accountability 1, 14, 234
accounting studies 228
acquisitions, see mergers and takeovers
Adams, Renée 95
Adelphia 83
agency conflict 151
agency theory
  corporate governance and 4–8, 15
  principal–agent theory 1, 320
Aghion, P. 317, 320, 321
Aiginger, K. 322, 323, 329, 343
Akella, A.A. 152
Akerlof, George A. 4, 270
Alchian, A.A. 155
Allen, F. 14
Allen, M.P. 251
alliances 11
  pharmaceuticals industry 263, 265
  effects 273–4
  as substitutes or complements to mergers 269–70
allocation efficiency 319
Almazan, Andres 95
American Finance Association 191
American Steel and Wire Company 171
Amgen 263
Andrade, G. 266
Angelini, P. 124
Antidirector Rights Index (ADRI) 3
antitrust law in USA 68, 168, 172–3, 175, 190, 270–71
Arora, Ashish 270, 273, 274, 280
Arrow, Kenneth J. 60, 66, 269, 320
Ashby, W. Ross 103, 104
Association of British Insurers (ABI) 232
asymmetric information 105, 107, 221
atmospherics 93
audits 234
augmented Dickey–Fuller (ADF) tests 39
Australia, relation between competition and economic growth in 337, 341, 343
Autoregressive Distributive Lag (ARDL) 22, 42, 44, 45
Bailey, David 65, 67
Baird, Douglas 96, 97
Banerjee, A. 180
Bank Holding Company Act (USA, 1956) 128
bankruptcy 110
banks 15, 105–7, 136–7
  bank relationships and credit conditions 117–24
  cash-flow investment sensitivity and 108–10
  corporate boards and 7, 96, 106, 132–6
  debt finance and 105, 107–28
  German 7, 15, 146–7, 161–2
  corporate governance 149–50
  goals 149–50
  industry structure 147–9
  market shares depending on relative costs 159–60
  model 155–8
  performance 149–50, 152–5
  profitability of commercial banks 158–9
  as shareholders 106, 131–2
  hold-up problem 105, 107
  loan/distress/merger announcements 111, 114–17
  non-profit firms 146, 147, 150, 152, 161–2
  performance of companies and 110–11, 112–13
  profit-seeking firms 146, 147, 158–9

349
as shareholders 7, 105, 106, 128–32, 137
Barnard, Chester I. 90, 93
barriers to entry 176
Basel II regulations 160
Baysinger, B. 251
Bebchuk, Lucien Arye 90
Berle, Adolf A. 1, 54, 87, 97, 226
Berlin, M. 128
Bertrand, M. 5
Bhidh, S. 5
Boettcher, Erik 151
Bolton, P. 107, 108
Branston, J. Robert 69, 70
Brick, I.E. 124
Bris, A. 108
broadcasting industry 69–71
Brown, M. 124, 128
BSkyB 67–8, 70
building societies 147
Burns, Lawton R. 266, 268
Business Roundtable 83
business schools 192–7
bust-up takeovers 175
Butters, J. Keith 166, 167
Byrd, D.T. 106, 132, 137
Byrd, J.W. 5
Cadbury Report 11, 226, 229, 232, 233, 240, 245
Canada, relation between competition and economic growth in 343
capabilities 209
capital
accumulation 44
costs 175
overcapitalization 171
capital markets
internal 175
merger waves and 8, 168, 169, 170, 172, 175, 176
shareholder protection and stock market development 38–44 stock market crash (October 1929) 166
Carletti, E. 108
Carlton, Dennis W. 271
Carrier, Michael J. 271
cash flow
cash flow rights 6
cash-flow investment sensitivity 108–10
debt and 7
free cash flow theory of takeovers 227
Caves, R.E. 179
CenterWatch 267
Chairman, separation of CEO role from 240, 248
Chandler, Alfred D. 167, 172, 209
Chatterjee, K. 289
chief executives (CEOs) 89
corporate boards and 90–91, 92, 95–6
de facto control 90–91
functions 81, 82
remuneration 10, 83, 95, 241
separation of role from Chairman 240, 248
share ownership 251–2
Church, J. 303
City Code on takeovers and mergers 22
civil law systems 2, 20
Claessens, S. 6
Clark, Iain 266
Clements, M.T. 303
Clemenz, G. 302
Coase, R.H. 55, 71, 87
Cochrane–Orcutt correction 198
Cockburn, Iain 263, 268, 272, 273
codes on corporate governance 22, 232–5, 241
collusion 174, 323
as reason for mergers 208–9
Comanor, W.S. 302
Combined Code on Corporate Governance 232–5, 241
