What is the purpose of the company and its role in society? From their origin in medieval times to their modern incarnation as powerful transnational bodies, companies remain an important part of business and society at large. Drawing from a variety of perspectives, this book adopts a normative approach in understanding the modern company and provides insights into how companies should be conceptualized. It considers key topics such as the development of corporate theory, the rights and obligations of the company, and the means and ends of corporate governance. Written by leading experts of different jurisdictions, this book provides important international viewpoints on some of the most pressing corporate governance questions.

BARNALI CHOUDHURY is a senior lecturer at University College London. She is the author of Public Services and International Trade Liberalization: Human Rights and Gender Implications (Cambridge University Press, 2012) as well as of over 20 articles and book chapters. She has delivered lectures internationally and her research has been cited by the UK House of Lords EU Select Committee, arbitral tribunals, and nongovernmental organizations. Prior to joining academia, she practiced corporate and international investment law.

MARTIN PETRIN is a senior lecturer at University College London and the deputy director of its Centre for Commercial Law. He holds an S.J.D. specializing in corporate law from the University of California, Los Angeles, a Ph.D. from the University of St. Gallen, Switzerland, and an LL.M. from Columbia University. Martin has practiced law with a leading international business law firm and has been admitted to the Bar in New York and Switzerland. He has been a visiting scholar at the University of Cambridge, Faculty of Law and the Max Planck Institute for Comparative and Private Law in Hamburg. Martin has published and presented widely on corporate governance topics.
UNDERSTANDING THE COMPANY

Corporate Governance and Theory

Edited by

BARNALI CHOUDHURY
University College London

MARTIN PETRIN
University College London
For Kaya
CONTENTS

List of Figures ix
List of Tables xi
Notes on Contributors xiii
Preface xix
Acknowledgments xxi

Introduction 1
BARNALI CHOUDHURY AND MARTIN PETRIN

PART I Comparative and Historical Perspectives 15

1 The Four Transformations of the Corporate Form 17
REUVEN S. AVI-YONAH

2 Comparative Corporate Governance: Old and New 37
MARTIN GELTER

3 The Corporation’s Intrinsic Attributes 60
CHRISTOPHER M. BRUNER

PART II The Company: Public or Private? 89

4 Understanding the Modern Company through the Lens of Quasi-Public Power 91
MARC T. MOORE

5 Reflections on the Nature of the Public Corporation in an Era of Shareholder Activism and Stewardship 117
DIONYSIA KATELOUZOU

6 Regulating for Corporate Sustainability: Why the Public–Private Divide Misses the Point 145
BEATE SJÅFJELL
PART III  Rights or Duty Bearer?  165

7  The Constitutional Rights of Corporations in the United States  167
BRANDON L. GARRETT

8  Understanding Corporate Criminal Liability  185
IAN B. LEE

9  Human Rights and Business: Expectations, Requirements, and Procedures for the Responsible Modern Company  213
KARIN BUHMANN

10  A Balancing Approach to Corporate Rights and Duties  232
MARTIN PETRIN

PART IV  Governing the Modern Company  251

11  Corporate Law Reform in the Era of Shareholder Empowerment  253
WILLIAM W. BRATTON

12  Board Accountability and the Entity Maximization and Sustainability Approach  271
ANDREW KEAY

13  The Corporation and the Question of Time  293
LYNN STOUT

Epilogue – A Look to the Future  313
BARNALI CHOUDHURY AND MARTIN PETRIN

Index  317
FIGURES

2.1 Local optima of shareholder influence and labor power 49
3.1 Corporate governance machinery: five levers 84
3.2 Corporate governance machinery: typical public company 84
3.3 Corporate governance machinery: financial firms (historical) 85
3.4 Corporate governance machinery: hazardous industries (Hansmann and Kraakman) 86
6.1 Planetary boundaries, 2015 157
11.1 Public company acquisitions, 1981–2013 258
TABLES

