Stability and Change in Corporate Governance

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Abstract

Corporate governance describes the process that allocates power and resources within organizations and the societal institutions that shape how they look, how they make decisions, and how the proceeds from their activities are divided. Research and theory traditionally focused on the institutions that overcome the separation of ownership and control created by dispersed shareholdings. Critics noted that this problem was distinctively American, and that corporate governance is shaped by history, culture, and power. We describe several domains for productive future research that is comparative, historical, and attentive to power dynamics.

INTRODUCTION

Corporate governance describes the process that allocates power and resources within organizations and the societal institutions that shape how they look, how they make decisions, and how the proceeds from their activities are divided. Because corporations are central economic actors in essentially all advanced economies, understanding how they are governed is an important topic for scholars of business, law, political science, economics, and sociology, and each of these disciplines has contributed to understanding corporate governance, making it one of the most vibrant interdisciplinary topics of research (Blair, 1995; Shleifer & Vishny, 1997).

At the narrowest level, corporate governance concerns the operations of boards of directors of public corporations. Researchers sought to understand how boards are staffed, how their decisions are made, how they connect with their constituencies, and how they influence corporate financial performance. But this narrow conception neglected the broader institutions in which boards were embedded. In the United States, whose system of corporate governance has received by far the greatest attention, public corporations sit at the center of a matrix of institutions that are all more or less calibrated by the stock market. Executive compensation is designed to

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align the interests of managers with stock price performance. Accounting firms audit corporate books to verify that they fairly represent the company's financial situation. Financial analysts investigate companies and compare them to competitors to determine whether they are a good investment. Institutional investors make their preferences known to management and the board and vote their preferences in annual elections. Corporate law in a firm's state of incorporation lays out the responsibilities of management and the board with respect to shareholders, and stock exchanges promulgate standards of good governance that listed firms are obliged to follow.

Scholars of law and economics documented the interlocking workings of these various institutions and along the way created a wiring diagram for shareholder capitalism, that is, how to organize an economy around publicly traded corporations. After the Mexican debt crisis of 1982, developing countries around the world opened up stock markets to gain access to foreign investment capital, and with the collapse of the Soviet Union, nations in Central and Eastern Europe created stock markets as a device to privatize state-owned enterprises, creating thousands of new public corporations virtually overnight.

By the 1990s, the public corporation had become a pervasive feature of nearly all industrial economies. As a result, corporate governance became an essential domain of study across several disciplines. Because the United States had the most extensive experience with public corporations, and the largest installed base of governance scholars, theory about corporate governance based on the American experience became a kind of master key to understanding corporations around the world, both descriptively and prescriptively. Yet as we describe in this article, the American approach to corporate governance was quite idiosyncratic, and experience showed that its applicability around the world was problematic at best.

In this essay, we describe the history of the study of corporate governance, particularly in the United States, and how it came to be a performative theory, thus shaping the object it purported to describe. We assess the critiques that arose, largely within sociology, and how these challenged the status of this theory. We then describe a set of emerging research domains in corporate governance that merit further development, and suggest specific topics worthy of future study.

FOUNDATIONAL RESEARCH

The central problem of corporate governance is how to structure corporations, particularly at the top level, so that they pursue their intended ends effectively. The "intended end" of the corporation is typically assumed to be profit. "Effectively" pursuing this end commonly means maximizing

long-term profitability. In the case of privately owned corporations, the problem is not especially interesting, as the people who own the company also generally control it. Family businesses and partnerships may be fascinating in their own right, but their governance is not.

Corporate governance becomes interesting when ownership and control are separated. This situation began to emerge at a large scale during the first decades of the twentieth century in the United States, when giant corporations serving continent-wide markets emerged. Companies such as US Steel, General Electric, and AT&T, created around the turn of the century, required capitalizations in the hundreds of millions of dollars—far too much to be met via family ownership—and thus their ownership shares were sold to the public. Within a few years, the ownership of dozens of large corporations had become so dispersed that no single individual or group owned as much as 5%. Meanwhile, the executive ranks were increasingly filled with professional managers, not family members of the founders.

This was the situation described by Berle and Means in their 1932 classic *The Modern Corporation and Private Property*. Berle (a lawyer) and Means (an economist) found that nearly half of the 200 largest public companies in America lacked a significant ownership block, which they argued gave the executives at the top substantial autonomy to choose their own goals for the corporation. "Ownership of wealth without appreciable control and control of wealth without appreciable ownership appear to be the logical outcome of corporate development … for practical purposes that control lies in the hands of the individual or group who have the actual power to select the board of directors." Moreover, this group was relatively concentrated, as "the ultimate control of nearly half of industry was actually in the hands of a few hundred men."

