

**Economics 4980\6980**  
**Corporate Governance: Law, Economics & Politics**

(For a .pdf copy of this syllabus, click [here](#))

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Much of modern political economy, and the political economy of globalization in particular, focuses on labor markets. This literature recognizes the fundamental importance of financial markets, but does so in an essentially *ad hoc* way. In this course we try to build toward an analysis of globalization focused on financial markets and corporate governance. Thus, we will begin with the firm and its relationship to financial markets. In the second part of the course we take a comparative perspective on corporate governance that draws on research in comparative law, economics and politics. We will conclude with analysis of the effects of globalization.

**Readings** for the course will be drawn from a large number of articles, available online, and:

Frank Easterbrook and Daniel Fischel (1991). *The Economic Structure of Corporate Law*. Boston: Harvard University Press. [**Easterbrook and Fischel**]

Xavier Vives, ed. (2006). *Corporate Governance: Theoretical and Empirical Perspectives*. Cambridge: CUP. [**Vives**]

Mark Roe (2003). *Political Determinants of Corporate Governance*. Oxford: OUP. [**Roe**]

Peter Gourevitch and James Shinn (2005). *Political Power and Corporate Control: The New Global Politics of Corporate Governance*. Princeton: PUP. [**Gourevitch & Shinn**]

Required readings are marked on the syllabus by a “▶”.

**Surveys and Textbooks:** There have been a large number of survey articles and textbooks related to the material we will cover in this course. Among the best are:

Paul Milgrom and John Roberts (1988). “[Theories of the Firm: Past, Present and Future](#)”. *Canadian Journal of Economics*; V.21-#3, pp. 444-458.

Bengt Holmström and Jean Tirole (1989). “The Theory of the Firm”. In Richard Schmalensee and Robert Willig, eds. *Handbook of Industrial Organization, Vol. 1*.

Amsterdam: North Holland, pp. 61-133.

Oliver Williamson (1989). "Transaction Cost Economics". In Richard Schmalensee and Robert Willig, eds. *Handbook of Industrial Organization, Vol. 1*. Amsterdam: North Holland, pp. 135-182.

Roy Radner (1992). "[Hierarchy: The Economics of Managing](#)". *Journal of Economic Literature*; V.30-#3, pp. 1382-1415.

Gibbons, Robert. 2005. "[Four Formal\(izable\) Theories of the Firm?](#)" *Journal of Economic Behavior & Organization*, 58(2), 200-45.

Milton Harris and Arthur Raviv (1991). "[The Theory of Capital Structure](#)". *Journal of Finance*; V.46-#1, pp. 297-355.

Andrei Shleifer and Robert Vishny (1997). "[A Survey of Corporate Governance](#)". *Journal of Finance*; V.52-#2, pp. 737-783.

Jean Tirole (1999). "[Incomplete Contracts: Where Do We Stand?](#)". *Econometrica*; V.97-#4, pp. 741-781.

Luigi Zingales (2000). "[In Search of New Foundations](#)". *Journal of Finance*; V.55-#4, pp. 1623-1654.

John Cioffi (2000). "[State of the Art: A Review Essay on Comparative Corporate Governance](#)". *American Journal of Comparative Law*; V.48-#3, pp. 501-534.

Richard Lambert (2001). "[Contracting Theory and Accounting](#)". *Journal of Accounting and Economics*; V.32-#1-3, pp. 1-87. [comment by [Magee](#)]

Robert Bushman and Abbie Smith (2001). "[Financial Accounting Information and Corporate Governance](#)". *Journal of Accounting and Economics*; V.32-#1-3, pp. 237-333. [comment by Sloan]

Peter Gourevitch (2002). "[The Politics of Corporate Governance Regulation](#)". *Yale Law Journal*; V.112-#7, pp. 1829-1880.

