BOOK REVIEW

Touffut, J.-P.: Does company ownership matter?

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“Property rights are considered by most economists to be as fundamental as the concept of scarcity or rationality”, observes Jean-Phillipe Touffut, the editor of the volume in the introductory section. However, he adds, “the expression of property as a social construct differs so much from one legal structure to another” (p. 1). These matters are the core of the volume comprising the works presented at the tenth conference of the Cournot Centre for Economic Studies, held in Paris in 2007. It is a series of contributions which deals with two major issues: the role of ownership (with special concern for its impact on labour relations) and evolutionary trends towards similar or heterogeneous varieties of capitalism. Its valuable contribution is that of offering an updated analysis of both issues, reconsidered in their main theoretical and empirical aspects.

In the first chapter, Wendy Carlin addresses the importance of ownership—and of different concepts of the firm. She presents a helpful overview, focusing on various aspects of the debate on the role of ownership.

Two major views are compared and the related literature is briefly but clearly examined. The first view that originated with the property rights approach of Grossman–Hart–Moore sees access to finance as the major problem to be solved by corporate governance; this contrasts with the new concept of the firm (Carlin refers to Zingales’s works) as a nexus of implicit contracts, in which multiple incentive problems, not only access to finance, must be solved, and in which “handling stakeholder interests is intrinsic to the firm’s success” (p. 14).

A contribution which offers a critical examination of the legitimacy of shareholder power is that by Christophe Clerc, who develops his critical analysis in three parts: a dissertation against shareholder primacism; an historical reconstruction of various

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configurations of companies, up to the emergence of the legal “personality” of firms, and a final section devoted to the path of reforms to prospective alternatives to monopolistic shareholder power.

Clerc demonstrates various paradoxes, and one major issue is a critical examination of the theme of risk as a foundation of power. His ample, stimulating dissertation is interesting, although it is unbalanced and not wholly persuasive at some points. For instance, one paradox he mentions is that of power without money. The primary role of shareholders should be that of providing capital, but recent evidence shows that shareholders have removed more money that they invested in corporations, thus retaining authority without financing. This is a strong statement, only supported by a few data reported in a footnote, which should be proven with additional documentation.

The abandonment of shareholder primacy leads to the identification of a new concept of equilibrium, like that proposed by the paradigm of corporate social responsibility (CSR), by Lorenzo Sacconi. He first presents a theoretical model within the framework of game theory, which shows that CSR may be built on a ‘well-defined’ company objective function, and the explicit intention is to prove the existence of a single solution which represents a fair balance of a multiplicity of stakeholder interests. His second challenging aim is to identify real-world incentives which make the model self-sustainable. Both sections draw on advanced tools, such as the trust game, which makes this chapter a demanding read.

The second major issue of the volume, beyond normative questions, concerns the actual changes in ownership structures observed in different varieties of capitalism and their main effects.

Carlin mentions empirical studies which make industry–country comparisons, offering valuable insights. The methodology of these contributions, briefly explained by the author, focuses on testing the complementarities between country and industry characteristics: this literature has found that a country’s financial institutions and ownership structures have a ‘second-order effect’, causing only ‘abnormal’ performances relative to ‘average’ country and industry growth. The author notes that this line of research is one of the more promising, although highly demanding in terms of data requirements.

She also offers a general description of ownership structure and financing changes recorded in the last few years in major industrialised countries. She presents data gathered from various sources, usually not compared in single overviews, and highlights various aspects, ranging from stock market capitalisation, ownership concentration, control structures, foreign ownership, and the commitments of institutional investors. The picture she gives reveals some common trends, i.e., increased foreign ownership and improvements in disclosure standards, but also various scenarios of ‘efficient adaptation’ or ‘efficient resistance’ (like those of the German and Italian cases, respectively). The French experience emerges as a hybrid model in transition from one variety of capitalism to another, as confirmed by the following contributions, which devote special space to the experience of the guest country of the conference.

Indeed, the analysis of large listed companies in France is the focus of Jean-Louis Beffa and Xavier Ragot. These authors open their contribution by presenting types of shareholders according to their different time-horizons and strategies. The implicit aim is to offer, by applying both criteria, a wide spectrum of alternative structures, in