# Strong managers, weak owners - the political roots of American corporate finance

## Princeton University Press - The Convergence of Corporate Governance: Promise and Prospects


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-Strong managers, weak owners - the political roots of American corporate finance
Notes: Includes bibliographical references (p. [289]-308) and index.
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Tags: #Strong #Managers, #Weak #Owners

**The Convergence of Corporate Governance: Promise and Prospects**

The process of breaking bankruptcy priority, of reestablishing it, or of adapting to it is where bankruptcy lawyers and judges spend a large portion of their time and energy. First, interest groups powerful enough to dominate Delaware lawmaking forgo a winner-take-all strategy because federal players may act if they see state results as lopsided. Shareholder access fits this federal-state paradigm and goes beyond it.

**Project MUSE**

The Securities and Exchange Commission now has authority to exempt fair restructuring votes from this now out-of-date securities law. Moreover, the means that align managers with diffuse stockholders in the United States-incentive compensation, hostile takeovers, and strong shareholder-wealth maximization norms-are weaker and sometimes denigrated in continental social democracies.

**Project MUSE**

It should help to better understand which policies will work for financial development, because political instability has causes, cures, and effects quite distinct from those of many of the key institutions most studied in the past decade as explaining financial backwardness. When the issue is big, the federal government takes the issue or threatens to do so, or Delaware players are conscious that if they mis-step, Federal authorities could step in. According to recent academic work, private enforcement of investor protection via both disclosure and private liability rules goes hand in hand with financial market development, but public enforcement fails to correlate with financial development and, hence, is unlikely to facilitate it.

**Political Power and Corporate Control**

Hence, public firms there have higher managerial agency costs, and large-block shareholding has persisted as shareholders' best remaining way to control those costs.

**Political Power and Corporate Control**

They can adjust to a priority break either by accepting it and modifying their terms for future transactions, or by attempting to suppress it with countermeasures. Where and when would it come up against boundaries, punishments, and adverse consequences? We introduce to the loyalty share analysis the ex ante value to the entrepreneur of retaining control—i. A consensus emerged that these risky financial instruments should move through safe, strong clearinghouses, which would be bulwarks against systemic risk, and that the destructive impact of the failures during the crisis of AIG, Lehman Brothers, and the Reserve Primary Fund could have been softened or eliminated had strong clearing-houses been in place.

**Strong Managers, Weak Owners: The Political Roots of American Corporate Finance**

Some legislatures respect property and stock markets, instructing their regulators to promote financial markets; some do not. In horse races between these resource-based measures of public enforcement intensity and the most common measures of private enforcement, public enforcement is overall as important as disclosure in explaining financial market outcomes around the world and more important than private liability rules. We next show how similar problems are dealt with differently in corporate law settings — by courts evaluating the questioned transaction for business judgment deference to boards of directors.

**Strong Managers, Weak Owners: The Political Roots of American Corporate Finance by Mark J. Roe, Paperback**

Then, in July 2011, the D. Highly recommended for anyone interested in the relationship between governance and development, it sheds helpful new light on the key debate about whether and how legal origin is destiny.

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