For the next 40 years, scholars debated the consequences of the separation of ownership and control in corporations for business and for society at large. Sociologist Ralf Dahrendorf (1959) stated that there was "an astonishing degree of consensus among sociologists on the implications of joint-stock companies for the structure of industrial enterprises, and for the wider structure of society." Profit maximization had little relevance to contemporary corporations: "Never has the imputation of a profit motive been further from the real motives of men than it is for modern bureaucratic managers." Further, class conflict between owners and workers had effectively dissolved; contemporary class conflict took place within the enterprise, not in the broader society.

Economist Carl Kaysen (1957) described how the effective irrelevance of shareholders had freed corporate managers to pursue broader social goals: "No longer the agent of proprietorship seeking to maximize return on investment, management sees itself as responsible to stockholders,

employees, customers, the general public, and, perhaps most important, the firm itself as an institution." Moreover, "Its responsibilities to the general public are widespread: leadership in local charitable enterprises, concern with factory architecture and landscaping, provision of support for higher education, and even research in pure science, to name a few" (Kaysen, 1957, pp. 313–314). So-called managerialist economists such as Robin Marris (1964) examined the consequences for industry if firms pursued growth (which served their own interests) rather than profitability (which served the interests of shareholders).

Yet, not all scholars were convinced that Berle and Means had got it right. Henry G. Manne, a pioneer in the "law and economics" movement, argued in 1965 that managers could not completely ignore their shareholders. The stock market's evaluation provided a day-to-day report card on managerial performance, and if companies performed badly enough to drive share price down to below the company's true value, outsiders had an incentive to buy the company from its shareholders (a "hostile takeover"), fire the incumbent managers, and fix the company for a quick profit. This so-called "market for corporate control" placed a lower bound on how much managers could ignore their shareholders and get away with it.

Subsequently, financial economists extended this reasoning even further. In one of the most frequently cited articles ever published in economics, Jensen and Meckling (1976) argued that there was a basic logical flaw in Berle and Mean's case. Why would shareholders invest their money in companies run by managers who ignored their interests—not just once, but over and over again? And how could an entire economy be comprised of such companies? There must be some hidden order that the conventional accounts had missed—the corporate equivalent of gravity.

The gravity that ruled the corporate order turned out to be shareholder value, or more precisely the stock market's ability to value the corporation accurately. Finance scholars had showed that share prices responded quite quickly to new information about a company's likely future profitability. The evidence was consistent with the "efficient market hypothesis," that is, the claim that financial markets (under some fairly lenient conditions) are remarkably effective at yielding the best available estimate of a financial asset's true intrinsic value. In short, the stock market is smarter than any of its participants at coming up with a price through the buying and selling of large numbers of dispersed investors (Malkiel, 1996). Thus, when management makes an announcement about an acquisition, or a new product launch, or an executive change, the stock market will quickly adjust the share price to reflect whether this was a good idea. This in turn gave those who ran the company strong incentives to be able to announce actions that were good for shareholders.

Working backwards from this basic premise, economists derived an entire theory of the corporation and its surrounding institutions. The theory was essentially a functionalist theory of corporate governance. Much as sociobiologists deduced the function of various social structures in terms of how they enhanced reproductive fitness, financial economists deduced the function of corporate governance in terms of their ability to enhance shareholder value. The main institutions included the following:

- The board of directors, which was argued to be comprised of relevant experts concerned about their reputation (Fama and Jensen, 1983). Research here examined questions about the performance implications of board composition (insiders vs outsiders), size, and structure (e.g., was the CEO also the Chairman of the Board), as well as how directors are recruited and retired.
- Ownership structure, that is, the size of outside ownership blocks and the level of ownership by executives and directors. Studies here document the causes and performance consequences of large ownership blocks and the differences among different types of outside owners (Demsetz & Lehn, 1985).
- Executive compensation practices, which should presumably work to align the incentives of executives with the interest of shareholders by tying their wealth to share price performance. Scholars have examined in great detail the antecedents of the amount and composition of managerial salaries and stock grants.
- The market for corporate control, that is, the mechanisms by which outsiders are able to take control from incumbent managers. Here, researchers have examined why corporations become subject to outside takeover bids, and what their managers can do in response (Davis & Stout, 1992).
- Corporate law, and in particular how companies choose to incorporate where they do. In the United States, businesses have great discretion over what state they choose to incorporate in, and states implicitly compete to attract this business by enacting business-friendly laws, with Delaware emerging as the most significant place of incorporation (Romano, 1993).
- Professional gatekeepers such as auditors, underwriters, and financial analysts, whose job is to uphold standards of transparency and accountability in corporate management (Coffee, 2006).

