Index

abuse of authority 152, 158−60, 168, 172, 179, 180
accountability 11, 130, 152, 171, 190
accounting standards 20, 21
Acemoglu, D. 18, 19, 45, 51, 56, 57
active shareholders 82, 86
activist shareholders 38, 39, 42, 44, 82, 86−8, 204−5
AFEP (French association of private businesses) 118, 129
agency costs 82
agency problems 10−12, 50, 51, 194
agency theory 103−4, 188, 190, 191, 216
agency workers 142, 143, 145, 146
Aghion, P. 51, 57
Aglietta, M. 2, 129
Aguilera, R. 50
Ahlering, B. 126
Ahmadjian, C.L. 200−201
Air Liquide 85
Akerlof, G. 203
Alchian, A. 9, 114, 122, 188
Allen, F. 12, 45
Alonso, P. 72
Amable, B. 53−4, 55, 56, 57, 59, 60, 61, 62, 64, 136, 137
American Economic Review 20
Anderson, R. 80, 81
annual general meetings (AGMs) 77, 88, 106
Aoki, M. 12, 89, 126, 127, 178, 181, 182, 201
Areva 87
Argentina
shareholder protection legislation in 195
stock market capitalization and widely held ownership in 18
Armingeon, K. 60
Armour, J. 83, 121, 122, 127, 131
asymmetries of information 79, 158
Australia, stock market capitalization and widely held ownership in 18
Austria
stock market capitalization in 18
widely held ownership in 18, 84
Autorité des Marchés Financiers (AMF) 122, 135
AXA group 85
Bacharach, M. 183
Bainbridge, S.M. 97
Baker, G. 12
banking system, size of 23−4
bankruptcy 93, 94, 112
banks
role in control of companies 116
shares held by 25, 26, 124
Barca, F. 28−9, 45
bargaining game 160−61, 163−6
Barker, R. 53, 126
BASF 136
Bayer 136
Bayes rule 175
Becht, M. 28−9, 45, 50, 72, 84
Belgium, stock market capitalization and widely held ownership in 18
Berle, A. 2, 78−9, 188
Bertola, G. 56
Bianchi, M. 33
Bianco, M. 33
Binmore, K. 181, 182, 183
Black, B. 126, 137, 138
Blackstone 82
Blair, M. 51, 54, 78, 97, 114, 126, 137, 160, 182, 198
Blanchard, O. 14
Blau, F. 56
blockholders
allowing long-run relationships between workers and firm 15, 16, 17
Does company ownership matter?

control by 4, 11–12, 28–33, 41, 42, 43, 44, 84, 133, 194
private benefits extracted by 10–11, 12, 16
Bloom, N. 27
Blundell-Wignall, A. 38, 45
BNP 85, 87
board of directors
and corporate interest 119–20, 130
defending against takeover bids 119–20, 133, 198
degree of independence of 78, 89
as intermediary between incomplete and complete contracts 215–17
nominations by third parties 101
power of 115–16, 189
voting blocks held by directors 29
board structure and functioning, ratings for 39, 40, 41
Böhmer, E. 45
Bolton, P. 79
bonds held by institutional investors 33–4
bonuses 79, 138, 139, 142
Boyer, R. 89
Braumoeller, B.F. 61, 66
Brazil
shareholder protection legislation in 195
stock market capitalization in 22, 23
turnover of Global 500 listed companies 23
BRIC countries
stock market capitalization in 22, 23
turnover of Global 500 listed companies 23
British Plasterboard (BPB) 207
Brock, H. 165, 166, 182
Bubble Act (UK, 1720) 110, 112
business judgement doctrine 116, 160
CAC 40 companies 82, 85, 88, 134
Cadbury Code (1991) 130
Cadbury Report 120
Caisse des Dépôts (CDC) 85, 87, 88
Calmfors, L. 53, 56
Canada
shareholder protection legislation in 195
stock market capitalization and widely held ownership in 18
capital return on 44, 104, 193, 204, 205–6, 210
share of output going to 192–3, 204, 211
capital gains taxes 204–5
capital market liberalization 3, 85
Carlin, W. 20–21, 43, 52
Carlisle 82
Carrefour 85
Charreau, G. 115
Cheffins, B.R. 83
chief executive officer (CEO) 44, 216
Chile, shareholder protection legislation in 195
China
shareholder protection legislation in 195
stock market capitalization in 22, 23
turnover of Global 500 listed companies 23
Cioffi, J. 127
City Code on Mergers and Takeovers (UK) 131, 133
Clark, G.L. 30–33, 40
Clarkson, M. 181
Coase, R. 121, 122, 188
Coates, J.C. 13, 45
Code of Hammurabi 93
codetermination 131, 139–40
Coffee, J.C. 11
Cohen, S. 127
Coleman, J. 178
collective redundancies 129, 130, 131, 137, 139
comité d'entreprise (works council, France) 131
commenda 108, 110
commendator 108
compagnia 108
Compagnie des Indes Orientales 109
Compagnie Générale des Eaux 87
Companies Act (UK, 2006) 130, 170–71
‘company’, definitions of 129–30
Company Law Review Steering Group 130
Company of Merchants of Great Britain Trading to the South Seas 112