Marco Becht, Patrick Bolton and Ailsa Röell (2003). "Corporate Governance and Control". In G.M. Constantinides, M. Harris, and R. Stulz, eds. *Handbook of Economics and Finance*. Amsterdam: Elsevier, pp. 1-109.

Jeremy Stein (2003). "Agency, Information and Corporate Investment". In G.M. Constantinides, M. Harris, and R. Stulz, eds. *Handbook of Economics and Finance*. Amsterdam: Elsevier, pp. 111-165.

Paul Milgrom and John Roberts (1992). *Economics, Organization and Management*. Upper Saddle River, NJ: Prentice Hall.

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

Thomas Copeland, J. Fred Weston and Kuldeep Shastri (2005). *Financial Theory and Corporate Policy*. Boston: Pearson/Addison Wesley.

Patrick Bolton and Mathias Dewatripont (2005). *Contract Theory*. Cambridge: MIT Press.

Jean Tirole (2006). *The Theory of Corporate Finance*. Princeton: PUP.

**Evaluation:** Your performance in this course will be evaluated on the basis of 10 analytical comments (worth 100 points total); and 1 analytical review essay (worth 100 points). To receive an A, you must earn at least 90 percent of the points available. To pass the course you must earn at least 60 percent of the points available. Grades between these limits will be determined on the basis of your performance relative to that of the class as a whole.

**Policy on analytical comments.** The analytical comments are written assignments consisting of two parts: a comment on the assigned reading for the week (7 of 10 points); and 5 questions raised by the assigned reading for the week (3 of 10 points). The comment should be about 3 double-spaced pages long. Do not waste time summarizing the reading. The goal is to identify some aspect of the reading that strikes you as particularly interesting and to explain why you find it interesting. The questions should identify things you would like to see discussed in class. The comments are due on, or before, the start of the class in which the material is discussed. Late comments will not be accepted.

**Review essays.** Every member of the class is required to produce a review essay on one of the major topics in law & economics or political economy (i.e. Topics III-V, not theory of the firm). Broadly speaking, I expect papers in the 20-25 page range [if you have picked a topic that can be effectively exhausted in 10-15 pages, you have picked too narrow a topic]. These papers will involve extensive review of the literature on one of the major topics (involving, *but not limited to*, the non-required readings on the topic). A grade in the A-B range [i.e. 80-100] can only be earned by a paper that provides a synthesis of the literature under review. That is, if you only summarize the literature the best grade you can earn will be a C [note well: this is a maximum, you can earn a lower grade by doing a bad job of summarizing.]

To ensure that topics are well-established and suitable for the course, I require a proposal due no later than 4 October. Late proposals will result in a 10 point penalty to be assessed on the paper's final score. If you change your paper topic without my approval, 20 points will be deducted from your final mark. Review essays are due at the last regular meeting of the course (6 December). **Late papers will not be accepted, and will earn a score of 0 points.**

These papers must be original work, *plagiarism will not be tolerated*. This includes: unattributed appropriation of someone else's work; and excessive use (whether or not attributed)

of a secondary source [including, in particular, any of the above survey articles.] If you are unclear as to what constitutes plagiarism, consult the Tulane University Honor Code on [plagiarism](#).

## Topic I. Course Introduction

- ▶ Vives, (2000). “Corporate Governance: Does it Matter?”. Chapter 1 in Vives.
- ▶ Gourevitch & Shinn, Chapter 1