Critics have contended that the theory of corporate governance in financial economics was more of a stylized blueprint than an established fact. Yet, its impact on public policy was undeniable, particularly within the United

States. The concept that public corporations exist to create shareholder value, paired with the efficient market hypothesis, created the basis for the shareholder value movement of the 1980s and 1990s (Useem, 1996). This movement sought to make reality better match the world described by financial economists, and in that sense the theory was "performative": the theory, to some extent, created the world that it was intended to describe (Callon, 1998). For example, corporate takeovers were of relatively trivial importance when Manne (1965) wrote his famous article about the market for corporate control, and it only gained substantial economic significance after a set of policy changes put in place by the Reagan White House by lawyers and economists who had been schooled in Manne's thinking (Davis & Stout, 1992). During the decade of the 1980s, more than one-quarter of the Fortune 500 largest industrial corporations faced a takeover bid, and one in three ultimately merged or were acquired.

In response to this threat to their control, managerial elites increasingly sought to demonstrate their allegiance to shareholder value through devices such as restructurings, layoffs, stock buybacks, and compensation schemes that relied heavily on stock options. Meanwhile, owing to changes in tax regulations in 1981 that encouraged companies to sponsor "defined contribution" pension plans, in which employees place their retirement savings in accounts invested in the stock and bond markets, an increasing proportion of the US population found themselves investing in the stock market. The proportion of households owning shares increased from about one in five in 1980 to more than half by 2000, which further reinforced the ideology of shareholder capitalism (Davis, 2009).

By the turn of the twenty-first century, shareholder capitalism and the finance-based theory of corporate governance had substantially reordered the corporate sector in the United States. Corporations went from being diversified conglomerates oriented toward ever-increasing growth in revenues, to being lean outsourcers monomaniacally focused on increasing their share price. Profitability shifted from being the furthest thing from managers' minds to the only thing that mattered.

CUTTING-EDGE RESEARCH

Newer scholarship, as well as events in the world, mounted a challenge to the dominant approach to corporate governance. Theories often face challenges from occasional anomalies. In the case of the functionalist approach to corporate governance, however, a skeptic might conclude that the theory—so elegant on its own—was empirically wrong in nearly every particular. Research on boards of directors showed them to be rife with cronyism and conflicts of

interest, from how appointments are made to who has influence in discussions (e.g., Westphal & Poonam, 2003). The market for corporate control was shut down by 1990 through the spread of firm-level takeover defenses and state laws protecting their local companies from unwanted takeovers (Vogus & Davis, 2005). And the scandals of the early 2000s demonstrated that auditors such as Arthur Andersen, underwriters such as Citigroup, and equity analysts such as Jack Grubman were rife with conflicts of interest (Davis, 2009). The Panglossian understanding of the corporation proved to be highly misleading in practice. As a performative theory, on the other hand, this approach was quite effective in changing the ideology around corporate governance. Within the United States, discussions of corporate purpose almost inevitably yielded to a single-minded focus on shareholder value.

In this section, we briefly review the critiques and challenges to the functionalist approach. In the next, we describe potentially productive avenues of future research.

One challenge is that the form of corporate governance that the theory contemplates is distinctively American. The notion that the central problem of corporate governance is addressing the issues that arise from the separation of ownership and control is premised on an economy similar to that described by Berle and Means, in which the public corporation with dispersed ownership is the dominant form of economic organization. In fact, the corporation is of relatively minor importance in many economies around the world. Most countries in the world do not have a stock market; public corporations do not exist.