3.1 Lists of intrinsic corporate attributes  67
CONTRIBUTORS

Reuven S. Avi-Yonah is the Irwin I. Cohn Professor of Law and director of the International Tax LL.M. Program at the University of Michigan Law School. He has served as a consultant to the US Department of the Treasury and the Organisation for Economic Co-operation and Development (OECD) on tax competition, and is a member of the steering group for OECD's International Network for Tax Research. He is also a trustee of the American Tax Policy Institute, a member of the American Law Institute, a fellow of the American Bar Foundation and the American College of Tax Counsel, and an international research fellow at Oxford University's Centre for Business Taxation. In addition to prior teaching appointments at Harvard University (law) and Boston College (history), he practiced law with Milbank, Tweed, Hadley & McCloy in New York; with Wachtell, Lipton, Rosen & Katz in New York; and with Ropes & Gray in Boston. After receiving his B.A., summa cum laude, from Hebrew University, he earned three additional degrees from Harvard University: an A.M. in history, a Ph.D. in history, and a J.D., magna cum laude. He has published more than 150 books and articles, including Advanced Introduction to International Tax (2015), Global Perspectives on Income Taxation Law (2011), and International Tax as International Law (Cambridge University Press, 2007).

William W. Bratton is the Nicholas F. Gallicchio Professor of Law at the University of Pennsylvania Law School and the codirector of the Institute for Law and Economics. Bill is recognized internationally as a leading writer on business law. He brings an interdisciplinary perspective to a wide range of subject matters that encompass corporate governance, corporate finance, accounting, corporate legal history, and comparative corporate law. His work has appeared in the Cornell, Michigan, Northwestern, Pennsylvania, Stanford, and Virginia law reviews, and the Duke and Georgetown law journals, along with the American Journal of Comparative Law and the Common Market Law Review. His book, Corporate Finance: Cases and Materials (7th edn., 2012),
is the leading law school text on the subject. Bill is a research associate of the European Corporate Governance Institute. In 2009, he was installed as the Anton Philips Professor at the Faculty of Law of Tilburg University in The Netherlands, the fifth American academic to hold the chair.

**Christopher M. Bruner** is the William Donald Bain Family Professor of Corporate Law at Washington and Lee University, where he also serves as Director of the Frances Lewis Law Center. Christopher’s articles have appeared in a variety of law and policy journals, and he has twice received the Law School’s Ethan Allen Faculty Fellowship for scholarly excellence. His comparative study of US and UK corporate governance, “Power and Purpose in the ‘Anglo-American’ Corporation,” won the 2010 Association of American Law Schools Scholarly Papers competition. His book, *Corporate Governance in the Common-Law World: The Political Foundations of Shareholder Power* (Cambridge University Press, 2013), develops a new comparative theory of corporate governance in common-law countries. Christopher currently serves as a member of the Executive Committee for the Association of American Law Schools’ Section on Business Associations, and a member of the Scholarship Advisory Group to the Younger Comparativists Committee of the American Society of Comparative Law.

**Karin Buhmann** is an associate professor at Copenhagen Business School and Associate Professor of Business Studies at Roskilde University, Denmark. Karin holds a Dr.scient.adm (doctor scientiarum administrationis) from Roskilde University, a Ph.D. in law from Aarhus University, a Master of International Law from the Raoul Wallenberg Institute of Human Rights Law and Humanitarian Law at Lund University and a degree in East Asian Studies from Copenhagen University. Karin is a member of the Danish National Contact Point (NCP) under the OECD’s Guidelines for Multinational Enterprises and chairs the CSR Legal Research Network (CSRLRN) and the interdisciplinary network “The BHRight Initiative for research and teaching on Business & Human Rights.” She has published extensively and her latest book, *Normative Discourses and Public–Private Regulatory Strategies for Construction of CSR Normativity: Towards a Method for Above-National Public–Private Regulation of Business Social Responsibilities*, was published by Multivers Academic in 2014.