## Topic II. Basic Economics of the Firm and Corporate Governance

### ● Transaction Costs and the Firm

- ▶ Ronald Coase (1937). “[The Theory of the Firm](#)”. *Economica*; V.4-#16, pp. 386-405.
- ▶ Oliver Williamson (2002). “[The Theory of the Firm as a Governance Structure: From Choice to Contract](#)”. *Journal of Economic Perspectives*; V.16-#3, pp. 171-195.
- ▶ Mark Granovetter (1985). “[Economic Action and Social Structure: The Problem of Embeddedness](#)”. *American Journal of Sociology*; V. 91-#?, pp. 481-510.
- Kenneth Arrow (1969). “The Organization of Economic Activity: Issues Pertinent to the Choice of Market versus Nonmarket Allocation”. In *The Analysis and Evaluation of Public Expenditures*. Washington, DC: GPO, pp. 47-64.
- Oliver Williamson (1979). “[Transaction Cost Economics: The Governance of Contractual Relations](#)”. *Journal of Law and Economics*; V.22-#2, pp. 233-261.
- Steven Cheung (1983). “[The Contractual Nature of the Firm](#)”. *Journal of Law and Economics*; V.26-#1, pp. 1-21.
- Oliver Williamson (1988). “[The Logic of Economic Organization](#)”. *Journal of Law, Economics and Organization*; V.4-#1, pp. 65-93.
- David Kreps (1996). “[Markets and Hierarchies and \(Mathematical\) Economic Theory](#)”. *Industrial and Corporate Change*; V.5-#2, pp. 561-595.
- Gibbons, Robert (2010). “[Transaction-Cost Economics: Past, Present, and Future?](#)” *Scandinavian Journal of Economics*, 112(2), 263-88.
- Howard Shelanski and Peter Klein (1995). “[Empirical Research in Transaction Cost Economics: A Review and Assessment](#)”. *Journal of Law, Economics, and Organization*; V.11-#2, pp. 335-361.

- Scott Masten and Stéphane Saussier (2001). “Econometrics of Contracts: An Assessment of Developments in the Empirical Literature of Contracting”. in E. Brousseau and J.-M. Glachant, eds, *Economics of Contracts: Theories and Applications*. Cambridge: Cambridge University Press, pp. 273-292.
- Francine Lafontaine and Margaret Slade (2007). “[Vertical Integration and Firm Boundaries: The Evidence](#)”. *Journal of Economic Literature*; V.45-#3, pp. 629-685.
- Jeffrey T. Macher and Barak D. Richman (2008) “[Transaction Cost Economics: An Assessment of Empirical Research in the Social Sciences](#)”. *Business and Politics*: Vol. 10 : Iss.1, Article 1.

## ● **The Firm as a Nexus of Contracts: The Agency Approach to the Firm**

- ▶ Easterbrook and Fischel, Chapter 1.
- ▶ Armen Alchian and Harold Demsetz (1972). “[Production, Information Costs, and Economic Organization](#)”. *American Economic Review*; V.62-#5, pp. 777-795.
- ▶ Michael Jensen and William Meckling (1976). “[Theory of the Firm: Managerial Behavior, Agency Costs and Capital Structure](#)”. *Journal of Financial Economics*; V.3-#4, pp. 305-360. [required: pp. 305-333]
- ▶ John Coffee, jr. (1990). “[Unstable Coalitions: Corporate Governance as a Multiplayer Game](#)”. *Georgetown Law Journal*; V.78-#5, pp. 1495-1549.
- Paul Milgrom and John Roberts (1988). “[An Economic Approach to Influence Activities in Organizations](#)”. *American Journal of Sociology*; V.94-Supplement, pp. s154-s179.
- Bengt Holmström and Paul Milgrom (1991). “[Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership and Job Design](#)”. *Journal of Law, Economics and Organization*; V.7-special issue, pp. 24-52.
- Bengt Holmström and Paul Milgrom (1994). “[The Firm as an Incentive Mechanism](#)”. *American Economic Review*; V.84-#4, pp. 972-991.
- Jean-Jacques Laffont and David Martimort (1997). “[The Firm as a Multicontract Organization](#)”. *Journal of Economics and Management Strategy*; V.6-#2, pp 201-234.