commercial banks 149
corporate governance 151–2
profitability 158–9
common law systems 2, 20
Commons, John R. 78
communications sector, corporate democracy in 69–71
competition
Cournot 303
definition 322–3
imperfect 60
innovation and 317
macroeconomic performance and 13–14, 317–18, 342–4
descriptive evidence 329–38
impact in theory 318–22
impact of competition in stylized model 338–40
relation between competition policy and socio-economic models 340–42
measuring toughness of 322–9
mergers and 168, 170
New Growth Theory and 320–21
perfect 319
policy 340–42
public policy objective and 60–61
spatial 12
Competition Commission 67–8
complementary assets 209
conglomerates, conglomerate mergers 8, 9, 173–7
consumer surplus 12, 221
consumerism 63
contracting, credible 78–81, 92–5
control, see monitoring and control
convergence-of-interest effect 249
Conyon, M.J. 240
cooporative banks 147, 148, 149, 150, 161
corporate governance 152
market shares 159
coordination of post-merger activities 171
corporate boards 5–6, 77–8, 97–8
appointment of directors 90–91
approval by 91
banks and 7, 106, 132–6, 151–2
Combined Code on Corporate Governance and 233–4
composition 5–6, 235, 245–7
as credible commitment for equity finance 79–80, 92–5
de facto control 90–91
delegation by 88–9
double-feedback model 103–4
elections 63–4
expertise 91
functions 81–3
as active participant 85–6
as monitor 84–5
restoration to intended purposes 83–9
independent members 90, 238–40
inertia 92
information 91
lessons 89–92
monitoring and control 5
non-executive directors 10, 235–40
other contrarian literature on 95–7
outside directors and 5–6, 90
ownership and 248–52
performance of companies and 5–6
public interest and 65–6
relationship with managers 94–5
remediableness 86–7
remuneration of directors 232, 234, 241
size 5, 10, 235, 238
as stakeholders 80
worker representation 62–3
see also chief executives (CEOs)
corporate culture mismatches 9
corporate governance 1–3, 15–16
agency theory and 4–8, 15
banks and 105–7
broader view 14–15
challenge for public policy and 55–62
competition and the policy objective 60–61
strategic failure and the public interest 58–9
strategy 55–6
voice and 61–2
who governs and what are the implications 56–8
codes 22, 232–5, 241
German banks 149–50, 151–2
increased participation and effective democracy 62–71, 72
communications sector 69–71
corporate law and 62–6
regulations to help achieve democratic economy 66–9
public interest and 14, 54–5, 72
regulation 229–35
impact 235–43
structures 1–2
Cosh, Andy 215, 235, 240, 241, 242, 243,
244, 245, 247, 250, 251, 252, 253
costs
capital 175
cost–income ratio 152
fixed 170
reductions 12
Cournot competition 303
Cournot models 10, 11, 161
endogenous mergers 288–9
characteristics of the benchmark
equilibrium of the
production stage 293–5
endogenous horizontal mergers
295–8
ownership stage 289–91
production stage 291–3
mergers in
Cournot oligopoly model 205–7, 220
with efficiency improvement 211–14
Cowling, Keith 56, 58, 59
Craig, R.J. 58
creative destruction 319
credit
bank relationships and credit
conditions 117–24
credit market structure 124–8
credit rationing 107
criminal activities 54
Cubbin, J. 249
Cynak, A.W. 124
Czech Republic, relation between
competition and economic growth
in 337
Daimler Chrysler 177
Danzon, Patricia 263, 267, 268, 272,
273, 274
Davidson, C. 11, 288
de Jong, A. 109
Deakin, S. 250
Debreu, Gerard 60
debt 7
cash-flow investment sensitivity and
109
debt finance 78, 79
banks and 105
default 79, 107
structure 107–8
Dechow, P. 5
decision-review 79
Degryse, H. 109, 111, 117, 124
delegation 6, 88–9
democracy, corporate 14–15, 58, 59,
61, 62–71, 72
communications sector 69–71
