# Political Economy of Finance

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## Introduction

Approximately 30 years ago the Western world began its experiment with financial deregulation. This was preceded by the collapse of the post-Second World War Bretton Woods system of fixed exchange rates, which was finally abandoned in 1973 after 5 years in which the United States had refused to adhere to the dollar-gold exchange rate. Capital controls that restricted currency flows across borders were removed first in the USA in 1974, in Britain in 1979, and thereafter very quickly throughout the capitalist world. With the collapse of the Soviet Union in 1991, the way was clear for a truly globalised financial market.

Coupled with the removal of capital controls globally was the deregulation of financial markets within individual countries, most importantly the USA and Britain. New York and London were and remain the world's most important financial centres and have increased their importance to their respective economies as those countries have experienced de-industrialisation. This has led to their greater political influence, as state policies have largely adapted to suit the prerogatives of the financial sector.

This climaxed in 2007, after which the accumulation of debt that had grown as a result of "light-touch" regulation proved to be too much. Booms in residential property that were fired by generously low interest rates (at least initially) and aggressive marketing ("sub-prime") turned quickly to bust as suddenly it was realised that there was too much to pay back and the collateral did not have a market value equal to the book value of the debt. Banks were threatened with collapse.

In addition, innovations like "securitisation" and complex financial derivatives had supposedly enabled banks and other financial institutions to spread risk, such that they would be less likely to suffer in the event of any downturn. However, instead of reducing aggregate risk the financial institutions issued enormous quantities of these products, thereby multiplying risk levels throughout the financial system in a process known as "leverage". Adding further to the risk level was the fact that in many cases these products were so complex that their buyers, and very often their sellers, did not understand them. This was compounded by the role of the credit rating agencies, which awarded triple A ratings to complex derivatives that were subsequently proven to be worthless.

The collapse of the financial system led to states bailing out the banks and taking on their debts. Ironically, this has now meant that the financial system that caused the mess is now dictating to states what they must do to resolve the situation. Typically this involves deficit reduction and spending cuts, which in turn usually leads to reduced economic growth, if not recession, thereby making the situation even worse. How on earth did we get here?

## Course rationale

Given the importance of the financial sector, its size, scope and complexity make it difficult to squeeze into a single course, even if it is worth 5 credits! However we can survey the system's essential features with the help of relevant literature, including a text that usefully brings together various aspects of the financial regime and connects them to the general concept of "shareholder value", which for a time was the hegemonic ideology governing policy and practice as regards the field of corporate governance.

Corporate governance is the set of rules, regulations and practices that govern the rights and responsibilities of all those with an interest or stake in a business organisation. Potentially that includes everyone, because corporations make decisions that have a very wide impact, such as BP's decision to outsource much of its drilling operations in the Gulf of Mexico, where the world's largest oil disaster occurred in the spring of 2010. The shareholder value doctrine is an attempt to both simplify and restrict the obligations facing business organisations. Not only should company directors focus on making profit, but they should specifically ensure that shareholder value is maximised. Typically, this means striving to maintain a rising share price. However, this has led to many (for some) unintended consequences and distortions that many blame for causing the present crisis.

In this course, we will attempt to make sense of

- Corporate governance regimes
- Financial market actors
- Financial instruments
- The impact of all these on economic policy and performance

Unlike a typical course in finance, this course does not demand of the student mathematical prowess. Instead, as the course title implies, we will be analysing the financial sector as both a political and economic entity. In this way the mystery that is often attached to financial matters will be (hopefully) dispelled and greater clarity regarding the sector's characteristics achieved.

## Assessment

There are two components of assessment:

- *Group presentation* – groups of 2 or 3 students will select a particular country's corporate governance regime, analyse it, and highlight its significant features with reference to themes presented in the course. A classroom presentation on 25 May will be followed by a written report, to be submitted on 30 May.

- *Exam* – this will combine various features previously presented during the course. Further details will be provided later. Date of exam: 1 June.

| | | |
|---|---|---|
| Assessment Weighting: | Group assignment | 50% |
| | Exam | 50% |

## Reading

You are **strongly** encouraged to obtain a copy of

Michel Aglietta and Antoine Rebérioux (2005), *Corporate Governance Adrift: A Critique of Shareholder Value*, Cheltenham: Edward Elgar (ISBN 1-84542-138-8).

This very good book provides an excellent overview of what is a vast subject. It uses the position and role of the firm as its focus, showing how the influence of financial prerogatives affects the design, behaviour and performance of business organisations.

In addition, there is an extensive bibliography of corporate governance materials available, as can been seen from the long list of items available in the Metropolia library that is attached to this course guide.

There are many other books and journals available in the library, including those in electronic format. These provide supplementary information that build upon the basic knowledge obtained in the lectures and in the main textbook. Furthermore, other materials will be provided in the event that the text book does not cover something of significance.

As always, periodicals like the *Financial Times, The Economist, Business Week,* and *Helsingin Sanomat* contain articles that are relevant to this course. Both news reporting and deeper analytical articles can shed light upon current problems, and add to your understanding of these. It is important to be as critical of these news sources as you would be of any books or journal articles.

## Plagiarism

It is essential that all reports are **original** work. The purpose of any written assignment is twofold: (1) to demonstrate the student's knowledge of the subject area; (2) to develop the student's writing and presentation skills. Neither of these goals is accomplished if students copy, **without attribution**, from the work of others. For this reason please note that students suspected of plagiarism will be dealt with as follows:

- Students will be asked to explain the suspect phrase or passage using their own words. They will also be asked questions regarding their information sources.

- If students cannot provide an adequate explanation of these, their work automatically will be failed.

Please avoid this unnecessary and unpleasant scenario by relying upon your own abilities to do good work. Lecturers are available for consultation in the event of any difficulties.

# Understanding assessment grades

The grading scale employed in the course is the standard Metropolia grading scale:

| Grade | Percentage/points | Explanation |
|---|---|---|
| 5 | 90 – 100 | Outstanding performance: not only fulfils all standard requirements but demonstrates originality and imagination |
| 4 | 80 – 89 | Excellent performance, fulfilling all tasks in an appropriate manner |
| 3 | 70 – 79 | Strong performance, showing strong understanding of basic concepts and good grasp of techniques, but with certain minor problems still requiring further attention |
| 2 | 60 – 69 | Good performance, demonstrating basic grasp of concepts and techniques but less adept at more advanced application of these |
| 1 | 50 – 59 | Adequate performance, showing just enough understanding of the subject to merit a pass grade but requiring greater effort to achieve a more satisfactory result |
| 0 | 0 – 49 | 30 – 49: insufficient to pass but capable of achieving a more satisfactory result if greater effort is made<br>0 – 29: a result indicating a significant lack of effort on the part of the student, and a clear signal that major improvements are necessary in the organisation of study time |

## Lecture Programme

| **Week** | **Date** | **Lecture topic*** | **Book chapters** |
|---|---|---|---|
| | | | Aglietta & Rebérioux |
| 1 | 14 May | Introduction to corporate governance | Foreword |
| 2 | 15 May | Where are we? How did we arrive here? | 1 |
| 3 | 16 May | Shareholder value | 2 |
| 4 | 18 May | European developments | 3 |
| 5 | 21 May | Corporate governance regimes | 4 |
| 6 | 22 May | The role of accounting | 5 |
| 7 | 23 May | Financial asset valuation & management | 6 |
| 8 | 24 May | Financial crises | 7 |
| 9 | 25 May | PRESENTATIONS | |
| 10 | 28 May | What can we learn from crisis? | 8 |
| 11 | 29 May | Alternative models | 9 |
| 12 | 30 May | Central banking | See handout |
| 13 | 31 May | “Shadow” finance | See handout |
| 14 | 1 June | FINAL EXAM | |

* Please note that the lecture programme may be subject to changes

# Group assignment

This assignment focuses on the subject of **corporate governance**.

