Corporate governance Has become front page news in the United States and Europe with the collapse of companies such as Enron, \C^orldCom, and Parmalat. Once the sleepy preserve of corporate lawyers and accountants, the way corporations are run is increasingly the subject of government intervention and public scrutiny. In this book, Peter Oourevitch and James Shinn take a major step beyond standard accounts by explaining how politics shapes corporate governance—how managers, shareholders, and workers jockey for advantage in setting the rules by which companies are run, and for whom they are run. They combine a clear theoretical model on this political interaction, with statistical evidence from thirty-nine countries of Europe, Asia, Africa, and North and South America—collectively 99.5% of the global stock market by value—and with detailed narratives of specific country cases.

Political Power and Corporate Control differs sharply from most treatments by explaining differences among countries in terms of the interaction of economic preferences and political institutions. It explores in particular the crucial role of interest groups, pension plans, and financial intermediaries in shaping political preferences for different rules about minority shareholder practice and other variables that influence ownership concentration. The countries examined sort into two distinct clusters of practice: diffuse shareholding by external investors who pick a board that monitors the managers, and concentrated blockholding by insiders who monitor managers directly. Examining the political coalitions that form among or across management, owners, and workers, the authors find that certain coalitions encourage policies that promote diffuse shareholding, while other coalitions yield blockholding-oriented policies. Political institutions meanwhile influence the probability of one coalition defeating another.