

Contents

<i>List of Figures</i>	viii
<i>List of Tables</i>	ix
<i>Preface</i>	xi
<i>Acknowledgements</i>	xvi
Part I. Global Finance and Europe	
1. The Alchemy of Finance	3
2. Convergence in Corporate Governance	31
Part II. German Model(s) in Play	
3. Portfolio Investors and the German Model	57
4. Geographical Foundations of Corporate Governance	81
5. Path Dependence and Transition	103
Part III. Managing Global Integration	
6. Cross-Listing and the Market for Governance	133
7. Global Financial Markets as Standard-Setters	161
8. The Language of Finance	181
<i>Bibliography</i>	203
<i>Index</i>	231

List of Figures

3.1. The choice of investment strategy as a function of market efficiency and integration	64
3.2. Ownership concentration and volatility of stock prices for the DAX30 companies	73
4.1. Ownership concentration and stock market returns of DAX100 companies by Land, 1997–2001	97
5.1. Corporate governance variables in Baden-Württemberg, Hesse, software and banking sector	114
5.2. Distribution of German listed companies by Land	118
6.1. Corporate governance and cross-listing: a conceptual framework	136
7.1. The historical stock market price of Anold as listed in Amsterdam and its wavelet significance spectrum	170

List of Tables

2.1. Corporate governance ratings in 2004 (median values)	41
2.2. Change in corporate governance ratings between 2000 and 2004 (median values)	44
2.3. Corporate governance convergence	47
2.4. Convergence of total ratings by country and industry	48
3.1. Summary statistics on the distribution of daily changes in the stock prices of Bayerische Motorenwerke (BMW) and Mannesmann (now Vodafone) in the period between the end of 1996 and the end of 2001	68
3.2. Summary statistics for the variables of corporate governance and volatility	71
3.3. Parameters of single-factor regressions of volatility on corporate governance	72
3.4. Corporate governance characteristics for Bavaria and North Rhine-Westphalia (for non-financial companies listed on Amtlicher Handel)	74
4.1. Summary statistics for the variables of corporate governance and corporate stock returns	91
4.2. Regression of corporate stock market returns on corporate governance	92
4.3. Regression of corporate stock market returns on ownership concentration with control variables	95
4.4. Ownership concentration and corporate stock market returns of the DAX100 firms headquartered in major Länder (median values)	96
5.1. Corporate governance variables according to company group	111
5.2. Ownership concentration and structure by land and sector	113
5.3. Companies according to their stock market history and sector	117
5.4. Descriptive statistics for non-dummy variables used in regression analysis	121

List of Tables

5.5. OLS parameters for the regression of the Herfindahl index of ownership concentration on corporate variables	122
5.6. The structure of foreign holdings by type of holder	125
5.7. Foreign holdings by country of holder's origin	126
5.8. Foreign cities among the top 30 seats of holders	127
6.1. Sample companies according to their US cross-listing status	144
6.2. Sample companies according to their European cross-listing status in 2004	145
6.3. Corporate governance ratings vs. the US cross-listing status in 2004	146
6.4. Difference in adjusted means around the date of cross-listings in the USA	147
6.5. Descriptive statistics on predictor variables for multinomial logistic regression	150
6.6. Logistic regression results: dependent variable—the US cross-listing status	151
6.7. Country-adjusted corporate governance ratings according to European and the US cross-listing	155
7.1. Daily absolute basis point changes for Ahold stock price (Amsterdam) and AEX Index	171
7.2. Granger test results	173
7.3. Deminor ratings for Ahold compared to median ratings of FTSE Eurotop 300 firms	175

Index

The appendix, figures, notes and tables are indexed in bold, e.g. 114**f**.

- ABN AMRO 62, 76
- ABP Investments 169
- accountability 17, 83, 162–163, 179
- accounting 133
 - companies 50
 - principles 65
 - reporting system, international 161
 - US practices 195–196; *see also* standards, accounting
- acquisitions 14, 25, 35, 39, 73, 157–158, 167, 184, 192, 193, 194
- ADR (American Depositary Receipts) 140–141, 143, 145, 147, 148, 149, 152, 154, 156, 157, 168, 174, 176
- Aegon 177
- AEX (Euronext Amsterdam) 168, 169, 171–172
- agency 11–12, 13–14, 83, 85–86, 176
- Aguilera, R. 7
- Ahold NV 20, 21, 50, 61, 158, 161–170, 170**t**, 171–175, 175**t**, 176–179
- Allen, F. 6, 35, 184
- Allianz 119
- Allied-Irish Bank-Baltimore 59
- Ambachtsheer, K. 201**n**
- Amin, A. 3, 60, 201**n**
- Ametistova, E. 76
- Amex (American Stock Exchange) 141
- Amsterdam 161, 162, 166, 167, 169, 173–174, 176, 177, 178
 - Stock Exchange (AMS) 166, 173; *see also* AEX
- Amtlicher Handel 74, 107–108
- Anglo-American 4, 5, 7, 22, 23, 36, 75, 78, 83, 182, 197
 - competition 9, 12
 - convergence 35, 36
 - corporations 15, 16, 25, 79, 194
 - economies 34, 81, 184, 185
 - finance 21, 26, 82, 103, 163, 185, 186
 - financial markets 10, 14, 20, 25, 181, 192, 195, 196, 197
 - firms 20, 83–84
 - investments 19, 127
 - markets 61, 82–84, 178, 181, 193, 195, 199, 200
 - model 37, 106, 129, 179
- Anglo-Saxon 5
- Argentina 167
- Arnott, R. D. 202**n**
- Arnswald, I. 75
- Asia 12, 25, 136, 166, 195
- Asia-Pacific 153
- assets 62, 63, 65, 82, 143, 150, 164, 183–184, 185, 188, 189–190
- Atkas, N. 65, 66
- audit services 50–51
- Bacidore, J. M. 176
- Baden-Württemberg 96, 112, 114**f**, 115, 128
- Baker, K. 138
- Bams, D. 75, 77
- Bancel, F. 148
- Bank of New York 143
- Bank of Tokyo 186
- banking 4, 22, 23, 24, 25, 26, 35, 75, 76, 85, 100, 112, 114**f**, 115, 116, 123, 125, 127, 178, 183, 189, 193–194
- Barca, F. 43, 59, 67, 76, 109
- Barings-Singapore 59
- Barnes, T. J. 32
- Bathelt, H. 106
- Bauer, R. 136, 163
- Baumol, W. J. 8, 28**n**
- Bavaria 73, 74**t**, 124
- Bebchuk, L. 4, 28**n**, 35, 192
- Becht, M. 36, 43, 59, 67, 76, 109, 178
- Benos, E. 135, 136, 137
- Berlin 119

