CORPORATE GOVERNANCE AND GLOBALIZATION: ARGUMENTS AND EVIDENCE AGAINST CONVERGENCE

Mauro F. Guillén
The Wharton School and Department of Sociology
University of Pennsylvania
2016 Steinberg Hall-Dietrich Hall
Philadelphia, PA 19104-6370
215-573-6267
guillen@wharton.upenn.edu

September 1999 Version

I thank the John Simon Guggenheim Memorial Foundation and the Institute for Advanced Study for the generous fellowships that made this research possible. I am also grateful to my Work Study research assistants Anne Chun, Yi Jun, and Gina Mok for their constancy and precision.

CORPORATE GOVERNANCE AND GLOBALIZATION: ARGUMENTS AND EVIDENCE AGAINST CONVERGENCE

Conventional wisdom has it that cross-national patterns of corporate governance are converging or will converge on the Anglo-Saxon, capital-market driven model characterized by a sharp separation between ownership and control. In this paper I argue otherwise. Corporate governance models cannot be seen in isolation of the rest of the institutional underpinnings of the economy. I review three lines of criticism against the conventional wisdom. First, corporate governance is tightly coupled with legal traditions that are unlikely to change in the near future. Second, corporate governance models interact in complex ways with other institutional features directly related to the ways in which firms compete in the global economy. Third, the variety of economic, social and political actors involved in corporate governance across countries makes it hard to envision convergence as the result of global pressures because they may attempt to shape and oppose changes adverse to their interests. I present longitudinal evidence drawn from both advanced and newly industrialized countries showing little convergence over the last twenty years.

INTRODUCTION

The quest for persuasive theory and evidence on societal convergence has a long and tortuous history punctuated by bold promises and great disappointments. The staged transitions of modernization theory, the all-encompassing worldview of structural functionalism, and the determinist musings of historical materialism succumbed with the disassembly caused by the economic turmoil of the 1970s and the end of the cold war in 1989. But as soon as sociological theories of convergence were replaced by more nuanced institutional approaches, economic theories of convergence swiftly gained prominence. The 'globalization of markets thesis' is perhaps the most pervasive and influential convergence theory nowadays. Among many others, the argument is made that countries ought to abandon their idiosyncratic corporate governance systems and converge on the much more efficient Anglo-Saxon, capital-market driven model if they are to succeed in this most competitive global economy.

While the conventional wisdom is that corporate governance is (or will be) converging across the world as the result of global pressures, the extant literature has not produced longitudinal evidence documenting such a change. This paper is the first to systematically compare longitudinal patterns of corporate governance among rich and emerging countries. I consider a number of indicators to capture trends over time, including the influence of foreign investment and institutional investors, the distribution of listed corporate equity by type of shareholder, the adoption of long-term incentives in

CEO remuneration, the occurrence of hostile takeovers, and the debt-to-equity ratios of non-financial firms.

Early students of corporate governance argued that shareholder rights and the sharp separation of (dispersed) ownership from (managerial) control were inevitably more ‘efficient’ and ‘modern’ than alternative models such as those underpinning family firms, conglomerates, bank-led groups or worker cooperatives, and would accordingly become widespread (Berle and Means 1932; Kerr et al. 1964). These models developed historically in the United Kingdom and the United States, the two dominant world powers of the 19th and 20th centuries. In particular, given the dominance of American business from the end of World War II to at least the 1970s, one would have expected the American corporate governance model—dispersed ownership, strong legal protection of shareholders and indifference to other stakeholders, little reliance on bank finance, relative freedom to merge or acquire—to have been adopted as the best practice throughout the world. The rise of Germany and Japan as formidable manufacturing powers from the 1960s to the 80s, however, cast serious doubt on the superiority of the American model of corporate governance (Gerlach 1992; Kester 1996).

The globalization of financial investment and money-managing starting in the early 1980s—and the decline of the Japanese economy during the 1990s—has spurred another round of arguments predicting a convergence on the American model. Most financial and money managers would prefer companies throughout the world to observe shareholder rights, maximize shareholder value, and be transparent in their reporting of corporate activities and results (Useem 1994). The rise of globally diversified mutual funds seems to create “pressures for the standardization of information on companies” (Ibbotson and

Brinson (1993:321; see also Shleifer and Vishny 1997:757). It is not at all clear, however, that financial and money managers would prefer to see a wholesale convergence in patterns of corporate governance across the world. The reason lies in that different corporate governance systems are associated with peculiar managerial decision-making criteria, temporal orientations, and diachronic responses to the business cycle (Kester 1996). Accordingly, the chances that stock markets in the world are uncorrelated with each other increase with the diversity in patterns of corporate governance. Uncorrelated stock markets "enrich the menu" for diversification because they provide greater opportunities for global portfolio investment, one of the key ways in which financial managers achieve superior performance over the long run (Malkiel and Mei 1998:23; Siegel 1998:139, 286; Ibbotson and Brinson 1993; Financial Times 1995:447-453).

Financial arguments and shifts in world economic leadership aside, corporate governance patterns continue to differ markedly across countries in spite of decades of economic globalization and twenty years of intense financial globalization. The literature has documented great cross-national variation in terms of such essential aspects of corporate governance as the importance of large stockholders, the legal protection of shareholders, the extent to which relevant laws are enforced, the treatment of stakeholders such as labor and the community, the reliance on debt finance, the structure of the board of directors, the way in which executives are compensated, and the frequency and treatment of mergers and takeovers, especially hostile ones. Concentrated, not dispersed, ownership is still the rule rather than the exception throughout the world, and so is family control of even the largest corporations or business groups in most countries (La Porta et al. 1998, 1999; Shleifer and Vishny 1997; Thomsen and Pedersen 1996).

The persistence of deep and momentous cross-national differences in corporate governance in the face of globalization is a puzzling phenomenon to some. Influential think tanks, multilateral organizations and the financial media seem to be unable to come to terms with the diversity of the world. Thus, Matthew Bishop, writing in 1994 for The Economist magazine, admits that "predicting trends in corporate governance is a tricky business. Five years ago the long-termism of the Japanese and Germans seemed the best course; and the turmoil caused by hostile bids in America and Britain seemed the opposite. Now things look different." After more than three hundred pages of often haphazard comparison of corporate governance in five advanced countries, Jonathan Charkham (1995:363) leaves it up to the reader to decide which is the 'best' model. The OECD (1998a) has recently produced a remarkably confusing report—written by six prominent managers or directors from the US, France, Britain, Germany and Japan, including such sparkling personalities as Michel Albert (of Capitalism against Capitalism fame) and Sir Adrian Cadbury (of impeccable Quaker heritage). "As regulatory barriers between national economies fall and global competition for capital increases," they argue, "investment capital will follow the path to those corporations that have adopted efficient governance standards… Philosophical differences about the corporation's mission continue, although views appear to be converging" (1998a:83). Surprisingly, however, the experts assembled by the OECD point out that such a convergence is not towards the US approach but towards a middle ground between the shareholder and stakeholder-centered models (see also Fleming 1998). The OECD advisory group concludes that "the practical corporate governance agenda in different countries is converging in many vital areas, although historical and cultural differences will continue to exist" (1998a:87). Adding to the confusion, other OECD studies (1995:29) have concluded that “it is not productive to argue whether any system of governance is inherently superior to others” and that “systems are ‘path specific’.”

In this paper I argue that asking ‘what is the best corporate governance model’ is futile. Rather, countries develop corporate governance models that fit their legal, institutions, political circumstances, and position in the global economy. Moreover, convergence is unlikely because any process of change, whether induced by globalization or not, takes place in a political context. I start by defining globalization in a way that is useful to understanding cross-national patterns of organization, including corporate governance. Then, I present and discuss the legal, institutional and political arguments against convergence. Lastly, I present longitudinal quantitative evidence demonstrating that little convergence has taken place since 1980. I propose to intensify our research efforts on cross-national patterns of corporate governance from a comparative approach that takes national diversity and its consequences seriously into account.