## ● **Incomplete Contracts, Property Rights, and the Firm**

- ▶ Oliver Hart (1989). “[An Economist’s Perspective on the Theory of the Firm](#)”. *Columbia Law Review*; V.89-#7, pp. 1757-1774.
- ▶ Oliver Hart (1995). “[Corporate Governance: Some Theory and Implications](#)”. *Economic Journal*; V.105-#430, pp. 678-689.
- ▶ Andrei Shleifer and Robert Vishny (1997). “[A Survey of Corporate Governance](#)”. *Journal of Finance*; V.52-#2, pp. 737-783. [Parts I and II, pp. 737-750]
- Sanford Grossman and Oliver Hart (1986). “[The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Organization](#)”. *Journal of Political Economy*; V.94-#4, pp. 691-719.
- Oliver Hart and John Moore (1990). “[Property Rights and the Nature of the Firm](#)”. *Journal of Political Economy*; V.98-#6, pp. 1119-1158.
- Oliver Hart and John Moore (1999). “[Foundations of Incomplete Contracts](#)”. *Review of Economic Studies*; V.66-#1, pp. 115-138.
- Eric Maskin and Jean Tirole (1999). “[Two Remarks on the Property Rights Literature](#)”. *Review of Economic Studies*; V.66-#1, pp. 139-149.
- David DeMeza and Ben Lockwood (1998). “[Does Asset Ownership Always Motivate Managers? Outside Options and the Property Rights Theory of the Firm](#)”. *Quarterly Journal of Economics*; V.113-#2, pp. 361-386.

## ● Summarizing and Extending the Contracts Model

- ▶ Bengt Holmström and John Roberts (1998). “[The Boundaries of the Firm Revisited](#)”. *Journal of Economic Perspectives*; V.12-#4, pp. 73-94.
- ▶ George Baker, Robert Gibbons and Kevin Murphy (2002). “[Relational Contracts and the Theory of the Firm](#)”. *Quarterly Journal of Economics*; V.117-#1, pp. 39-83.
- ▶ Raghuram Rajan and Luigi Zingales (1998). “[Power in a Theory of the Firm](#)”. *Quarterly Journal of Economics*; V.113-#2, pp. 387-432.
- Jean Tirole (1988). “[The Multicontract Organization](#)”. *Canadian Journal of Economics*; V.21-#3, pp. 459-466.
- Jean Tirole (1992). “Collusion and the Theory of Organizations”. In J.-J. Laffont, ed. *Advances in Economic Theory*. Cambridge: CUP, pp. 151-206.

- Bengt Holmström (1999). “[The Firm as a Subeconomy](#)”. *Journal of Law, Economics & Organization*; V.15-#1, pp. 74-102.
- Maija Halonen (2002). “[Reputation and the Allocation of Ownership](#)”. *Economic Journal*; V.112-#481, pp. 539-558.
- Jean Tirole (2001). “[Corporate Governance](#)”. *Econometrica*; V.69-#1, pp. 1-35.
- W. Bentley MacLeod (2007). “[Reputations, Relationships and Contract Enforcement](#)”. *Journal of Economic Literature*; V.45-#3, pp. 595-628.
- Hart, Oliver D. 2008. “[Reference Points and the Theory of the Firm.](#)” *Economica*, 75(299), 404-11.
- Hart, Oliver and John Moore. 2008. “[Contracts as Reference Points.](#)” *Quarterly Journal of Economics*, 123(1), 1-48.
- Hart, Oliver D. and Bengt Holmstrom. 2010. “[A Theory of Firm Scope.](#)” *Quarterly Journal of Economics*, 125(2), 483-513.

### ● **Transaction Costs in Action: GM-Fisher Body (Optional topic)**

- ▶ Benjamin Klein, Robert Crawford and Armen Alchian (1978). “[Vertical Integration, Appropriable Rents and the Competitive Contracting Process](#)”. *Journal of Law and Economics*; V.21-#2, pp. 297-326.
- ▶ Ronald Coase (2000). “[The Acquisition of Fisher Body by General Motors](#)”. *Journal of Law & Economics*; V.43-#1, pp. 15-31.
- ▶ Benjamin Klein (2000). “[Fisher-General Motors and the Nature of the Firm](#)”. *Journal of Law & Economics*; V.43-#1, pp. 105-141.
- ▶ Patrick Bolton and David Scharfstein (1998). “[Corporate Finance, The Theory of the Firm and Organizations](#)”. *Journal of Economic Perspectives*; V.12-#4, pp. 95-114. [[comment & response](#)]
- ▶ Michael Whinston (2003). “[On the Transaction Cost Determinants of Vertical Integration](#)”. *Journal of Law, Economics and Organization*; V.19-#1, pp. 1-23.