Index

- Berndt, C. 79, 84
 Bernstein, P. L. 185, 198
 beta-convergence 39, 40, 46–47; *see also* convergence
 Betson, F. 62
 Beunza, M. 186
 Bi-Lo supermarkets 166
 Black, B. S. 157
 Blackburn, R. 5, 29n
 blockholders 51, 111–112, 116
 blue chip companies 72, 77
 BMW (Bayerische Motorenwerke) 67–68, 68t, 73, 74, 78
 boards 38, 87
 of directors 197
 independent 137
 structure 32, 40, 42, 43, 45, 49, 54ap, 145, 147, 148, 153, 154, 156
 Ahold 174, 175
 Bodie, Z. 28n, 62, 79n, 92
 Bolton, P. 178
 bonding 133, 137, 140, 141, 156–157, 158
 Boyer, R. 34, 101n
 Bratman, M. E. 28n
 Bratton, W. 18
 British Isles *see* UK
 British Steel 10
 British Telecom 10
 Broekstra, G. 174, 179n
 Brown, L. D. 176
 Brussels 37, 166, 168
 Bushman, R. M. 138

 Caerlewy-Smith, T. 187
 Campbell, J. Y. 189
 Canada 173
 Cantale, S. 142
 capital 22, 23, 140, 167
 cost 13, 99, 165
 external 135–136
 flows 5, 195
 markets 3, 9, 13, 14, 50, 58, 65, 66, 67, 81, 85, 123, 127, 157, 158, 177–178
 Anglo-American 89, 191; efficiency 24, 63, 77–78, 86; Europe 58;
 integration 57, 64–68, 77;
 international 20, 75; local 164–165;
 USA 191
 see also Germany, capital markets
 capitalism 5, 7–9, 22, 34, 103, 192, 194
 insider 181, 194, 195
 Caramanolis, B. 65
 Carlin, W. 29n

 Castells, M. 60
 Caylor, M. L. 176
 Central Europe 57
 Chandler, A. D. 3, 181, 183
 Chemmanur, T. J. 159n
 China 12, 193
 Christopherson, S. 35, 78, 81, 105
 Citibank 174
 City of London *see* LSE; London
 Clark, G. L. 4, 5, 8, 9, 10, 11, 12, 13, 17, 22, 25, 28n, 29n, 32, 33, 59, 60, 61, 62, 77, 84, 86, 87, 101n, 106, 108, 127, 137, 139, 161, 163, 179, 181, 182, 184, 187, 188, 191, 194, 198, 201n
 Claessens, S. 136, 160n
 Clowes, M. J. 4, 188, 201n
 co-location 105, 106
 Coffee, J. C. 133, 137, 139, 142, 157, 159n, 179n, 196
 companies *see* Germany; companies; firms, Germany
 compensation 5, 9, 13
 competition 34, 35, 57, 77, 187
 Europe 179
 international 138
 competitive strategies 10, 16, 17, 81
 competitiveness 23, 26–27
 consumer markets 12, 13
 Continental Europe 18–22, 43–44, 46, 49–50, 65, 75, 76, 129, 182
 closed systems 34, 67
 corporations 17, 20, 23, 189
 firms 20, 174
 financial markets 10, 25, 163
 global finance 5, 7, 23
 markets 61, 63, 162, 181–182, 198
 ownership concentration 127
 shareholders 37
 stocks 193; *see also* financial institutions, Continental Europe
 convergence 18, 31–47t, 48–54, 78, 100, 103, 104, 166, 199
 of national standards 163
 Cooke, P. 78, 82, 103, 115
 Coombs, S. 77
 corporate governance 14, 16–17, 67, 125
 comparative 59, 106
 definition 31–32
 industry effect 42–43
 national systems 61, 83, 84, 100
 political theory 37
 ratings 41t, 44t, 145–146, 150, 150t, 151, 153, 154, 155t, 162
 corporate managers 13, 26, 134

- corporate performance 86, 92, 197–198, 199
 German models 86–87
 corporate restructuring 23, 26, 167, 193, 194
 corporations 10, 15, 51, 161, 192
 global 16, 27
 modern 9, 13–15, 25
 responsibility of 197, 198
 Corrado, C. 3
 countries 49–51, 169, 187
 borders 58
 factors 76, 85
 market index 62
 outside Europe 39
 ratings 43, 46, 48**t**
 strategies based on 77; *see also* Europe, countries
 country-specific patterns 18, 36, 43, 50, 57–58, 63, 75, 158
 Crespi-Cladera, R. 71
 cross-holdings 19, 23, 24, 61, 67, 76, 79, 82, 89, 104, 110, 112, 116, 127, 128, 194
 cross-listings 18, 20, 50, 84–85, 133–136, 136**f**, 137–141, 155**t**, 162, 166, 173, 177, 178, 199–200
 Amsterdam and New York 176
 disclosure 148–149
 Germany 158
 European companies 141, 143, 144, 145**t**, 153–156
 US status 146, 146**t**, 147, 147**t**, 148–149
 Crouch, C. 81, 101**n**
 Currah, A. 161, 164, 167, 179**n**
 currency 57, 65