WHAT IS GLOBALIZATION?

Globalization is one of the key buzzwords of the turn of the millenium and one of the most hotly debated issues in the social sciences and in management. For many scholars and experts globalization has become a master process, an inexorable trend, an article of faith. For others it is a destructive force, a pandemonium, the latest epidemic infesting the world. Intuitively, globalization is associated with increasing cross-border flows of goods, services, money, people, information, and culture, although most scholars are not sure as to whether it is a cause or an effect of such exchanges. Globalization appears to be associated with a disjunction of space and time (Giddens 1990:64; 1991:21), a shrinking of the world (Harvey 1989; Mittelman 1996). The global economy—driven by increasing technological scale, alliances between firms, and information flows (Kobrin 1997:147-148)—is one "with the capacity to work as a unit in real time on a planetary scale" (Castells 1996:92). It is also one in which national economies become more interdependent in terms of trade, finance, and macroeconomic policy (Gilpin 1987:389). What is perhaps most distinctive about globalization is that it intensifies our consciousness of the world as a whole, making us more aware of each other, and perhaps more prone to be influenced by one another, although not necessarily more alike each other (Robertson 1992:8; Albrow 1997:88; Guillén 2001b; Waters 1995:63).

Examining the impact of globalization on organizational patterns such as corporate governance systems is hard because scholars do not agree as to when globalization started and to what extent it has made inroads (Guillén 2001b). While some scholars date the beginning of globalization with the first circumnavigation of the Earth or the rise of the European-centered world-economy in the early 16th century, others would rather wait until the turn of the 20th century, World War II, the oil crises of the 1970s, the rise of Thatcher and Reagan, or even the collapse of the Soviet Union in 1989. Since the defenders of the convergence thesis in corporate governance systems make arguments about the impact of relatively recent changes in global financial and foreign investment trends, this paper will focus its analysis on the decades of the 1980s and 90s.

Social scientists have also underlined that globalization is far from being a uniform process or an inexorable trend. Rather, it is a fragmented, incomplete, discontinuous, contingent, and in many ways contradictory or incongruous process (Guillén 2001b).

Different parts of the world are not being affected by economic, political or cultural globalization to nearly the same extent (Hirst and Thompson 1996). Still, some sociologists have found convergence in the diffusion of rationalized systems of state and political rule. According to them, the result is that "the world as a whole shows increasing structural similarities of form among societies without, however, showing increasing equalities of outcomes among societies" (Meyer and Hannan 1979:3, 13-15). They argue that a "consensus" exists in the world over the formal acceptance of "matters such as citizen and human rights, the natural world and its scientific investigation, socioeconomic development, and education" (Meyer et al. 1997:145, 148, 152-154, 161).

Beyond the convergence in rationalized systems at the level of the nation-state, social and political theorists as well as historians and anthropologists have elaborated a comprehensive theoretical and empirical critique of the presumed convergent consequences of globalization (Cox 1996:28, 30 n. 1; Mazlish 1993:4; Giddens 1990:64, 175, 1991:21-22; Albrow 1997:86, 144, 149, 189; Friedman 1994:210-211; McMichael 1996:177, 190-197, 234-235; Robertson 1992:27, 145). The varieties of capitalism research tradition in political science has contributed innumerable case studies and quantitative analyses demonstrating that the social-democratic economic model performs well and is a viable alternative to neoliberalism (Garrett 1998, 1999; Hollingsworth et al. 1991; Soskice 1998; Streeck 1991, 1995). Comparative organizational sociologists have also presented qualitative and quantitative evidence to the effect that firms pursue different modes of economic action and adopt different organizational forms depending on the institutional and social structures of their home countries even as globalization increases (Orrù, Biggart and Hamilton 1996; Biggart and Guillén 1999; Guillén 2000, 2001a).

Taken together, the empirical evidence provided by sociologists and political scientists supports well the case for diversity, or at least resilience, in cross-national patterns in the midst of globalization.

THREE ARGUMENTS AGAINST CONVERGENCE IN CORPORATE GOVERNANCE MODELS

There are at least three arguments that provide a rationale against the assumption that the American governance system—characterized by its shareholder-centered corporate governance model with weak financial intermediaries and well-developed capital markets—is unlikely to take over the world any time soon. First, corporate governance systems are tightly coupled with regulatory traditions in the areas of banking, labor, tax and competition law that are unlikely to be modified in the near future. Second, corporate governance systems do not exist in isolation of other institutional features directly related to the ways in which firms compete in the global economy. Third, global pressures on corporate governance practices are mediated by domestic politics in ways that make convergence across countries rather unlikely.

The Legal Case Against Convergence

The legal argument against convergence in corporate governance notes that corporate law is intimately related not only to social custom but also to other legal areas, such as banking, labor, tax, and competition law, that would be exceedingly hard to change all at once because of the various interests created around them. As Columbia Law Professor Mark Roe (1993) explains in excruciating detail, the American model of corporate governance emerged from a specific legal and law-making tradition prone to limiting the activities of banks, privileging managerial over worker rights, taxing the dividends obtained from cross-holdings of shares, and specifying tight limits on collaborative arrangements between firms in the same industry. In Germany and Japan, by contrast, a different set of banking, labor, tax, and competition laws and regulations supports models of corporate governance that facilitate routine interactions between owners and managers, and extensive collaborative ties between financial institutions and firms or between firms themselves. In particular, executive compensation systems cannot converge because the tax treatment of perquisites, pension funds and long-term incentives is so different across countries. Similarly, the patterns of stockholding across different institutional actors such as financial intermediaries, nonfinancial firms and households cannot converge either because of competition and tax regulations that affect who can own what.

Economists La Porta, Lopez-de-Silanes, Shleifer and Vishny argue in a series of papers (La Porta et al. 1998, 1999) that diversity in corporate governance around the world results from attempts by stockholders to surmount poor legal investor protection. Thus, ownership concentration is a frequent way in which investors try to gain power in order to protect their interests. Using detailed data from nearly 50 countries, La Porta et al. (1998) identify four legal traditions—French (which includes the French, Spanish and Portuguese spheres of colonial influence), German (Central Europe and Japan), Scandinavian, and Common Law (the Angloamerican world)—which help explain patterns of variation. Thus, legal traditions with relatively weak investor protection (German, Scandinavian, French) have more concentrated ownership than the common-law countries.

In another paper, La Porta et al. (1999) establish that in 27 wealthy countries, both the largest 20 firms in terms of market capitalization and the 10 firms with capitalization just above $500 million do not tend to have dispersed ownership, but are under the control of families, the state or financial institutions, in that order of importance (see also Guillén 2001a, Chpt. 3; Orrù, Biggart and Hamilton 1996).

Like La Porta et al., Roe (1993:1989) concludes that "the American governance structure is not inevitable, that alternatives are plausible, and that a flatter authority structure does not disable foreign firms." Rather than using agency costs or contract theory or judicial doctrine to explain this or that feature as mitigating or reflecting managerial deviation from the maximization of shareholders' wealth," he continues, "we must consider the role of politics, history, and culture" (1993:1997). To those variables now we turn.