company turnover in FT Global 500 list 22−3

comparative advantage 15, 22
Comparative Political Data Set 1960−2003 60

complementarities between country and industry characteristics 44
complementarities between institutions see institutional complementarities

complete contracts 9, 12, 188
conglomerates 3, 82−3
connected ownership 52, 53
consumer goods industry, voting blocks in 32
contracting institutions 18−19
control enhancing mechanisms (CEMs) 106
Conway, N. 132, 133, 144
Conway, P. 51, 57
Cooper, S. 146
coordinated market economies 15, 16, 128, 131, 196
core employees 139, 140, 143, 145, 146, 201
corporate governance
comparative literature on 126−7
definition of 7
dynamic features of UK and French systems of 128−36, 145
effect of shareholder-oriented reforms on ownership structures and economic performance 3−4, 7−44
extended 154−6, 159−60
corporate governance ratings 39−41, 42
corporate interest 117−20, 128, 129, 169−70
corporate social responsibility (CSR) 151−83
cognitive/constructive role of a CSR norm 173−9
definition of 154−6
economic basis of extended fiduciary duties owed to corporate stakeholders 156−60
emergence of extended fiduciary duties from the social contract of the firm 166−70
regulation, self-regulation and self-interest in the long run 170−73
roles of CSR norms other than cognitive/constructive 179−81
self-sustainability of 153
social contract and a uniquely defined objective function of the firm 162−6
social contract as a criterion for the fair balance of stakeholders’ interests 160−62
corporatist society 53, 60, 70
cost of equity capital 136, 137
country fixed effects 60
Cozian, M. 146
credit, access to 85−6
creeping takeovers 88, 89
crisis of legitimacy 158
crisis of trust 158
cross-shareholdings 84−5, 116, 128, 133−4, 145
Cusack, T. 62
Cuthbertson, K. 79
Czech Republic, shareholder protection legislation in 195

Davies, P. 97
Deakin, S. 51, 54, 126, 131, 132, 133, 139, 140, 143, 194
deed of settlement companies 110
default inference 178
Delaware, corporate law in 115−16
Demmou, L. 62
Demsetz, H. 9, 114, 122, 188
Denmark, stock market capitalization and widely held ownership in 18
Desbrières, P. 115
Deutsche Telekom 116
directors
voting blocks held by 29
see also board of directors
disclosure 11, 43, 100, 131, 132, 208
ratings for 39, 40, 41
discount factors, differences in 211−13
diversification 100, 114, 136
dividends 83, 104, 116, 201, 203
division of labour 98
Does company ownership matter?

Djankov, S. 59, 62, 72
Doidge, C. 40
Domat, Jean 109
Donaldson, T. 181, 182
Downes, G. 78
Driffill, J. 53, 56
Dunfee, T. 182
Dutch East India Company 109
duty of care 119
Dyck, A. 43