corporate law and 62–6
regulations to help achieve
democratic economy 66–9
Demsetz, Harold 87, 155
Deneckere, R. 11, 288
Denmark, relation between
competition and economic growth
in 330, 337, 341, 344
Department of Justice (USA) 270
Dewey, John 39, 65, 72
Dewing, Arthur Stone 171, 177
Diamond, D. 105
Dickey–Fuller tests 39
DiMasi, Joseph 262, 269, 271, 275
directors, see corporate boards
distress 11, 111, 114–17, 272
diversification 174, 176
dividends 7
Dixit, Avinash 87
Djankov, S. 3, 20, 124
Dockner, E.J. 12, 288, 293, 294,
295
Dorey, Emma 269
double-feedback model 103–4
downside drift 87–8
duopoly, model of German banking
155–7
dynamic efficiency 319
Eckard, E.W. 180
economic growth and development
222, 326
competition and 13–14, 317–18,
342–4
descriptive evidence 329–38
impact in theory 318–22
impact of competition in stylized
model 338–40
relation between competition
<table>
<thead>
<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>policy and socio-economic models</td>
<td>340-42</td>
</tr>
<tr>
<td>mergers and 217-20</td>
<td></td>
</tr>
<tr>
<td>natural rate of economic growth</td>
<td>219</td>
</tr>
<tr>
<td>stock market development and 44</td>
<td></td>
</tr>
<tr>
<td>economic planning 14, 55-6, 71</td>
<td></td>
</tr>
<tr>
<td>Edwards, J. 131, 137</td>
<td></td>
</tr>
<tr>
<td>efficiency 6</td>
<td></td>
</tr>
<tr>
<td>incentives and 319</td>
<td></td>
</tr>
<tr>
<td>mergers and 10, 174, 178, 187-91, 203, 209-10, 211-14, 221</td>
<td></td>
</tr>
<tr>
<td>empirical evidence from Japan</td>
<td>215-17</td>
</tr>
<tr>
<td>Eis, C. 172, 173</td>
<td></td>
</tr>
<tr>
<td>empire-building as reason for mergers 10, 175, 178, 208, 222</td>
<td></td>
</tr>
<tr>
<td>employment 326</td>
<td></td>
</tr>
<tr>
<td>mergers and 216</td>
<td></td>
</tr>
<tr>
<td>endogenous growth theory 319</td>
<td></td>
</tr>
<tr>
<td>endogenous mergers 288-9, 299</td>
<td></td>
</tr>
<tr>
<td>horizontal 295-8</td>
<td></td>
</tr>
<tr>
<td>model</td>
<td></td>
</tr>
<tr>
<td>characteristics of the benchmark equilibrium of the production stage</td>
<td>293-5</td>
</tr>
<tr>
<td>ownership stage 289-91</td>
<td></td>
</tr>
<tr>
<td>production stage 291-3</td>
<td></td>
</tr>
<tr>
<td>Enron 54, 83, 232</td>
<td></td>
</tr>
<tr>
<td>entrenchment effect 6, 249, 250</td>
<td></td>
</tr>
<tr>
<td>entrepreneurship 222</td>
<td></td>
</tr>
<tr>
<td>entry barriers 176</td>
<td></td>
</tr>
<tr>
<td>equal mergers 215-16</td>
<td></td>
</tr>
<tr>
<td>equity 78, 79</td>
<td></td>
</tr>
<tr>
<td>corporate boards as credible commitment for equity finance 79-80</td>
<td></td>
</tr>
<tr>
<td>92-5</td>
<td></td>
</tr>
<tr>
<td>Ericson, R. 289</td>
<td></td>
</tr>
<tr>
<td>Ernst &amp; Young 265</td>
<td></td>
</tr>
<tr>
<td>‘escape-competition effect’ 320, 321</td>
<td></td>
</tr>
<tr>
<td>exit 6</td>
<td></td>
</tr>
<tr>
<td>exogenous mergers 12, 288</td>
<td></td>
</tr>
<tr>
<td>expense preference 152</td>
<td></td>
</tr>
<tr>
<td>expertise, corporate boards and 91</td>
<td></td>
</tr>
<tr>
<td>Faccio, M. 250</td>
<td></td>
</tr>
<tr>
<td>Fama, Eugene 79, 105, 117</td>
<td></td>
</tr>
<tr>
<td>Farrell, J. 303, 307, 315</td>
<td></td>
</tr>
<tr>
<td>Fazzari, S.M. 108</td>
<td></td>
</tr>
<tr>
<td>Federal Trade Commission (FTC; USA) 271</td>
<td></td>
</tr>
<tr>
<td>Ferreira, Daniel 95</td>
<td></td>
</tr>
<tr>
<td>Fifth Merger Wave 166, 177</td>
<td></td>
</tr>
<tr>
<td>Filatotchev, I. 252</td>
<td></td>
</tr>
<tr>
<td>financial development, legal origin and 20-45</td>
<td></td>
</tr>
<tr>
<td>financial economics, mergers and 179</td>
<td></td>
</tr>
<tr>
<td>Financial Reporting Council 232</td>
<td></td>
</tr>
<tr>
<td>Finkelstein, Sydney 266, 270</td>