You will form groups of 2 or 3, and conduct a comparative study of corporate governance in a country (or 2) of your choice (but agreed in advance with the lecturer). Your tasks are as follows:

- To define the purpose, central features and function of the corporate governance regime(s) under scrutiny
- To highlight the features specific to the corporate governance regime(s) selected for this assignment
- To examine the effect that these features have on the behaviour of companies, investors and other stakeholders in these countries
- To identify the interests that are served by the design of the corporate governance systems
- To examine the effect that these contrasting systems have on these countries' respective economic outcomes

The purpose of this exercise is that you conduct a critical evaluation of one or more corporate governance regimes. Your work should be of length approximately 2000 - 3000 words, depending on the size of your group (i.e. approximately 1000 words per group member).

You will find an extensive guide to relevant literature starting on page 8. In addition, you should also check the library catalogue for more recent arrivals, and make use of other books and information sources that might be of assistance in providing useful background information.

The rationale behind this exercise is that you should appreciate that financing methods used by managers occur in a wider context than is commonly assumed. Most corporate finance textbooks simply assume that conditions prevalent in the USA are common to the rest of the world, and so the study of finance is simply a survey of mathematical techniques. This is not the case. As international business students, you should be aware of these differences, and of the effects that these have not only on the companies and the investors, but also on the economies themselves.

You should submit your work no later than **30 May**.

# Corporate Governance

## Reading List

Amann, Edmund, ed. (2006) *Regulating Development: Evidence from Africa and Latin America*. Cheltenham: Edward Elgar.

> A collection of articles about development topics, including chapter 7 about Brazilian corporate governance.

Amyx, Jennifer, and Peter Drysdale, eds. (2003). *Japanese Governance: Beyond Japan Inc.* London: RoutledgeCurzon.

> Most chapters in this book refer to the Japanese political system, which is certainly relevant and therefore worth checking out for useful background information. However of most significance are chapter 5 by Horiuchi Akiyoshi on financial reform, and chapter 6 by Kohno Masaru on the evolution of the Ministry of International Trade and Industry. The former discusses the implications of changes to the regulation of capital markets for the regime of corporate governance in Japan, whereas the latter focuses on the very influential government ministry responsible for much of Japan's economic strategy since 1945.

Anand, Sanjay. (2007) *Essentials of Sarbanes-Oxley*. Hoboken, NJ: John Wiley & Sons.

> Anand writes a quick "how to" guide for simple understanding. Included are real world case studies of companies responding to the legal changes made by this landmark US legislation.

Aoki, Masahiko. (2000) *Information, Corporate Governance, and Institutional Diversity: Competitiveness in Japan, the USA, and the Transitional Economies*, Oxford: Oxford University Press.

> Originally published in Japanese in 1995, this book compares the strengths and weaknesses of the US and Japanese financing and corporate governance systems. Aoki suggests that with some judicious reform the essential features of the Japanese system can be preserved, and may serve as a model for the former communist countries as they seek a suitable development model.

Aoki, Masahiko, and Ronald Dore, eds. (1994). *The Japanese Firm: Sources of Competitive Strength*. Oxford: Oxford University Press.

This is a collection of articles focusing on the theory and history of Japanese corporate organisation and regulation. Among the chapters are a few discussions specifically relating to corporate governance issues. Chapter 11, "The economic role of corporate grouping and the main bank system" by Takeo Hoshi discusses the traditionally close relationship between companies and banks, while chapter 12, "Interlocking shareholdings and corporate governance in Japan" by Paul Sheard focuses on the structure of shareholdings as providing protection against financial distress and the problems of an unregulated market for corporate control (i.e. takeovers).

Aoki, Masahiko, Gregory Jackson, and Hideaki Miyajima, eds. (2008) *Corporate Governance in Japan: Institutional Change and Organizational Diversity*. Oxford: Oxford University Press.

Another collection of articles that charts more recent developments in Japanese corporate governance, including the effects of the economic downturn of the 1990s, foreign investors, the main bank system, and the reduction of cross-shareholdings.

Aoki, Masahiko, and Hugh Patrick, eds. (1994) *The Japanese Main Bank System: Its Relevance for Developing and Transforming Economies*. Oxford: Oxford University Press.

A comprehensive overview of the main bank system. The first section of the book covers the history, development and present function of the main bank system in ten chapters. The second section features seven chapters comparing the bank systems of other countries with that of Japan. Specific comparisons include Germany (ch. 12), Korea (ch. 13), China (ch. 16) and Poland (ch. 17).

Aoki, Masahiko, and Gary R. Saxonhouse, eds. (2000) *Finance, Governance, and Competitiveness in Japan*, Oxford: Oxford University Press.

This is a collection of essays on the Japanese political economy in honour of a renowned scholar the subject, Hugh Patrick. Several chapters discuss corporate governance issues. Chapter 2, by Aoki and Serdar Dinc on relational financing deals with traditional Japanese corporate financing arrangements. Chapters 4 and 5 deal with the Japanese main bank system, a central feature of Japanese corporate finance.

Bamber, Greg J., Russell D. Lansbury, and Nick Wailes, eds. (2004) *International and Comparative Employment Relations*, 4th ed., London: Sage.

> The focus in this book is more human resource-based. Nevertheless it contains a lot of useful background information regarding the industrial and regulatory structures of various industrialised countries. There are chapters on Britain, the US, Canada, Italy, Australia, France, Germany, Sweden, Japan, and South Korea.

Banks, Erik. (2004) *Corporate Governance: Financial Responsibility, Controls and Ethics*. Basingstoke: Palgrave Macmillan.

> Although written by someone with a primarily US perspective, this is nevertheless a comprehensive introduction to the subject that incorporates a lot of material from other countries. The basic problems arising from the separation of ownership and control are theorised and analysed via the use the topical case studies (Enron, Andersen, ABB, Kirch, etc.). The author also includes detailed reference to relevant information sources concerning the laws and reports on corporate governance of many countries (e.g. Brazil, Canada, Malaysia are included among the more common examples). Additionally, there is a very useful glossary of terms employed in the corporate governance literature.

Barca, Fabrizio, and Marco Becht, eds. (2001) *The Control of Corporate Europe*, Oxford: Oxford University Press.

> Published in association with the European Corporate Governance Network, this book features articles on corporate governance arrangements in Austria, Belgium, France, Germany, Italy, Netherlands, Spain, Sweden & United Kingdom. A closing chapter by Marco Becht also looks at arrangements in the United States, focusing on the use of strategic blocks against the threat of takeovers and activist shareholders. This is intended as a "benchmark" against which the European chapters can be compared, but obviously it also (perhaps) blows the myth of US companies being much more responsive to shareholder demands than European companies.