Earle, J. 147
Easterbrook, F.H. 103, 107
Economic and Social Research Council (ESRC) 196–7
economic exchange domain 218–19
economic value added (EVA) 136–7
EDF 85
education and training institutions 8, 15
Edwards, P. 146
effective ownership concentration 59–60, 72
efficiency 10, 99, 113, 151, 157, 159, 161, 166, 167, 168, 169
efficiency wage mechanism 54
employee share ownership plans (ESOPs) 88–9, 138
employees
collection of 113
in coordinated market economies 15, 128, 131
core employees 139, 140, 143, 145, 146, 201
in liberal market economies 15, 128
long-term partnerships with 54–5, 128, 139, 140
obligation to inform and consult with 130–31, 133, 139, 140, 144
risks faced by 100–101, 113–14, 190
on supervisory boards 78, 89, 116
utility function of 2
see also human capital; human resource management, effect of stock market listing on; labour market regulation
employers’ associations 52, 118, 129
employment
effect of ownership concentration, market regulation and coordination on 56–7, 62–4, 70
effect of shareholder protection legislation on 6, 200–202
employment contracts 100, 101, 137, 142, 143, 158
employment protection legislation see under labour market regulation endogeneity 61–2
enlightened shareholder value 130
Enriques, L. 7
Enron 11, 12, 39, 191
ethics 151, 152, 161, 172, 176–7, 178
EU Directives 120, 131, 133
EU15 countries stock market capitalization in 22, 23
turnover of Global 500 listed companies 23
Eurazeo 85
European Commission 105, 106, 181
European Court of Justice 111
Eurostat 135
Eurozone 25
Evans, P. 181
executive compensation 191, 201
explicit contracts 9, 10, 12, 17
extended governance, CSP viewed as 154–6, 159–60
external environment, changes in 191–3, 213–15
externalities activist shareholders as negative externalities 204–5
in innovation 53, 57–8
internalization of 14, 154, 160, 163, 166–7, 168, 169, 191–2
neglected in shareholder primacy theory 99
stakeholders in the broad sense undergoing 155
Faccio, M. 26–7, 28, 30, 50
Faillo, M. 181
fairness 151, 166, 167, 169, 171, 172, 173, 176, 181, 217
Fama, E. 79
family ownership active shareholders 82
adapted to globalization 203
taghtude to risk 21–2, 81
tercompagnia 108
French firms 82, 85
and growth 21–2, 52
inter-country comparisons 27, 28
time horizon of 79–80
transfer of control limited by 11–12
Fanto, J. 127
Farrar, J. 122
Fédération Internationale des Bourses de Valeur (FIBV) 135
Federation of European Securities Exchanges (FESE) 25, 26
Fella, G. 56
Fenton-O’Creevy, M. 121
Fernandez, M. 101, 122, 123
FESE (Federation of European Securities Exchanges) 25, 26
FEVD (Fixed Effects Vector Decomposition) estimator 60–61, 62, 64–6
FIBV (Fédération Internationale des Bourses de Valeur) 135
fiduciary duties 119, 152
definition of 154–5
economic basis of 156–60
emergence from the social contract of the firm 166–70
extended 156, 161, 171, 172, 173
finance, access to 7–13 passim, 16–17
and industry growth 20–21
financial analysts 81
financial bubbles 79, 110, 112
financial institutions see institutional investors
financial market regulation
and employment 56
in France 86–8
relation between labour market regulation and 55, 126, 137
Financial Security Act (France, 2003) 131–2
financial services industry, voting blocks in 32
Finland, stock market capitalization and widely held ownership in 18
firing costs 56
firm-specific investments 114, 190
Fischel, D.R. 103, 107
Fixed Effects Vector Decomposition (FEVD) estimator 60–61, 62, 64–5
fixed-term labour contracts 137, 142, 143
Flannigan, R. 181
Fogel, K. 27, 28
Fonds de Réserve des Retraites (Pensions Reserve Fund) 88
foreign investment
effect on downsizing 200–201
increasing overall trend towards 41
inter-country comparisons 25, 26, 29, 32, 33, 36–9, 42, 43, 44, 85, 134, 136, 145, 208
France
combining limited liability with unlimited liability in 93
corporate governance and human resource management in 140–46
corporate governance ratings for 39, 40, 41, 42
corporate interest in 117–18, 128, 129
dynamic features of corporate governance in 5, 128–36, 145
early forms of partnership in 108–9
measurement of limited liability in 109–112
export market competitiveness of 46
institutional investors in 25, 26, 33–4, 35, 36, 37, 38, 42, 44, 134, 136, 141, 142, 143
labour regulation in 5, 128, 129, 131, 132–3, 146
M&A activity in 85, 197–200
nationalizations in 77, 84
new role of the state in 86–9
number of listed companies in 134, 135
private bond market capitalization in 24
private equity deals in 38–9, 42
privatizations in 84
shareholder protection legislation in 194, 195, 198
size of banking system in 24
stock market capitalization in 18, 22, 23, 24, 42, 134, 135
Does company ownership matter?

summary of responses to corporate governance reforms in 43–4
turnover of Global 500 listed companies 23
typology of shareholders in 4, 25, 26, 42, 84–6, 87–8, 133–4
ultimate owners in 27, 28
voting blocks in 30, 31, 42, 44
widely held ownership in 18
Franks, J. 45
fraud 11
FRDB Social Reforms Database 59, 71
Freeman, R.E. 155, 181
French Civil Code (1804) 109, 110, 117, 118
French Code of Commerce (1807) 110, 117
French Court of Appeal 118
French Court of Cassation 110, 118, 121
French Royal Decree (1673) 108, 109, 112
Froot, K. 79
Froud, J. 146
FT Global 500, company turnover in 22–3
FTSE corporate governance ratings 40, 41
Fudenberg, D. 175
Furubotn, E.G. 122
Gaillard, E. 117
Gale, D. 12
game theory 5, 153–4, 191
see also bargaining game; trust game
Gatti, D. 53–4, 56, 61, 62
Gauthier, D. 163, 181, 182
GBL 85
GDF-Suez 85, 87
general meetings of shareholders 77, 78, 88, 106, 133
General Motors 139
Germany
corporate governance ratings for 39, 40
export market competitiveness of 43, 46
human resource management (HRM) in 139–40
institutional investors in 25, 26, 34, 35, 36, 37, 38, 42, 43, 134
M&A activity in 197–200
number of listed companies in 134, 135
power sharing between stakeholders in 116–17, 140–41
private bond market capitalization in 24
private equity deals in 38–9
shareholder protection legislation in 194, 195, 198
size of banking system in 24
stock market capitalization in 18, 22, 23, 24, 134, 135
summary of responses to corporate governance reforms in 43
supervisory boards in 78, 89, 116
turnover of Global 500 listed companies 23
typology of shareholders in 25, 26, 134
ultimate owners of firms in 27, 28
voting blocks in 29, 30, 31, 32–3, 41
widely held ownership in 18
works councils in 37, 41, 43, 139
Gillan, S. 36
globally integrated production 16
Glyn, A. 62
Goergen, M. 7, 137, 146
Gordon, J. 123
Gospel, H. 126
Gottschalg, O.F. 81, 83
governance costs 167–8
governance systems 154
government bonds, rate of return on 211
Goyer, M. 36–8, 81–2
Grant, J. 30, 31
Greece, stock market capitalization and widely held ownership in 18
Green, L. 181
Greif, A. 218
Grimalda, G. 181
Grossman, S. 9, 156, 159
Gugler, K. 50
Hall, M. 131
Hall, P. 14, 51, 52, 126, 128, 136, 137
Hancké, B. 53
Hansmann, H. 7, 45, 127, 156, 159, 168
Index

