

# Advanced Study of Finance (Fall)

Corporate Governance

Instructor: Prof. Mitsuhiro Fukao

*Required (1st or 2nd yr.) / Specialized Subjects / 2 credits*

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The governance structure of limited liability companies that stipulates the relationship among the management, stockholders, creditors, employees, suppliers and customers is important in determining the performance of the economy. Although the OECD countries are generally characterized as market economies, there are considerable differences among these countries in the organizational structure of the economy. One of the major aims of this course is to understand the institutional differences in corporate-governance structures of companies in major industrial countries including the United States, Japan, Germany, France and the United Kingdom. The differences in the corporate-governance structure have a number of implications for the performance of companies. For example, the cost of capital and the effective use of human resources would be affected by this structure. In recent years, the deepening international integration of economic activities has heightened awareness of cross-country differences in corporate-governance structure and putting a strong pressure for convergence in some aspects of corporate governance systems. The course will also survey these trends.

## Course Plan:

- No.1 Financial Integration, Corporate Governance, and the Performance of Multinational Companies 1
- No.2 Financial Integration, Corporate Governance, and the Performance of Multinational Companies 2
- No.3 Breach of Trust in Hostile Takeovers
- No.4 Takeover Politics
- No.5 Top Executive Rewards and Firm Performance: A Comparison of Japan and the United States
- No.6 Corporate Governance and Bankruptcy in Major Countries
- No.7 Bankruptcy of Enron: A Case Study
- No.8 Structural Changes in Employment and Wages in Japan
- No.9 Role of Minority Shareholders
- No.10 Board Practice in US Companies 1
- No.11 Board Practice in US Companies 2
- No.12 Changing Corporate Governance in EU
- No.13 Japanese Financial Instability in the 1990s and Weaknesses in the Corporate Governance Structure
- No.14 Financial Crisis and the Lost Decade in Japan
- Other Changing Governance Structure: General Discussions

## Method of Evaluation:

Grading will be based on a term paper of about 15 to 20 pages and class participation. The topic of the term paper has to be related to the content of the class. For example: Comparison of governance structures among some countries, Governance structure of government owned companies and private companies, Issues related to bankruptcy procedures, Security exchange law and governance system, Incentive mechanism for directors, Banking problems and deposit insurance system.

## Textbooks:

1. General Concept  
Fukao, Mitsuhiro, *Financial Integration, Corporate Governance, and the Performance of Multinational Companies*, Brookings, 1995.
2. Hostile Takeovers  
Shleifer, Andrei, and Lawrence H. Summers, "Breach of Trust in Hostile Takeovers," in *Corporate Takeovers: Causes and Consequences*, edited by Alan J. Auerbach, University of Chicago Press, 1988.  
Roe, Mark J. "Takeover Politics," in *Deal Decade*, edited by M. Blair, 1993.
3. Elements of Governance  
Kaplan, Steven N., "Top Executive Rewards and Firm Performance: A Comparison of Japan and the United States," *JPE*, Vol. 102, No. 3, June 1994  
Christine Pochet, "Corporate Governance and Bankruptcy: a Comparative Study," *Cahier de recherche no. 2002 – 152*, Centre de Recherche en Gestion, IAE de Toulouse.  
Naoto Osawa, Kazushige Kamiyama, Koji Nakamura, Tomohiro Noguchi, and Eiji Maeda, "An Examination of Structural Changes in Employment and Wages in Japan," *Bank of Japan Monthly Bulletin*, August 2002.  
Black, Bernard, "Creating Strong Stock Market by Protecting Outside Shareholders," remarks at OECD/KDI conference on *Corporate Governance in Asia: A Comparative Perspective*, Seoul, March 3-5, 1999.  
Paul Philippe Frere, *Board Practices: The Structure of Boards at S&P 1,500 Companies 2011 Edition*, Institutional Shareholder Services, March 2011.  
William C. Powers, Jr., Raymond S. Trough, and Herbert S. Winokur, Jr., "Report of Investigation by the special investigative committee of the board of directors of Enron corp.," February, 2002.
4. Financial System  
Fukao, Mitsuhiro, "Japanese Financial Instability and Weaknesses in the Corporate Governance Structure," *Seoul Journal of Economics*, Vol.11, No. 4, 1998.  
Fukao, Mitsuhiro, "Financial Crisis and the Lost Decade," in *Asian Economic Policy Review*, Vol.2 No.2, Blackwell, 2007, pp. 273-297.

## Questions/Comments:

We will have intensive Q&A time during the regular class.