The Institutional Case Against Convergence

An institutional approach indicates that it is futile to attempt identifying the best practice or model in the abstract (Guillén 1994, 1998a, 1998b; Whitley 1992, 1999). Rather, countries and their firms are socially and institutionally equipped to do different things in the global economy. One such institutional equipment is their pattern of corporate governance. Thus, German, French, Japanese and American firms are justly famous for their competitive edge, albeit in different industries and market segments. Germany's educational and industrial institutions—dual apprenticeship system, management-union cooperation, two-tiered corporate governance system, and tradition of hands-on engineering or <u>Technik</u>—enable companies to excel in high-quality, engineering-intensive industries such as advanced machine tools, luxury automobiles, and specialty chemicals. The participation of labor on the supervisory boards of German corporations is a key mechanism compelling firms to look for smart ways of employing the skills of their expensive though extremely productive and sophisticated workers (Deeg 1997; Hollingsworth et al. 1991; Streeck 1991, 1995; Soskice 1998). The French model of elite engineering education has enabled firms to excel at large-scale technical undertakings such as high-speed trains, satellite-launching rockets or nuclear power. French boards of directors tend to span the private and state-owned sectors of the economy for both play a role in such industries (Storper and Salais 1997:131-148; Ziegler 1995, 1997). The Japanese institutional ability to borrow, improve and integrate ideas and technologies from various sources allows its companies to master most categories of assembled goods such as household appliances, consumer electronics and automobiles (Cusumano 1985; Dore 1973; Gerlach 1992; Westney 1987). In order to do so, however, Japanese corporations need the stability and close ties afforded to them by the keiretsu structure of corporate governance. Lastly, the American cultural emphasis on individualism, entrepreneurship, and customer satisfaction enables her firms to become world-class competitors in goods or services that are intensive in people skills, knowledge or venture capital, such as software, financial services or biotechnology (Porter 1990; Storper and Salais 1997:174-188). Undoubtedly, the capital-market driven, shareholder-centered model of corporate governance fits this situation best.

Sociologists and political scientists have long noted the importance of a stakeholder-centered model of corporate governance for the social-democratic alternative to organizing industries and markets (Hollingsworth et al. 1991; Streeck 1991, 1995;

Soskice 1998). It is important to underline that most of the empirical evidence available demonstrates that this alternative is viable, even in the face of globalization. Noting the association between openness to the global economy and the size of the state (Cameron 1978), and using cross-national data for the advanced industrial democracies since 1960, Geoffrey Garrett (1998:1-2, 11, 107, 132-133, 157-158) empirically demonstrates the viability of social democratic corporatism even with increasing exposure to globalization in the forms of cross-border trade and capital mobility. He also proves that it is possible to win elections with redistributive and interventionist policies, and that better economic performance in terms of GDP growth and unemployment obtains, though with higher inflation than in the laissez-faire countries (United States, Britain). Garrett (1998:157) concludes that "big government is compatible with strong macroeconomic performance," and that markets do not dominate politics.

Political scientist Evelyne Huber and sociologist John Stephens (1999) advance an interesting argument about the linkage between the stakeholder view of the firm and macroeconomic policies and performance. They begin by noting that countries with generous welfare states have generally done at least as well as countries with less generous welfare states in terms of unemployment and economic growth. They maintain that a configuration of mutually consistent and reinforcing generous welfare state programs and coordinated production regimes (corporatism, high union density, low wage dispersion, active worker participation in the governance of the firm) allow countries to compete in world markets on the basis of high wages and high quality products—the so-called "high road" to international competitiveness (see also Hollingsworth et al. 1991; Soskice 1998; Streeck 1991, 1995). Quantitative analyses confirm that differences in corporate governance across advanced industrial economies are not associated with differences in financial or sales performance at the company level, after controlling for industry and firm size (Thomsen and Pedersen 1996).

One finds a similar diversity of patterns among newly industrialized countries in Asia, Latin America and Southern Europe. The distribution of organizational forms and corporate governance systems across these countries has grown more diverse over time, not less. In some countries cooperatives and small family firms thrive (Spain, Taiwan), while in others it is large business groups that predominate (Korea, Indonesia, Mexico, Turkey). Institutional scholars have documented with case studies and systematic quantitative evidence that organizations and patterns of corporate control diverge as countries develop and become more embedded in the global economy (Orrù, Biggart and Hamilton 1996; Biggart and Guillén 1999; Guillén 2001a; Aguilera 1998). Moreover, such diversity is related in complex ways to each country's and firm's role in the global economy. Korea has made a dent in international competition in a way that is intimately related to the indigenous patterns of social organization and corporate governance underpinning the rise of large, capital-intensive and diversified conglomerates known as chaebol. Thus, the Koreans export mass-produced automobiles, consumer electronics, chemicals and steel. The Taiwanese guanxiquiye networks of small family firms, by contrast, are thriving in the global economy on the basis of their adaptability and flexibility. Taiwan is known for its exports of machine tools, auto parts, and electronic components. And the Spanish worker-owned cooperatives and family firms have succeeded by leveraging relationships with foreign multinationals and managing not to fall prey to the lending practices of the country's all powerful banks. They are known internationally for their components and branded consumer products (Orrù, Biggart and Hamilton 1996; Guillén 2000, 2001a).

The Political Case Against Convergence

Proponents of a convergence in corporate governance models and practices tend to forget that such worldwide trends as economic and financial globalization are not only fragmented and contradictory but also shaped and contested by political interests. The literature on the diffusion of corporate governance and organizational forms in general is replete with detailed studies of how domestic political conditions affect outcomes. Domestic politics mediate in the relationship between external trends or shocks and outcomes. There is no theoretical reason why the impact of globalization on corporate governance should be any different. In fact, there is mounting evidence indicating that globalizing pressures are met not only by strong resistance but also by creative adaptation.

Examples from the vast literature on the historical transformation of corporations and corporate governance suffice to make the point. Djelic (1998) provides compelling historical evidence that, under pressure from Marshall planners and advisors, German and French politicians, industrialists and labor leaders resisted the direct implementation of American corporate governance and industrial organization blueprints during the 1950s. Domestic actors were able to shape and mold American models to their own goals and priorities. Outcomes also depended on the mutual accommodations found by governments, employers and unions. Guillén (1994) analyzes how domestic coercive and normative factors affected the transfer of models of management throughout the 20^{th} century, with no one country adopting a given model for the same reasons or with similar outcomes. Aguilera (1998) notes that even most similar cases such as Spain and Italy have diverged considerably over time because of regulatory and policy choices made a long time ago, whose effects endure because actors become entrenched in them. Even in the United States, trends and changes in corporate governance have typically taken place in the midst of fierce political battles. Fligstein (1990) documents how the transitions from the manufacturing to the marketing and to the financial conceptions of corporate control over the 20th century were punctuated by political and legislative struggles. A raging debate erupted in the 1990s between managers, economists and legal experts celebrating the efficiency of the separation of ownership from control (Easterbrook and Fischel 1991; Romano 1993), on the one hand, and institutional investors and economists charging that the system is deeply flawed because it gives managers way too much discretion (Jensen 1993), on the other. The outcome of this struggle is yet to be determined (Useem 1994).

The data and analysis by La Porta et al. (1998, 1999) provide further credence to the argument that political forces will shape and perhaps derail the homogenizing effects of globalization. They make two important points. First, no evidence exists that differences in corporate governance systems affect GDP growth over the long run. Thus, one should not expect competitive pressures to force a convergence in corporate governance (La Porta et al. 1998). Second, they argue that the internationalization of capital markets is not enough to unsettle the existing ownership structures, which are "primarily an equilibrium response to the domestic legal environments that companies operate in" (La Porta et al. 1999:512). Given that concentrated ownership produces a centralization of power, La Porta et al. (1999:513) are "skeptical about the imminence of convergence of corporate ownership patterns, and of governance systems more generally, to the Berle and Means model."