Battilossi, Stefano, and Youssef Cassis, eds. (2002) *European Banks and the American Challenge: Competition and Cooperation in International Banking Under Bretton Woods*, Oxford: Oxford University Press.

This is a collection of articles with a focus on the history of banking since 1945. As such it is not as relevant as some of the other books listed here but it does contain a few relevant articles, providing some historical background for those interested in differences between US and German banking systems, for example. It also shows the impact made by the expansion of US banks into Europe during the 1960s and 70s. In addition, the article by Richard Sylla on US banks' expansion into Europe shows just quickly some perspectives can become out of date. He ends his article highlighting the "superiority" of US banks' strategies, using as evidence exactly those features which are now blamed for a lot of the corporate scandals surrounding Enron, Global Crossing, WorldCom, etc. The chapter by Ulrich Ramm on German banking is particularly informative.

Brountas, Paul P. (2004) *Boardroom Excellence: A Commonsense Perspective on Corporate Governance*, San Francisco: Jossey-Bass.

This book has been written for the benefit of potential and actual directors of US companies, following the implementation of the Sarbanes-Oxley Act of 2002. Sarbanes himself contributes a foreword, but the practical effects of corporate governance reforms in the US are explored by the author in a clear and easy manner – even the dumbest US executive could understand it.

Cadbury, Adrian. (2002) *Corporate Governance and Chairmanship: A Personal View*, Oxford: Oxford University Press.

Written from a British perspective, this is the work of a famous corporate governance reformer who was commissioned by the government to head a committee of inquiry on company finance and management. He has since retired but remains involved in the debates over these issues, being an influential voice. This book distils his knowledge and experience and features a useful general introduction to corporate governance as well as more specific discussions of executive roles and shareholder responsibilities, within a British context. Of specific concern is the ability and responsibility of the chairman to hold the chief executive to account – Cadbury has long campaigned for a formal separation of these roles. There is also a chapter on corporate social responsibility.

Carter, Colin B., and Jay W. Lorsch (2004) *Back to the Drawing Board: Designing Corporate Boards for a Complex World*, Boston, MA: Harvard Business School Press.

> Although the authors are US-based, this book has attracted praise from corporate governance experts in Europe, including Adrian Cadbury. The book itself focuses on the design of corporate boards, examining the various roles of its members. In particular the division between executive and non-executive directors is explored. The authors do not suggest that there is one perfect, universally-applicable design. Instead they highlight the problems common to most business organisations and recommend that board design should reflect the specific circumstances of the business.

Charkham, Jonathan. (1994) *Keeping Good Company: A Study of Corporate Governance in Five Countries*, Oxford: Oxford University Press.

> The five countries in question are Germany, Japan, France, the USA and Britain. The book features lots of good historical background, showing the legal and cultural roots of the current systems, and outlining the strengths and weaknesses of each system. At the time it was published this book was considered ground-breaking.

Charan, Ram. (2005) *Boards That Deliver: Advancing Corporate Governance From Compliance to Competitive Advantage*, San Franscisco, CA: Jossey-Bass.

> Another "how-to" book in the aftermath of the corporate scandals that hit the USA at the beginning of the century. As such it is full of references to the US environment, in addition to some more basic, general considerations. As the title suggests it concentrates on the composition and conduct of the board of directors.

Charkham, Jonathan, and Anne Simpson. (1999) *Fair Shares: The Future of Shareholder Power and Responsibility*, Oxford: Oxford University Press.

> This book takes a primarily British focus on the issue of corporate governance, exploring the intersection between company law and shareholder responsibility. In other words, what opportunities, within the current system of corporate governance, exist for shareholders to exercise greater control over their companies with a view to acting responsibly. The authors take a historical view of the subject, charting the growth of the joint-stock company and the

evolution of the shareholder role, and the current dominance of large financial institutions.

Chew, Donald H. (1997) *Studies in International Corporate Finance and Governance Systems: A Comparison of the U.S., Japan, and Europe*, Oxford: Oxford University Press.

A collection of 28 articles featuring authors including Michael Porter, C. K. Prahalad and Michael Jensen. Most attention is devoted to the U.S., and debates concerning the strengths and weaknesses of the U.S. system spill over into the papers examining European and Japanese alternatives. In other words, the book is concerned mainly with the future of the U.S. capital allocation system and its regulation, rather than an objective comparison of different systems. Nevertheless there is plenty of useful material here and for insights into particularly the U.S. system, it is a valuable contribution.

Chingos, Peter T., ed. (2004) *Responsible Executive Compensation for a New Era of Accountability*, Hoboken, NJ: John Wiley.

Another book resulting from the fall-out of the corporate scandals at the beginning of the century, this has a primarily US-oriented focus, and is written following the passage of the Sarbanes-Oxley Act into law. Certainly useful for an understanding of the US environment, there are also more general lessons that can be applied elsewhere.

Clarke, Thomas, and Jean-François Chanlat (2009). *European Corporate Governance: Readings and Perspectives*. London: Routledge.

This is a comprehensive collection of essays on efforts to facilitate convergence in European corporate governance systems, and persisting differences. Chapters include studies of Britain, France, Germany, and Italy, as well as more thematic chapters exploring issues like Societas Europaea, accounting standards, shareholder value doctrine, and executive compensation.

Coates, David. (2000) *Models of Capitalism: Growth and Stagnation in the Modern Era*, Cambridge: Polity Press.

This book focuses on the determinants of economic growth, using the histories of the major advanced capitalist economies since 1945 to study differences in systems and how these contribute to national ecoomic performance. Corporate governance is an important part of this, and chapter 6 especially is worth reading. There you will find a comparison of UK and German financial systems, followed by a discussion of the peculiarities of the Japanese system. The opening chapter distinguishes between market-based, state-led and consensual systems of governance.

Coffee, John C. (2006) *Gatekeepers: The Professions and Corporate Governance*. Oxford: Oxford University Press.

The unique feature of this book is its attention to the "professional agents of the board and the shareholders, who inform and advise them: auditors, attorneys, securities analysts, credit-rating agencies and investment bankers" (p. 1) – the gatekeepers of the title. Inspired by the collapse of Enron in 2001, the author examines the roles played by these important participants in the regime of contemporary corporate governance.

Cornelius, Peter K., and Bruce Kogut, eds. (2003) *Corporate Governance and Capital Flows in a Global Economy*, New York: Oxford University Press.

One of many books arising as a result of the Enron debacle, but unlike most others, this is not a cheap cash-in but a comprehensive collection of articles covering a broad range of relevant topics. Of the 24 chapters, the highlights include chapter 1 on the role of corporate governance in a world of international capital flows; chapter 3 on the post-Enron appraisal of the shareholder value doctrine; chapter 5 on corporate governance and the role of employees; chapters 19, 20, and 21 on corporate governance in China, Russia and Poland respectively; and chapter 23 on the relationship between governance and corporate social responsibility.

Correia da Silva, Luis, Marc Goergen, and Luc Renneboog. (2004) *Dividend Policy and Corporate Governance*. Oxford: Oxford University Press.

Working on the assumption that most studies of companies' dividend policies are based on US data, these authors focus instead on the dividend policies of German companies. Germany, with its very different system of corporate governance, is regarded as representative of what the authors call "blockholder-based regimes" in which "corporate governance structures rely on close ties between management, large shareholders, and creditors". Thus it is expected that companies operating under these conditions will pursue different dividend policies from those operating in "market-based regimes" like those in the US and UK. The book tests the data to find out if this is true.