<td></td>
</tr>
<tr>
<td>Finland, relation between competition and economic growth in 330, 337, 341, 344</td>
<td></td>
</tr>
<tr>
<td>First Merger Wave (1890s) 8, 166-72, 180</td>
<td></td>
</tr>
<tr>
<td>fixed costs 170</td>
<td></td>
</tr>
<tr>
<td>Food and Drug Administration (FDA; USA) 270, 275</td>
<td></td>
</tr>
<tr>
<td>Fourth Merger Wave (1980s) 8, 166</td>
<td></td>
</tr>
<tr>
<td>Fox, Alan 94</td>
<td></td>
</tr>
<tr>
<td>France 2</td>
<td></td>
</tr>
<tr>
<td>relation between competition and economic growth in 329, 341, 344</td>
<td></td>
</tr>
<tr>
<td>shareholder protection in 21-2, 23, 27, 29, 34, 38, 39, 42, 44, 45</td>
<td></td>
</tr>
<tr>
<td>Franks, J. 131, 137, 247</td>
<td></td>
</tr>
<tr>
<td>Frech, H.E. 302</td>
<td></td>
</tr>
<tr>
<td>free cash flow theory of takeovers 227</td>
<td></td>
</tr>
<tr>
<td>Fried, Jesse 90</td>
<td></td>
</tr>
<tr>
<td>Friedman, Lawrence M. 68</td>
<td></td>
</tr>
<tr>
<td>Fukamachi, Masanori 215, 217</td>
<td></td>
</tr>
<tr>
<td>Fuss, C. 109</td>
<td></td>
</tr>
<tr>
<td>Gale, Douglas 14</td>
<td></td>
</tr>
<tr>
<td>Gandal, N. 303</td>
<td></td>
</tr>
<tr>
<td>Garretsen, H. 109</td>
<td></td>
</tr>
<tr>
<td>Gaudet, G. 302, 303</td>
<td></td>
</tr>
<tr>
<td>Gaunersdorfer, A. 12, 288, 293, 294, 295</td>
<td></td>
</tr>
<tr>
<td>general equilibrium models 60</td>
<td></td>
</tr>
<tr>
<td>General-to-specific (GS) criterion 39</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>banking in 7, 15, 146-7, 161-2</td>
<td></td>
</tr>
<tr>
<td>banks as shareholders 106, 131-2</td>
<td></td>
</tr>
<tr>
<td>corporate governance 149-50, 151-2</td>
<td></td>
</tr>
<tr>
<td>goals 149-50</td>
<td></td>
</tr>
<tr>
<td>industry structure 147-9</td>
<td></td>
</tr>
<tr>
<td>market shares depending on relative costs 159-60</td>
<td></td>
</tr>
<tr>
<td>model 155-8</td>
<td></td>
</tr>
</tbody>
</table>
Index

- Performance of banks 149–50, 152–5
- Profitability of commercial banks 158–9
- Governance systems 2
- Relation between competition and economic growth in 337, 338, 341, 342, 344
- Reunification 44
- Shareholder protection in 21, 23, 27, 31, 34, 38, 39, 42, 44, 45
- Gilbert, Richard J. 271
- Gilson, S.C. 132
- Glassman, D.M. 175
- Glass–Steagall Act 128
- GlaxoSmithKline 269
- Global Competition Review 325
- Global Crossing 83
- Globalization 160, 177
- Goldman Sachs 194
- Gordon, David 70
- Gort, Michael 266
- Gorton, G. 7, 106, 131, 137
- Goto, Akira 222
- Government intervention 214, 329
- Gower, S.J. 289
- Grabowski, Henry 262, 267, 269
- Gramm–Leach–Bliley Act (USA 1999) 128
- Great (First) Merger Wave 8, 166–72, 180
- Greece, relation between competition and economic growth in 337
- Green, Stephan 158
- Greenbaum, S.I. 152
- Greenbury Committee 232
- Griffith, J.M. 251
- Grossma, S.J. 8
- Growth
  - Economic, see Economic growth and development of firms
  - Growth-maximizing behaviour 175, 217
  - Managerial capitalism and 227 through internal means 219
- Guedj, Ilan 280
- Guest, P.M. 235
- Guger, A. 343
- Gugler, Klaus 2, 6, 7, 8
- Hall, B.J. 4
- Hambrick, D.C. 252
- Hampel Committee 62, 232
- Hannah, L. 170
- Hannan, T. 124
- Hansmann, Henry 92
- Harley, C.K. 167
- Harper Collins 70
- Harrod, R.F. 219
- Hart, O.D. 8, 108
- Harvard Business School 192, 193
- Hase, T. 215
- Hespelslach, Philippe 270
- Haubrich, J. 4
- Hayek, Friedrich A. von 319
- Hayward, M.L.A. 252
- Hellwig, Martin 89
- Henderson, Rebecca 268, 272
- Herfindahl–Hirschmann Index (HHI) 124
- Hermalin, B.E. 5, 247, 249
- Hickman, K.A. 5
- Higgins, Matthew J. 267, 270, 274
- Higgs Report 232–3, 239
- Hirsch, Fred 70
- Hirschman, Albert O. 61, 62, 64, 66
- Hitt, Michael 273
- Hogan, S.D. 166, 175