The creation of the single market among the European Union (EU) member countries provides a key test case to examine how politics mediate in the relationship between globalization and corporate governance outcomes. The process of European integration has so far failed to generate enough momentum to bring about a convergence in corporate governance laws and practices. In a revealing paper, Lannoo (1999:270) complains that European legislators have fought "very hard" over the last twenty-five years "to bring some harmonization to standards for corporate control in the EU," but that their efforts have been thwarted by "irresolvable disagreements among member states." Instead, he maintains, "either industry or the European Commission should take the initiative to come up with a European-wide code of best practice, in the light of the improbability that any significant harmonization of corporate governance standards will occur at the European level."

Systems in which banks are successful players in corporate governance are unlikely to evolve towards the market-based system if only because banking interests will be opposed. Quantitative research on banking suggests that universal banks—a key component of the German corporate governance system—achieve "a better risk-return trade-off, due to superior monitoring and information collection capacity" than banks in market-based financial systems such as the U.S. or U.K. (Steinherr and Huveneers 1994:271). It is not unusual for universal banks to be among the best managed and most profitable in the world, even when shareholders' return is the performance measure (The Banker, July 1998, p.20; Guillén and Tschoegl 1999; Guillén 2001a, Chpt. 7). If universal banks with strong ties to industry are so profitable in some countries, why should they converge towards some other model? In fact, one would expect that banks will choose to fight reforms detrimental to their interest.

CONVERGENCE OF CORPORATE GOVERNANCE SYSTEMS: THE EVIDENCE

The legal, institutional and political cases against convergence provide some guidance as to how to go about finding relevant longitudinal indicators to assess the evolution of corporate governance systems in the world. Six indicators are considered in this section: (1) foreign direct investment by firms under the influence of various corporate governance systems in their home countries; (2) the influence of institutional investors; (3) the proportion of listed corporate equity held by different types of shareholders; (4) the adoption of long-term incentives in CEO remuneration; (5) the occurrence of hostile takeovers; and (6) the balance between debt and equity financing struck by non-financial firms. Let’s analyze each of them in turn.

The conventional wisdom is that the spread of foreign multinationals will force a convergence of corporate governance models. While it may be true that multinationals are a homogenizing force, it is not at all clear why it should produce a worldwide convergence of corporate governance on the American model. The reason for this skepticism is that the impact of foreign investment originating from countries with an Anglosaxon legal tradition and market-based corporate governance system is waning. Table 1 presents some telling statistics. Following La Porta et al.’s (1998) classification of countries in terms of legal tradition, it turns out that the proportion of the world’s stock of outward foreign investment accounted for by the Anglosaxon countries is falling, from 66 percent in 1980 to just over 50 percent in 1997. Meanwhile, the combined shares of the countries influenced by the German, French or Scandinavian legal traditions has grown from 34 to 49 percent over the same time period. Why should then the spread of foreign multinationals throughout the world result in the diffusion of the market-based model typical of the Anglosaxon countries, whose share of total foreign investment is falling precipitously?

Also contrary to the conventional wisdom, institutional investors such as insurance companies, pension funds and investment companies have a very unequal presence across countries. Table 2 presents the available data for over twenty rich countries plus Mexico, South Korea, the Czech Republic, Hungary and Poland. The influence of institutional investors—as measured by their financial assets held in shares of companies as a percentage of GDP—is the highest in the UK (at 112 percent), followed by the United States (62 percent; see Useem 1994), and a handful of relatively small countries within the 30-50 percent range (Australia, Netherlands, Switzerland and Sweden). Most countries shown in the table have ratios below 20 percent, and over half of them do not even reach 10 percent. Most importantly, between 1990 and 1995 the influence of institutional investors barely grew in many countries (Greece, Italy, Portugal, Spain, Austria, Germany, Norway), and has actually decreased in a few others (Mexico, Turkey, Japan, South Korea).

Patterns of stockholding are proving to be remarkably resilient. Table 3 presents the breakdown for countries belonging to each of the four legal traditions. The Anglosaxon tradition differs sharply from the German and Scandinavian ones. Moreover, the differences are not getting smaller over time. It is only in the case of France that one observes a clear shift towards a greater presence of institutional investors, but this is coming at the expense not of banks but of households.

The adoption of long-term incentives to encourage CEOs to maximize shareholder wealth is extremely heterogeneous. Only the Anglosaxon countries have a strong tendency to use such incentives (Table 4). Among those in the French legal tradition, only France, Brazil and the Netherlands have joined the trend. Countries in the German or Scandinavian legal traditions remain oblivious to this trend.

Perhaps the clearest indicator that corporate governance models are not converging has to do with the market for corporate control. For the world as a whole, hostile takeover activity—a trademark of the Anglosaxon corporate governance model—fell by almost 50 percent in real transaction value terms from the 1980s to the 90s. Moreover, the occurrence of hostile takeovers is not a worldwide phenomenon, but one largely confined to the US and the United Kingdom, both in terms of targets and acquirers (Table 5). Companies in these two countries alone accounted for 94 percent of worldwide hostile targets in terms of transaction value in 1980-89, and 79 percent in 1990-98. American and British acquirers were responsible for roughly 80 percent of worldwide hostile takeovers during the 1980s and 90s. Among countries in other legal traditions, only France stands out for its relatively high (and rising) level of hostile takeover activity targeting its companies. French companies, however, are becoming less likely to launch hostile bids. Italian, German, Norwegian and Swedish acquirers have become more active in the 1990s than in the 80s, but their absolute level of activity is still very low compared to the Anglosaxon countries. Hostile takeover activity remains stagnant at relatively low levels or has decreased in such countries as the Netherlands, Spain, Switzerland and Japan, and even in some countries influenced by the Anglosaxon tradition, e.g. Ireland and Malaysia. The rest of the world remains utterly unaffected by hostile takeover activity.

Finally, the debt-equity ratios of non-financial firms remain very different across countries (Figure 1). Only the trend lines for such small countries as Austria, Belgium, Finland and Norway show a significant convergence on the Anglosaxon pattern of relatively balanced debt and equity. German, Italian, Japanese, South Korean, and even French non-financial firms show few signs of convergence over the last two decades. Figure 2 shows the unweighted mean and standard deviation for the 1975-1995 period. Mean debt-equity ratios dropped during the mid 1980s from about 270 to about 160 percent, and the standard deviation from 160 to 100 percent, approximately. Since 1987, however, neither the mean nor the standard deviation have dropped any further in spite of the rapid increase in trade, foreign direct investment, and capital mobility across borders.

TOWARD A COMPARATIVE ANALYSIS OF CORPORATE GOVERNANCE

The literature on globalization and corporate governance contains important disagreements. The balance of opinion and evidence appears to be tilted, however. There are fundamental legal, institutional and political reasons why a convergence in corporate governance models—especially on the Anglosaxon pattern—is not likely. Scholars have found very little evidence suggesting convergence. Except for the notable cases of France and to a lesser extent Belgium, the Netherlands and the Scandinavian countries, there are no discernible shifts in stockholding, long-term CEO incentives, hostile takeovers or debt-equity ratios.

The three arguments against convergence in corporate governance—legal, institutional, political—provide enough ammunition to cast serious doubt on the idea that there is a 'best practice' in corporate governance. My conclusion is that corporate governance systems are unlikely to converge across countries as a result of globalization. The data presented in this paper, while limited in terms of worldwide coverage, fail to indicate a general trend towards convergence. Globalization, however, has made inroads over the last half century, suggesting that it encourages countries and firms to be different, to look for a distinctive way to make a dent in international competition rather than to converge on a best model. In a global context, corporate governance must support what a country and its firms can do best in the global economy. Globalization seems not to be about convergence to best practice, but rather about leveraging difference in an increasingly borderless world (Guillén 2001a).