Harsanyi, J.C. 164, 165, 182, 183
Hart, O. 9, 156, 159, 188
Hauriou, M. 121
hedge funds 36, 37, 38, 39, 42, 78, 82, 190, 196–7
Henrekson, M. 72
Hilaire, J. 122
Hobbes, T. 182
Hoechst 136
hold-ups 114, 115, 190
Holderness, C.G. 84
Hong Kong, stock market
capitalization and widely heldownership in 17, 18
Höpner, M. 41
Hossfeld, C. 146
hostile takeovers
by activist shareholders 82
in continental Europe 3
in France 86, 89, 133, 199
in Germany 199
in Japan 199, 208
leveraged buyout preventing 86
restructuring following 137
in UK 29, 133, 199
in US 29, 119–20, 199
see also takeover defences
House of Lords 119
human capital
effect on productivity and growth 64, 66
effect of stock market listing on
investments in 137–8, 140, 142, 143, 144, 145
industry- and firm-specific 14, 15, 114, 137, 138, 190
measuring investments in 205
in ‘new economy’ firms 13, 17
transferable 14, 15, 17
human resource management (HRM),
effect of stock market listing on
136–40
findings based on establishment-level
survey data 140–45
labour law and 145–6
Hutton, W. 137
implicit contracts 9, 12, 13, 17
‘incompetent shareholder’ principle
107
incomplete contracts 9, 10, 12, 17, 100, 152, 156–60, 166, 170, 176, 214–15
incomplete information 175–6, 178
India
shareholder protection legislation
in 195
stock market capitalization in 22, 23
turnover of Global 500 listed
companies 23
individuals and families
shares held by 25, 26, 29, 134
see also family ownership
industrials, voting blocks in 32
industry growth, effect of financial
development/structure on 20–22
industry volatility 21, 22
Information and Consultation
Directive 131
initial public offering (IPO) 39
‘insider’ model of ownership 50, 126
institutional complementarities 54, 55, 61, 66, 68, 126, 137, 153, 196
institutional investors
degree of activism of 36, 38, 39, 42, 44, 81–2
portfolio composition of 33–4, 36, 43, 80
shares held by 25, 26, 29, 33–4, 42, 87–8, 134, 136, 141, 142, 143
types of 34–8
see also insurance companies;
investment companies; mutual
funds; pension funds
institutional substitutes 55, 56, 61, 64, 210
insurance companies 35, 36
interaction terms 57, 61, 64, 66
interdependent time-evolving
institutions 4, 49–73
interest rates 39, 82, 210–11, 212
internal capital markets 83
International Financial Reporting
Standards (IFRS) 120
investment companies 35, 36, 80, 100, 136, 140
Ireland, P. 97, 122, 123
Ireland
 corporate governance ratings for
39, 40
private bond market capitalization
in 24
size of banking system in 24
stock market capitalization in 18,
23, 24
turnover of Global 500 listed
companies 23
ultimate owners of firms in 27, 28
widely held ownership in 18
Israel, stock market capitalization and
widely held ownership in 18
Italy
corporate governance ratings for 40
export market competitiveness of 43
institutional investors in 25, 26, 34,
35, 36
joint stock companies in 109
private bond market capitalization
in 24
private equity deals in 39
shareholder protection legislation
in 195
size of banking system in 24
stock market capitalization in 18,
23, 24
summary of responses to corporate
governance reforms in 43
turnover of Global 500 listed
companies 22–3
typology of shareholders in 25–6
ultimate owners of firms in 27, 28
voting blocks in 29, 30, 31, 33, 41,
42, 43
widely held ownership in 18
Jackson, G. 50, 126, 139, 140, 142, 146,
201
Jacobson, U. 72
Japan
changes to system of corporate
governance in 126–7
employment in 200–201
hybrid model of corporate
governance in 208–9
M&A activity in 197–200, 208
private bond market capitalization
in 24
shareholder protection legislation in
194, 195, 198
size of banking system in 24
stock market capitalization in 18,
23, 24
turnover of Global 500 listed
companies 23
ultimate owners of firms in 27, 28
widely held ownership in 18
Jenkinson, T. 123
Jensen, M.C. 9, 83, 101, 103, 152, 153,
162, 183
job tenure 137, 138, 195, 208
joblessness rate 56, 62–4
Johnson, S. 18, 45
joint stock companies
law at the origin of 109–11
slow transition from partnerships to
111–12
*jus fraterinitatis* 107–8
justice 113
Kahan, M. 36, 45
Kahn, L. 56
Kahneman, D. 213
Kalai, E. 163
Kandori, M. 218
Kharroubi, E. 54
Kho, B.-C. 72–3
Kirchmaier, T. 30, 31
KKR 82
Klee, L. 146
Klein, B. 114
Knight, F.H. 98
Kochan, T. 139
KonTraG law (Germany, 1998) 116
Konzelmann, S. 143–4
Kraakman, R. 7, 127
Kreps, D. 176, 183, 215
L’Oréal 82, 85
La Porta, R. 17, 18, 27, 28, 50, 59–60,
62, 72, 73, 83–4
labour cost fl exibility 138, 142, 143
labour market regulation 8, 15, 70
assessing macroeconomic impact
of ownership concentration
and employment protection
legislation 55–73
accounting for interdependencies
61
coping with endogeneity 61–2
data 58–60
Index