Even in some highly advanced industrial economies, corporations are of modest importance. For example, by 2010 Germany had roughly 600 public corporations—about as many as Pakistan, and far fewer than the United States, with 4300—in spite of being one of the largest exporters in the world and a global manufacturing powerhouse. Medium-sized private companies, often family-owned, continue to be a dominant force in the economy, and relied largely on banks rather than public markets for financing. The public corporations that do exist generally have labor represented on the board of directors through up to half of the directors. Japan has historically had the second-largest economy in the world, and although it has thousands of public corporations, their ownership is often intertwined through elaborate cross-shareholding networks with other corporations. Unlike the United States, where boards have about 10 members, of which 8 or 9 are from outside the companies, Japanese corporations commonly have boards with 40–50 members, nearly all current or former managers. Romania, on the other hand, went from having four listed companies in 1994 to 5825 in 1999, according to the World Bank. (By 2011 it was down below 1300—still twice as many as Germany.)

Moreover, those countries that sought to adopt shareholder capitalism along the lines described by the functionalist theory often failed miserably. Of the four dozen countries that opened stock markets during the 1980s and 1990s, many or most found their experiment to be failures (Weber, Davis, & Lounsbury, 2009). After the bursting stock market bubble of 2000 and the subsequent corporate governance scandals—and the rise of China, where American-style corporate governance has little relevance—corporate governance no longer seemed to be an especially relevant prescription for economic vibrancy.

Some research suggests a number of reasons why shareholder-oriented corporate governance was unlikely to take hold everywhere in the world. A series of studies in law and economics (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998, 1999) showed that the nature of the legal system and related supporting institutions that articulate with the corporation are essential for enabling the corporation to survive. Such laws and institutions are by no means evenly distributed; for instance, former French colonies that had code law (rather than Anglo-style common law) are effectively immune to growing a domestic stock market, and therefore public corporations (Weber *et al.*, 2009).

A second challenge is that corporations wax and wane over time, as do notions of their purpose. Although corporations are often seen as the paradigmatic form of economic organization in the United States, there were fewer than a dozen manufacturers listed on stock markets in the United States before 1890 (Roy, 1997). By 1910, the United States and Germany shared relatively similar forms of "finance capitalism" in which a handful of major banks held substantial positions of influence through shared directors—a situation that persisted in Germany but disappeared in the United States around the time of the First World War (Rajan & Zingales, 2003). From Berle and Means until the 1980s, corporations in the United States were social institutions serving a variety of stakeholders, as described. But from the early 1980s onward, corporations in the United States increasingly came to look akin to the finance theory of corporate governance. What had initially been put forward as descriptive theory ended up serving as prescriptions for how corporations should be operated. Thus, corporate mission statements almost inevitably alluded to an overriding purpose of "creating shareholder value," and compensation systems overwhelmingly emphasized stock-based incentives.

A third challenge is that the functionalist theory leaves little room for power and politics. Even during the heyday of the managerialist corporation, critics such as C. Wright Mills (1956) described how corporate executives and directors formed a "power elite" with privileged access to political power. Berle and Means had noted that a few dozen men effectively controlled half of the

corporate wealth in America. Mills pointed out that these men all seemed to know each other or to have friends in common. The potential of this group to shape national decision making was enormous, and scholars spent decades documenting the many ways that this group operated as a more-or-less cohesive class. Sociologist Michael Useem (1984) interviewed dozens of directors in the United States and the United Kingdom to understand the culture and goals of this elite inner circle, finding that the best-connected directors were also the ones most prone to enter into politics and to serve on prominent public policy bodies. He argued that their experience on boards in several industries gave them a cosmopolitan view of the interests of business that transcended a parochial industry focus, enabling them to be essentially "corporate diplomats."

In the subsequent 30 years, the nature of the corporate elite changed. While, essentially, all members of the inner circle in the 1970s were white males, typically from elite backgrounds, the demography of the inner circle became substantially more diverse during the 1980s and 1990s as boards sought to have more representative compositions (Davis, Yoo, & Baker, 2003). Since the turn of the twenty-first century, however, the inner circle has substantially retrenched. While at least 90 directors served on five or more major corporate boards in 1974 (all male, and almost all white), and 75 directors held five or more directorships in 1994 (many female and/or nonwhite), by 2010 there was only one left: Shirley Ann Jackson, president of Rennselear Polytechnic Institute (Chu, 2012). The inner circle had evaporated.

Finally, the corporation itself is much reduced in its power and "institutionality" within American society, creating the need for a new understanding of corporate governance. While there were roughly 8800 public corporations in the United States in 1997, there were only 4100 in 2012, and the number had declined almost every year since the turn of the millennium. Major corporations that held dominant positions for most of the twentieth century, such as AT&T, Eastman Kodak, US Steel, and Westinghouse, had either disappeared or substantially retrenched. The corporation itself is increasingly a dispensable device for economic organization (Davis, 2013).

