



**Comment on “The Origination and
Evolution of Ownership and
Control” by Colin Mayer et. al**

Miyajima, Hideaki
(Waseda University and RIETI)



Contributions:

- Using 20th-century sequent unique data set including ownership, board composition, paper highlights the evolution of ownership in UK firms
- Conventional wisdom represented by La Porta et al (1998) is seriously attacked.
 - Legal protection on minority shareholder does not matter in determining ownership structure.



Essence 1

	1900-1950 First	1960- later
Protection	Less protective	Highly protective
Market	Active	High turnover
Ownership	Dispersed	NO further dispersion
Mutation = coalitions of controlling shareholder	Low	High – greater liquidity
Trading	Local	national



Essence 2

- If legal protection were irrelevant, then what is the determinants of ownership structure? – Acquisition.
- Legal factor does matter in different way. Incorporation and limited liability.
- Contrasting ownership and control structure: Family control without high ownership in UK vs. management control with high family ownership in European continent



Comment ; Sample selection/Characteristics

Sample selection procedure and description of samples. 25 firm in 1900 and 1960.

- How sample firms are picked up.
- How is the appropriateness of samples guaranteed?
- How paper tried to avoid survivorship bias.
- Characteristics of sample firms in terms of size, industry distribution, and performance



Comment ; limited liabilities

- the law of incorporation and limited liabilities is critical factor for influencing on ownership structure, instead of minority shareholder protection.
- It is persuasive, and intuitively I agree. However, since the survey began in 1900 right after the limited liabilities became effective in 1897, so far there was no direct evidence for this statement.



Comment: disclosure

- The disclosure of information in UK relatively advanced in cross national perspectives. But it is not involved in substantial part of the story.
- High discloser level is the result of legal protection, isn't it ?
- If this rule is the case for all provincial market, then this factor could explain how contradiction between family and outside shareholder was reduced in UK.



Further Agenda (1) : Without regal protection, why small individual investors invested in?

- ' it was implicit contracts enforced by informal relations of trust that encouraged participation by outside investors.
- It seems to be right, but there are no clear evidence.
- Reduce informational problems, then what a kind of informational problem? Outside investor believe that family will not exploit minority shareholders. Idealistic evidence in this context is : family try to keep dividend to outside shareholder even when firm face business downturn .



Further Agenda(2): Acquisition

- Can we assume it is just result of real factors?
- Board composition (family control) and legal factor may affect on acquisition, after controlling real factors.
- Let us think about what is the determinates of acquisition seriously.



Further Agenda: Evolution of ownership and control

- Contrasting ownership and control pattern = family control without ownership in UK vs. management control with high family ownership in continental Europe.
- Family control with high family ownership (start = East Asian)
- F.C with Low ownership (UK first half) Management control with F.O (Continental, pre war J)
- Management control with dispersed ownership (UK later half, US, Japan)



Continued:

- UK is special case or for-runner of East Asian firms. Problem associated with this pattern seems to be different (Conservative strategy vs. exploitation)
- Why the ownership structure of continental Europe is so stable, if their ownership structure in first half of 20th century can be characterized as management control with high family ownership.
- Let us compare the evolution pattern of ownership and control cross national and historical perspective