**Barnali Choudhury** is a senior lecturer at University College London. She is the author of *Public Services and International Trade*.
Notes on Contributors xv

Liberalization: Human Rights and Gender Implications (Cambridge University Press, 2012) as well as over 20 articles and book chapters. Her work has been cited by the House of Lords EU Select Committee and by arbitral tribunals and she has given talks in China, Canada, France, Germany, Lebanon, Spain, Switzerland, the United States, and the United Kingdom. Prior to joining academia, she practiced as a corporate and investment arbitral lawyer.

Brandon L. Garrett is the Justice Thurgood Marshall Distinguished Professor of Law at the University of Virginia Law School. He is the author of Too Big to Jail: How Prosecutors Compromise with Corporations (2014), among numerous other publications. Brandon's work has been widely cited by courts, including the US Supreme Court, lower federal courts, state supreme courts, and courts in other countries, such as the Supreme Courts of Canada and Israel. Brandon is a frequent speaker about criminal justice matters before legislative and policy-making bodies, groups of practicing lawyers, law enforcement, and in local and national media.

Martin Gelter is a professor at Fordham Law School. Previously, he was an assistant professor in the Department of Civil Law and Business Law at the WU Vienna University of Economics. Martin has been a Terence M. Considine Fellow in Law and Economics and a John M. Olin Fellow in Law and Economics at Harvard Law School, a visiting fellow at the University of Bologna, and is a research associate with the European Corporate Governance Institute. His scholarship has been published widely in distinguished journals including the Harvard International Law Journal, the NYU Journal of Law and Business, and Fordham International Law Journal.

Dionysia Katelouzou is a lecturer in law at King's College London, specializing in the areas of comparative and transnational corporate governance and corporate law, with a particular interest in shareholder activism and empirical legal studies. She holds a Ph.D. and an LL.M. from the University of Cambridge and an LL.B. from the University of Athens. Dionysia's articles have appeared in the Journal of Corporate Law Studies, University of Pennsylvania Journal of Business Law, Virginia Law and Business Review, and Journal of Comparative Law, among others. She is currently a research associate at the London Centre for Corporate Governance and Ethics at the University of Birkbeck and has also been a visiting researcher at the University of Pennsylvania.
Andrew Keay is Professor of Corporate and Commercial Law at the University of Leeds. He is the author of numerous books, including *The Enlightened Shareholder Value Principle and Corporate Governance* (2012) and *The Corporate Objective* (2011). He has published widely throughout the United Kingdom and internationally and his work has appeared in the *Modern Law Review*, *European Business Organization Law Review*, and the *Cambridge Law Journal*, among other journals. His work has been cited by courts in several countries including the Privy Council, the Supreme Court of New Zealand, the High Court of Australia, the Supreme Court of Appeal in South Africa, the Singapore Court of Appeal, and the High Court of England and Wales. Andrew is a barrister practicing in the Chancery field and was previously a partner in an Australian business law firm and a Deputy Registrar of the Australian Federal Court.

Ian B. Lee is an associate professor at the University of Toronto. Ian clerked with Justice Claire L’Heureux-Dubé of the Supreme Court of Canada and Justice Mark MacGuigan of the Federal Court of Appeal, and later served as a legal researcher with the Privy Council Office. He practiced with Sullivan & Cromwell LLP in Paris, France, and New York before joining the Faculty of Law in 2003. His teaching and research interests are in the areas of constitutional law, corporate law, and European Union law. Ian also teaches in the Law and Business Program at the University of Sydney Law School and is admitted to the bars of Ontario and New York.

Marc T. Moore is Reader in Corporate Law at the University of Cambridge. He previously taught at University College London and the University of Bristol and was a visiting professor in the Adolf A. Berle, Jr. Center on Corporations, Law & Society at Seattle University School of Law. In 2012 Marc was awarded a prestigious Philip Leverhulme Prize, for outstanding scholars who have made a substantial and acknowledged contribution to their field of study. His 2013 book, *Corporate Governance in the Shadow of the State*, was shortlisted for the SLS Peter Birks Prize for Outstanding Legal Scholarship. Marc is currently Director of the Centre for Corporate and Commercial Law (3CL) at the University of Cambridge.