The complexity of globalization certainly invites additional research. We are in great need of further theoretical work to clarify how corporate governance affects competitiveness and the well-being of various groups in society. We also need better data on more countries. Given the infancy of our efforts to understand the impact of globalization on corporate governance, it seems sensible to ask for more studies using a comparative approach. We need to engage in comparative work in the dual sense of using multiple methods of data collection and analysis, and of applying our theoretical and empirical tools to a variety of research settings defined at various levels of analysis (Smelser 1976; Smelser and Swedberg 1994; Tilly 1984). The differences and similarities across such settings ought to give us a handle on the patterns according to which the causes and effects of globalization change from one setting to another. Without a comparative approach, the literature on corporate governance and globalization promises to remain puzzling and contradictory.

References

Aguilera, Ruth V. 1998. Elites, Corporations and the Wealth of Nations: Historical Institutional Patterns in Italy and Spain. PhD Dissertation, Department of Sociology, Harvard University.

Albrow, Martin. 1997. The Global Age. Stanford, CA: Stanford University Press.

Arias, María Eugenia, and Mauro F. Guillén. 1998. "The Transfer of Organizational Management Techniques Across Borders." Pp. 110-137 in The Diffusion and Consumption of Business Knowledge, edited by José Luis Alvarez. London: Macmillan.

Baldwin, Richard E., and Philippe Martin. 1999. "Two Waves of Globalization: Superficial Similarities, Fundamental Differences." NBER Working Paper Series 6904. Cambridge, MA: National Bureau of Economic Research.

Bell, Daniel. [1973] 1976. The Coming of Post-Industrial Society. New York: Basic Books.

Berger, Suzanne. 1996. "Introduction." Pp. 1-25 in National Diversity and Global Capitalism, edited by Suzanne Berger and Ronald Dore. Ithaca, NY: Cornell University Press.

Berglof, E. 1988. "Capital Structure as a Mechanism of Control: A Comparison of Financial Systems." In M. Aoki, B. Gustafsson, and O. Williamson, eds., The Firm as a Nexus of Treaties. Newbury Park, CA: Sage.

Berle, Adolf, and Gardiner Means. 1932. The Modern Corporation and Private Property. New York: MacMillan.

Biggart, Nicole Woolsey, and Mauro F. Guillén. 1999. "Developing Difference: Social Organization and the Rise of the Auto Industries of South Korea, Taiwan, Spain, and Argentina." American Sociological Review (October).

Bishop, Matthew. 1994. "Watching the Boss: A Survey of Corporate Governance." The Economist, January 29.

Boyer, Robert. 1996. "The Convergence Hypothesis Revisited: Globalization but Still the Century of Nations?" Pp. 29-59 in National Diversity and Global Capitalism, edited by Suzanne Berger and Ronald Dore. Ithaca, NY: Cornell University Press.

Cameron, David. 1978. "The Expansion of the Public Economy: A Comparative Analysis." American Political Science Review 72(4):1243-1261.

Campa, José Manuel, and Mauro F. Guillén. 2000. "The Internalization of Exports: Firm and Location-Specific Factors in a Middle-Income Country." Management Science.

Castells, Manuel. 1996. The Rise of the Network Society. Cambridge, MA: Blackwell.

Charkham, Jonathan. 1995. Keeping Good Company: A Study of Corporate Governance in Five Countries. Oxford: Oxford University Press.

Cox, Robert W. 1996. "A Perspective on Globalization." Pp. 21-30 in Globalization: Critical Reflections, edited by James H. Mittelman. Boulder: Lynne Rienner Publishers.

Cusumano, Michael. 1985. The Japanese Automobile Industry: Technology and Management at Nissan and Toyota. Cambridge, MA: Harvard University Press.

Deeg, Richard. 1997. "What Makes German Banks Different." Small Business Economics **:1-9.

Djelic, Marie-Laure. 1998. Exporting the American Model. New York: Oxford University Press.

Dore, Ronald. 1973. British Factory—Japanese Factory. Berkeley, CA: University of California Press.

Doremus, Paul N., William W. Keller, Louis W. Pauly, and Simon Reich. 1998. The Myth of the Global Corporation. Princeton, NJ: Princeton University Press.

Easternbrook, Frank, and Daniel Fischel. 1991. The Economic Structure of Corporate Law. Cambridge, MA: Harvard University Press.

Financial Times. 1995. FT Global Guide to Investing. London: FT Pitman Publishing.

Fleming, Rowland W. 1998. "Worldwide Changes in Corporate Governance." The Corporate Board (November-December):1-4.

Fligstein, Neil. 1990. The Transformation of Corporate Control. Cambridge, MA: Harvard University Press.

Friedman, Jonathan. 1994. Cultural Identity and Global Process. London: Sage.

Garrett, Geoffrey. 1998. Partisan Politics in the Global Economy. New York: Cambridge University Press.

____. 1999. "Trade, Capital Mobility and Government Spending Around the World." Working Paper, Department of Political Science, Yale University.

Geertz, Clifford. 1973. The Interpretation of Cultures: Selected Essays. New York: Basic.

___. 1998. "The World in Pieces: Culture and Politics at the End of the Century." Focaal: Tijdschrift voor Antropologie 32:91-117.

Gereffi, Gary. 1994. "The Organization of Buyer-Driven Global Commodity Chains." Pp. 95-122 in Commodity Chains and Global Capitalism, edited by G. Gereffi and M. Korzeniewicz. Westport, CT: Greenwood.

Gerlach, Michael L. 1992. Alliance Capitalism: The Social Organization of Japanese Business. Berkeley, CA: University of California Press.

Giddens, Anthony. 1984. The Constitution of Society. Berkeley, CA: University of California Press.

____. 1990. The Consequences of Modernity. Stanford, CA: Stanford University Press.

____. 1991. Modernity and Self-Identity. Cambridge, MA: Polity Press.

Gilpin, Robert. 1987. The Political Economy of International Relations. Princeton, NJ: Princeton University Press.

Guillén, Mauro F. 1994. Models of Management: Work, Authority, and Organization in a Comparative Perspective. Chicago: The University of Chicago Press.

____. 1998a. "International Management and the Circulation of Ideas." Trends in Organizational Behavior 4.

____. 1998b. "Review of The Collapse of the American Management Mystique, by Richard R. Locke." Business History Review 72(2) (Summer 1998):364-366.

____. 2000. "Organized Labor's Images of Multinational Enterprise: Ideologies of Foreign Investment in Argentina, South Korea, and Spain." Industrial and Labor Relations Review.

____. 2001a. Diversity in Globalization: Organizational Change in Argentina, South Korea, and Spain. Princeton, NJ: Princeton University Press.

____. 2001b. "Is Globalization Civilizing, Destructive or Feeble? A Critique of Six Key Debates in the Social-Science Literature." Annual Review of Sociology.

Guillén, Mauro F., and Omar N. Toulan. 1997. "New Organizational Forms of Internationalization in Latin America: The Experience of Argentine Firms." Organization 4(4) (1997):552-563.

Guillén, Mauro F., and Adrian E. Tschoegl. 1999. "At Last the Internationalization of Retail Banking? The Case of the Spanish Banks in Latin America." Manuscript. The Wharton School.

Haggard, Stephan. 1990. Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries. Ithaca, NY: Cornell University Press.

Haque, Nadeem Ul, Donald Mathieson, and Nelson Mark. 1997. "Rating the Raters of Country Creditworthiness." Finance & Development March:10-13.

Harvey, David. 1989. The Condition of Postmodernity. Oxford: Blackwell.

Hirschman, Albert O. 1982. "Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble?" Journal of Economic Literature 20 (December):1463-1484.

Hirst, Paul, and Grahame Thompson. 1996. Globalization in Question. London: Polity.

Hollingsworth, J. Rogers, Philippe C. Schmitter, and Wolfgang Streeck. 1994. "Capitalism, Sectors, Institutions, and Performance." Pp. 3-16 in Governing Capitalist Economies: Performance and Control of Economic Sectors, edited by J. Hollingsworth, P. Schmitter, and W. Streeck. New York and Oxford: Oxford University Press.