- Hokuetsu Paper 222
- Hold-up problem 105, 107
- Holmstrom, Bengt 82, 83, 96–7
- Homan, Paul T. 168, 170
- Horizontal mergers 8, 11, 167, 171, 177, 190, 219–20
  - Endogenous 295–8
- Horn, H. 289, 290, 291
- Hoshi, T.A. 109, 110
- Hoskisson, R.E. 251
- Hostile takeovers 8, 83
- Hotelling's linear city model 12, 301, 303
- Huang, W. 117
- Hubbard, R.G. 176
- Hubris 251
- Huie, M.C. 166, 175
- Hunt, Pearson 193
- IMD World Competitiveness Yearbook 323
imperfect competition 60
IMS R&D Focus 275, 276
incentives 4–5
  alignment effects 151
  efficiency and 319
  failures of 4–59
income, cost–income ratio 152
industrial directors 90, 238–40
industrial economics 55, 178
industrial organization 9, 319, 340
industrial policy 55
  competition and 60–61
informal organizations 93
information 65
  asymmetric 105, 107, 221
  corporate boards and 91
  sharing 124
innovation
  economic growth and development and 317, 318–20
  markets 271
  mergers and 262
  New Growth Theory and 320–21
‘insider’ governance systems 2, 16
Institute of Chartered Accountants in England and Wales (ICAEW) 232
institutions 2
  innovation and 317
  institutional shareholders 10–11, 234, 241–3, 252–3
  banks 7, 105, 106, 128–32, 137
interest 79
internal capital markets 175
International Mercantile Marine Company (IMM) 169
‘inverted U-Shape’ hypothesis 321
investment
  banks and 107
  impact on investment-cashflow sensitivities 108–10
  regulation 7
  returns on 6
Ireland, relation between competition and economic growth in 337, 341, 343
Iron Law of Oligarchy 87
Italy, relation between competition and economic growth in 337, 341, 342, 344
J & J 263
Jahera, J.S. 152
James, C. 117
Japan
  bankruptcy in 110
  banks in
  cash-flow investment sensitivity and 109
  on corporate boards 132
  performance of companies and 111
  as shareholders 106, 131
  economic growth 222
  governance systems 2
  mergers in 9–10, 203, 204, 215–17
  Merger Guidelines 220–21
  relation between competition and economic growth in 329
Japan Air Systems (JAS) 209–10
Japan Airlines (JAL) 209–10
Jemison, David 270
Jenkinson, T. 137
Jensen, Michael 4, 7, 79, 85, 106, 109, 227, 252
Kamien, M.I. 288
Kang, J. 111
Kaplan, Steven 83, 132, 137, 215
Keasey, K. 250
Kennedy School 195
Klemperer, P. 315
Knauth, Oswald 82
knowledge spillovers 209
Koenig, Michael 263, 272
Kole, S.R. 249
Kroszner, R.S. 106, 136, 137
labour productivity, see productivity
Laing, D. 245
Lamoreaux, Naomi R. 167, 170, 172
LaPorta, R. 2, 3, 20–23, 44
Larsson, Rikard 266, 270
Lasfer, M. 250
law
  company law 15
  corporate democracy and 62–6
  law and finance view 2–3
learning, mergers and 209
Leech, D. 249
legal systems 2–3
shareholder protection and legal origin 20–45
aggregate index of shareholder protection 29–38, 48–53
differences in shareholder protection 23–7
legal data and descriptive analysis 22–38
modelling approach 39–44
Principal Component Analysis (PCA) 22, 27–9
stock market development and 38–44
Lele, P.P. 3, 22
lemons hypothesis 4, 270, 273
leveraged buyouts (LBOs) 80–81, 85–6, 175
Li, D. 106, 128
Liebmann, J.B. 4
limited-liability corporation 169
liquidation 79, 107
liquidity 79
problems 108
Lithuania, relation between competition and economic growth in 337
Ljungqvist, A. 137
loans
announcements 111, 114–17
demand for 159–60
London Stock Exchange 232
Long, N.E. 59, 72
Long, N.V. 302, 303
Long, William F. 263, 266, 267
Lopez-de-Silanes, F. 2, 3, 20–23
Lummer, S.L. 117
McConnell, J.J. 117, 249
Mace, Myles 77, 81–2, 89, 92
McFadden, J.M. 171
Main, B. 241
Makino, Mai 215, 217
Malkiel, Burton G. 173
managers
conglomerates 175–6
as constituency 94–5
delegation to 88–9
empire-building 10, 175, 178, 208, 222
incentives 4–5