### ● **Why Capital Hires Labor (optional topic)**

- Gregory Dow and Louis Putterman (1999). “Why Capital (Usually) Hires Labor: An Assessment of Proposed Explanations”. in M. Blair and M. Roe, eds. *Employees and Corporate Governance*. Washington, DC: Brookings, pp. 17-57.

- Mukesh Eswaran and Ashok Kotwal (1989). “[Why Are Capitalists the Bosses?](#)”. *Economic Journal*; V.99-#394, pp. 162-176.
- Gregory Dow (1993), “[Why Capital Hires Labor: A Bargaining Perspective](#)”. *American Economic Review*; V.93-#1, pp. 118-134.
- Simon, Herbert. 1951. “[A Formal Theory of the Employment Relationship](#).” *Econometrica*, 19(3), 293-305.
- Stephen Marglin (1974). “[What Do Bosses Do? The Origins and Functions of Hierarchy in Capitalist Production](#)”. *Review of Radical Political Economics*; V.6-#2, pp. 33-60. [Part II]
- Michael Jensen and William Mecking (1979). “[Rights and Production Functions: An Application to Labor Managed Firms and Co-determination](#)”. *Journal of Business*; V.52-#4, pp. 469-506.
- Oliver Williamson (1980). “[The Organization of Work: A Comparative Institutional Assessment](#)”. *Journal of Economic Behavior and Organization*; 1-#1, pp. 5-38. [Comment by Putterman and response]
- Victor Goldberg (1980). “[Bridges Over Contested Terrain: Exploring the Radical Account of the Employment Relationship](#)”. *Journal of Economic Behavior and Organization*; 1-#3, pp. 249-277.
- Samuel Bowles (1985). “[The Production Process in a Competitive Economy: Walrasian, Neo-Hobbesian, and Marxian Models](#)”. *American Economic Review*; V.75-#1, pp. 16-36.
- David Landes (1986), “[What Do Bosses Really Do?](#)”. *Journal of Economic History*; V.46-#3, pp. 585-623.
- Henry Hansmann (1988). “[Ownership of the Firm](#)”. *Journal of Law, Economics, and Organization*; V.4-#2, pp. 267-305.
- Freeman, Richard B. and Edward P. Lazear. 1995. “[An Economic Analysis of Works Councils](#),” in J. Rogers and W. Streeck eds, *Works Councils: Consultation, Representation, and Cooperation in Industrial Relations*. Chicago: University of Chicago Press/NBER, 27-50.
- George Mailath and Andrew Postlewaite (1990). “[Workers vs. Firms: Bargaining over a Firm’s Value](#)”. *Review of Economic Studies*; V.57-#3, pp. 369-380.
- Patrick Legros and Andrew Newman (1996), “[Wealth Effects, Distribution, and](#)

the Theory of Organization”. *Journal of Economic Theory*; V.70-#2, 312-341.

■ Faleye, Olubunmi; Vikas Mehrotra and Randall Morck. 2006. “When Labor Has a Voice in Corporate Governance.” *Journal of Financial and Quantitative Analysis*, 41(3), 489-510.

### Topic III. Topics in Law and Economics of Corporate Governance

#### ● Limited Liability and Capital Structure (optional topic)

▶ Easterbrook and Fischel, Chapter 2.

▶ Henry Manne (1967). “Our Two Corporate Systems: Law and Economics”. *Virginia Law Review*; V.53-#2, pp. 259-284.