Huber, Evelyne, and John D. Stephens. 1999. "Welfare State and Production Regimes in the Era of Retrenchment." Occasional Papers No. 1, School of Social Science, Institute for Advanced Study, Princeton, New Jersey.

Hunt, Courtney Shelton, and Howard Aldrich. 1998. "The Second Ecology: The Creation & Evolution of Organizational Communities as Exemplified by the Commercialization of the World Wide Web." Pp. 267-302 in Research in Organizational Behavior, edited by Barry Staw and L.L. Cummings, Vol. 20. Greenwich, CT: JAI Press.

Ibbotson, Roger G., and Gary P. Brinson. 1993. Global Investing. New York: McGraw-Hill.

IFC. 1998. Emerging Stock Markets Factbook. Washington, DC: International Finance Corporation.

Jensen, Michael. 1993. "The modern industrial revolution, exit, and the failure of internal control systems." Journal of Finance 48:831-880.

Kennedy, Paul. 1993. Preparing for the Twenty-First Century. New York: Random House.

Kerr, Clark, John T. Dunlop, Frederick Harbison, and Charles A. Myers. [1960] 1964. Industrialism and Industrial Man. New York: Oxford University Press.

Kobrin, Stephen J. 1997. "The Architecture of Globalization: State Sovereignty in a Networked Global Economy." Pp. 146-171 in Governments, Globalization, and International Business, edited by John H. Dunning. New York: Oxford University Press.

Krugman, Paul. Krugman, Paul. 1994. "The Myth of Asia's Miracle." Foreign Affairs (November-December):62-78.

1994. Peddling Prosperity. New York: W. W. Norton.

____. 1998. "Saving Asia: It's Time to Get Radical." Fortune (September 7):75-80.

La Porta, Rafael, Florencio Lopez-de-Silanes, and Andrei Shleifer. 1999. "Corporate Ownership around the World." Journal of Finance 54(2) (April):471-517.

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny. 1998. "Law and Finance." Journal of Political Economy 106(6):1113-1155.

Lannoo, Karel. 1999. " A European Perspective on Corporate Governance." Journal of Common Market Studies 37(2):269-294.

Levitt, Theodore. 1983. "The globalization of markets." Harvard Business Review 61(3) (May-June):92-102.

Louch, Hugh, Eszter Hargittai, and Miguel Angel Centeno. 1998. " Who Calls Whom? Networks and Globalization." Paper presented at the Annual Meetings of the American Sociological Association, San Francisco.

McMichael, Philip. 1996. Development and Social Change: A Global Perspective. Thousand Oaks, CA: Pine Forge Press.

Maddison, Angus. 1995. Monitoring the World Economy 1820-1992. Paris: OECD.

Malkiel, Burton, and J. P. Mei. 1998. Global Bargain Hunting. New York: Simon and Schuster.

Mander, Jerry, and Edward Goldsmith eds. 1996. The Case Against the Global Economy. San Francisco: Sierra Club Books.

Meyer, John W., John Boli, George M. Thomas and Francisco O. Ramirez. 1997. " World Society and the Nation-State." American Journal of Sociology 103(1) (July):144-181.

Meyer, John W., and Michael T. Hannan. 1979. "National Development in a Changing World System: An Overview." Pp. 3-16 in National Development and the World System: Educational, Economic, and Political Change, 1950-1970, edited by John W. Meyer and Michael T. Hannan. Chicago: The University of Chicago Press.

Murmann, Johann Peter. 1998. Knowledge and Competitive Advantage in the Synthetic Dye Industry, 1850-1914: The Coevolution of Firms, Technology, and National Institutions in Great Britain, Germany, and the United States. Book manuscript. Evanston, IL: Kellogg Graduate School of Management, Northwestern University.

Naisbitt, John, and Patricia Aburdene. 1990. Megatrends 2000. New York: Morrow.

OECD. 1995. "Financial Markets and Corporate Governance." Financial Market Trends 62:13-35.

____. 1998a. Corporate Governance: Improving Competitiveness and Access to Capital in Global Markets. Paris: Organization of Economic Cooperation and Development.

____. 1998b. "Shareholder value and the Market in Corporate Control in OECD Countries." Financial Market Trends 69:15-37.

Ohmae, Kenichi. 1990. The Borderless World: Power and Strategy in the Interlinked Economy. New York: Harper Business.

Orrù, M., N. W. Biggart, and G. G. Hamilton. 1997. The Economic Organization of East Asian Capitalism. Thousand Oaks, CA: Sage.

Porter, Michael E. 1990. The Competitive Advantage of Nations. New York: Free Press.

Pritchett, Lant. 1997. "Divergence, Big Time." Journal of Economic Perspectives 11(3) (Summer):3-17.

Rapoport, David C. 1996. “The Importance of Space in Violent Ethno-Religious Strife.” Nationalism & Ethnic Politics 2(2) (Summer):258-285.

Reich, Robert B. 1991. The Work of Nations. New York: Alfred A. Knopf.

Robertson, Roland. 1992. Globalization: Social Theory and Global Culture. London: Sage Publications.

____. “Glocalization: Time-Space and Homogeneity-Heterogeneity.” Pp. 25-44 in Global Modernities, edited by Mike Featherstone, Scott Lash and Roland Robertson. London: Sage.

Rodrik, Dani. 1997. Has Globalization Gone too Far? Washington, DC: Institute for International Economics.

____. 1998. “The Global Fix.” The New Republic (November 2):

Roe, Mark J. 1993. “Some Differences in Corporate Structure in Germany, Japan, and the United States,” Yale Law Journal 102 (8) (June):1927-2003.

Romano, Roberta. 1993. The Genius of American Corporate Law. Washington, DC: American Enterprise Institute Press.

Shleifer, Andrei, and Robert W. Vishny. 1997. “A Survey of Corporate Governance.” Journal of Finance 52(2) (June):737-783.

Siegel, Jeremy J. 1998. Stocks for the Long Run. New York: McGraw-Hill.

Smelser, Neil J. 1976. Comparative Methods in the Social Sciences. Englewood Cliffs, New Jersey: Prentice-Hall.

Soskice, David. 1998. “Divergent Production Regimes: Coordinated and Uncoordinated Market Economies in the 1980s and 1990s.” Pp. *** in Continuity and Change in

Contemporary Capitalism, edited by Herbert Kitschelt, Peter Lange, Gary Marks, and John D. Stephens. New York: Cambridge University Press.

Steinherr, A., and Ch. Huveneers. 1994. "On the Performance of Differently Regulated Financial Institutions: Some Empirical Evidence." Journal of Banking and Finance 18:271-306.

Storper, Michael and Robert Salais. 1997. Worlds of Production: The Action Frameworks of the Economy. Cambridge, MA: Harvard University Press.

Streeck Wofgang. 1991. "On the Institutional Conditions of Diversified Quality Production." Pp. 21-61 in Beyond Keynesianism: The Socio-Economics of Production and Full Employment, edited by E. Matzner and W. Streeck. Hants, England: Edward Elgar Publishing.

____. 1995. "German Capitalism: Does it Exist? Can it Survive?" Discussion Paper 95/5. Cologne: Max-Planck Institut für Gesellschaftsforschung.

Thomsen, Steen, and Torben Pedersen. 1996. "Nationality and Ownership Structures: The 100 Largest Companies in Six European Nations." Management International Review 36(2):149-166.

Tilly, Charles. 1984. Big Structures, Large Processes, Huge Comparisons. New York: Russell Sage Foundation.

