareholders 102–4
 - volatility 143
- Stout, L. 38, 39, 40, 46
- Streeck, W. 54, 63, 77

- Strong Managers, Weak Owners* (Roe) 52
- structural models 151–62, 204
 KMV model 160
 Moody's model 160
- Svensson, L. 208
- swaptions 222
- Sweden, boards of directors 267
- syndicated loans 95
- takeovers 28, 60, 81–2, 102–4
 market value, and the takeover
 market 89–90
 regulation 66–71
 thirteenth takeover bid directive
 67–9
 United States 6–7, 29
- Taylor's rule 217, 220
- technostructure 79, 83
- telecommunication sector 15
- theory of the firm, and shareholders
 value 32–45
- Thoraval, P.-Y. 203
- Tobin's *q* 89, 103
- total productivity of factors (TPF) 16,
 17–18
- trade unions 258
- transaction cost theory 37, 38
- transfer of claims 4
- transfer of risk 35
- transition or migration matrices 156
- Treynor index 179
- Turner, L. 54
- uncertainty 185, 262
 from future profits 185–6
 and the 'new economy' 186
- unexpected losses 156, 159
- United Kingdom
 dispersed share ownership structure
 52–3
 internal control 79
 Myners Report 175
 takeovers 7
 works councils 63
- United States 2
 accounting 73, 244
 regulations 233–4
 standards 120–21, 123
 American Institute of Certified
 Public Accountants (AICPA)
 236
- bankruptcies 232, 233
- Commodity Futures Modernization
 Act 226
- 'conceptual accounting framework'
 120
- corporate governance 2
- corporate governance model 49,
 55–6
 and financial market liquidity 56
- corporate law 55–6
- credit risk transfer market 169
- distribution of share ownership
 50–52
 and the legal framework 52–3
- dividends, as a proportion of profit
 35–6
- economic cycle 14, 15
- Employment Retirement Income
 Security Act (ERISA) 5
- equity affiliates 28
- Fannie Mae and Freddie Mac 221–2
- Federal Deposit Insurance
 Corporation Improvement Act
 (FDICIA) 204, 205–6
- Federal Reserve Board 220–24
- financial market law 55
- firms' competitiveness 13
- GAAP (Generally Accepted
 Accounting Principles) 125
- gatekeeper regulation 244
- information and communication
 technology (ICT) 14–16
- mergers 83
- mortgage backed securities (MBS)
 221–4
- mortgage loan refinancing 223
- mutual funds 5–6
- ownership law 25–6
- pension funds 5
- Public Company Accounting
 Oversight Board (PCAOB) 244,
 246
- Public Oversight Board (POB) 244
- Sarbanes-Oxley Act 244–7
- Securities and Exchange
 Commission (SEC) 55, 56, 120
- shareholder value 22–3
 and the 'new economy' 93–5

- Statement of Financial Accounting Concepts (SFAC) 120
 stock exchange 95–6
 takeovers 6–7, 29, 67
- valuation adjustments 117
 valuation of businesses, and innovation 185
 valuation models 144, 186, 190
 value, in accounting 118
 value at risk (VaR) 156–9
 value in use 122
 Van Osnabrugge, M. 93
 Varian, H. 15
 venture capital 19–20, 93, 96
 Vergeau, E. 79
 Véron, N. 136
 Viénot, M. 9, 58–9
 Viénot Report I 9, 58–9
 Viénot Report II 9
 virtual goods 187–8
 Vishny, R. 29, 181
 Vivendi 97, 237
 volatility 148, 191
- Wall Street Journal* 184, 224
 Walter, C. 144, 146
 Walton, P. 120
 ‘wealth generating units’ 128
- weighted average capital cost (WACC) 10, 11
 Weiss, A. 141
 Wheeler, S. 45, 268
 Wickselian theory of endogenous money 210
 Williams, J.C. 216
 Williamson, O. 28, 37, 40
 Winter, J. 68, 248, 249
 work flexibility 35
 workers
 effect of restructuring on 82
 influence of 84
 ‘negotiated participation’ 54
 representation on the board of directors 266–8
 savings and pension plans 269–70
 worker involvement 62–6
 works councils 268
 EU directive on 62–3, 66
 France 58
 Germany 57
 United Kingdom 63
 WorldCom, bankruptcy 225
- Zajdenweber, D. 148
 zero bound 215–19
 Zingales, L. 4, 37, 38, 39, 40, 46, 254