Deutsche Bundesbank, ed. (2001) *Investing Today for the World of Tomorrow: Studies on the Investment Process in Europe*, Berlin & Heidelberg: Springer Verlag.

Chapter 6, "Corporate governance and the financing of investment for structural change" by Martin Hellwig, focuses on the financing of corporate investment by corporate funds. As such, it highlights certain agency problems involved in the use of corporate funds by company executives, instead of raising capital via equity or bond issues or bank loans.

Dietl, Helmut M. (1998) *Capital Markets and Corporate Governance in Japan, Germany and the United States: Organizational Responses to Market Inefficiencies*, London: Routledge.

A detailed comparison of the different systems of corporate governance in these three countries. The author asks why unique characteristics developed as they did, and not elsewhere. He also uses corporate data to analyse the relative strengths and weaknesses of each system, and explains how corporate decision-makers respond to problems unique to the system in which they operate. It also provides a useful linkage of economic theory with actual business practice.

Dine, Janet. (2000) *The Governance of Corporate Groups*. Cambridge: Cambridge University Press.

This book is unique inasmuch as it approaches the subject of corporate governance from the view of the law, rather than from a finance or economics perspective. Essentially it examines the problems arising from the evolution of the corporation and how the law in various countries has developed in order to meet the challenges posed by this. Most attention is focused on Britain, although reference is made also to the USA, Germany and emergent European law.

Dore, Ronald. (2000) *Stock Market Capitalism: Welfare Capitalism: Japan and Germany versus the Anglo-Saxons*, Oxford: Oxford University Press

> Dore has studied Japanese economic development for many years and advocates the sort of financial and social welfare policies typical of Japan and Germany, comparing these with the laissez faire approaches common to US and UK policy discourse and implementation. Dore presents arguments for and against the different approaches, using examples and testing assumptions of each model. Among his points is the fact that the assumptions of mainstream economic theory are not adequate to understand the alternative models of development adopted by Germany and Japan.

du Plessis, Jean Jacques, James McConvill, and Mirko Bagaric. (2005) *Principles of Contemporary Corporate Governance*, Cambridge: Cambridge University Press

> The first part of this book offers a general introduction to the subject, discussing definitions, stakeholders, the board and directors' roles, among other things. Then there follows a four-chapter segment focusing on corporate governance in Australia, providing detailed information about developments there. The next three chapters combine more detailed analysis of Australian corporate governance with more general discussion of the auditors' role (chapter 10). Chapter 12 features comparisons of US, British and German corporate governance, together with the framework produced by the OECD. The last three chapters discuss issues arising from the foregoing, including shareholder participation, ethical obligations and possibly future developments.

Federowicz, Michał, and Ruth V. Aguilera, eds. (2003) *Corporate Governance in a Changing Economic and Political Environment*, Basingstoke: Palgrave.

> This collection discusses corporate governance in Italy and Spain (ch. 2), Ukraine (ch. 3), Bulgaria (ch. 4), the Czech Republic (ch. 5), Poland (ch. 6), Hungary (ch. 7), France (ch. 8), and Switzerland and Sweden (ch. 9). Both the opening and concluding chapters discuss more generally the direction of corporate governance reform across various countries in both Eastern and Western Europe.

Flower, John, with Gabi Ebbers. (2002) *Global Financial Reporting*. Basingstoke: Palgrave Macmillan.

While primarily a book about accounting, the first two parts of this are especially relevant for this course. Part 1 discusses general regulation issues, which relate to principal-agent problems. Part 2 features separate chapters on the accounting methods employed in Britain, France, Germany, Japan, the USA and the EU. Accounting methods are an integral part of any corporate governance regime.

Godfrey, Jayne N., and Keryn Chalmers, eds. (2007) *Globalisation of Accounting Standards*. Cheltenham: Edward Elgar.

Accounting is important as it shapes the way people understand corporate performance. It is always a reflection of how the dominant interests in a society hope to direct or influence company behaviour. This book features chapters that discuss the experiences of Britain, the USA, Canada, Australia, Italy, France, Germany, Japan, China, India and South Africa. In addition there are chapters on Islamic finance and more general discussion of the convergence towards common global standards.

Gordon, Jeffrey N., and Mark J. Roe, eds. (2004) *Convergence and Persistence in Corporate Governance*. Cambridge: Cambridge University Press.

This collection of essays takes a broader view of trends in global corporate governance, examining whether or not there is a process of convergence among different governance regimes, or if instead the differences that characterise each regime remain as strong as before. There is much use of history and theory, which makes the discussion much more analytical and sometimes more speculative than the more typical treatments found in other books.

Gugler, Klaus, ed. (2001) *Corporate Governance and Economic Performance*, Oxford: Oxford University Press.

This book is split into two sections. The first half is an extended discussion by Gugler of the basic issues of corporate governance, and thus serves as a detailed introduction to the subject. The economic theory underlying certain ideas of corporate governance is explained. The second half is a collection of articles on corporate governance arrangements in different countries, including Austria, Belgium, Germany, France, Italy, Japan, the Netherlands, Spain, Turkey, and Britain. The book is an attempt to explain corporate and wider economic performance in each country in terms of the effects of the respective regulatory regimes.

Hall, Peter A., and David Soskice, eds. (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford: Oxford University Press.

Taking the new institutional economics of Oliver Williamson and Douglass North as its theoretical framework, this book contains chapters on different aspects of individual capitalist economies. Of particular interest is chapter 10 by Sigurt Vitols, "Varieties of corporate governance: comparing Germany and the UK". In addition chapter 12, "The legal framework for corporate governance: the influence of contract law on company strategies in Germany and the United States" by Steven Casper, emphasises the legal aspects shaping the financing and governance structures of companies in two contrasting systems. The opening chapter by Hall and Soskice, "An introduction to varieties of capitalism", is a useful discussion of the method of inquiry employed throughout the book, summarised by the following quotation: "The varieties of capitalism approach can also be useful for understanding political economies that do not correspond to the ideal type of a liberal or coordinated market economy. From our perspective, each economy displays specific capacities for coordination that will condition what is firms and government do" (p. 35).

Heinrich, Ralph P. (2002) *Complementarities in Corporate Governance*, Berlin & Heidelberg: Springer Verlag.

While this book contains a lot of econometric modelling, and is therefore not as useful as it could otherwise be, there is some good material on the different systems of corporate governance in Germany, Japan and the United States. The author uses agency theory to posit that different corporate governance systems exist in different institutional environments to counteract different manifestations of the agency problem.

Higgins, Richard B. (2000) *Best Practices in Global Investor Relations: The Creation of Shareholder Value*, Westport, CT: Quorum Books.

This is a book of two halves: the first features a theoretical discussion of investor relations management, while the second features case studies written by different authors on various companies from the US, Europe and Japan. While the emphasis on investor relations is a typically US concern, the inclusion of non-US companies is useful. Also, because the book was published in 2000, events since then make some of the details look very out-of-date (Reuters is currently experiencing difficulty) or just plain ironic (a senior General Electric executive writes an approving foreword at a time when former CEO Jack Welch has lost credibility owing to corporate excess). Investor relations clearly are important, but just how much of it involves communicating information, as opposed to image?