Toulan, Omar, and Mauro F. Guillén. 1997. "Beneath the Surface: The Impact of Radical Economic Reforms on the Outward Orientation of Argentine and Mendozan Firms, 1989-1995." Journal of Latin American Studies 29:395-418.

Tschoegl, Adrian E. 1998. Country and Bank Sources of International Competitiveness: The Case of the Foreign Exchange Market. The Wharton School of the University of Pennsylvania, unpublished paper.

Useem, Michael. 1996. Investor Capitalism: How Money Managers are Changing the Face of Corporate America. New York: Basic Books.

Vernon, Raymond. 1998. In the Hurricane's Eye: The Troubled Prospects of Multinational Enterprises. Cambridge, MA: Harvard University Press.

Wade, Robert. 1996. "Globalization and Its Limits: Reports of the Death of the National Economy are Greatly Exagerated." Pp. 60-88 in National Diversity and Global Capitalism, edited by Suzanne Berger and Ronald Dore. Ithaca, NY: Cornell University Press.

Waters, Malcolm. 1995. Globalization. New York: Routledge.

Westney, D. Eleanor. 1987. Imitation and Innovation: The Transfer of Western Organizational Patterns to Meiji Japan. Cambridge, MA: Harvard University Press.

Whitley, Richard. 1992. Business Systems in East Asia: Firms, Markets, and Societies. London: Sage.

____. 1999. "Firms, Institutions and Management Control: The Comparative Analysis of Coordination and Control Systems." Accounting, Organizations, and Society 24(5-6):507-524.

Williamson, Jeffrey G. 1996. "Globalization, Convergence, History." Journal of Economic History 56(2) (June):277-306.

____. 1997. "Globalization and Inequality, Past and Present." The World Bank Research Observer 12(2) (August):117-135.

Ziegler, J. Nicholas. 1995. “Institutions, Elites, and Technological Change in France and Germany.” World Politics 47(3) (April):341-372.

____. 1997. Governing Ideas: Strategies for Innovation in France and Germany. Ithaca, NY: Cornell University Press.

Table 1: The Origin of Foreign Direct Investment by Type of Home-Country Corporate Legal Tradition, 1980 and 1997

	Foreign Direct Investment Outward Stock (% of world total)	
Country:	**1980**	**1997**
Anglosaxon legal tradition:	**65.57**	**49.55**
Australia	0.43	1.48
Canada	4.53	3.89
Hong Kong	0.03	3.88
India	0.00	0.02
Ireland	...	0.16
Israel	0.01	0.16
Malaysia	0.08	0.44
New Zealand	0.25	0.19
Nigeria	0.00	0.36
Pakistan	0.01	0.01
Singapore	1.84	1.23
South Africa	1.09	0.34
Thailand	0.00	0.11
United Kingdom	15.33	11.67
United States	41.97	25.63
French legal tradition:	**15.58**	**21.07**
Argentina	0.01	0.03
Belgium	1.15	2.72
Brazil	0.12	0.25
Chile	0.01	0.16
Colombia	0.03	0.04
Egypt	0.01	0.01
France	4.50	6.40
Greece	...	0.02
Indonesia	...	0.12
Italy	1.40	3.53
Mexico	0.03	0.09
Netherlands	8.03	6.02
Peru	0.00	0.00
Philippines	0.03	0.03
Portugal	0.02	0.15
Spain	0.23	1.38
Turkey	...	0.01
Venezuela	0.00	0.10
German legal tradition:	**16.20**	**23.57**
Austria	0.10	0.42
Germany	8.22	9.21
Japan	3.74	8.04
South Korea	0.03	0.51
Switzerland	4.10	4.43
Taiwan	0.02	0.97
Scandinavian legal tradition:	**1.96**	**4.32**
Denmark	0.39	0.73
Finland	0.14	0.57
Norway	0.36	0.91
Sweden	1.07	2.11
Total four legal traditions	**99.31**	**98.51**
World Outward FDI Stock ($bn)	**524.6**	**3,541.4**

Sources: UNCTD (1998); La Porta et al. (1998:1130-1131).

Table 2: Financial Assets of Institutional Investors (Insurance Companies, Pension Funds, and Investment Companies)

Country:	Total financial assets (% GDP)		Financial assets held in shares (% GDP)	
	1990	1995	1990	1995
Anglo-saxon legal tradition:				
Australia	47.5	75.9	18.5	38.0
Canada	58.6	87.9	11.7	21.1
United Kingdom	114.5	162.3	75.6	112.0
USA	127.4	170.8	29.3	61.5
French legal tradition:				
Belgium [a]	44.8	59.4	8.5	11.3
France	52.9	75.3	11.6	16.6
Greece [b]	6.5	23.0	0.7	1.4
Italy	13.3	20.6	2.1	3.5
Mexico [c]	8.6	3.9	1.4	0.8
Netherlands	133.4	158.4	18.7	36.4
Portugal [d]	9.2	35.3	0.2	2.5
Spain [e]	16.3	38.3	1.8	2.3
Turkey	0.6	0.7	0.1	0.0
German legal tradition:				
Austria [f]	24.5	35.2	1.2	3.2
Germany	36.5	46.1	3.3	5.5
Japan	81.7	77.4	18.8	13.9
South Korea	48.1	57.7	9.1	7.5
Switzerland [g]	120.2	78.1	19.2	39.1
Scandinavian legal tradition:				
Denmark	57.4	66.8	11.5	18.7
Finland	33.2	50.0	5.6	10.0
Norway	36.0	42.6	5.0	6.8
Sweden	85.7	114.8	24.0	40.2
Transition economies:				
Czech Republic [h]	…	24.0	…	11.5
Hungary	…	4.5	…	0.1
Poland [I]	…	1.6	…	0.4

Notes: [a] Exc. pension funds in 1995; [b] Exc. insurance and investment companies; [c] Exc. pension funds; [d] Exc. insurance companies in 1995; [e] Exc. non-autonomous pension funds; [f] Exc. pension funds in 1990; [g] Exc. pension funds in 1995; [h] 1994 data for 1995; [i] Exc. pension funds for 1995.

Source: OECD, Institutional Investors: Statistical Yearbook 1997.

Table 3: Listed Corporate Equity by Type of Shareholder (in percentages)

Type of Shareholder:	USA			UK[c]			Germany			France			
	1986	1993	1996	1976	1993	1996	1985	1993	1996	1982	1993	1996	19
Households	51	49	49	28	18	21	17	17	15	38	19	23	1
Financial sector:	51	46	47	60	61	68	15	29	30	24	8	30	2
Banks	…	…	6	…	1	1	…	14	10	…	3	7	1
Pension funds[a]	…	31	28	…	51	50	…	7	12	…	1	9	8
Investment funds[b]	…	11	12	…	7	8	…	8	8	…	2	11	1
Other financial firms	…	4	1	…	2	9	…	-	-	…	2	3	-
Non-financial firms	15	-	-	5	2	1	51	39	42	22	59	19	3
State	0	-	-	3	1	1	10	4	4	0	4	2	7
Foreign	6	5	5	4	16	9	8	12	9	16	11	25	9
Other	-	-	-	-	2	-	-	-	-	-	-	-	1
Total	100	100	100	100	100	100	100	100	100	100	100	100	10

Notes:

- not applicable.

… not available.

[a] Includes insurance companies.

[b] Includes mutual funds.

[c] UK figures are for end of 1994 instead of the end of 1996.

[d] For Japan, pension and investment funds are included under other financial institutions.

Sources: OECD (1995:17, 1998b:16); Berglof (1988).