dealing with slowly changing variables 60–61
effect on employment 56–7, 62–4, 70
effect on productivity and growth 57–8, 64–8
EPL indicator 71
marginal effects of market regulation 61, 64, 66–7
marginal effects of ownership concentration 61, 66–8
and emergence of long-term partnerships 54
in France 5, 128, 129, 131, 132–3, 146
relation between financial market regulation and 55, 126, 137
relation between product market regulation and 54, 56–7, 64, 139
in the UK 5, 128, 130–31, 133, 139, 146
labour share of output 206, 210
labour turnover 53, 56, 143
see also job tenure
Lafarge 85
Lang, L.H.P. 26–7, 28, 30, 50
Latvia, shareholder protection legislation in 195
Le Cannu, P. 117
Le Nabasque, H. 117
LEED (linked employer–employee database) 141
Lefebvre-Teillard, A. 122
legal origin 19–20, 60
legal personality of corporations 102–4, 109, 110, 111–12
legal protection of shareholders see shareholder protection legislation
Lele, P. 132
leveraged buyout see private equity (leveraged buyout)
Levine, D. 175
Levine, R. 45
Lévy-Bruhl, H. 122
Lewis, D. 173
liberal market economies 15–16, 128, 196
limited liability combining with unlimited liability 93
emergence and development of 109–12
theoretical implications and practical consequences of 93–5
Limited Liability Act (UK, 1855) 110
limited partners 93
liquidity
constraints on 54
desire for 78–9
shareholders ensuring 95
Listing rules 133
Ljungvist, A. 123
lock-in effect 155, 162
Lordon, F. 146
loss aversion 213
loyalty, duty of 119
LVMH 82
Malaysia, shareholder protection legislation in 195
management fees 81
managerial capitalism 2–3, 84, 127
managing partners 93
Mannesmann 207
Manning, M.J. 45
market imperfections, macroeconomic effects of 53–4
Mayer, C. 20–21, 28, 29, 45, 50, 52, 72, 84
McMahon, C. 181
McVea, J. 155, 181
Means, G. 2, 78–9, 188
Meckling, W. 9
MEDEF (national confederation of French employers) 118, 129
mediating hierarchs 115
Meese, A.L. 160
mergers and acquisitions
activity in France 85, 197–200
activity in UK 197–200, 206–7
City Code on 131, 133
employee voice in 131
private equity deals as a percentage of 38
shareholder protection legislation and 6, 195, 197–200
see also creeping takeovers; hostile takeovers; takeover defences
Mexico
shareholder protection legislation in 195
stock market capitalization and widely held ownership in 18
Michelacci, C. 21, 44
Michelin 85, 93
Modigliani, Franco 212
Moore, J. 9, 156
moral hazard 5, 94–5
Morck, R. 50, 51–2
Moretti, S. 183
motivational role of CSR norms 180
multiple equilibria 180
mutual funds 36, 37, 38, 42, 134
Nash, J. 164
Nash bargaining function 164
Nash equilibrium 163, 164, 165–6, 174, 179
nationalization 77
negative return on assets (ROA) 199, 200
negotiated shareholder value 5, 140, 145, 146
neo-institutional theory 156, 176
Netherlands, stock market capitalization and widely held ownership in 18
Neuer Markt 116
‘New Economic Regulation’ (France, 2001) 131–2
‘new economy’ firms 13, 17
New Zealand, stock market capitalization and widely held ownership in 18
nexus of contracts view of the firm 9, 10, 12, 17, 102–4, 118, 156–7, 160
nexus of specific investments view of the firm 160
Nickell, S. 56, 59, 64, 71
Nicoletti, G. 51, 57, 58
non-bank financial institutions, shares held by 25, 26
normative roles of CSR norms 180
Norway, stock market capitalization and widely held ownership in 18
objective function of the firm 13–14, 162–6, 202–3, 213–14
Observatoire des Conjonctures Économiques 187
OECD 4, 33–6, 45–6, 58–9, 71, 120
opportunity cost 104, 138, 210–11
options theory 190
organizational capital 12–13
‘outsider’ model of ownership 50, 126
ownership concentration
assessing macroeconomic impact of ownership concentration and employment protection legislation 55–73, 70
accounting for interdependencies 61
coping with endogeneity 61–2
data 58–60
dealing with slowly changing variables 60–61
effect on employment 56–7, 62–4, 70
effect on productivity and growth 57–8, 64–8
marginal effects of market regulation 61, 64, 66–7
marginal effects of ownership concentration 61, 66–8
and externalities in innovation 53
and financial market discipline 51–2
and labour markets 52–3
and stable partnerships 54–5
Pagano, M. 53, 60, 61–2, 72
Paillusseau, J. 129
Pakistan, shareholder protection legislation in 195
Paribas 85
Parmalat 11, 12
partnerships
slow transition to joint stock companies 111–12
triumph and decline of 107–9
passive shareholders 81–2, 84, 85, 86
patents 205
Pejovich, S. 122
Pendleton, A. 126, 140, 143
Penn World Table 59
pension funds 35, 36, 37, 78, 134, 196–7
performance related pay (PRP) 138, 144, 145
Pernod Ricard 82
Perraudin, C. 141
Persson, T. 62
Peugeot 82, 85
Phalippou, L. 81, 83
Pilkington 207
Plümper, T. 60
pluralism 113
plutocracy 105
poison pills 119, 133, 198
political economy equilibrium 53
political exchange domain 218, 219
political ideology of governments 60, 68, 69, 70
Porter, M. 137
Portugal, stock market capitalization and widely held ownership in 18
Posner, E.A. 173
‘potential shareholder’ theory 106–7
Pothier, Robert-Joseph 109
PPR 82
precautionary rules of behaviour 176–8
Preston, L.E. 181
price-to-book ratio 199, 200
private benefits of control 10–11, 12, 16, 43
private bond market capitalization 24–5
private equity (leveraged buyout) 38–9, 42, 78, 81, 82–3, 85–6, 192–3, 196–7
private non-financial companies, shares held by 25–6, 29, 134
privatization 84, 116
product market competition 44, 210–11
product market regulation 54
effect on employment 56, 64
effect on productivity and growth 64, 65, 66
and emergence of long-term partnerships 54
relation between labour market regulation and 54, 56–7, 64, 139
productivity
effects of changes in control structures on 43, 44
effects of ownership concentration and employment protection on GDP per employee growth 57–8, 64–8
of labour and capital in US industry 204
simultaneous equation estimations for growth, employment protection and ownership concentration 68–70
profit, concept of 115
profit maximization 5, 92, 99, 137, 152, 163, 202
profit sharing 83
property rights 1, 97, 109, 154, 157, 159
property rights institutions 18–19
property rights view of the firm 10, 12
proportional electoral systems 60, 68, 70
proportionality principle 106, 122
protest votes 60, 64
public sector
human resource management in 143–4
shares held by 25–6
Publicis 82
pyramids 33, 42, 43, 52, 72
Rajan, R. 20, 160
Rawls, J. 181, 182
Raz, J. 181
Rebérioux, A. 2, 114, 129, 146
redundancies 129, 130, 131, 137, 139
Reeb, D. 80, 81
Reiter, R. 183
rent
effect of competition on 57, 210, 211
extraction of 6, 15, 53, 190, 191, 192
sharing of 5, 142, 143, 145, 146, 215
replacement rates 56, 59, 62
residual right of control 157–9, 190
RESPONSE (Relations Professionnelles et Négociations d’Entreprise) survey 127, 140–41, 144
return on capital 44, 104, 193, 204, 205–6, 210
return on equity (ROE) 136, 137, 210–11
Revlon v. MacAndrews (1986) 119
right to ownership 1
risk taking
by CEOs 44
desire for liquidity leading to lack of 79
Does company ownership matter?