Hirschey, Mark, Kose John, and Anil K. Makhija, eds. (2004). *Corporate Governance: Advances in Financial Economics, Volume 9*. Oxford: Elsevier/JAI.

In addition to chapters covering issues relating to the usual countries, there are chapters on India, Malaysia, China and even Saudi Arabia. Some of the content is highly mathematical, but you can skip that and read only the introductions and conclusions in order to get the main idea.

Hopt, K.J., H. Kanda, M. J. Roe, E. Wymeersch, and S. Prigge, eds. (1998) *Comparative Corporate Governance: The State of the Art and Emerging Research*, Oxford: Oxford University Press.

This massive book (1100+ pages) covers almost everything you could possibly need to know about the subject. As well as useful background historical information the book contains good discussions of the German system of corporate governance (chapters 4, 5, 6, 8, 9 and 12), Japan (chapters 11 and 12), Sweden (chapter 10) and the United States (chapters 3, 4 and 8).

Hopt, Klaus, and Eddy Wymeersch, eds. (2003) *Capital Markets and Company Law*, Oxford: Oxford University Press.

Not as big as its predecessor (under 800 pages), this book continues the work of *Comparative Corporate Governance* by incorporating legal aspects of corporate finance in different countries. The role of law in shaping investor and company behaviour is examined and evaluated. Recommendations are given concerning the “best” laws and legal frameworks on the basis of the authors’ research. Of particular interest is a discussion of international harmonisation (chapter 1), apparent shortcomings in European disclosure requirements (chapter 3), different perspectives on the shareholder value debate (chapters 10, 11, 12, 13, 14, 15), and the role of institutional investors (chapters 16, 18, 19).

Huse, Morten. (2007) *Boards, Governance and Value Creation*. Cambridge: Cambridge University Press.

Billed as a study of the human side of corporate governance, this is a specialised look at the division of labour and responsibilities within boards of directors. An advantage of this book is that it studies board performance in various types of company, ranging from smaller family businesses to large transnational corporations. In addition, it discusses the two-tier board systems common in Germany and the Netherlands, as well as the unitary board typical of Britain and the USA.

Jenkinson, Tim, and Alexander Ljungqvist. (2001) *Going Public: The Theory and Evidence on How Companies Raise Equity Finance*, 2nd ed., Oxford: Oxford University Press.

Comparing orthodox economic theory with practice, this book takes a mostly US/UK view of the subject of equity financing, although reference is made to initial public offerings in other countries. Therefore the book is most useful as an insight into how so-called Anglo-Saxon systems work, written by authors who, unlike Ronald Dore for example, would argue that such systems are superior mechanisms for allocating capital efficiently. As a guide to the actual process of initial public offerings, it offers a very good introduction.

Jwa, Sung-Hee, and In Kwon Lee, eds. (2004). *Competition and Corporate Governance in Korea*. Cheltenham: Edward Elgar.

An excellent source of recent information concerning developments in Korea, especially following the restructuring of the economy that has been taking place in the aftermath of the 1997/8 financial crisis.

Kallifatides, Markus, Sophie Nachemson-Ekwall, and Sven-Erik Sjöstrand. (2010) *Corporate Governance in Modern Financial Capitalism: Old Mutual's Hostile Takeover of Skandia*. Cheltenham: Edward Elgar.

The title provides the clue that this book is a case study symbolising the transition process affecting Sweden's system of corporate governance. Traditional voice-based and culturally specific modes are being transformed into the more globally observed exit-based pattern. The detail is quite heavy and so demands that you are prepared to follow closely the events surrounding a landmark takeover in recent Swedish corporate history.

Keasey, Kevin, Steve Thompson and Mike Wright, eds. (1997) *Corporate Governance: Economic, Management, and Financial Issues*, Oxford: Oxford University Press.

While this collection of articles is more an introduction to the subject of corporate governance itself, for those requiring a more basic discussion of the issues it is worth reading. Also, there are some chapters directly relevant to the comparative study of different corporate governance systems. Hicheon Kim and Robert E. Hoskisson contribute “Market (United States) versus Managed (Japanese) Governance”, while Thomas Clarke and Richard Bostock ask “Governance in Germany: The Foundations of Corporate Structure?” Most other articles deal with arrangements in Britain.

Keasey, Kevin, Steve Thompson, Mike Wright. (2005) *Corporate Governance: Accountability, Enterprise and International Comparisons*. Chichester: John Wiley.

A comprehensive and up-to-date guide on the subject, featuring chapters on Britain, Germany, Japan, France, China and transition economies (former Soviet bloc). Additionally there are chapters on general topics like international convergence, venture capital, takeovers, executive compensation, non-executive directors, and institutional shareholders.

Khanna, Tarun, and Krishna G. Palepu. (2004) “Globalization and Convergence in Corporate Governance: Evidence from Infosys and the Indian Software Industry”, *Journal of International Business Studies* 35(6): 484-507.

A case study of corporate governance from India.

Kim, Kenneth A., and John R. Nofsinger. (2004) *Corporate Governance*. Upper Saddle River, NJ: Prentice Hall.

Although the US emphasis of this book renders it less useful for understanding the corporate governance systems of other countries, it is an excellent, accessible guide. Not only does it provide clear explanations of the US regulatory environment, but it also covers the basic issues that every system tries to address. A good supplementary text, to be used in conjunction with more specific, detailed references.

Kraakman, Reinier R., Paul Davies, Henry Hansmann, Gerard Hertig, Klaus J. Hopt, Hideki Kanda, and Edward B. Rock. (2004) *The Anatomy of Corporate Law: A Comparative and Functional Approach*, Cambridge: Cambridge University Press.

For those with a particular interest in the legal aspects of corporate governance, this book is an excellent introduction to the various legal responses to the different agency problems that arise in modern corporate financing. The authors begin by examining the basic agency problems, and then draw from international examples of legal response in order to compare and evaluate these. The chapters are organised according to subjects, as opposed to countries.

Köke, Jens. (2002) *Corporate Governance in Germany: An Empirical Investigation*, Heidelberg and New York: Physica-Verlag.

This is a very technical book, based on the author's doctoral dissertation. Amid the statistical tests and methodological discussions are important items of information concerning company financing, takeovers and market discipline (analogous to anglo-US notions of the "market for corporate control"). You must be patient, however, because these useful items of information are scattered among lengthy passages on testing methodology.

Laurence, Henry. (2001) *Money Rules: The New Politics of Finance in Britain and Japan*, Ithaca, NY: Cornell University Press.

This author contends that the internationalisation of finance has forced governments in historically different systems of capital allocation and corporate governance to converge on a more uniform model. This process is continuously developing, and by no means near completion. However, by using his experience of both the British and Japanese financial sectors, in addition to many interviews with "people who know", Laurence argues that, despite their historically different configurations, British and Japanese financial systems are likely to become more similar, in line with those of other countries around the world, thanks to the power of international finance.

Lazonick, William, and Mary O'Sullivan, eds. (2002) *Corporate Governance and Sustainable Prosperity*, Basingstoke: Palgrave.

Most of the chapters are concerned with the U.S., with case studies of different industries and the wider impact of the U.S. system on these. This is useful for those wishing to look more closely at the U.S. Chapter 2 is a detailed, critical examination of the shareholder value ideology, whilst chapter 8 discusses Japan and chapter 9 focuses on Germany.

