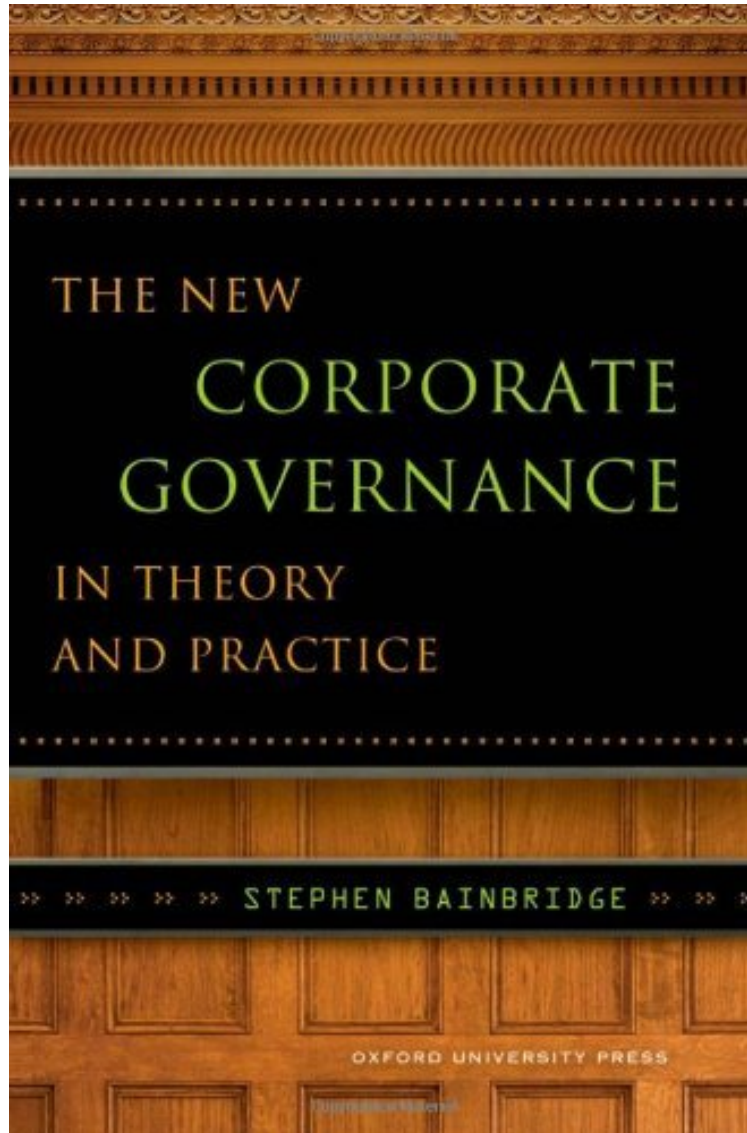


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The New Corporate Governance in Theory and Practice

Stephen Bainbridge

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Stephen Bainbridge : The New Corporate Governance in Theory and Practice before purchasing it in order to gauge whether or not it would be worth my time, and all praised The New Corporate Governance in Theory and Practice:

Forty years ago, managerialism dominated corporate governance. In both theory and practice, a team of senior managers ran the corporation with little or no interference from other stakeholders. Shareholders were essentially powerless and typically quiescent. Boards of directors were little more than rubber stamps. Today, the corporate

governance landscape looks vastly different. The fall-out from the post-Enron scandal and implementation of the Sarbanes-Oxley Act have resulted in shareholder activism becoming more widespread, while many observers call for even greater empowerment. The notion that the board of directors is a mere pawn of top management is increasingly invalid, and as a result, modern boards of directors typically are smaller than their antecedents, meet more often, are more independent from management, own more stock, and have better access to information. *The New Corporate Governance in Theory and Practice* offers an interdisciplinary analysis of the emerging board-centered system of corporate governance. It draws on doctrinal legal analysis, behavioral economic insights into how individuals and groups make decisions, the work of new institutional economics on organizational structure, and management studies of corporate governance. Using those tools, Stephen Bainbridge traces the process by which this new corporate governance system emerged, and explores whether such changes are desirable or effective.

"The phenomenon that lies at the heart of this book - which Stephen Bainbridge describes as 'director primacy' - is both real and important. Directors now exercise control over most corporations in a way that directors did not just a few decades ago, and while this director-centered governance structure has been embedded in corporation statutes from the advent of general corporation laws in the 1800s, prior to the 1970s most corporations in the United States combined imperial managers with compliant boards of directors. Bainbridge tells the back story on this 'transformation of corporate governance from managerialism to director primacy,' which is an important aspect of his theory because it supports the view that corporate law has evolved to an efficient state. He offers an updated and comprehensive statement of his theory that will become one of the touchstones of corporate governance debates for many years." D. Gordon Smith Glen L. Farr Professor of Law, Brigham Young University

"Stephen M. Bainbridge's book is a welcome and timely clarification of the truly important issues in the current debate over the governance structure of American corporations. Bainbridge marshals historical, theoretical and practical reasons to explain why the central role in corporate governance has always been assigned to the board of directors and should continue to be. In doing so, Bainbridge demonstrates the weaknesses in the claims of a small group of institutional investors (mainly state pension funds and labor unions) for a larger role in the management of American businesses. While Bainbridge's arguments are sophisticated, his presentation is straight-forward and easy to follow. This is an important book that should command the attention of anyone interested in corporate governance, whether specialist or layperson." Michael P. Dooley William S. Potter Professor of Law, University of Virginia

About the Author Stephen Bainbridge is the William D. Warren Professor of Law at UCLA, where he currently teaches Business Associations, Unincorporated Business Associations, and Advanced Corporation Law. He previously taught at the University of Illinois Law School, where he received the 'Best Instructor Award' from the Class of 1990. He also taught at the Harvard Law School, La Trobe University in Melbourne, Australia, and at the Aoyama Gakuin University in Tokyo. Professor Bainbridge has published several books and over 50 law review articles on a variety of topics, but with a strong emphasis on the law and economics of public corporations. He currently serves on the Editorial Advisory Board of the *Journal of Markets and Morality* and the Executive Committee of the Federalist Society's Corporations, Securities, Antitrust Group.