 Daimler Chrysler 173
 Dale, R. 202**n**
 Davis, E. P. 10, 62, 190, 201**n**
 DAX100 68–70, 71, 72, 82, 90, 91, 93, 95–96, 96**t**, 97**t**, 98
 DAX30 68–69, 71, 72, 90, 93, 94, 95, 98, 120, 122–124, 192
 De Bodt, E. 65, 66
de facto convergence 35, 36
de jure convergence 35, 36
 decision-making 161, 164, 188, 192
 Declerck, F. 65, 66
 Deminor ratings 18, 20, 37–41**t**, 42, 44**t**, 47**t**, 48**t**, 49, 52–53**ap**, 134, 143–144, 162, 168, 174, 175**t**, 176, 177
 Demsetz, H. 71, 94, 120, 122, 135
 Denmark 40, 43
 Deutsche Bank 186
 Deutsche Börse 69, 104–105, 108–109, 111, 120, 144, 154, 156
 Deutschland AG 108
 Dicken, P. 32, 51
 Diermeier, J. 82
 Dimson, E. 82
 disclosure 32, 38, 39, 40, 42, 45, 48, 49, 52–53**ap**, 65, 108, 137, 138, 142, 147, 148, 152–153, 154, 162, 174, 181, 191, 195, 199, 200
 Ahold 175, 178
 ratings 45, 135, 148, 156
 standards 18, 50, 108, 133, 142, 148, 177–178
 US regimes 139
 diversity 37, 42–43, 50
 DJ Stoxx50 66
 Djankov, S. 136
 Doidge, C. 36, 89, 134, 139, 140, 141, 159**n**
 Dore, R. 22, 28**n**, 83, 92, 103, 105, 106, 179, 194
 Doremus, P. 15, 36, 167
 Dow Jones 39, 195
 Downing, J. D. 60, 86, 184, 181
 dropouts 115, 119
 Drucker, P. F. 201**n**
 Durnev, K. 134
 Düsseldorf 73
 Dyck, A. 139

 EAFE index 75
 East Asia 196
 Eastern Europe 57, 166
 economic geography 31, 32, 33, 40, 51, 57, 59, 78, 81, 84, 103, 104, 105, 106, 107, 109, 177
 economic growth 22, 23, 25, 26, 33, 39, 188, 193
 economics 34, 39, 59, 60, 72, 107
 economies 8, 23, 84, 105, 164
 Continental Europe 186
 Germany 78
 USA 183
 electronic trading 59, 64, 66, 85
 employment 9, 22, 27, 35, 128
 Engelen, E. 194
 English 108, 188
 Enron 17, 61
 equity 14, 25, 75, 76, 78, 89, 94, 120, 136, 139, 140, 185, 192
 Errunz, V. 53**n**
 Eun, C. S. 173
 European Commission 193, 194

Index

- Euronext Amsterdam *see* AEX
 Euronext Paris 144, 154, 156
 Europe 4, 5, 7, 8, 9, 10, 12, 18–21, 25, 26, 31, 35–36, 38, 40–43, 49–52, 65, 66, 67, 77, 83, 84, 85, 158, 166, 167, 168, 169, 201
 companies 142–145
 convergence 36–37, 43, 49
 corporations 15, 18, 26, 36, 50, 51, 66, 142
 countries 64, 140, 144, 152, 158
 cross-listings, in US 134, 148, 149, 152, 156
 economies 27, 31, 64
 firms 20, 37, 38, 49, 85, 174, 175, 179
 markets 23, 63, 76, 193
 shareholders 178
 stock:
 indices 89; markets 25, 136, 190
 takeover, regulations 45; *see also* financial institutions, Europe
 European Corporate Governance Network 67
 European Economic and Monetary Union 37
 European exchanges 133
 European investment funds 77
 European Union (EU) 144, 179, 191
 economic policy 27, 57
 monetary policy 22–23
 single market 11, 22
 Falkenstein, E. G. 94
 Fama, E. F. 60, 61, 75, 182
 family holdings 109, 115
 Fan, J. 136
 Fernández, P. 180n
 Ferrarini, G. 66, 76
 Feldman, M. P. 32
 Ferrell, A. 45, 145
 Fiat 57
 Fidelity 77
 finance 5, 10, 13, 25, 59, 60, 177, 181–202
 external 137–138
 geography and 82–83
 practice 186, 188; *see also* finance
 Financial Accounting Standards Board (FASB) 191, 196
 financial capitalism 12, 128, 184, 186, 195
 financial innovations 60, 86, 185, 198
 financial institutions 4, 5, 11, 25, 32, 40, 59, 61, 66, 76, 85, 86, 89, 164, 184, 188, 189, 192
 Anglo-American 194, 195
 Continental Europe 23, 24, 27, 195
 European 23, 24, 27
 Germany 184
 global 17, 103, 186
 USA 23, 26, 27, 194, 195; *see also* institutions
 financial markets 3, 4, 5, 9, 10, 11, 15, 24, 65, 82, 83, 84, 85, 86, 99, 109, 128, 139, 162, 163–165, 182, 185, 193
 Continental Europe 100
 efficient 61–62, 186
 Germany 19–20, 83, 98, 100
 financial reporting 65, 68, 108, 139, 141, 165, 167
 financial services 4, 45, 158, 185, 187, 189
 Germany 100, 108
 Finland 40–43, 66, 85
 firms:
 Europe 153
 with US stock exchange cross-listing 141
 Germany 72, 35, 87, 89, 90, 99, 103, 104, 116–117, 129
 AG model 86
 networks 35
 performance 88, 90
 and shareholders 109
 theories 11–12
 USA 87
 Ford 195
 foreign exchanges 133
 markets 57, 65
 foreign holdings 109, 110, 112
 Bavaria 74
 Germany 124–127, 129
 Anglo-American in 127, 128
 Hesse 115
 by cities 127t
 by country of holder 126t
 by type of holder 124–125, 125t
 foreign investment 64–65, 197
 foreign markets 65, 138
 foreign sales in total sales 143, 150
 foreign stock markets 89; *see also* under individual stock markets, e.g. NYSE
 Foufola-Georgiou, E. 169
 France 18, 22, 36, 40, 45, 46, 49, 66, 75, 106, 145, 158
 Frankfurt (Germany) 69, 186
 Frankfurt Stock Exchange 69, 120, 173; *see also* Xetra
 Franks, J. R. 81, 100, 101n, 103
 free-float 76, 89, 175