Learmount, Simon. (2002) *Corporate Governance: What can be Learned from Japan?* Oxford: Oxford University Press.

As well as providing a useful introductory chapter outlining the main issues of corporate governance, there are several chapters focusing on specific issues like the Japanese main bank system, the role of shareholders in Japanese companies and the position of company directors. The author conducts 14 case studies in order to draw more general conclusions about the Japanese approach to corporate governance. It's a very detailed and informative account.

Lee, Thomas A. (2006) *Financial Reporting and Corporate Governance*, Chichester: John Wiley.

This book is an accounting-focused look at recent developments in corporate governance, mainly in the US and also in the UK. As such, expect a very "anglo-saxon" emphasis on themes common in exit-based regimes. The book is also useful as a refresher of basic accounting concepts and practices.

Levitt, Arthur. (2002) *Take on the Street: What Wall Street and Corporate America Don't Want You to Know*, New York: Pantheon Books.

Part memoir, part explanation of how corporate governance works/should work, this book by the former SEC chairman is a timely exposé of the inner workings of Wall Street from the perspective of a regulator. Levitt championed the cause of the small investor and this philosophy informs the book, which not only details Levitt's battles at the SEC but also provides plenty of basic information regarding investment terminology which aims to assist individual investors as they confront the array of choices before them.

Li Wei-An (2008) *Corporate Governance in China: Research and Evaluation*, Singapore: John Wiley & Sons.

Unlike most books about the Chinese economy in English, this book is written by someone with inside knowledge of the Chinese system. At the time of writing the author was working in the Chinese Ministry of Education, as well as being head of the Corporate Governance research centre at Nankai University. His Ph.D was earned at Keio University, Japan. As a result what we have is an insider's account that provides different insights than those you normally find in books written by foreigners. According to the book's publicity material, Professor Li has been a major figure in the design and implementation of corporate governance mechanisms in China.

MacAvoy, Paul W., and Ira M. Millstein. (2003) *The Recurrent Crisis in Corporate Governance*, Basingstoke: Palgrave Macmillan.

This book is a response to the financial scandals that rocked the US at the beginning of the 21st century. As such it deals with problems specific to the US business environment. Nevertheless it takes a historical view of the problems and therefore highlights the sort of issues that apply to any situation where companies raise capital externally – i.e., via financial markets. Chapter 5 features a method of calculating the effect of strong governance on corporate performance, while chapter 7 concludes by outlining proposals for the reform of corporate boards, going beyond those contained in the Sarbanes-Oxley Act of 2002.

McCahery, Joseph A., Piet Moerland, Theo Raaijmakers, and Luc Renneboog. (2002) *Corporate Governance Regimes: Convergence and Diversity*, Oxford: Oxford University Press.

This is a gigantic reference book of chapters focusing on different issues of corporate governance. The theme is a focus on convergence, and the underlying assumption appears to be that the convergence is towards the US model of corporate finance and regulation. Despite that there are many good chapters, some focusing on the historical development of the separation of ownership and control, while others examine different corporate governance regimes in Europe, including especially Germany.

McCahery, Joseph A., and Erik P. M. Vermeulen (2008) *Corporate Governance of Non-Listed Companies*. Oxford: Oxford University Press.

As the name suggests this is a comprehensive global guide to corporate governance matters relating to companies whose shares are not publicly traded. What can be done to protect the interests of owners, especially minority owners, under such circumstances where there is less legal requirement to provide information? How to protect the interests of shareholders from the misconduct of other shareholders? The book opens with generally applicable discussion and thereafter follows a chapter on Europe, followed by a chapter on the USA and Asia. Later chapters discuss private equity, hedge funds and the design of a comprehensive set of guidelines that would be globally applicable.

McCarthy, Daniel J., Sheila M. Puffer, and Stanislav V. Shekshnia, eds. (2004) *Corporate Governance in Russia*. Cheltenham: Edward Elgar.

As the title suggests, this is possible the definitive English-language guide to the emerging corporate governance regime in Russia. There are twenty chapters, covering recent history, case studies, and informed speculations on the future.

Macey, Jonathan R. (2008) *Corporate Governance: Promises Kept, Promises Broken*. Princeton, NJ: Princeton University Press.

This book studies the US system from the perspective of a rather disappointed and angry shareholder who is demanding still more influence over management. Macey investigates the difference between the doctrine of shareholder value and the reality of US corporate governance. There are chapters about accounting, rating agencies, the SEC, stock exchanges, financial institutions, legal aspects (including the role of lawsuits), and financial techniques that affect corporate decision makers.

Mallin, Christine A. (2004) *Corporate Governance*. Oxford: Oxford University Press.

Written from a British perspective, this is intended as an introduction to the subject. The first chapters introduce the basic theory and history of the topic, incorporating discussion of family businesses, institutional investors, and socially responsible investment. After two further chapters on boards of directors and remuneration policies, there are four chapters providing brief discussion of corporate governance regimes in Europe, Asia, South Africa and Brazil.

Mickiewitz, Thomas, ed. (2006) *Corporate Governance and Finance in Poland and Russia*. New York: Palgrave Macmillan.

> A collection of articles featuring on both or either of these countries, including a few case studies. There is also a chapter comparing Poland to Hungary and the Czech Republic.

Millstein, Ira M., and Salem M. Katsh. (2003) *The Limits of Corporate Power: Existing Constraints on the Exercise of Corporate Discretion*. Washington, DC: Beard Books.

> Originally published in 1981, this book concentrates on the US regulatory environment. The most relevant chapters for the study of corporate governance are the first, second, and fifth chapters.

Millstein, Ira M., et al. (1998) *Corporate Governance: Improving Competitiveness and Access to Capital in Global Markets*. Paris: OECD.

> This is a special report commissioned by the OECD. A committee of six internationally recognised authorities on the subject of corporate governance have drafted a set of guidelines which are intended to be applied globally as benchmarks of good practice. Because it is intended to apply globally, the guidelines are very generalised, since they must incorporate all the various systems of corporate governance that exist. Nevertheless they can be expected to form the basis for some sort of international convergence as systems evolve towards a more "exit-based" model typical of the anglo-saxon countries.

Monks, Robert A. G. (2001) *The New Global Investors: How Shareholders can Unlock Sustainable Prosperity Worldwide*, Oxford: Capstone.

> A leading shareholder activists explores ways in which shareholders, the nominal owners of the companies in which they invest, can take better control of their investments and at the same time focus on socially responsible investing. The idea is that suitably equipped shareholders, willing to participate in the governance of their companies, can make a difference such that corporate hegemony is thwarted and instead a more humane style of corporate behaviour is encouraged, promoting both shareholder returns and social value.

Monks, Robert A. G., and Nell Minow (2008) *Corporate Governance*, 4th ed. Chichester: John Wiley & Sons.

This is now a classic text in the field, written by the founders of the Corporate Library, described as “the leading independent research firm dedicated to corporate governance”. As such, the book has been written by experts who have devoted time and resources to the study of problems relating to mainly Anglo-Saxon corporate governance. There is a chapter which focuses on international comparisons, discussing briefly Sweden, Canada, Singapore, Russia, Germany, China and Japan.

