RIETI BBL Seminar

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

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Bottom line: New theory of firm

- 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
Bottom line: Current Situation

• 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.
Bottom line: the reforms

- **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
Comment: Implication to Japan

• 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?
Comment: Implications to Japan

- 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?