managerial capacity 174
managerial capitalism 217–18, 227
mergers and 10, 226–9
remuneration 2, 4–5, 178
shareholdings 2
Manchester United plc 67–8
Manne, H. 8, 227
March, James 89
marginal q 6
markets
banking
market shares depending on relative costs 159–60
mergers and market shares 160
for corporate control 8
natural selection role 227–8
entry barriers 176
for lemons 4, 270, 273
market-centred theories 55, 60
pharmaceuticals industry 263, 270–71
Markham, Jesse W. 165, 172
Markov perfect equilibrium 293–4
Marris, Robin 217, 227, 249
Martin, Stephen 172, 178, 302, 303
Marx, Karl 87
Mathieu, Mark 269
Matsuoka, Kenji 215
Matsusaka, J.G. 176
Matutes, C. 314
Mayer, C. 131, 137
MBAs 9, 192–7
Means, Gardiner C. 1, 54, 87, 97, 226
Meckling, W. 4, 7
media 69–71
Merck 192, 263
mergers and takeovers 8–9, 15–16, 92, 165, 200
alliances as substitutes or complements to mergers 269–70
announcements 111, 114–17
bust-up takeovers 175
conglomerate mergers 8, 9, 173–7
Cournot oligopoly model 205–7
effects 178–80, 187, 203
economic growth and development 217–20
efficiency 10, 174, 178, 188–91
203, 209–10, 211–14, 215–17, 221
Index

pharmaceuticals industry 272–82
productivity 9, 10, 197–200, 216
profitability 10, 12, 215–17
research and development (R&D)
274–82
endogenous, see endogenous mergers
exogenous mergers 12, 288
German banking sector 160
horizontal 8, 11, 167, 171, 177, 190, 219–20
endogenous horizontal mergers 295–8
hostile takeovers 8, 83
managerialism and 226–9
‘merger for monopoly’ 8, 171
merger waves 8, 166–77
Fifth Merger Wave 166, 177
First Merger Wave (1890s) 8, 166–72, 180
Fourth Merger Wave (1980s) 8, 166
Second Merger Wave (1920s) 8, 166, 172–3
Third Merger Wave (1960s) 8, 166, 173–7
performance of companies and
9–10, 243–53
pharmaceuticals industry 262–6, 282–4
alliances as substitutes or complements to mergers
269–70
determinants 266–71
effects 272–82
reasons/causes 177–8, 208–10
collusion 208–9
economies of scale and scope
268–9
empire-building 10, 175, 178, 208, 222
increasing market share and antitrust consideration
270–71
pharmaceuticals industry 266–71
strategic response to environmental change 266–8
recent trends 187–8
regulation 220–23
vertical, see vertical integration/mergers
what business schools teach 192–7
Mezick, Elizabeth 263, 272
Michels, Robert 87–8
Microfit programme 42
Mikkelson, WH. 117
minority shareholders 2, 3, 31, 39
Minton, B.A. 132, 137
Mizruchi, M.S. 106, 132, 137
Moeller, S.B. 8
monitoring and control 5
control rights 6
corporate boards and 84–5
market for corporate control 8, 174
transnational corporations 65
monopolies 169, 295–6, 323
endogenous growth theory and 319
innovation and 317
‘merger for monopoly’ 8, 171
Monopolies and Mergers Commission 67–8
Monopolkommission (Germany) 152
Montoriol Garriga, J. 111
Moore, J. 108
Morck, R. 131, 137, 249, 250
Morgan, Eleanor J. 271
Morgan (J.P.) & Company 169
mortgage institutions 147
Mueller, Dennis C. 8–9, 13, 109, 173–4, 180, 187, 203, 205, 208, 215, 222,
227, 254, 268, 270, 317, 325, 342
Mullainathan, S. 5
multimarket diversification 174
Myers, Stewart 7
MySpace 70
Nagaoka, Sadao 215, 216, 217
natural rate of economic growth 219
Navin, T.R. 168–9
‘neck-to-neck’ rivals 321
Nelson, Ralph L. 166, 171, 187
Nelson, Richard R. 209
Netherlands
cash-flow investment sensitivity in
109
relation between competition and economic growth in 337
network effects 13
vertical integration/mergers in
markets with 301–3, 314–15
basic model 303–6
with all firms independent 306–7
with one integrated firm 310–14
with two integrated firms 307–10
network goods 12
Neumann, M. 157, 303
New Growth Theory 317, 319
competition and innovation in
320–21
New York University 192