Morck, Randall, ed. (2007) *A History of Corporate Governance Around the World: Family Business Groups to Professional Managers*. Chicago: University of Chicago Press.

This publication brings together papers presented at a conference organised by top US research institute the National Bureau of Economic Research. There are chapters on corporate governance in Canada, China, France, Germany, India, Italy, Japan, the Netherlands, Sweden, the UK, and the US. There is also a useful introductory chapter that provides the context for the other chapters and summarises the basic problems that every corporate governance system tries to alleviate, if not solve entirely.

Nobes, Christopher, and Robert Parker (2000) *Comparative International Accounting*, 6th ed. Harlow: Financial Times/Prentice Hall.

Although this is a textbook aimed at more advanced accounting students, there are several chapters that provide useful information regarding the accounting requirements of companies in various countries. Britain (ch. 6), the USA (ch. 7), the Netherlands (ch. 8), France (ch. 9), Germany (ch. 10), Japan (ch. 11), and Australia, Canada, Denmark, Sweden, Italy, South Korea and Spain (ch. 12) are all discussed in some detail.

Nofsinger, John, and Kenneth Kim (2003) *Infectious Greed: Restoring Confidence in America's Companies*, Upper Saddle River, NJ: Prentice Hall.

A US-focused, very readable analysis of what went wrong with various high profile corporate scandals (Enron, WorldCom, Global Crossing and others) and what needs to be done to put things right again. The chief advantage of this book is that the authors try to write as accessibly as possible, and provide detailed references for the data used throughout the book.

O'Sullivan, Mary A. (2000) *Contests for Corporate Control: Corporate Governance and Economic Performance in the United States and Germany*, Oxford: Oxford University Press.

A very detailed comparison of the United States and Germany, full of historical detail. Highlighting the strengths and weaknesses of each system, the author takes a more critical view of the US system at a time (the very top of the 1990s boom) when the US was being held up as a model of corporate excellence. How times change.

Padgett, Stephen, William E. Paterson, and Gordon Smith, eds. (2003) *Developments in German Politics 3*, Basingstoke: Palgrave Macmillan.

Chapter 6 by Stephen Padgett provides an overview of Germany's economy, including the effects of globalisation on "Deutschland AG". As such it provides useful contextual information that supplements the more specific details of German corporate governance.

Pearce, Rupert, and Simon Barnes (2006) *Raising Venture Capital*. Chichester: John Wiley.

Although this is focused on entrepreneurial finance, there is a chapter on corporate governance that serves as a useful summary of some of the things that often apply when addressing the interests of especially minority shareholders. Why should anyone invest in your company? What is in it for them? What safeguards do they have that discourage or prevent you from running away with their money?

Perraton, Jonathan, and Ben Clift, eds. (2004) *Where are National Capitalisms Now?* Basingstoke: Palgrave Macmillan.

Another collection of articles comparing different systems. Chapter 10 on South Korea is especially useful, as is chapter 6 on France and chapter 7 on Scandinavia. Other chapters on Germany, France and Japan supplement information available elsewhere. There is a very useful general comparison of corporate governance systems in chapter 12, pages 221-235.

Prins, Nomi. (2004) *Other People's Money: The Corporate Mugging of America*, New York: The New Press.

This is an insider's account of the 1990s bubble economy in the USA, examining the behaviour of the investment banks and other financial actors that contributed ultimately to the downfall of companies like Enron although, unlike Enron, they still exist. Very much focused on the US, the book is useful for understanding that country in addition to understanding the implications of other countries adopting US standards and laws in their corporate governance regimes.

Rajan, Raghuram G., and Luigi Zingales (2003) *Saving Capitalism from the Capitalists: Unleashing the Power of Financial Markets to Create Wealth and Spread Opportunity*, New York: Crown Business

An historical perspective on the growth and development of financial markets in modern capitalist economies. The main message of the authors is that greater transparency and clear rules are necessary to create a level playing field for investors, thereby creating confidence and so generating necessary, efficient investment. The alternative is the rule of vested interests, who act to restrict, if not destroy, competition, wherever possible. Not so much a focus on the internal aspects of companies, but a wider discussion on the sort of regulatory regime that the authors believe should prevail.

Rezaee, Zabihollah, (2009) *Corporate Governance and Ethics*, Hoboken, NJ: John Wiley.

This is as comprehensive a guide as you could find to all the ethical dimensions of the subject, presented very much from a US-based perspective, and therefore reflective of typical exit-based regime assumptions. The author combines expertise in accounting with a detailed knowledge of relevant law. The book is not light reading.

Roe, Mark J. (1994) *Strong Managers, Weak Owners: The Political Roots of American Corporate Finance*, Princeton: Princeton University Press.

This is a detailed history of the development and evolution of US corporate governance spanning the twentieth century. Roe argues that the reasons US capitalism developed the way it did were political, owing to the public's mistrust of large concentrations of capital. Instead, because of the preference for dispersed, small holdings, owners were weakened with respect to managers, whose knowledge of the company inevitably became much greater by comparison. Chapters 11 and 12 also discuss German and Japanese corporate governance.

Schaberg, Marc (1999) *Globalization and the Erosion of National Financial Systems: Is Declining Autonomy Inevitable?* Cheltenham: Edward Elgar.

Although this book is highly technical in nature, it is easy to ignore the econometrics and go straight to the results of the author's research. There is useful empirical data on the sources of finance typical of the economies under scrutiny (US, UK, Japan, Germany, and France) and conclusions regarding how these sources influence firm behaviour and economic performance. The most relevant chapters are 2, 4 and 5, while chapter 6 discusses the issue of convergence.

Shiller, Robert J. (1992) *Who's Minding the Store? The Report of the Twentieth Century Fund Task Force on Market Speculation and Corporate Governance*, New York: Twentieth Century Fund Press.

In the early 1990s there had already grown a substantial body of literature criticising the short-termism of much private sector decision-making in the US. This was attributed to the nature of financial markets and the emphasis placed on quick profit maximisation, as opposed to longer term, strategic, relational investing of the kind familiar to students of Germany and Japan. A task force of eminent academics was established to investigate the problem and make recommendations. One of the task force members, James Tobin, recommended his now famous "Tobin tax" on transactions, designed to act as a disincentive to arbitrageurs. However, his was a minority opinion. The real value of this book is the background paper authored by Robert Shiller, who has since become one of the leading advocates of behavioural finance theory. His paper provides background information for the study, outlining the problems of US financial markets and suggesting possible solutions to these.

Solomon, Jill, and Aris Solomon (2004) *Corporate Governance and Accountability*. Chichester: John Wiley & Sons.

Another British treatment of the subject, which has been a major topic of debate in Britain following scandals in the early 1990s. Incorporating recent material from both the UK and USA, there is also a section describing the corporate governance systems of various countries (chapter 8). This is put in the context of the potential global convergence of corporate governance regimes (chapter 7). The book is up-to-date and worth using as a comprehensive introduction to the subject.

Steger, Ulrich, ed. (2004) *Mastering Global Corporate Governance*, Chichester: John Wiley & Sons.

This is a European version of the "beginners'" type of book currently popular in the USA. It focuses primarily on the role of the board of directors, and uses relevant case studies to illuminate the basic points emphasised by the authors, most of whom are based at IMD, Lausanne, in Switzerland. Featured on the cover praising the book is former Shell chairman Philip Watts, who had to resign after Shell admitted overstating its oil reserves in 2004. A pity he did not apply the wisdom contained in this book.

