Preface

This book is a collection of papers from two workshops held in Jönköping, Sweden, in 2006 and 2007. The theme of the workshop in 2006 was ‘Corporate Governance and Investment’ in a wide sense. Topics of papers could be: to describe and analyse the ownership and corporate governance structure of a given country; to make a comparative analysis of governance structures in different countries; to study corporate governance and performance in different types of firms (for example, family and non-family owned firms); to explain the levels of investment of companies; and to draw policy implications about how capital markets might be altered to improve the allocation of capital and the overall performance of companies. The workshop arranged in Jönköping was one in a series of annual meetings of a European Corporate Governance Network. The network’s first meeting was at Cambridge University (UK) in 1998 by initiative of Professor Dennis C. Mueller and Professor Alan Hughes. Since then several meetings have been organized. The 2006 workshop in Jönköping was the seventh.

The second workshop, held in Jönköping in September 2007, was the first of its kind inspired by the emerging literature on the economics of the firm. The background to the workshop was the revolutionary development of the theory of the firm that has taken place during the last 35 years. In spite of all the progress in the field, traces of the new developments in microeconomic and industrial organization textbooks are scant. The comments made by Ronald Coase in 1971 at an NBER meeting about a non-existent treatment of organization of economic activities within and between firms in industrial organization textbooks are still valid.

But in other ways the situation today is quite different from 35 years ago. At the same NBER meeting Coase also commented upon his celebrated article from 1937 (‘The Nature of the Firm’) with the words ‘much cited and little used’. This comment turned out to be a truthful description of the situation in 1971, but not true for the rest of the 1970s. In the same year as the NBER meeting (1971) Oliver E. Williamson published a seminal article in the American Economic Review, which was the start of a large number of books and articles that, like Coase, centred on the importance of transaction costs in analyses of economic organizations. A new field of transaction cost economics emerged.

Some other articles from which new fields of research have emanated
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were also published in the 1970s. The team production and the property rights perspective introduced by Alchian and Demsetz (1972) and the corporate governance perspective in Jensen and Meckling (1976) have been especially influential. From the 1980s the evolutionary theory of the firm presented by Nelson and Winter (1982) and the new property rights approach by Grossman and Hart (1986) have reshaped research in a similar fashion.

These and other branches of the growing tree of the theory of the firm were the sources of inspiration for the workshop on ‘The Economics of the Modern Firm’.

The output from the two workshops is merged in this book under the title The Modern Firm, Corporate Governance and Investment. To merge contributions from the two workshops makes sense given the close connection between the topics and papers presented at the workshops. For example, several papers at the second workshop were on corporate governance. In all, 14 papers from the two workshops have been selected, nine from the second workshop and five from the first. The keynote addresses of Oliver E. Williamson and Dennis C. Mueller at the second workshop are the first two chapters after the introduction.

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