▶ Michael Jensen and William Meckling (1976). “Theory of the Firm: Managerial Behavior, Agency Costs and Capital Structure”. *Journal of Financial Economics*; V.3-#4, pp. 305-360. [pp. 333-360]

■ Merton Miller (1988). “The Modigliani-Miller Proposition After 30 Years”. *Journal of Economic Perspectives*; V.2-#4, pp. 99-120. [Comments by: Stiglitz; Ross; Bhattacharya; Modigliani]

■ Milton Harris and Arthur Raviv (1991). “The Theory of Capital Structure”. *Journal of Finance*; V.46-#1, pp. 297-355.

■ Franco Modigliani and Merton Miller (1958). “The Cost of Capital, Corporate Finance, and the Theory of Investment”. *American Economic Review*; V.48-#3, pp. 261-297.

■ Joseph Stiglitz (1974). “On the Irrelevance of Corporate Financial Policy”. *American Economic Review*; V.64-#6, pp. 851-866.

■ Eugene Fama (1978). “The Effects of a Firm’s Investment and Financing Decisions on the Welfare of Its Security Holders”. *American Economic Review*; V.68-#3, pp. 272-284.

■ Stewart Myers (1977). “Determinants of Corporate Borrowing”. *Journal of Financial Economics*; V.5-#2, pp. 147-175.

■ Stephen Ross (1977). “The Determination of Financial Structure: The Incentive Signaling Approach”. *Bell Journal of Economics*; V.8-#1, pp. 23-40.

■ Hayne Leland and David Pyle (1977). “Information Asymmetries, Financial Structure, and Financial Intermediation”. *Journal of Finance*; V.32-#2, pp. 371-

387. [Comment by Stephen Ross]

■ Stewart Myers and Nicholas Majluf (1984). “Corporate Financing and Investment Decisions when Firms Have Information that Investors Do Not Have”. *Journal of Financial Economics*; V.13-#2, pp. 187-221.

■ Oliver Williamson (1988). “Corporate Finance and Corporate Governance”. *Journal of Finance*; V.43-#3, pp. 567-591.

■ Rajan, Raghuram G. and Luigi Zingales (1995). “What Do We Know About Capital Structure? Some Evidence from International Data.” *Journal of Finance*, 50(5), 1421-60.

## ● The Berle-Means Firm: Separation of Ownership and Control

▶ Easterbrook and Fischel, Chapter 4

▶ Eugene Fama (1980). “Agency Problems and the Theory of the Firm”. *Journal of Political Economy*; V.88-#2, pp. 288-307.

▶ Eugene Fama and Michael Jensen (1983). “Separation of Ownership and Control”. *Journal of Law and Economics*; V.26-#2, pp. 301-325.

■ Eugene Fama and Michael Jensen (1983). “Agency Problems and Residual Claims”. *Journal of Law and Economics*; V.26-#2, pp. 327-349.

▶ Oliver Williamson (1983). “Organization Form, Residual Claimants and Corporate Control”. *Journal of Law and Economics*; V.26-#2, pp. 351-366.

▶ Benjamin Klein (1983). “Contracting Costs and Residual Claims: The Separation of Ownership and Control”. *Journal of Law and Economics*; V.26-#2, pp. 367-374.

■ Bengt Holmström (1982/1999). “Managerial Incentive Problems: A Dynamic Perspective”. *Review of Economic Studies*; V.66-#1, pp. 169-182.

■ Adolph Berle and Gardiner Means (1932). *The Modern Corporation and Private Property*. New York: Commerce Clearing House, inc.

■ Henry Manne (1962). “The ‘Higher Criticism’ of the Modern Corporation”. *Columbia Law Review*; V.62-#3, pp. 399-432. [Comment by Berle]

■ Harold Demsetz (1983). “The Structure of Ownership and the Theory of the Firm”. *Journal of Law and Economics*; V.26-#2, pp. 375-390.

