

Book Reviews

Berndt, Markus (2002): Global Differences in Corporate Governance Systems: Theory and Implications for Reforms, Wiesbaden, Deutscher Univ.-Verlag.

This publication tries to give a reasonable theoretical interpretation on different types of corporate governance systems. Starting point is the empirical analysis of “insider systems” of corporate governance like in Japan or Germany and “outsider systems” like in the UK or USA as well as the factors which affected their evolution. After a short introduction to the key aspects of this dissertation in the first chapter, the fundamental differences between the insider and outsider systems of corporate governance are worked out in the second chapter. This discussion is based on different empirical studies and literature. In the third chapter an analytical framework for further theoretical model analysis is elaborated, based on the economic theory of principal-agent problems.

This is followed by an examination of the functions and influencing factors of insider and outsider systems of corporate governance in chapters four and five, particularly with regard to the question why – after World War II – these two different corporate governance systems could durably evolved. Therefore economic models are developed which should analyse more exactly the efficiency of both systems. In the following chapters the author explains the interdependency between both corporate governance systems and the capital market (chapter 6). The results of the model analyses of the chapters 4-6 are summarised into a theoretical model (chapter 7) which should illustrate the interference between individual corporate governance strategy, capital market and legal regulation mechanisms. Conclusions resulting from regarding a corporate governance reform are discussed in the eighth chapter. In chapter nine the author argues theoretically with regard to different corporate governance approaches with benefits arising from direct co-ordination between companies. The final chapter summarises conclusions about the previous work.

Altogether the book gives a profound theoretical explanation of the origin and evolution of two different corporate governance systems. In particular, the closely regarded analytical framework of the theoretical model analysis and the strict differentiation into insider and outsider systems allow a consequential theoretical argumentation and concentration on the essentials. This is reached among other things by the formulation of stylized facts with regard to both corporate governance systems.

But some critical notes should be made in the same context. First of all the work claims a global point of view regarding the book’s title. But the analysis investigates only "western" industrial nations. Other existing corporate

governance structures, e.g. in Eastern Europe or Latin America, are excluded. In this respect the title of the book promises a misleading broad interpretation of differences in corporate governance systems. It is only one aspect in the present corporate governance debate that is examined - differences in insider and outsider corporate governance systems according to a “western” character. However, for a satisfying explanation with regard to the problem definition fixed in the title the selection of countries is too limited.

Another point is the difficulty in understanding the main chapters of this work without any knowledge of economic theory. Therefore this book can only be directed to people who are already familiar with economic matters, e.g. game theory. This is also reflected in the linkage of the theme with various economic theories, e.g. principal-agent theory, game theory. This impression is strengthened by the partial mechanistic view of the influencing factors of a corporate of governance system. Thus, I miss other exogenous influencing factors. For example, the cultural influences which also play a substantial role in the traits of particular corporate governance systems.

The target group of this book are those people who study more closely the evolution of insider and outsider corporate governance systems in a theoretical way. But it will also be interesting for those who compare different corporate governance structures, network effects or connections between corporate governance institutions and capital markets more closely. Because of its complexity this book is directed primarily at scientifically interested readers from the field of economics and business sciences which are already familiar with economic theories and the basics of corporate governance.

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