- French, K. R. 60, 182
 Fried, M. 28**n**, 192
 Friedman, M. 39
 Froud, J. 3
 FTSE Eurotop 300 index 39, 43, 64, 134, 175**t**, 176
 FTSE100 192
 Fuchs, G. 81
 Fulghieri, P. 159**n**
 funds 63, 66
- Galbraith, J. K. 8, 13, 14
 Gale, D. 6, 35, 184
 Gardiol, L. 65
 Garret, C. S. 67
 GE (General Electric) 120, 195
 generic products 12–13
 geography 8, 84, 85, 86, 104, 105, 119, 125, 158
 corporate governance 74, 82, 83, 100
 costs 16–17
 of finance 58, 59–61, 163–166, 183, 196
 firms 20, 78
 global finance 22, 26, 58, 66
 information 176
 investment management 75–77, 103
 modern corporations 15–16, 27
 geopolitics 7, 27
 Geregelter Markt 108
 Germany 18, 22, 26, 36, 45, 46, 51–52, 69, 78, 81–83, 87, 88, 98, 99–100, 107, 109, 110, 111, 111**t**, 115, 119, 125, 124, 126, 128, 183
 capital markets 58, 74, 77, 89, 123
 companies 70
 General Standard 108, 110–111; Prime Standard 108; listed 63, 69, 107, 110, 118**f**
 corporate structure 18–19
 corporations 15, 16, 88
 economies 81, 83, 84, 100, 124
 industries 5, 104
 markets 19, 89
 model 6, 81–82, 103, 104, 106, 107, 115, 119, 128–129
 ownership 66, 123
 systems integration 206
 see also BMW; DAX30; DAX100; firms, Germany; Mannesmann; MDAX; ownership concentration; portfolio investment, Germany; regions, Germany; sectors, Germany; stock markets, Germany
 Gertler, M. S. 32, 35, 78, 84
- Ghilarducci, T. 10, 29**n**
 Gibson, R. 65
 Gilson, R. J. 7
 Gibson-Graham, J. K. 32
 global capital markets 24, 57, 134, 162
 Germany 108
 integration 61, 161–180; *see also* capital, markets
 global corporations 16–17, 181
 global finance 4, 5, 22, 26, 59, 78, 82–102, 107, 128–129, 164, 194
 crises 59, 60
 Germany 100
 institutions 17, 103
 markets 14, 16, 18–19, 20, 23, 51, 85, 103, 104, 107, 163
 political economy 21–25
 trading 164; *see also* finance
 global investment 19, 20, 21, 23, 27
 globalization 3, 25, 81, 84, 103, 133, 138, 157, 177, 178, 187
 GM (General Motors) 14, 15
 Goldman Sachs 77, 186, 187
 Goldstein, M. A. 178
 Gompers, P. A. 136, 163
 Gordon, I. N. 16, 35, 103, 137, 179**n**, 185, 196
 gossip networks 178
 governance *see* corporate governance
 Governance Metrics International (GMI) 161–162
 Grabher, G. 29**n**
 Grammig, J. 173
 Granger test results 173**t**, 177
 Great Britain *see* UK
 Greece 40, 45, 77
 Grinblatt, M. 66, 85
 Günster, N. 136, 163
- Hahn, F. 7
 Hall, P. A. 6, 34, 101**n**
 Halling, M. 173
 Haltiwanger, J. 3
 Hansmann, H. 28**n**, 34, 36
 harmonization 60
 Hau, H. 66, 67, 85
 Hawley, J. P. 4, 11, 179, 201**n**
 Hayes, S. L. 185
 Healey, P. M. 138
 Hebb, T. 13, 17, 25, 50, 137, 161, 163, 164, 177, 179, 181, 182, 184, 186, 198
 Hedvall, K. 173
 Herfindahl index 69, 90, 93, 109, 111, 119–120, 122, 122**t**

