

Research Institute of Economy, Trade and Industry (RIETI)



Waseda Institute for Advanced Study

January 15, 2013

RIETI BBL Seminar

Comment on “Crisis, Commitment and the Corporation” by Prof. Colin Mayer

Hideaki Miyajima

(Waseda University/RIETI/WIAS)

- to the conventional view, the production function, the nexus of contract, the transaction concerns, and the legal entities
- Commitment devices
- The separation of ownership and control:
Not source of agency problems, but the base of commitment of stakeholders to firms

- Lack of governance – not problem
- Too strong governance: high powered incentives, market for corporate control etc.
- Shareholders: taking too much risk
- Not wealth creation, but wealth transfer
- Contradictions between shareholder and stakeholder's interests.

- **Goal:** Reforms, Defining “Firm Values”, establish the “Trust (base) Firm”
- **Regulation** cannot solve the problems, trust between shareholder and firms can do.
- **Control** should be put on long term investors.
- **New ownership structure:** the combination of registered shares and bearer shares
- **The boards of trustee :** Keeping the firm value and balance between shareholders interests and the commitment of the stakeholder

- Shareholders – at the expense of creditor and other stakeholders
- Creditors – at the expense of shareholders
- Which problem is much serious in Japan?

Different from UK, and US, the lack of risk taking?

- How to encourage the stable shareholder to be active?
- J-institutional investors (insurance companies and trust banks) are long-term, but no voice and less active for corporate governance.
- How to encourage ? If registered share is impossible, what are alternatives?

- Board of Trustees as an oversight device.
- What is the necessary role of the board of trustee?
- How the stakeholder (esp. employee) interests could be protected or represented?
Cf. Labor participation in Germany
- Who are an appropriate candidates? What is the necessary qualifications?



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早稲田大学高等研究所

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