■ Harold Demsetz and Kenneth Lehn (1985). “[The Structure of Corporate Ownership: Causes and Consequences](#)”. *Journal of Political Economy*; V.93-#6, pp. 1155-1177.

■ Ronald Gilson and Reinier Kraakman (1984). “[The Mechanism of Market Efficiency](#)”. *Virginia Law Review*; V.70-#4, pp. 549-644.

## ● The non-Berle-Means Firm

▶ Masahiko Aoki (2000). “Information and Governance in the Silicon Valley Model”. Vives, Chapter 5.

▶ Raghuram Rajan and Luigi Zingales (2000). “The Governance of the New Enterprise”. Vives, Chapter 6.

■ Raghuram Rajan and Luigi Zingales (2001). “[The Firm as a Dedicated Hierarchy: A Theory of the Origins and Growth of Firms](#)”. *Quarterly Journal of Economics*; V.116-#3, pp. 805-852.

## ● Capital Structure and Control

■ Sanford Grossman and Oliver Hart (1982). “[Corporate Financial Structure and Managerial Incentives](#)”. In J. McCall, ed. *The Economics of Information and Uncertainty*. Chicago: University of Chicago Press/NBER, pp. 107-137.

■ René Stulz (1990). “[Managerial Discretion and Optimal Financing Policies](#)”. *Journal of Financial Economics*, V.26-#1, pp. 3-27.

■ Philippe Aghion and Patrick Bolton (1992). “[An ‘Incomplete Contracts’ Approach to Bankruptcy and the Optimal Financial Structure of the Firm](#)”. *Review of Economic Studies*; V.59-#3, pp. 473-494.

■ Enrico Perotti and Kathryn Spier (1993). “[Capital Structure as a Bargaining Tool](#)”. *American Economic Review*; V83-#5, pp. 1131-1141.

■ Hart, Oliver. 1993. “Theories of Optimal Capital Structure: A Managerial Discretion Perspective,” in M. M. Blair ed *The Deal Decade: What Takeovers and Leveraged Buyouts Mean for Corporate Governance*. Washington, D.C.: Brookings Institution, 19-43.

■ Hart, Oliver and John Moore. 1995. “[Debt and Seniority: An Analysis of the Role of Hard Claims in Constraining Management](#).” *American Economic Review*, 85(3), 567-85.

■ Dewatripont, Mathias and Jean Tirole. 1994. “[A Theory of Debt and Equity](#):

Diversity of Securities and Manager-Shareholder Congruence.” *Quarterly Journal of Economics*, 109(4), 1027-54.

■ Holmström, Bengt and Jean Tirole. 1997. “Financial Intermediation, Loanable Funds and the Real Sector.” *Quarterly Journal of Economics*, 112(3), 663-91.

■ Zwiebel, Jeffrey. 1996. “Dynamic Capital Structure under Managerial Entrenchment.” *American Economic Review*, 86(5), 1197-215.

■ Bolton, Patrick and Ernst-Ludwig von Thadden. 1998. “Liquidity and Control: A Dynamic Theory of Corporate Ownership Structure.” *Journal of Institutional and Theoretical Economics*, 154(1), 177-211.

■ McKnight, Phillip J. and Charlie Weir. 2009. “Agency Costs, Corporate Governance Mechanisms and Ownership Structure in Large UK Publicly Quoted Companies: A Panel Data Analysis.” *Quarterly Review of Economics and Finance*, 49(2), 139-58.

■ Mutamimah and Sri Hartono. 2010. “Dividend, Debt, and Investment Policies as Corporate Governance Mechanism.” *Investment Management and Financial Innovations*, 7(2), 209-16.

## ● Corporate Control Transactions: Tenders, Takeovers, etc.

▶ Easterbrook and Fischel, Chapters 5-7

▶ Michael Jensen (1986). “Agency Costs of Free Cash Flow: Corporate Finance and Takeovers”. *American Economic Review*; V.76-#2, pp. 323-329.