Index

- Hermes Pensions Management 76
Hesse 96, 112, 114**f**, 115, 128
Hilton, D. J. 187
Hirst, P. 101**n**
history 8
 costs 16–17
 firms 20, 165
 global finance 22, 26
 modern corporations 14, 15–16, 27
Ho, T. 182
Hollingsworth, J. R. 34, 101**n**
Höpner, M. 36, 67, 68, 70, 80**n**, 90
Höppenstedt Aktienführer 104, 109
Hopt, K. J. 16, 69, 81, 83, 109, 119, 120, 127
Hosmer, D. W. 152
Houthakker, H. S. 186
HSBC 77
Hu, Y.-W. 201**n**
human capital 3, 23
Hupperets, E. C. J. 177, 180**n**
Hutton, W. 83, 87
- IAS (International Accounting Standards) 123, 181
IFRS (International Financial Reporting Standards) 121, 123
income 23, 39, 88, 89, 90, 179, 183, 192
incorporation 104, 108
industries 5, 9, 11, 21, 26, 36, 37, 39, 40, 42, 43, 46, 50, 76, 77, 96, 169, 187
 ratings 42, 48, 48**t**, 49
 Germany 82, 128, 129
Industry Classification Benchmark 39
information 24, 38, 39, 40, 58, 63, 65, 67, 68, 70, 71, 75, 77, 78, 82, 85, 86, 88, 90, 93, 94, 150, 162, 164, 165, 168–169, 176, 186, 195, 196, 198–199, 200
 asymmetry 138, 165
 and finance 60–62, 75–76, 89, 181–202
 market 19, 20, 60, 78, 161, 164, 165, 166, 177, 182, 183, 190–192, 194
 inside 66, 89
 private 66, 98, 194
 public 165, 176–177, 190, 191
innovation 16, 23, 26, 78, 82, 81, 84, 85
insider trading 66–67, 71, 94
 France 66
Institutional Shareholder Services 176
institutions 24, 31–33, 85, 89, 158, 194
 Anglo-American 75, 194
 capitalism and 6
 Europe 182
 finance capital 186
 inherited 5, 7, 8, 21, 107
 investors 10, 14, 15, 18, 20, 25, 27, 37, 38, 50, 51, 78, 108, 138, 141, 161–162, 163, 169, 177–178, 181, 182, 190, 191, 192–194, 196, 197, 198, 200–201
 nationally based 34
 reinforcing 7; *see also* financial institutions
insurance companies 4, 37, 123, 125
integration 59–60
 markets 64**f**
 capital 57, 58, 64–68; efficiency 64–68; inefficiency 63
 Europe, investment 63
 systems 104
intellectual capital 60
inter-market arbitrage 164, 165–166, 169
InterSec 75
investment 5, 11, 13, 15, 17, 24, 66, 73, 78, 85, 92, 116, 120, 121, 125, 134, 137, 166, 178–179, 187, 192, 196, 198–199, 200
 Europe 195
 management 58, 62, 75, 76, 77, 84, 182, 185, 188–191
 and geography 75; Germany 75; United Kingdom 76; USA 76
 returns on 23, 24, 32
 strategies 57, 62, 64**f**, 75, 76, 77–78, 84, 187–188, 193, 194, 195, 199, 200
 theory 61–64, 185; *see also* portfolio investment
Ireland 34, 40, 41, 42, 43, 46, 49, 67, 77
Ishii, J. 136, 163
Israel 156–157
Italy 57, 63, 75, 77, 145, 158, 173
- J P Morgan Chase & Co 143
Jackson, G. 67
Jameson, F. 4, 21, 194
Japan 22, 81, 83–84, 129, 178
Jensen, M. C. 4, 9, 13, 14, 28**n**, 29**n**, 32, 34, 53**n**, 75, 135, 184
Jürgens, U. 93, 95
- Kahneman, D. 28**n**
Kanda, H. 69, 109, 119, 120, 127
Kane, A. 62, 79**n**, 83, 92
Karolyi, G. A. 36, 89, 134, 138
Kaserer, C. 67
Kavajecz, K. A. 178
Keller, W. M. 15, 36, 167

- Keloharju, M. 66, 85
 Khanna, T. 36, 148, 152, 153
 Kim, I. 134
 King, R. 30**n**
 Klapper, L. F. 134
 Klingebiel, D. 160**n**
 KLM 177
 knowledge 61, 95, 105, 165
 Kogan, J. 36
 KPN 177
 Kraakman, R. 28**n**, 32, 36
 Krauss, G. 81
 Krugman, P. R. 107
 Kumar, P. 169

 La Porta, R. 18, 30**n**, 34, 43, 59, 67, 83, 84, 101**n**, 103, 109, 127, 136, 163, 197
 labour:
 capital intensity 124
 force 22
 markets 34
 local 35
 power 120
 productivity 23, 81
 labour-management relations 9, 16
 Lang, M. 137
 Larcker, D. F. 175
 Latin America 25
 Laulajainen, R. 59
 Lawton Smith, H. 101**n**
 Le Galès, P. 81
 Lee, S. B. 182
 legal bonding 137, 139
 legislation 36, 196
 Lehn, K. 71, 94, 120, 122, 135
 Lemeshaw, S. 152
 Levine, R. 30**n**
 Leyshon, A. 35
 Licht, A. N. 133, 139, 156, 157
 Liljeblom, E. 173
 Lins, K. 137
 liquidity 10, 65, 95, 120
 Litterman, B. 161, 187, 188
 Lo, A. 187, 195
 location (Germany) 119, 121, 124
 Lombardo, D. 83
 London 186, 194
 financial markets 10
 global markets 59
 investment bankers 127; *see also* LSE
 Lopez-De-Silanes, F. 18, 30**n**, 34, 43, 59, 67, 83, 84, 101**n**, 103, 109, 127, 136, 163, 197

 Losq, E. 53**n**
 Love, I. 134
 Lowenstein, L. 14, 198
 Lower Saxony 119, 124
 LSE (London Stock Exchange) 59, 142, 144, 154, 156, 173
 Luhmann, N. 106
 Luxembourg 40