by employees 100−101, 113−14, 190
by family owners 21−2, 81
in liberal market economies 15−16
by private equity funds 81, 83
by shareholders 98−101, 113−14, 190
Robbins, G.E. 201
Rock, E.B. 36, 45
Royal Charters 109−10
Rubinstein, S. 139
Rueda, D. 53, 126
Russia
stock market capitalization in 22, 23
turnover of Global 500 listed companies 23
Saatchi and Saatchi 13, 14, 17
Sacconi, L. 154, 158, 159, 161, 165, 166, 176, 180, 181, 182, 183
Safran 85
Saint-Gobain 85, 87−8, 207
Samuelson, P. 218
Saturn 139
Scarpetta, S. 51, 57, 58
Schivardi, F. 21, 44
Schmidt, D. 117
Schumpeter, J. 57
Schumpeterian effect 57
Scruggs, L. 59
self-regulation 153, 170−73
Selten, R. 183
share price
managerial performance evaluated by 6, 191
manipulating company earnings to influence 11, 12, 79
shareholder value maximization and 137, 211
willingness to accept a fall in 82
shareholder coalitions 33, 42, 43
shareholder democracy 105−6
shareholder of reference 116
shareholder primacy 5, 6, 92−124
debates provoked by 92
heterogeneity of shareholders and 204−5
justifications of 96−102
company ownership 96−7
‘incompetent shareholder’ theory 107
nexus of contracts 102−4
risk taken by shareholders 98−101
‘single master’ theory 101−2
shareholder democracy 105−6
shareholder value 104−5
and social value maximization 6, 189−91
three paradoxes of 93−6
assumption of power justifying the loss of power 96
power to the non-liable 93−5
power without the money 95
see also shareholder protection legislation; shareholder value
shareholder protection legislation 50, 193−202
for different types of shareholders 196−7
and employment 6, 200−202
and growth 6, 194−6
inter-country comparisons 194, 195
and M&A activity 6, 195, 197−200
shareholder rights and duties, ratings for 40
shareholder value 3, 10, 12, 13, 14, 104−5, 128, 129, 191
duty of board of directors to maximize 119−20
effect on human resource management (HRM) 136−40
findings based on establishment-level survey data 140−45
labour law and 145−6
enlightened shareholder value 130
negotiated shareholder value 5, 140, 145, 146
self-interest and 171−2
self-regulation and 153, 170
and share price 137, 211
see also shareholder primacy
Shiller, R. 79
Shleifer, A. 7, 10, 50, 79
Sicard, G. 122
Siebert, H. 56
Siems, M. 132, 194, 195
silent partners 110
Singapore, stock market capitalization and widely held ownership in 17, 18
see also shareholder protection legislation
Index