Table 4: Long-Term Incentives in CEO Pay

Country:	Long-Term Incentives As % of Total Remuneration		
	1988	1993	1998
Anglo-saxon legal tradition:			
Australia	0	1	2
Canada	14	16	14
Hong Kong	0	0	12
Malaysia	…	…	12
New Zealand	…	…	0
Singapore	0	0	12
South Africa	…	…	10
United Kingdom	15	15	17
USA	28	34	36
French legal tradition:			
Belgium	0	0	6
Brazil	0	0	11
France	15	16	14
Italy	0	4	6
Mexico	0	0	0.1
Netherlands	0	0	9
Spain	0	0	0
Venezuela	0	0	0
German legal tradition:			
Germany	0	0	0
Japan	0	0	0
South Korea	0	…	0
Switzerland	1	4	3
Scandinavian legal tradition:			
Sweden	0	0	0

Note: Data based on survey conducted among executives of medium-sized companies.

Source: Towers Perrin, Worldwide Total Remuneration, various years.

Table 5: Announced Hostile Corporate Takeovers

Country:	Transaction Value (% of World Total)			
	Targets		Acquirers	
	1980-1989	1990-1998	1980-1989	1990-1998
Anglosaxon legal tradition:	**96.9**	**89.0**	**90.4**	**88.4**
Australia	1.5	2.6	2.9	2.1
Canada	1.1	6.1	4.6	4.9
Hong Kong	.3	.8	.2	.0
India	.0	.0	.0	.0
Ireland	.1	.2	.0	.2
Israel	.0	.0	.0	.0
Malaysia	.1	.1	.1	.1
New Zealand	.0	.1	.0	.4
Nigeria	.0	.0	.0	.0
Pakistan	.0	.0	.0	.0
Singapore	.0	.1	.0	.1
South Africa	.0	.1	.0	.2
Thailand	.0	.0	.0	.0
United Kingdom	18.4	18.2	18.6	17.5
United States	75.3	60.7	63.9	63.0
French legal tradition:	**2.1**	**6.5**	**5.0**	**6.5**
Argentina	.0	.0	.0	.0
Belgium	.0	.0	.0	.1
Brazil	.0	.0	.0	.0
Chile	.0	.0	.0	.0
Colombia	.0	.0	.0	.0
Egypt	.0	.0	.0	.0
France	1.9	5.4	2.9	3.6
Greece	.0	.0	.0	.0
Indonesia	.0	.0	.0	.0
Italy	.0	.7	.3	2.5
Mexico	.0	.0	.1	.0
Netherlands	.1	.0	1.6	.1
Peru	.0	.0	.0	.0
Philippines	.0	.0	.0	.0
Portugal	.0	.2	.0	.2
Spain	.0	.1	.0	.1
Turkey	.0	.0	.0	.0
Venezuela	.0	.0	.0	.0
German legal tradition:	**.7**	**2.1**	**2.7**	**3.1**
Austria	.0	.1	.0	.1
Germany	.2	1.8	.2	2.2
Japan	.5	.0	.4	.0
South Korea	.0	.0	.0	.1
Switzerland	.0	.1	2.1	.7
Taiwan	.0	.0	.0	.3
Scandinavian legal tradition:	**.1**	**1.3**	**.3**	**1.1**
Denmark	.0	.0	.0	.0
Finland	.0	.1	.0	.0
Norway	.0	.6	.0	.4
Sweden	.1	.6	.2	.7
World Total (million $)	**805,440**	**423,652**	**805,440**	**423,652**

Note: Dollar figures have been adjusted for inflation using the USA's GDP deflator (1992=100).

Source: SDC Platinum (Securities Data Company).

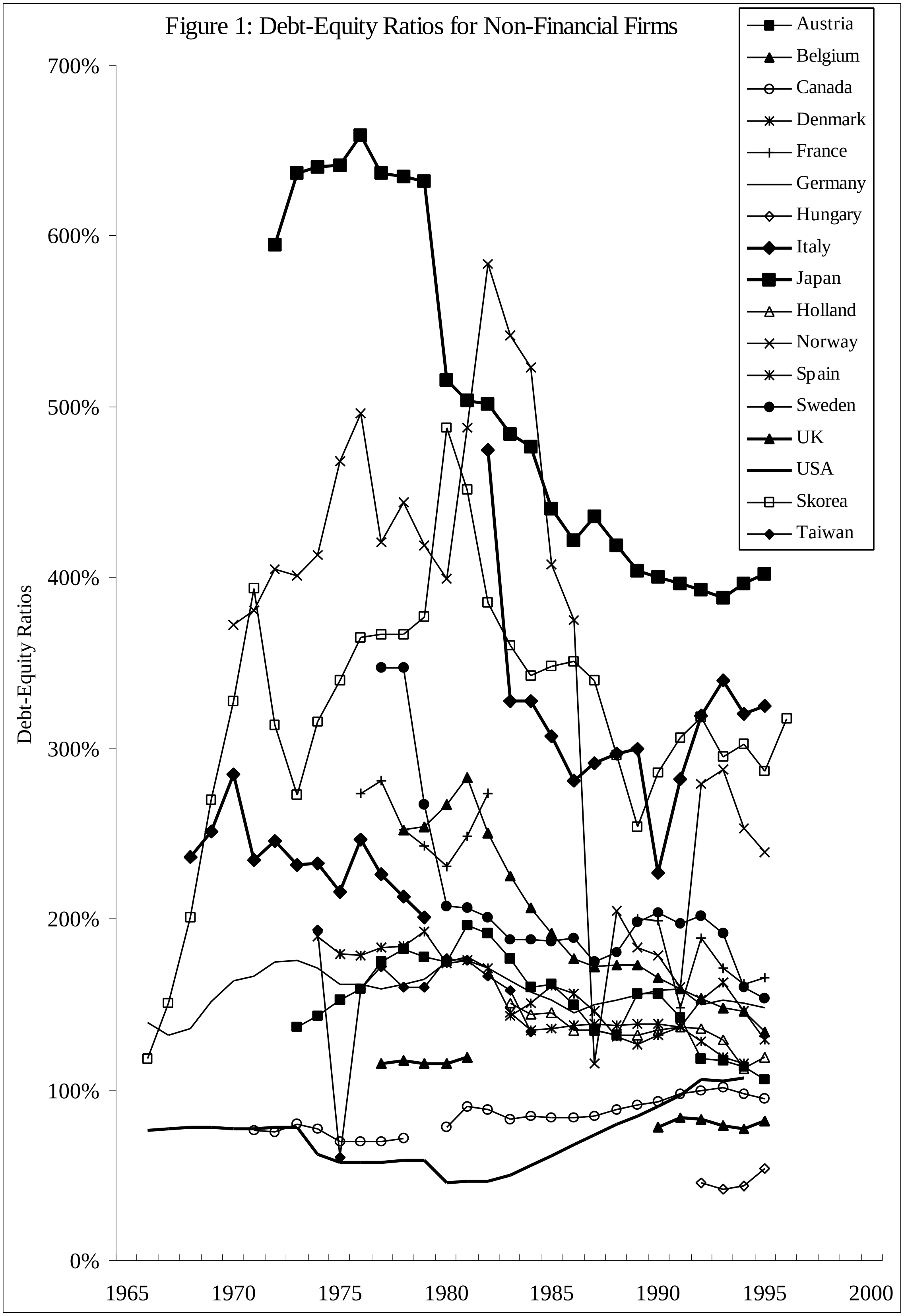
Figure 1: Debt-Equity Ratios for Non-Financial Firms
Austria
Belgium
Canada
Denmark
France
Germany
Hungary
Italy
Japan
Holland
Norway
Spain
Sweden
UK
USA
Skorea
Taiwan
Debt-Equity Ratios
700%
600%
500%
400%
300%
200%
100%
0%
1965
1970
1975
1980
1985
1990
1995
2000

Figure 2:
Mean and Standard Deviation of Debt-Equity Ratios, Selected Countries, 1975-1995