 Mallin, C. A. 32, 35
 Malmberg, P. 32
 management 7, 11, 51, 85, 86, 169
 abuse 20–21
 Ahold 162–163, 178
 changes 20
 industrial corporations 10–11
 managerial capitalism 178, 186
 USA 183, 184; *see also* capitalism
 Mankiw, N. G. 170
 Mannesmann (subsequently Vodafone) 67–68**t**, 74, 78
 manufacturing industries 9, 18
 Marcus, A. 62, 79**n**, 92
 market trading 60–61, 162, 165–166
 markets 21, 27, 75, 76, 120, 165, 166, 173
 arbitrage 186
 behaviour 186–187
 capitalization (MC) 39, 76, 120, 121**t**, 122, 124, 164, 168, 189–190, 195
 competition 6, 8, 12, 14, 21, 157–158
 efficiency 58, 60, 63, 64, 64**f**, 65, 68–74, 84, 105, 187, 191
 performance 82–83, 199
 prices 19, 26, 27, 61–62, 105, 129, 161, 181, 191, 195, 196, 199
 segmentation 12–13, 63
 value 43, 65, 71, 89–90, 92, 96, 163, 190
 Markowitz, H. M. 11, 185
 Marsh, P. 82
 Marshall, J. C. 187
 Martin, R. 33, 66
 Mayer, C. 30**n**, 36, 81, 100, 101**n**, 103
 Mayer, M. 15
 MC *see* markets, capitalization
 McCahery, J. A. 18
 MDAX (mid-capitalization firms) 69, 71, 72, 90, 93; *see also* DAX100; DAX30; Xetra
 Meckling, W. H. 32, 53**n**
 Meer, D. 13
 Melis, A. 179**n**
 Melvin, M. 173
 Menkveld, A. J. 177, 180**n**

Index

- mergers 14, 25, 35, 39, 73, 157–158, 184, 192, 193, 194
Merton, R. 28n, 138
Metrick, A. 136, 163
Mexico 137
Microsoft 195
Milan 173
Miller, D. 134, 137, 140
Minns, R. 66
minority shareholders 53, 88, 90, 133, 135–137, 138–140, 141, 142, 145, 148, 156, 165; *see also* shareholders
Minow, N. 32
mis-pricing 63, 64, 75
Mittoo, U. R. 148
Moles, P. 76
Monk, A. 10
Monks, R. 32
Mørck, R. K. 8, 35, 69, 71, 94, 109
Morgan, K. 78, 82, 103, 115
Morgan Stanley Capital International 76
Morgan Stanley Dean Witter 76, 109
Morley Fund Managers 76
Munich 73, 119
Murphy, K. J. 13
mutual funds 37, 75

NASDAQ stock exchange 141; *see also* NYSE
nation-states 59, 60, 81, 106, 193
 European 57, 178
 regimes 26, 34, 84
 traditions 103–104
national borders 59–60, 85, 187
Netherlands 15, 18, 40–42, 45, 49, 75, 77, 145, 162–163, 166–168, 174, 175, 177, 178
 see also Ahold
Neuer Markt 105
New York 10, 59, 127, 162, 166, 169, 173–174, 176, 177, 178, 186; *see also* NASDAQ; NYSE
Nobes, C. 65, 121
Nofsinger, J. 138
Nokia 173
North America 12, 57
North Europe 43
North Rhine-Westphalia 73, 74t, 119, 122
Norway 42, 43
novices 115, 119, 120
Nummelin, K. 173
NYSE (New York Stock Exchange) 20, 137, 141, 142, 148, 162, 166, 167, 168, 172, 173, 174, 176, 177, 178

O'Brien, R. 103
O'Connor, K. 77, 101
OECD Principles of Corporate Governance (OECD) 35
O'Neill, P. 32
Oppenheimer, P. 76, 77
O'Sullivan, M. 32, 34, 36, 45, 106
Otten, R. 75, 77, 136, 163
overcapacity 22, 23
ownership 19, 26, 78, 79, 179
 changes in 104
 controlling 34–35
 corporate 15, 16, 19–20
 dispersed 21, 34, 162, 176
 Ahold 175–176; Germany 95, 120, 123; UK 67
ownership concentration 33, 36, 43, 67, 73t, 90, 91–92, 94–95, 95t, 96
 Bavaria 74, 124
 DAX30 73t
 DAX100 96t, 97t
 and firm performance 87–88
 Germany 62, 70, 71–72, 81–83, 86–87, 89–90, 92–93, 98–100, 103, 109–112, 113t, 114f, 115, 119–120, 122, 122t, 123–124, 128
 and market performance 88–89
 Lower Saxony 124
 USA 71

Pagano, M. 27, 83, 84, 133, 138, 140, 143, 144, 147, 149, 150, 152, 173
Palaskas, T. 187, 191
Palepu, K. 36, 138, 148, 152, 153
Paris stock exchange 127, 142; *see also* Euronext Paris
Parker, R. 65, 121
passive management 62, 63, 75, 76
path dependence 7, 14–17, 24, 26, 34, 58, 78, 79, 81
 and transition 103–129
Pauly, L. W. 15, 36, 167
PBV (price-to-book value ratio) 143, 149, 150
Pedersen, T. 36
pensions:
 assets 191
 defined benefit 9–10
 funds 37, 75, 77, 125, 138, 179
 Germany 184–185; Netherlands 168, 169; United Kingdom 66; USA 11, 184
 obligations 65

- pay-as-you-go 22, 138
 systems 4, 10
 Petersen, M. A. 85
 Philips 177
 Pietroski, J. D. 138
 Piore, M. 3
 Pollard, A. 35
 Pope, P. F. 65
 Portes, R. 66
 portfolio investment 4–5, 18, 19, 66, 84, 90,
 95, 98, 100, 138, 162, 168, 181, 195,
 197, 198
 Germany 57–80, 82, 98, 108
 see also investment
 portfolio managers 5, 19, 48, 164, 167, 181,
 194
 Europe 193
 global 20, 25, 89, 99, 194
 pricing practices 103
 portfolios:
 design 188–191
 diversification 11, 158, 181, 185
 selection 185
 theory 186, 187–188, 198–201
 Portugal 40, 167
 Poser, N. 142
 Posner, R. A. 28n
 Power, M. 188
 Pozen, R. C. 62
 Pred, A. R. 60, 86
 pricing strategies 12, 13, 26, 98, 103, 178,
 186
 Prigge, S. 69, 83, 87, 88, 109, 119, 120,
 127
 principal-agent problem 85–86
 private benefits 135–139, 140
 products 13
 design 16
 market competition 139
 production:
 configuration 23, 105
 national 78
 processes 13
 systems 9, 25
 Prowse, S. D. 71
 public markets 13, 34, 88
 Purushothaman, R. 187