News Corporation 70
Nguyen-Dang, Bang 90
Nibler, M. 131, 137
Nicoletti, G.A. 318, 321, 322
non-executive directors 10, 235–40
non-profit firms 15
banks 146, 147, 150, 152, 161–2
Norwegian decision 166
Norway, banks in 111
O’Brien, A.P. 167–8
Odagiri, Hiroyuki 215, 217, 219, 222
Oji Paper 222
oligarchy 87–8
oligopoly 172–3
mergers in Cournot oligopoly model
205–7
model of German banking 157–8
Ongena, S. 111, 117, 124
opportunity costs 152
Ordover, J. 302, 303
Organization for Economic
Co-operation and Development (OECD) 323, 325
organization theory
downside drift 87–8
informal organizations 93
Ornaghi, Carmine 272
out-licensing, pharmaceuticals
industry 265
outside board members 5–6, 90
‘outsider’ governance systems 2, 16
outsourcing 160
overcapitalization 171
overinvestment 109
ownership
concentration 20, 21, 27, 39
owner-managers 4
performance of firms and 248–52
Pakes, A. 289
Palia, D. 124, 176
Pammolli, Fabio 270
Paquette, Cherie 271
Pareto optimality 60
Partch, M.M. 117
partnerships, see alliances
patents
expiration 11
knowledge spillovers 209
Peasnell, K.V. 247
Peck, S.I. 240
perfect competition 319
performance of companies
bank relationships and 110–11,
112–13
corporate boards and 5–6
corporate governance and 244–53
German banks 149–50, 152–5
large shareholders and 6–7
mergers/takeovers and 9–10, 243–53
post-merger performance 272
Perry, M.K. 12, 288
Persson, L. 289, 290, 291
Pesaran, M.H. 42
Petersen, M.A. 124
Pfaffermayr, M. 323
Pfizer 268, 269
pharmaceuticals industry 11
mergers and alliances 262–6, 282–4
determinants 266–71
effects 272–82
research and development (R&D)
262, 263, 267–83
Pharmacia 268
Pisano, Gary 270, 273
planning, economic 14, 55–6, 71
poison pills 83
politics and finance view 3
Porter, M.E. 320, 342
Porter, R.H. 12, 288
Portugal, relation between competition
and economic growth in 337
post-merger performance 272
Powell, R. 244
Powell, Walter 270
prices, mergers and 217, 221
Index

competition and economic growth in 337
Royal Dutch Shell Group 54
Rumble, A.S. 106, 136

Salant, S.W. 288
Salas, V. 152
Salinger, M.A. 302, 303
Saloner, G. 303, 307
Santos, J.A.C. 106, 136
Sarbanes–Oxley Act 77
Sarkar, Prabirjit 39, 44
savings banks 147, 148, 149, 150
  corporate governance 152
  market shares 159
scale economies 11, 12, 167, 209, 268–9
Scandinavia 2
Scarpetta, S. 318, 322
Scharfstein, David S. 107, 108, 280
Scherer, F.M. 8, 9, 166, 179, 190, 208, 269
Schmid, F.A. 7, 106, 131, 137
Schrader, A. 302, 303
Schumpeter, Joseph 222, 317, 319, 320
Schwarz Bayesian criterion (SBC) 42
scope economies 11, 268–9
search and discovery process 319
Sears, M.V. 168–9
Second Merger Wave (1920s) 8, 166, 172–3
Selznick, Philip 87
Servaes, H. 249
Shane, Scott 86
shareholders 56–7, 234
  activism 607
  board members 248–52
  elite 57
  institutional 10–11, 234, 241–3, 252–3
  banks 7, 105, 106, 128–32, 137
  large 6–7
meetings
  proxy voting 131
  special meetings 2
mergers and 179
minority 2, 3, 31, 39
monitoring and control 5
owner-managers and 4
protection 3, 4
legal origin and 20–45
legal system and 20
stock market development and 38–44
value 14
Sharp & Dohme 192
Sherman, Michael 175
Sherman Act 68, 168
Shikimi, M. 124
Shin, Y. 42
shirking 152
Shivdasani, A. 5
Shleifer, A. 1, 2, 3, 20–23
shocks 266, 283
Short, H. 250
Shy, O. 303
Siems, M.M. 3, 22
Simon, Herbert 88, 89
Singh, Ajit 227, 228
sinking funds 79
Slovakia, relation between competition and economic growth in 337
Slovin, M.B. 117
Smith, Kenneth 270
Sorge, M. 124
Southern Pacific Railroad 178
Spain
  banks in 111
  relation between competition and economic growth in 337, 338, 344
  Spamann, Holger 3
  spatial competition 12
  special meetings 2
  specialized banks 147