In the next section, we work through some of the most promising research implications of this new situation.

KEY ISSUES FOR FUTURE RESEARCH

The developments described in the previous section suggest the need for research on corporate governance that is comparative and historical. By stepping beyond the idiosyncratic world of American corporations in the late twentieth century, we can start building alternative theories to explain the differential workings of corporate governance across time and space.

Consider the base premise of agency theory, that the primary problem to be solved is the separation of ownership and control. This may be a distinctively American or Anglo-Saxon problem. Does the theory provide insight in other settings?

In the United States, the dispersion of corporate ownership has been taken for granted since Berle and Means published their book in the early 1930s. Yet, this situation was almost completely idiosyncratic to the United States. As late as 2000, the average foreign firms listing shares on US markets had a single shareholder that owned 23%; in Chile, the average firm's biggest shareholder owned 47% of its shares (Davis & Marquis, 2005). The separation of ownership and control is irrelevant in these situations.

Even in countries where the formal mechanisms of corporate governance cleave truer to those in America, a deeper investigation shows that norms of governance differ. For example, Fiss and Zajac (2004) found that many of the largest German firms paid lip service to ideas of shareholder value, but did not substantially implement shareholder-value-oriented reforms. While agency theory predicts that a shareholder-value orientation will diffuse under pressure from market forces, Fiss and Zajac instead found that the adoption or nonadoption of a shareholder-value orientation was driven by sociopolitical considerations, which were reflected in the interests and backgrounds of powerful owners and executives. Future research can document in greater detail what institutional, legal, and cultural factors are more or less congenial to Anglo-American forms of corporate governance, and what other forms are prevalent.

In some ways, the diffusion of public corporations and their governance mechanisms across nations resembles the diffusion of curry around the world. While curry originated in the Indus Valley, it is now a worldwide phenomenon, with at least 30 different nations producing their own unique interpretations. Although all are called "curry" (an Anglicization of the Tamil word kari) in the English-speaking world, the curries of one country are different from those of another; some countries' curry is spicy and others' not (e.g., Japan), some countries eat their curries wet and others dry. In the end, the term "curry" is applied to many dishes in many places, and there is no single ingredient or characteristic that essentially defines curry throughout the world.

Similarly, it is hard to find a *sine qua non* in corporate governance structures across different countries. For example, if we ask what the purpose of a corporation is, the answers will differ depending on where we ask the question. In China, the answer may be that corporations exist to create employment and to confer legitimacy on state-owned enterprises through listings on foreign exchanges. Lichtenstein corporations serve the function of reducing taxes for their owners, while increasing Lichtenstein's national income. Liberian

corporations similarly serve to provide funds for the state, and Liberian corporate governance is geared to optimizing this revenue.

On the other hand, we may find contingent relationships that hold across countries. In countries where public corporations are consequential, we may ask how power relations in society are reflected in the nature of corporate governance. If the nature of decision-making structures within organizations reflects power and legitimacy in society (Stinchcombe, 1968), then examining corporate governance will give us an insight into society, and vice versa. For example, studying the power of labor in German corporate governance and the involvement of dominant families in the governance of Chile's corporations will illuminate power structures in German and Chilean society. Using corporate governance as a synecdoche for power relations in the broader society is an apt domain for future research.

Political scientists and economists have noted that the structure of business organization reflects the "institutional matrix" in which it is embedded (North, 1990). A national economy can be analyzed as a configuration of institutions that provide order to product markets, labor markets, capital markets, education, and social welfare provision (Amable, 2003). For an economy to function, these elements need to be more or less mutually supportive. The form of the corporation or other business organizations reflects the format of this national institutional matrix. Different kinds of business are more likely to thrive in different kinds of matrix; for instance, Germany hosts high-end manufacturing firms because medium-sized firms that are privately owned can credibly promise long-term employment, which encourages workers to invest in specialized skills that are provided by a craft-oriented educational system and underwritten by a sturdy social welfare system and a tolerance for oligopoly. In the United States, the inherent instability of the public corporation discourages workers from learning such specialized skills.