 Quah, D. 39
 quality 65, 90

 Rajan, R. G. 85
 Randl, O. 138, 143, 144, 147, 149, 150, 152,
 173

 rates of return 24, 90, 192
 risk-adjusted 98, 188–189; *see also* Sharpe
 ratio
 ratings 20, 37, 38, 43
 agencies 40, 50, 168, 196, 197
 company 39–40
 by industries 45
 systems 37
 Rees, W. P. 65
 Reese, W. 134, 140
 regions 58, 81m, 103
 Germany 15, 19, 78, 82, 99–101, 103,
 104, 125, 127, 129
 fragmentation 110; models 79, 99–100;
 regimes 78, 79
 identities 24, 26, 58, 75, 87
 regimes 96, 115
 regulations 86, 104, 106, 134, 161, 177,
 179, 191, 196
 Reich, S. 15, 36, 167
 Reid, D. 75
 Republic of Ireland 125
 reputational bonding 137, 139, 142,
 161
 retirement 2
 savings 25
 systems 4, 9–10
 revenue:
 flow of 16, 17
 management of 14
 Rey, H. 66
 Richardson, F. A. 175
 Rigby, D. L. 201n
 risk:
 diversification 198
 premium 90, 92
 Roberts, J. 29n
 Robinson, P. 77
 Rodríguez-Pose, A. 33, 80n, 108
 Roe, M. J. 28n, 29n, 34, 35, 53n, 69, 81, 83,
 99, 100, 109, 119, 120, 127, 162
 Roëll, A. 67, 81, 84, 140, 173, 178
 Romer, D. 170
 Rossi, S. 81, 100, 101n
 Royal Ahold *see* Ahold
 Royal Dutch Shell 177, 179
 Rupp, J. 93, 95

 S&P500 (Standard & Poor's) 189, 192
 Sabel, C. 3
 Sabherwal, S. 173
 Salo, J. 182, 197
 Sarkissian, S. 138
 Saudagarian, S. M. 159n

Index

- savings:
 for investment 23–24, 34
 rates 22, 23
Scandinavia 43, 167
Schill, M. J. 138
Schlag, C. 173
Schmidt, R. H. 16, 18, 29**n**, 65
Schmukler, S. L. 160**n**
Schoenberger, N. 14, 32
SEAQ International (London) 173; *see also* LSE
SEC (Securities and Exchange Commission) 141, 191
sectors 57–58
 Germany 115, 119, 121, 124, 127, 128
 strategies 76, 77
securities 64, 76
 Anglo-American 78–79
 Germany 78–79
 market 84, 157, 198
 selection 77
 traded 189, 198
Shapiro, M. D. 170
shareholders 14, 19, 35, 36, 37, 38, 51, 67, 83, 86, 87, 88, 89, 92, 100, 194
 controlling 69–70, 139, 140
 diluted 126–127
 management 21, 33–34, 176, 178
 rights 32, 37, 38, 40, 42, 43, 45, 49, 52**ap**, 147–148, 156, 167, 174, 175
 value 22, 25, 34, 35, 68, 70, 79, 167; *see also* minority shareholders
Sharaiha, Y. 76
Sharpe, W. F. 75
Sharpe ratio 90, 91, 98, 186; *see also* rates of returns
Sheppard, E. S. 32
Shleifer, A. 18, 28**n**, 30**n**, 31, 33, 34, 43, 59, 60, 67, 69, 83, 84, 92, 101**n**, 103, 109, 119, 127, 135, 137, 163, 197, 200
Shiller, R. J. 28**n**, 72, 92, 97–98, 187, 191, 201**n**
Shonfield, A. 7, 8, 10, 14
Shukla, R. K. 66
Sichel, D. 3
Sidak, J. G. 179**n**
Siegel, J. 137
Siemens 119
sigma-convergence 39, 40, 46–47; *see also* beta-convergence; convergence
Silicon Valley 196
Smith, J. D. 138
Simonian, H. 159**n**
social solidarity 99, 128
Sofianos, G. 176
software 112, 114**f**, 116
Solnik, B. H. 63, 75, 77, 82, 90
Sornette, D. 174, 179**n**
Soskice, D. 6, 34, 101**n**
South America 166, 167
South Europe 43
Soviet Union, former 144
Spain 145
Spindler, G. 16, 18, 29**n**
Srinivasan, S. 148, 152, 153
stakeholders 3–4, 5, 16, 21, 78, 83, 84, 87, 89
 capitalism 194
 community 19
 internal 15
 traditional 17
standards 20, 31, 37, 40, 84, 133, 134, 142, 157, 162, 163, 198
 accounting 60, 65, 85, 104, 121, 200
 international 123, 128, 194
 Anglo-American 33, 84
 global 5, 163
 international 108, 186
 UK 65
 USA 196; *see also* disclosure, standards
Stark, D. 186
state 27, 34
Staunton, M. 82
Steier, L. 8, 35
Steil, B. 10, 62, 190
stock exchanges 133–134, 137, 141, 157
 European 141–142, 143, 153
 share listing 140–141
 USA 153
stock markets 19, 36, 60, 68, 77, 82, 84, 128, 133, 134, 168, 177, 179, 183–184, 190, 191
 admission to 124
 Ahold 162, 169–174
 Germany 88, 95, 104, 108, 115, 119, 123
 company history 117**t**, 120, 124
 Anglo-American 192
 prices 20, 50, 68, 94, 96, 177
 returns 62, 71, 90, 91, 91**t**, 92**t**, 95**t**, 96, 97**t**
 German regions 92–94, 95–96
 USA 141, 153
 migration of European companies 144
 valuation 133–134, 136
stocks 62, 78, 173, 184, 189, 189, 190, 192