Skeel, D.A. 122
slowly changing variables 60–61
Smorodinsky, M. 163
societas 107–8, 110
société anonyme 108–9, 110
société en commandite 93, 108–9, 110, 112
société générale 108–9
software industry, voting blocks in 32
Soskice, D. 14, 43, 51, 52, 126, 128, 136, 137
South Africa, shareholder protection legislation in 195
South Korea, stock market capitalization and widely held ownership in 18
Spain
corporate governance ratings for 40
private bond market capitalization in 24
shareholder protection legislation in 195
size of banking system in 24
stock market capitalization in 18, 23, 24
turnover of Global 500 listed companies 23
typtology of shareholders in 25–6
ultimate owners of firms in 27, 28
voting blocks in 29
widely held ownership in 18
Sraer, D. 81
Stackelberg equilibrium 179
stakeholder value maximization 13–14, 162–3, 170–71
stakeholders
definition of 155–6
multi-stakeholder corporate governance see corporate social responsibility (CSR)
Standard and Poor’s corporate governance index 40, 41
Starks, L.T. 36
state
effect of intervention on productivity and growth 64, 65, 66
new role in France 86–9
as shareholder 80–81, 85, 88, 89, 134
state ownership 128
Stein, J.C. 79, 82, 83
Sternberg, E. 183
stock market capitalization, inter-country comparisons of 17, 18, 22, 23, 24, 42, 134, 135
stock options 6, 39, 79, 138, 191, 201
Stout, L. 127, 160, 173, 182, 187
strategic fit 208
Streeck, W. 77, 146
Stulz, R. 10, 19–20
subcontracting 142, 143, 145, 146
succession laws 111
sum of voting blocks 30–32
sunk investments 214
supervisory boards 78, 89, 116
Sweden
corporate governance ratings for 40
private bond market capitalization in 24
size of banking system in 24
stock market capitalization in 18, 23, 24
typology of shareholders in 25
ultimate owners of firms in 27, 28
widely held ownership in 18
Switzerland
shareholder protection legislation in 195
stock market capitalization and widely held ownership in 18
Sylvestre, S. 123
takeover defences
in France 40, 89, 133, 198
in Germany 40, 116
incompatible with improved functioning of companies in blockholder systems 41
in Ireland 39, 40
in Italy 40
in Japan 198
lack of convergence in 4
ratings for 39, 40, 41
reducing 11–12
in Spain 40
in Sweden 40
in UK 29, 39, 40, 84, 133
in US 29, 119–20, 198
target setting 144
tax wedge 59
team production 114–15, 160, 188–91
Does company ownership matter?