The financial revolution of the past generation greatly expanded the potential for market-based finance in economies around the world. This may have been a disruptive force for local economies, for better or worse. In Israel, entrepreneurs needing capital found that they could bypass the Tel Aviv stock exchange and list shares in the United States, helping to prompt a surge of new business starts and IPOs in the high-tech sector. Access to foreign capital effectively super-charged the high-tech economy. In Iceland, on the other hand, three domestic banks found that they were able to lure foreign depositors via the Internet with promises of higher interest rates than the depositors' domestic banks could pay. Flush with foreign cash, the Icelandic banks went on a global acquisition spree vastly out of proportion to the domestic economy until the financial crisis of 2008 cratered the economy, leaving thousands of foreign depositors bereft. One of the great under-researched topics of the

past two decades is how hypertrophied finance influenced the operation of domestic economies, for better or worse, and with what social effects.

Variance in corporate governance is not just cross-national, but also temporal. American corporate governance is currently undergoing a radical transformation. The rise of financial capitalism and its emphasis on return on assets has led corporations to favor maintaining low-asset functions (e.g., brand management, marketing, design) within the firm while outsourcing capital-intensive functions (notably manufacturing) to external, often foreign contractors. Technology has developed to support the needs of these now-networked firms, and this, along with an explosion in the number of organizations offering contract manufacturing and other labor- and capital-intensive services, has led to a decoupling in the hitherto strict relationship between number of employees, capitalization and revenues. Through outsourcing, companies can be big in revenues and market capitalization but small in employees.

In a world where large capital investments are no longer required to attain high revenues, the function of public stock markets is called into question. If entrepreneurs can obtain sufficient growth funding from private investors, crowdsourcing and customer sourcing (e.g., Kickstarter), and ongoing operations, they will not need to turn to public markets for their capital needs. Initial public offerings may become a symbolic action, signifying that the company is large enough and robust enough to thrive even when burdened with the costs of the regulatory compliance measures necessitated by listing in the United States.

Changes in the function of stock market are already in evidence in the dying "market for corporate control." While anti-takeover measures adopted in the late 1980s may have maimed this market, index-based mutual funds and new IPO structures have effectively killed it. Key executives at Facebook, Groupon, and Google control the super-majority of votes with a minority of shares, putting the lie to notions of agency-based market mechanisms for maximizing shareholder value (Davis, 2013).

Indeed, it now seems plausible to ask whether public corporations exist to support the stock market's valuation function rather than the other way around. Increasingly, even large companies are choosing to forgo public exchange listing, and previously public companies are choosing to delist. This trend is bolstered by the proliferation of private equity and hedge funds that provide alternative sources of financing. These funds, however, have a business model predicated on eventual (re-)listing of their portfolio companies on public markets. (Although in practice, most private-equity-owned companies end up being sold to other private equity funds or to other private companies.) Without at least the facade of an open, efficient marketplace for corporate shares (Malkiel, 1996), there is no widely accepted alternative

to value this "exit" option for private equity investors. If the number of publicly listed corporations in the United States continues its decline, market participants may be forced to redefine how they agree on corporate value.

One possibility is that we may return to something akin to the stakeholder model prevalent before the rise of shareholder capitalism. Activists have already been pushing for nonshareholder-centric ways of valuing corporate decisions, suggesting pro-social corporate forms such as Certified B Corps and L3Cs. B Corporations, or "for-benefit" corporations, are chartered specifically to serve social as well as economic purposes, freeing their boards and managers to take nonshareholder constituencies into account in their decisions. L3Cs are "low-profit limited liability companies," which organize as limited liability companies (LLCs) and not nonprofits, but pursue social purposes and are able to accept donations toward their missions. Many of these suggested alternatives hark back to Kaysen and his conceptions of managers involved in increasing the public good.

In this section, we have presented a series of stylized facts and questions about corporations and their governance across the world and in America, but few answers. As a research community, we have little systematic comparative data on corporations in different countries. We also lack insight into how the American system of corporate governance will evolve, and cannot confidently predict what corporations or their descendants will look like in the future.

American corporations have lent themselves to easy study, regularly publishing standardized information that can be agglomerated to create systematic time-series data that are reasonably comparable across corporations. Perhaps because of this easy data access, researchers have shown a disproportionate interest in the corporation, while tending to ignore contemporary organizational alternatives, such as mutuals, cooperatives, and private companies. To attack these questions, researchers will have to expand their scope of inquiry.

They will also need to be strongly grounded in finance, attentive to institutions, and have an understanding of the dynamics of globalization. Sources of financing shape (and are shaped by) the organization of production and the organization of society. Institutions are the devices that channel and constrain economic relations, and the battlefields of conflicting interests. Capital, goods, and labor are no longer constrained to national boundaries, and nothing exemplifies this as well as the modern corporation.

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