  Spreckels, Rudolf 85
  staggered boards 83
  stakeholders 1, 14, 62, 80
  Stark, A. 244
  start-up firms 85, 86
  state ownership 329
  Steiner, Peter O. 173
  Stewart, G.B. 175
  Stigler, George 8, 165, 169, 171, 172, 173
  Stiglitz, J. 107
stock markets, see capital markets
Strahan, P.E. 106, 136, 137
strategy 71
  corporate governance and challenge for public policy 55–6
strategic failure and the public interest 58–9
strategic response to environmental change 266–8
Suarez, Javier 95
Sugden, Roger 55, 56, 58, 59
Sunshine, Steven C. 271
Sunstein, Cass R. 63
Suzuki, S. 110
Sweden, relation between competition and economic growth in 330, 341, 344
Switzer, S. 288
Switzerland, relation between competition and economic growth in 330
Symeonidis, George 168
takeovers, see mergers and takeovers
taxation 342
technological progress, mergers and
177–8
Teece, David J. 209, 270
Teva 263
Theodorou, E. 245
theory of the firm 55, 226
agency theory of the firm and
corporate governance 4–14
Third Merger Wave (1960s) 8, 166,
173–7
Thorp, W.L. 172
Tirole, Jean 1, 14, 57, 80, 90–91
Tirri, V. 124
Tobin’s q 6, 109, 131, 187, 218, 245,
249
trade, openness 13
transaction cost economics 78, 160,
209
transition economies 124
transnational corporations 65
travelling costs 307–14
Treasury Select Committee 243
Turnbull Report 232
Turner, Frederick Jackson 167
Tyco 83
underinvestment 108, 109
unemployment 326
Union Pacific Railroad 178
United Kingdom
City Code on takeovers and mergers
22
corporate governance in 2, 10,
229–43
firm performance and 244–53
institutional shareholders 241–3,
252–3
mergers/takeovers in 171, 226–9,
243–4, 254
non-executive directors 235–40
regulation of corporate governance
229–35
relation between competition and
economic growth in 337, 341
shareholder protection in 21, 27, 29,
34, 38, 39, 42, 44, 45
United States of America
antitrust law 68, 168, 172–3, 175,
190, 270–71
banks in
on corporate boards 132, 136
as shareholders 128
business schools 192–7
credit market structure 124
governance systems 2
mergers 9, 228
First Merger Wave (1890s) 166–72
recent trends 187–8
Second Merger Wave (1920s)
172–3
US Merger Guidelines 220
Sarbanes–Oxley Act 77
shareholder protection in 21, 27, 31,
34, 38, 39, 42, 44, 45
Waxman–Hatch Act 262
universal banks 147
universities 57–8
US Steel Corporation 166
Utton, M.A. 171
Vafeas, N. 245, 250
Valbonesi, Paola 178
Valetti, T.M. 303, 315
valuation ratio, see Tobin’s q
valuation-growth frontier 218
Van Ees, H. 109
venture capital 85
Verbrugge, J.A. 152
Verdoorn’s law 198, 199
Vermaelen, T. 8
Vermeulen, P. 109
vertical disintegration 177
vertical integration/mergers 12, 172, 177, 190

in markets with network effects
301–3, 314–15
basic model 303–6
with all firms independent 306–7
with one integrated firm 310–14
with two integrated firms 307–10
Vishny, R.W. 1, 2, 3, 20–23
Vives, Xavier 209
Vodafone Mannesmann 177
Vogt, S.C. 109
voice 61–2, 64
von Thadden, E.L. 105, 107

Warner Lambert 268
Watkins, Myron W. 172
Waxman–Hatch Act 262
WEF Global Competitiveness Report 323
Weinstein, D.E. 111
Weir, C. 245, 250, 251
Weisbach, M.S. 5, 247, 249
Weiss, A.M. 107
Welch, I. 108

welfare, mergers and 10, 217
Wharton School 194, 197
Whyte, William H. 194, 196
Williams, Charles 193
Williams, Raymond 58, 69, 70–71
Williamson, Dean 88
Williamson, Oliver 80, 81, 87, 174, 209, 211, 214
Wilson, James R. 69, 70
winner’s curse 9, 190
Winter, Sidney G. 209
WorldCom 83, 232
Wright, R.W. 110

Yafeh, Y. 111
Yellen, Janet L. 166, 177, 178
Yermack, D. 5
Yosh, O. 111
Yoshida, Kenji 216, 217
Yurtoglu, B. Burcin 2, 6, 7, 8

Zajac, E.J. 252
Zehnder, C. 128
Zeitlin, M. 56, 57, 71
Zhang, C. 124
Zhang, I. 289
Zhao, S. 117
Zingales, L. 3, 21