

RULE OF LAW, ECONOMIC PERFORMANCE AND INSTITUTIONAL COMPARATIVE ADVANTAGE

In recent years, an extensive body of studies has dealt with the issue of convergence versus diversity in corporations' ownership and control rules in contemporary economic systems. Most of these works have compared corporate governance and finance systems through the lens of the New Institutional Economics (NIE) theory of the firm and have stressed the role of the legal nature of corporations and financial markets beside the traditional agency costs theories (Allen and Gale, 2000; Becht, Bolton and Röell, 2002).

According to this literature two main systems of corporate and financial governance might be distinguished (Bratton and J.A. McCahery, 1999; Allen and Gale, 2000): a *market system* characterised by dispersed shareholding and thick, liquid trading markets, and a *hierarchical control system* characterised by a hard control exerted over the management by a principal or a coalition of principals (banks, families, etc.), thin trading and non-controlling stakes. While the former system may be found in US and UK, the latter has been experienced in a variety of forms by Germany Italy, Japan, and many other countries.

The main question addressed recently by this scholarly literature is whether one of the two stylized corporate governance systems is characterized by some relative competitive advantage over the other and can thus prevail in the global market. Some of these systems have recently undergone through serious economic and institutional crises. This leaves unsolved the problem of convergence *versus* diversity in corporate models.

Recent works have emphasized the role plaid by historical conditions and legal origins in shaping path-dependency and diversity in corporate and financial governance patterns (Bebchuk and Roe, 1999; Schmidt and Spindler, 2002; Beck, Demirgüç-Kunt and Levine, 2003; Djankov, Glaeser, La Porta, Lopez-de-Silanes and Schleifer, 2003), while some others have announced 'the end of history' in corporate governance models (Hansmann and Kraakman, 2003).

However, despite the a high degree of uniformity achieved by the recent wave of corporate law reforms in many developed countries, the question of diversity in corporate governance is still an issue, as far as the emergence of institutional complementarities among corporate governance domains pushes towards self-reinforcing equilibria shaped by local historical conditions. In this respect, the rise of diversity in governance systems calls for an explanation of path-dependency phenomena in governance as in financial structures which shape, at the same time, firms and markets, sheltering national systems from external competition (Bebchuk and Roe, 1999; Hall and Soskice, 2001; Aoki, 2001; Schmidt and Spindler, 2002). Corporate governance changes are not merely financial either technological matters, rather they occur in a given institutional framework, in which economic, legal and organisational issues are bundled in a complex

institutional order, shaping all the relevant agents and their actions (La Porta, Lopez-de-Silanes, Schleifer and Vishny, 1998; Becht, Bolton and Röell, 2002) and crafting “institutionalized linkages between the organization domain and the financial transaction domain [...] (Aoki, 2001)”.

In this respect, different attempts to measure institutional diversity and economic performance have been recently investigated by OECD and WORLD BANK (in the Worldwide Governance Indicators (WGI) research project and in the Doing Business Report).

In particular the focus has been on measuring perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies; on measuring perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development; on measuring perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Recent financial crises have now raised new issue concerning the role of institutions in controlling and preventing financial fraud, outlining new tradeoffs between thin market and legal rules.

The workshop will discuss these issues, focusing on the relationship between rules of law, comparative institutional advantages and globalization of market processes.

PRELIMINARY PROGRAM

13 dicembre 2008, Orvieto

Incontro organizzato dal Ceradi - Luiss Guido Carli e dal gruppo di ricerca dei Proff. Ugo Pagano e Antonio Nicita (programma di ricerca REFGOV), Dipartimento di Economia Politica dell'Università di Siena.

Workshop on

<p>RULE OF LAW, ECONOMIC PERFORMANCE AND INSTITUTIONAL COMPARATIVE ADVANTAGE</p>

10.30-12.30 Workshop

Chairman:

Prof. Enzo Cheli

Dr. Daniel Kaufmann

(World Bank)

Rule of Law and Economic Performance

Prof. Stefan Voigt

(Universität Marburg)

How (not) to Measure Institutions

Prof. Ugo Pagano

(Università di Siena)

Politics-Business Interaction Paths

12.30-13.30 - Discussion and Conclusions

Dr. Alexis Lautenberg

(Swiss Ambassador in the United Kingdom)

Prof. Massimo Egidi

(Università Luiss Guido Carli)

Lunch

14:30 –15:00 Presentazione degli elaborati della ricerca

Società di capitali nel sistema finanziario

coordinata dal Prof. Gustavo Visentini

15:00 – Incontro su:

Mercati, Crisi e Politica Economica.

L'Azienda Italia, il mercato e le regole: riforme necessarie, riforme possibili

Presiede e conclude

Prof. Massimo Egidi

Introduce

Paolo Savona

Ne discutono

Jean-Paul Fitoussi

Giulio Tremonti (da confermare)

(appena disponibile sarà comunicata la lista definitiva delle presenze confermate)