- Ahold 163, 169, 170–171, 171**t**, 176, 177
 options 87, 191, 196
 prices 14, 57, 58, 61–62, 65, 68, 70, 72, 74, 76, 78, 82, 142, 176, 192
 Storper, M. 106
 Story, J. 66
 Strange, S. 7
 Streeck, W. 101**n**
 Stulz, R. M. 17, 36, 89, 134, 137, 138, 158, 159**n**, 161, 178, 186
 Sunley, P. 33
 supervisory boards 19, 86–87, 90
 SVO index 90, 93
 Sweden 40, 43, 66, 145
 Swiss Stock Exchange 144, 154, 156
 Switzerland 18, 40, 45, 49, 65, 142, 145
 systems integration 105–107
 takeovers 36, 103, 145, 175–176
 defences 18, 38, 40, 42, 43, 49, 53**n**, 147, 148, 154, 156, 174, 175
 hostile 35, 38, 45
 foreign 16; Germany 110
 Targett, S. 127
 tax revenue 22–23
 technology 85, 105, 139, 105
 companies 123, 129, 149
 innovations 9, 13, 25, 27, 35
 Teece, D. J. 3, 105
 telecommunications 46, 67, 116
 Terry, N. 76
 Theisen, M. R. 102**n**
 Thompson, G. 101**n**
 Thompson Analytics 104, 109
 Thomsen, S. 36
 Third World 197–198
 Thrift, N. 32, 59, 60, 61, 188
 Thuringia 119
 TIAA-CREF 76
 Tickell, A. 61
 TMT bubble 96–97, 104–105, 182, 186–187, 195
 Tokyo 59, 186
 Torrence, C. 170
 Tracey, P. 8, 101**n**, 106, 187, 191
 trading performances 66–67
 transparency 6, 17, 19–20, 37, 67, 78, 85, 138, 153, 164, 165, 167, 168, 179
 market 58, 62, 76
 standards 50, 108, 121, 177–178
 Trigilia, C. 81
 Tsampra, M. 187, 191
 Tuschschmid, N. 65
 Tuna, I. 175
 Tversky, A. 28**n**
 UK 9, 10, 34, 35, 40–43, 45, 46, 49, 65, 75, 81, 87, 100, 103, 126, 183
 companies 65, 77
 corporations 15, 40
 cross-listings 133, 143, 158
 of European companies 139–142; in USA 145
 fund managers 66, 89
 Unilever 177, 179
 US GAAP 121, 123
 USA 9, 22, 35, 65, 71, 87, 100, 103, 104, 126, 136, 139, 145–146, 166, 167, 173, 178
 corporations 15, 34, 176
 cross-listings 134–135, 142–143, 148, 149–153, 157
 Europe 145–147, 156; status 144, 144**t**, 151**t**, 153, 158
 exchanges 84–85
 fund managers 66, 89
 institutional investors 11, 67
 open regimes 34, 35
 ownership concentration 71, 99;
see also cross-listings, USA status;
 financial institutions, USA; stock markets, USA
 van der Elst, C. 36
 van Inwegen, G. B. 66
 venture capital 25, 125, 185, 192
 Viceira, L. M. 189
 Villanueva, A. 180**n**
 Vishny, R. 31, 33, 34, 69, 109, 119, 135
 Vitols, S. 36
 Vodafone *see* Mannesmann
 Voelzkow, H. 81
 volatility 19, 71**t**, 72**t**
 Ahold 162, 170, 171–172, 174, 176
 market 165
 stock markets 68
 stock prices 70–71, 72, 73, 78, 82, 94, 169, 169, 176
 Volpin, P. 27
 voting rights 67, 69–70, 74, 87, 90, 96, 107, 108, 109, 110, 111–112, 124, 125, 139–141, 148
 Wall Street (New York) 127
 Walter, I. 66
 Wang, B. 169

Index

- Wang, Y. 169
Watson Wyatt 77
Weaver, D. 138
Webber, M. J. 201**n**
Weisbach, M. 134, 135, 136, 137, 141
Wenger, E. 67
Western Europe 166
Whittington, R. 15
Wilhelm, W. J. 60, 86, 164, 181
Williams, A. T. 4, 11, 179, 201**n**
Williamson, O. E. 11
Williamson, P. J. 186
Wilson, D. 187
Wójcik, D. 32, 36, 43, 59, 60, 66, 69, 76, 79,
81, 82, 89, 95, 96, 109, 110, 119, 120,
126, 163, 164, 186
Wolf, H.-G. 81
Wright Corporate Information 104
Wrigley, N. 161, 164, 167, 179**n**
WorldCom 61
Wymeersch, E. 35, 36, 69, 83, 109, 119,
120, 127
Xetra 66, 70, 90, 173
see also Frankfurt Stock Exchange
Yankelovich, D. 13
Yeung, H. W. C. 32
Yang, F. 94
Zademach, H. M. 80**n**, 108
Zechner, J. 138, 143, 144, 147, 149, 150,
152, 173
Zhou, W.-X. 174, 179**n**
Zingales, L. 11, 14, 139, 196
Zürich 127, 166