▶ Frederick Scherer (1988). “Corporate Takeovers: The Efficiency Arguments”. *Journal of Economic Perspectives*; V.15-#2, pp. 69-82.

▶ Shleifer, Andrei and Robert Vishny (1990). “The Takeover Wave of the 1980s”. *Science*; V.249-#4970 (August 17), pp 745-749.

▶ Bengt Holmström and Steven Kaplan (2001). “Corporate Governance and Merger Activity in the US: Making Sense of the 1980s and 1990s”. *Journal of Economic Perspectives*; V.15-#2, pp. 121-144.

■ Henry Manne (1965). “Mergers and the Market for Corporate Control”. *Journal of Political Economy*; V.73-#2, pp. 110-120.

■ Sanford Grossman and Oliver Hart (1982). “Takeover Bids, the Free-rider Problem, and the Theory of the Corporation”. *Bell Journal of Economics*; V.11-#1, pp. 42-64.

- John Coffee (1984). “[Regulating the Market for Corporate Control: A Critical Assessment of the Tender Offer’s Role in Corporate Governance](#)”. *Columbia Law Review*; V.84-#5, pp. 1145-1296.
- Gregg Jarrell, James Brickley and Jeffrey Netter (1988). “[The Market for Corporate Control: The Empirical Evidence Since 1980](#)”. *Journal of Economic Perspectives*. V.2-#1, pp. 49-68.
- Michael Jensen (1988). “[Takeovers: Their Causes and Consequences](#)”. *Journal of Economic Perspectives*; V.2-#1, pp. 21-48.
- Shleifer Andrei and Lawrence Summers (1988). “[Breach of Trust in Hostile Takeovers](#)”. in Alan Auerbach, ed. *Corporate Takeovers: Causes and Consequences*. Chicago: University of Chicago Press.
- Sanjai Bhagat, Andrei Shleifer and Robert Vishny (1990). “[Hostile Takeovers in the 1980s: The Return to Corporate Specialization](#)”. *Brookings Papers on Economic Activity: Microeconomics*. pp.1-72.
- Julian Franks and Colin Mayer (1996). “[Hostile Takeovers and Correction of Managerial Failures](#)”. *Journal of Financial Economics*; V.40-#1, pp. 163-181.
- John Coates, IV (2000). “[Takeover Defenses in the Shadow of the Pill: A Critique of the Scientific Evidence](#)”. *Texas Law Review*; V.79-#2, pp. 271-382.
- Costas Siriopoulos, Antonios Georgopoulos and Athanasios Tsagkanos (2006). “[Does the ‘Market for Corporate Control’ Hypothesis Explain Takeover Targets?](#)”. *Applied Economics Letters*; V.13-#9, pp. 557-561.

## ● **Compensation as Control**

- ▶ Bebchuk, Lucian A. and Jesse M. Fried. 2003. “[Executive Compensation as an Agency Problem](#).” *Journal of Economic Perspectives*, 17(3), 71-92.
- ▶ Frydman, Carola and Dirk Jenter. 2010. “[CEO Compensation](#).” *Annual Review of Financial Economics*, 2(1), 75-102.
- ▶ Hermalin, Benjamin E. and Michael S. Weisbach. 1991. “[The Effects of Board Composition and Direct Incentives on Firm Performance](#).” *Financial Management*, 20(4), 101-12.
- Hermalin, Benjamin E. 2005. “[Trends in Corporate Governance](#).” *Journal of Finance*, 60(5), 2351-84.

- Murphy, Kevin J. 1985. “Corporate Performance and Managerial Remuneration: An Empirical Analysis.” *Journal of Accounting and Economics*, 7(1-3), 11-42.
- John Core, Robert Holthausen and David Larcker (1999). “Corporate Governance, Chief Executive Officer Compensation, and Firm Performance”. *Journal of Financial Economics*; V.51-#3, pp. 371-406.
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