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Conclusions

This thesis introduces three hypotheses and a normative legal concept.  

**First Hypothesis:** The shift in the institutional logics of corporate governance towards shareholder value (‘Great Reversal in Corporate Governance’) coupled with shareholdership’s increasing short-termism (‘Great Reversal in Shareholdership’) have cumulatively contributed to the low rates of GDP growth that are observed in five major Western economies (France, Germany, The Netherlands, UK, US) since the breakdown of the Bretton Woods system of monetary arrangements in the early 1970s.

**Second Hypothesis:** Corporate law has been an accomplice for the reorientation of corporate governance towards shareholder value, i.e. for the Great Reversal in Corporate Governance, and thus it indirectly shares the blame for the low rates of capital accumulation that have thrown the five major Western economies in a stagnation mode over the past four decades.

**Third Hypothesis:** Corporate law rules have escalated the divestment of structurally long-termist institutional investors from equity positions and have preserved the trend towards shareholder short-termism that other legal and extra-legal institutions have directly caused. Corporate law has thus sustained the Great Reversal in Shareholdership and hence it has contributed to the maintenance of the second factor that brought about the observed low rates of growth in the five major Western economies over the past four decades.

The thesis espouses the concept of institutional complementarity and therefore before attempting to back the three hypotheses it embarks on an analytical study of the post-Bretton Woods international political economy in an attempt to identify the extra-legal institutions that contributed to the advent of the two Great Reversals (for an overview see Figures 9-10).

The First Hypothesis implies the existence of a historical causality chain (Figure 2). The two Great Reversals led to higher equity payout ratios and lower retention ratios in the Western public corporations that in turn caused lower rates of growth of (business) capital accumulation overall that in turn caused lower rates of GDP growth. A series of empirical data (Figures 11-27) back the existence of the trends that constitute the assumed causality chain, while the tenets of the post-Keynesian theory of the firm are used in order to model the alleged negative influence that shareholder value and shareholder short-termism can have upon the accumulation dynamics within a public firm.

The Second Hypothesis is backed by the construction of the post-Bretton Woods shareholder value index; a numerical legal index that shows the progress that the corporate laws of the five major Western economies covered by the thesis have made at the shareholder value level during the post-Bretton Woods era. The index shows how each jurisdiction’s corporate law scored from a shareholder value perspective at the time of the collapse of the Bretton Woods arrangements in 1973 and then how this score changed over the years until 2007, the year before the ongoing crisis officially started. This index is
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‘dynamic’, in the sense that it identifies what the relevant scores were for each jurisdiction every single year from 1973 to 2007. Eventually, out of the index a trend line emerges illustrating the incremental move of each jurisdiction’s corporate law towards shareholder value (Figures 30-31).

The attempt to back the Third Hypothesis is done by ‘cherry picking’ developments in the field of corporate law generating bias in favor of short-termism in the five major Western economies covered by the thesis. Corporate law reforms in the post-Bretton Woods era that were intended to merely help this legal niche adjust to the era of financialization have escalated the divestment of structurally long-termist institutional investors from equity positions and continue to prevent corporations from engaging in shareholder eugenics, so that they can attract more shareholder to their shareholder base. Thus, it is shown how corporate law sustains the ever-decreasing average holding period of stock (Figures 25-27).

The study closes with the presentation of the normative doctrine of Long Governance, which represents a ‘third way’ in the fundamental debate of corporate governance between shareholder value and stakeholder value. Firstly, Long Governance can be viewed as a management theory that calls management to set as a benchmark for its actions the long-run interests of all the shareholders who hold, have held, or will hold stock in the firm; this requires management to take at the same time under account the competing interests of the different stakeholders, because in the long-run shareholders as a class benefit from the protection and encouragement of the firm-specific investments that other stakeholders make. Secondly, Long Governance can be viewed as a legal concept requiring directors’ duties in the framework of the ordinary course of business to be discharged with a view towards the maximization of long-term corporate welfare, which is most diligently achieved through the pursuance of growth. But, in the framework of change-in-control transactions Long Governance as a legal concept advances the discharge of directorial duties to the benefit of the corporation’s existing non-arbitrageur shareholders.

Finally, the regulatory agenda of Long Governance is outlined resting largely on rules and structures presented in the framework of the Third Hypothesis. Long Governance rebuts the assumption of shareholder homogeneity and claims that shareholders should be classified into groups, so that more powers are distributed to the long-termist shareholders. Nevertheless, because of the fact that the vast majority of non-controlling shareholders of listed corporations are short-termists, one of the foremost regulatory goals of Long Governance should be to provide incentives to the investor community, so that the pool of long-termist shareholders, which will be empowered, is actually increased. In light of this objective, some additional policy proposals are laid down, which the Third Hypothesis did not touch upon.