Martin Petrin is a senior lecturer at University College London. He holds an S.J.D. specializing in corporate law from the University of California, Los Angeles, a Ph.D. in law from the University of St. Gallen, Switzerland, and an LL.M. from Columbia University. Martin’s articles have appeared in the *Modern Law Review*, *American University Law
Notes on Contributors xvii

Review, Virginia Law and Business Review, among others. Martin previously practiced corporate law with a leading international business law firm and is admitted to the bar in New York and Switzerland. He has also been a visiting researcher at the Max Planck Institute for Comparative and Private Law in Hamburg, Germany and at the University of Cambridge Law Faculty.

Beate Sjåfjell is Professor Dr. Juris at the University of Oslo, Faculty of Law. Beate is head of the faculty’s research group Companies, Markets, Society and the Environment, and also of the international Sustainable Companies Project (2010–14), and the international network Sustainable Market Actors (jus.uio.no/companies under Projects and Networks). Beate’s publications include Towards a Sustainable European Company Law (2009), the edited volumes The Greening of European Business under EU Law: Taking Article 11 TFEU Seriously (2015; coeditor: Anja Wiesbrock) and Company Law and Sustainability: Legal Barriers and Opportunities (Cambridge University Press, 2015; coeditor: Benjamin Richardson).

Lynn Stout is the Distinguished Professor of Corporate & Business Law at Cornell Law School. Lynn is an internationally recognized expert in the fields of corporate governance, securities regulation, financial derivatives, law and economics, and moral behavior. She is the author of numerous articles and books on these topics and lectures widely. Her most recent book is The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations and the Public (2012), which was named 2012 Governance Book of the Year. Lynn serves on the Board of Governors of the CFA Institute, on the Financial Research Advisory Committee to the US Treasury, as a member of the Board of Advisors for the Aspen Institute’s Business & Society Program, as executive advisor to the Brookings Institution Project on Corporate Purpose, and as a research fellow for the Gruter Institute for Law and Behavioral Research.
PREFACE

In May 2015, a group of scholars gathered in London to discuss the modern company. Their purpose was to shed light on this familiar, yet often misunderstood entity. Alongside a group of esteemed commentators, the scholars set out to provide depth and breadth to the question of what the corporation is and what its role in society should be.

The day began early and was, for London, unusually warm. Alongside a packed (and often highly engaged) audience, the scholars and commentators converged into a non-air-conditioned and stuffy lecture hall to discuss, debate, and offer their thoughts on key questions ranging from what corporate governance mechanisms are most effective to what constitutional rights a company should have and whether a company is public or private in nature and beyond. Despite the lack of ideal conditions, unique ideas were presented, pivotal topics were discussed and, most importantly, questions in need of answers were given just that.

The outcomes and discussions that began in that lecture hall can now be found as the substance of this book. We are aware that the discussions surrounding the nature of the company and its purpose are still continuing and our hope is that this book helps to engage with those discussions.
ACKNOWLEDGMENTS

Most feats today rely on the assistance and goodwill of others and putting together this book was no exception. Thanks are due first to Queen Mary University of London and University College London for generously funding the conference whose output ultimately became this book. In particular, we would like to thank Kevin Warne, Anett Loosz, Tatjana Wingender, and Lisa Penfold for ably assisting in the administrative aspects of the conference.

A hearty thanks is also due to all of the speakers at the conference, most of whom are listed as contributors to this book. Thanks are also due to Paddy Ireland, who so eloquently (and humorously) spoke on the history of the company, but was unable to contribute to this book due to his appointment shortly after the conference as Dean of Bristol Law School. We would further like to thank our commentators Janet Dine, Robin Brooks, and Luca Enriques for their insights and thoughts on the speakers’ papers as well as the audience at the conference for their engagement and interest.

Riccardo Savona Siemens took on the herculean task of correcting the footnotes for each of the chapters. We thank him for his tremendous efforts.

Finally, we thank the team at Cambridge University Press for their assistance with the publication process. Thanks are due in particular to Kim Hughes, for early support of this project, as well as to Rebecca Roberts and Chloe Harries.