Steger, Ulrich, and Wolfgang Amann (2008) *Corporate Governance: How to Add Value*, Chichester: John Wiley & Sons.

This is intended as a textbook on the subject, and after some introductory chapters the book moves on to various case studies involving companies from across the world. The ill-fated DaimlerChrysler merger is studied in detail, and there are other sections devoted to companies like ABB, Boeing, Bata, and China Prime.

Stiglitz, Joseph E., and Pierre-Alain Muet, eds. (2001) *Governance, Equity, and Global Markets: The Annual Bank Conference on Development Economics – Europe*, Oxford: Oxford University Press.

Although this collection is devoted to analysing the transition of the former communist countries to capitalism, the debates featured concern which models of corporate governance are best suited to the circumstances. Since many are convinced that the naïve replication of simplified models of US practice was responsible for the problems experienced especially by Russia, much the debate in this book focuses on alternative practices used elsewhere in Europe as possible remedies.

Strange, Roger, and Gregory Jackson, eds. (2008) *Corporate Governance and International Business: Strategy, Performance and Institutional Change*. Basingstoke: Palgrave Macmillan.

This book offers a more general analysis of the subject although it also features chapters that focus on specific countries. Earlier chapters relate corporate governance to issues of national culture, foreign direct investment, and privatisation, for example. Some later ones discuss corporate social responsibility, mergers and acquisitions, finance, and executive pay. Chapter 3 features information about China and inward investment, chapter 7 focuses on

Russia, chapter 11 compares Japan, Europe and the USA, chapter 12 compares France and Britain, chapter 14 examines the adoption of US executive pay models in Germany, chapter 15 compares CSR practices in the USA, Germany and Australia, and chapter 16 concentrates on South Africa.

Streeck, Wolfgang, and Kozo Yamamura, eds. (2001) *The Origins of Nonliberal Capitalism: Germany and Japan in Comparison*, Ithaca, NY: Cornell University Press.

This contains two chapters of particular interest. "The origins of nonliberal corporate governance in Germany and Japan" by Gregory Jackson focuses on the historical development of the distinct systems of financing and regulation that developed in each country in contradistinction to the US-British model. "The origins of bank-based and market-based financial systems: Germany, Japan and the United States" by Sigurt Vitols explores the financing arrangements of each country in greater detail, highlighting key differences, strengths and weaknesses.

Touffut, Jean-Philippe, ed. (2009) *Does Company Ownership Matter?* Cheltenham: Edward Elgar.

Perhaps not surprising for a French publication, this collection of 7 essays offers a critical analysis of the effect of "shareholder value" on company performance, and suggests that the ownership model is only one factor that influences this. Regulation, history, law and the institutional configuration of individual countries are also key determinants of company behaviour, with results showing that the "shareholder value" model does not guarantee better performance.

Vives, Xavier, ed. (2000) *Corporate Governance: Theoretical and Empirical Perspectives*. Cambridge: Cambridge University Press.

While this is a general introduction to the subject, the interesting feature of this book is its European and Japanese focus, given the backgrounds of its contributors. Most chapters are written very accessibly, and provide a good basis for understanding the issues.

Weber, Steven, ed. (2001) *Globalization and the European Political Economy*, New York: Columbia University Press.

This collection of essays focuses on the effects of globalisation on the economies of Europe, both within and outside the European Union. There are two chapters relevant to the study of corporate governance and financing. “Creating a Pan-European Equity Market” by Steven Weber and Elliot Posner tells the story of EASDAQ, the European Association of Security Dealers Automated Quotation. This was an effort by the European Commission and other actors to create an EU-wide equity market. The authors illustrate the problems of reconciling different cultures. “Corporate Governance in Germany: Towards a New Transnational Politics?” by J. Nicholas Ziegler highlights the pressures from within Germany to change German corporate governance in ways resembling the regulatory regimes of other countries, most often the United States.

Whittington, Richard, and Michael Mayer. (2000) *The European Corporation: Strategy, Structure, and Social Science*, Oxford: Oxford University Press.

This book is primarily a critical application of the business theories of Alfred Chandler, historian of US business. However, chapter 4 contains a useful summary of the different systems of corporate governance and financing found in various European countries, and might therefore be of use as a quick introduction.

WHU Koblenz – Otto Beisheim Graduate School of Management, ed. (1999) *Structure and Dynamics of the German Mittelstand*, Heidelberg and New York: Physica-Verlag.

This is a comprehensive guide to the Mittelstand, the SME sector of the German economy, often described as the most important sector driving German economic success since 1945. Two chapters focus on the financing problems of Mittelstand companies. Chapter 9, “Financing the German Mittelstand” by G. Dufey and U. Hommel, provides a general overview of the different options available to Mittelstand companies. Chapter 4, “Venture Capital as One Solution for the Capital Structure Problem of the Mittelstand” by A.-F. Jacob and O. Schween, focuses on a specific solution they propose to the difficulties of financing SMEs in Germany.

Yan, Yanni. (2005) *Foreign Investment and Corporate Governance in China*. Basingstoke: Palgrave Macmillan.

> While China attracts a major share of the world's foreign direct investment, investors remain concerned about its corporate governance framework. This book discusses the issues arising from this, starting with a discussion of theoretical perspectives of FDI and thereafter moving to the construction of the Chinese corporate governance regime. As such it is a comprehensive and reasonably up-to-date guide.

The European Corporate Governance Institute website features an extensive selection of research papers and other information sources at http://www.ecgi.org/

The U.S.-based Corporate Governance Network hosts a large selection of materials (including many links) at http://www.corpgov.net/

The OECD also provides a selection of relevant links focusing on corporate governance at http://www.oecd.org/topic/0,3373,en_2649_37439_1_1_1_1_37439,00.html

See also the *McKinsey Quarterly*, No. 2, 2004, entitled "A New Era in Governance", for various articles on developments in corporate governance.

The *Financial Times* regularly contains articles on the subject of corporate governance. For this and other reasons you should consult this newspaper regularly.

All of the above titles are available in the library. Remember that these are only suggestions. There are other information sources, including on-line databases featuring full-text articles available from the library. Other books on similar subjects will contain relevant information.

[â€¦] The Political Economy of Global Finance By Amol Agrawal I am quite fascinated by the political economy literature. The recent piece by Simon Johnson explaining the growth of finance sector is a must read. The famous pieceby Jagdish Bhagwati explores the rise of US Treasury and Wall Street. Then Stepen Haber looks atpolitical economy of financial development which I thought had reversed. [â€¦] daysofmb.com Says: September 4, 2009 at 10:29 pm | Reply. Basic bank accounts, also known as starter accounts or introductory accounts. Page 1 Islamic Finance: Political Economy, Values and Innovation The Political Economy of Credibility. Birdsall, A Political Economy of Librarianship - CiteSeerX. Political Economy of Uncaring. political economy and political risks of institutional reforms - CiteSeerX.Â  This survey reviews the recent literature on the political economy of financial development. Our goal is to highlight the impact of political institutions on financial structure, broadly defined to include not just the size of capital markets and banking systems but also the accessibility of finance, which is to say its distribution across firms and individuals. 1 A positive role for financial development in economic growth has been firmly established in recent years.