

**Comments on
Julian Franks, Colin Mayer and
Stefano Rossi
”The Origination and Evolution of
Ownership and Control”**

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Governance from an International Perspective:

Diversity or Convergence”

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The Puzzle

- Diversity of ownership structure around the world, particularly concentration of stakes
- Leading theories posit regulation as necessary condition for dispersion
 - investor protection (La Porta et al)
 - restricting blockholders (Roe)
- But theory doesn't fit the historical facts of the UK.

The Findings

- Critique of investor protection thesis, finds similar rates of ownership dispersion in across two periods in UK
- Acquisitions are key to dispersion process
- Families retained control over boards disproportionate to their ownership stakes
- Posits implicit contracts and trust in local/regional networks as mechanisms aiding early dispersion
- Main impact of investor protection may be increase in liquidity and mutability of stakes

Some Implications

- Role of Investor Protection?
 - Legal protection not necessary condition for dispersion
 - law comes late in U.S. and early shareholder protection in Germany may have *limited* dispersion
- What explains dispersion in UK?
 - „Private benefits“ thesis presents puzzle
 - Characteristics of takeover process
 - Embeddedness in regions

Issues Raised by the Paper

- Functional Equivalence
 - Alternative mechanism for protecting investors and reducing private benefits?
 - Social embeddedness, trust
 - Comparability of dispersion rates and size of groups...
 - Other protective mechanisms?

Further Issues

- Mergers
 - May explain cross-national pattern.
Contrasting cases of Germany and U.S.
 - Relation of merger activity and finance to regulatory environment in UK?
- Other factors driving dispersion?
 - Does not fully explore Roe's argument about limiting blockholder power
 - Germany and Japan moved from family to inter-corporate and bank ownership.

Further Issues

- Ownership and Control
 - Family control without ownership in UK. Is this really the mirror image of Europe?
 - Chandlers paradox
 - Factual power of families hard to estimate
- Importance of historical studies
 - ownership and control driven by mutual and cumulative causation (cases as configurations), sequence of events may be important