team working 144
technological frontier, distance from 51, 57–8, 61, 62, 64–70 passim
technology transfer 15, 89
Telegdy, A. 147
Thales 85
Thatcher, M. 103
Thirteenth Company Law Directive 131, 133
Thomsen, S. 134
time horizon 36, 39, 78–84, 86, 88, 128, 140, 196–7, 202–3
Topel, R.C. 114
tractor 108
trade specialization 8, 17, 43, 44
trade unions
  influence in French firms 131
  long-term partnerships with 54–5
  regulation of 15
  union density 56, 59, 64
  wage agreements 15, 41, 53, 56, 139
training, effect of stock market listing on 137–8, 140, 142, 143, 144, 145
transaction costs 19, 154
transparency 4, 21, 36, 40, 43, 81, 88, 110, 136
Tröger, V. 60
trust game 154, 174
  repeated 174–81
trustee 154–5
trustor 154–5
tunnelling 11
Tversky, A. 213
typology of shareholders 78–84
  in France 4, 25, 26, 42, 84–6, 87–8, 133–4
  inter-country comparisons 25–6, 42, 133–4
  tax treatment according to 204–5
UK Economic and Social Research Council (ESRC) 196–7
ultimate owners 27–8
unincorporated associations 110
union density 56, 59, 64
Union des Assurances de Paris 85
United Auto Workers Union 139
United Kingdom
  boards of directors in 78, 89, 101
  control transfer mechanisms in 29
  corporate governance and human resource management in 139, 140–41, 143–6
  corporate governance ratings for 39, 40
  corporate interest in 118–19
  discount rate of shareholders in 212–13
  dynamic features of corporate governance in 5, 128–36, 145
  employment in 201–2
  evolution of limited liability in 110–11, 112
  export market competitiveness of 46
  institutional investors in 25, 26, 33, 34, 35, 36, 37, 134, 136
  labour regulation in 5, 128, 130–31, 133, 139, 146
  M&A activity in 197–200, 206–7
  number of listed companies in 134, 135
  private bond market capitalization in 24
  private equity deals in 38
  shareholder protection legislation in 195, 197–8
  size of banking system in 24
  stock market capitalization in 18, 22, 23, 24, 134, 135
  turnover of Global 500 listed companies 22–3
  typology of shareholders in 25, 26, 134
  ultimate owners in 27, 28
  voting blocks in 29, 30, 31
  widely held ownership in 18, 84, 128, 145, 212–13
United States
  boards of directors in 78, 89, 198
  capital gains taxes in 204–5
  capital share of output in 192–3, 204
  control transfer mechanisms in 29
  corporate interest in 119–20
  evolution of limited liability in 111
  institutional shareholder activism in 36
  M&A activity in 197–200
Index

managerial capitalism in 2–3, 84, 127
new economy firms in 13
private bond market capitalization in 24
shareholder protection legislation in 195, 197–8
size of banking system in 24
stock market capitalization in 18, 22, 23, 24
turnover of Global 500 listed companies 23
ultimate owners in 27, 28
widely held ownership in 18, 84
*Unocal v. Mesa Petroleum* (1985) 119
US Securities and Exchange Commission (SEC) 132
usury 108
utility companies 209
Van Reenen, J. 27
Vanderbilt University 187
varieties of capitalism (VOC) 50, 137
veil of ignorance 181, 182
Velamuri, S.R. 181
venture-capital organizations 216
vested interests 8
Vinci 85
Vishny, R. 7, 10, 50, 79
Vitols, Sigurt 136, 140, 145, 146
Vodaphone 207
volatility 21, 22, 79
Volkcker, P. 211
Volpin, P.F. 7, 53, 62, 72
voluntariness 153
*see also* self-regulation
voluntary association 103
voting blocks *see* blockholders
voting rights 88, 106, 116, 133, 146
wage levels, effect of stock market pressure on 139, 142, 143, 145
wage setting 53, 54, 56
wage share of output 206, 210
wage taxes 56
Watt, E.D. 181
Weil, P. 56
welfare state 68
Wendel 85, 88
WERS (Workplace Employee Relations Survey) 127, 140–41, 143–4
widely held ownership 17, 18, 27, 28, 29, 83–4, 128, 145, 212–13
Wieland, J. 181
Williamson, O. 156
Wojcik, D. 30–33, 40
worker autonomy 144
workers' associations 52
*see also* trade unions
works councils 15, 37, 41, 43, 100, 131, 139
World Bank 18, 24, 59
WorldCom 191
Worldscope 72–3
Wright, M. 38, 146
Xenophon 122
yield curve 212
Young, H.P. 183
Zimmerman, H.J. 177
Zingales, L. 9, 12–13, 16, 20, 43, 160