

## Table of Contents

General Editors' Foreword .....	V
Acknowledgements .....	IX
Table of Cases .....	XVII
Table of Constitutional, Treaty and Legislative Provisions .....	XXIV
List of Abbreviations .....	XXXII

### Chapter One: Introduction – Models of Inquiry

I. The Search for a Rational Division of Powers .....	1
A. Quantitative Criteria .....	2
B. Formal Criteria .....	3
C. The Relevance of Constitutional Text and Context to the Choice of Criteria .....	4
II. Economic Considerations Underlying the Division of Powers in the Field of Corporate and Enterprise Law .....	7
A. The Public Choice Approach .....	8
B. The Productivity of Integration Approach .....	10
C. The Nature of the State and the Unification of Law .....	12
III. The Political Frame of Reference .....	15
A. The European Political Frame of Reference .....	15
B. The American Political Frame of Reference .....	20
IV. Conclusion .....	21

### Chapter Two: The American Experience

I. Introduction .....	25
II. The Factual Setting for the State Regulation of Trans-State and Trans- national Company Activities: An Introduction and Census .....	26
III. The American Constitutional Framework of Corporation Law .....	28
A. Introduction .....	28
B. Division of Powers .....	29
1. The Texts .....	30
2. The General History .....	31
3. The Question of Diversity of Citizenship .....	32
a. Introduction and History .....	33
b. Debatable Aspects of Corporate Citizenship .....	34
C. The Search for a Substantive Rationale of Federal Supremacy .....	36
1. The Tension Between the Privileges and Immunities Clause and the Commerce Clause .....	36

a.	The Rejection of Privileges and Immunities Protection for Corporations .....	36
b.	The Interim Role of the Fifth and Fourteenth Amendments .....	38
2.	The Commerce Clause .....	40
a.	Introduction .....	40
b.	The Preemptive Effects of the Commerce Clause .....	41
3.	Institutional and Economic Values Shaping the Concept of a National Market .....	43
a.	The Commerce Clause As Institutional Rather Than Personal Protection .....	44
b.	The Economic Philosophy Supporting the Commerce Clause .....	46
c.	Excursus: The State as Proprietor .....	54
d.	Excursus: The "Fundamental Attributes" of States' Rights and the Commerce Clause .....	56
e.	Conclusion .....	61
IV.	Division of Powers and Traditional Corporation Law .....	62
A.	The Conflict of Laws .....	62
1.	Law of the State of Incorporation or Law of the <i>Siege Social</i> ? ..	62
2.	The Domestic Mobility of American Capital and Its Legal Consequences .....	70
B.	The Twentieth Century Struggle Against Traditional Conflicts Doctrine .....	75
1.	The Origin and Definition of the Concept of "Internal Affairs" ..	77
2.	From Choice-of-Forum to Choice-of-Law Rules .....	82
3.	The Beginning of Tension Between Host State and Home State Law .....	83
4.	The Development of Statutory and Partial Choice-of-Law Rules ..	88
C.	The Constitutional Debate: Conflicts of Obeisance and the Role of the Full Faith and Credit Clause .....	90
1.	Conflict Characterization of Substantive Corporation Law: Introduction .....	91
2.	Conflict Characterization: The Peripheral Problems .....	92
3.	Conflict Characterization: Substantive Disputes .....	97
4.	Conflict Characterization: The Classic Case of Cumulative Voting ..	98
D.	The Constitutional Issue .....	103
1.	The Precedents and Their Significance .....	103
2.	The Relationship Between Substantive Reach and Procedural Reach .....	107
3.	Multiplicity of State Claims .....	110
V.	Voluntary and Substantive Uniformity Among State Corporation Laws: "Harmonization from Below" .....	111
A.	Introduction and Early History .....	111
1.	Individual State Experimentation .....	112
2.	Uniformity by Design .....	116
B.	Major Components of the Majoritarian and Managerialist Enabling Act .....	119
1.	Corporate Finance and Capacity Issues .....	119
2.	Managerialist and Majoritarian Issues .....	123

3. Fiduciary Duty: Loyalty .....	124
4. Fiduciary Duty: Prudence .....	126
5. Reasons for Substantive Convergence: The Threat from the Center .....	128
C. The Center and the Periphery: State Blue Sky and Related Securities Regulation .....	130
1. Traditional Regulation .....	130
2. Takeover Regulation: Introduction and Context .....	132
3. Takeover Regulation: The Arrival of Federal Controls .....	135
4. The Issue Joined: The Constitutional Attack Under the Commerce Clause .....	137
5. Prospects for the Future .....	148
VI. The Corporation Within the Polity: Protection or Apotheosis? .....	155
A. The Impact of <i>Bellotti</i> .....	155
B. Free Speech and Corporate Management .....	160
VII. Conclusion .....	164

### Chapter Three: European Attempts to Harmonize Company and Capital Market Law

I. National Regulation of Transnational Corporations: Facts and Developments .....	167
A. The Nature of Transnational Corporate Activity .....	167
1. Roots of Transnational Corporate Activity .....	167
2. European Corporate Census .....	169
B. The Development of Different National Company and Capital Market Laws .....	174
1. Development of National Company Laws .....	174
a. Formation and Financing of the Corporation .....	176
b. Organs and Internal Organization of the Corporation .....	176
i. Control of Management .....	177
ii. Shareholders' General Assembly .....	181
iii. Board of Directors .....	182
c. Corporate Disclosure Requirements .....	184
d. Choice of the Company's Legal Form .....	185
e. Limitations on Groups of Companies and Business Combination .....	187
2. The Emergence of an Independent Capital Market Law .....	189
a. Capital Market Law .....	189
b. Banking Systems and Other Framework Conditions .....	192
II. Aims, Bases and Expectations of Harmonization of Company and Capital Market Laws in Europe .....	193
A. Aims .....	193
1. The Constitutional Level: A Short Survey of the Treaty Provisions .....	194
2. Basic Assumptions of the EEC Treaty Relating to Company and Capital Market Law as Functions of Integration .....	196

3.	A Critique .....	197
	a. The Problem of Specificity Versus Discretion .....	198
	b. The Factual Assumptions and Their Legitimacy .....	199
	c. The Critique Applied: Company Law and Capital Market Law .....	200
	i. Protection of Shareholder/Creditor Interests .....	201
	ii. Protection of the Economy or Market .....	201
	iii. Protection of Other Interests .....	203
	iv. Conclusion .....	203
B.	Bases .....	203
	1. Article 54(3)(g) .....	204
	2. Articles 100-102 .....	205
	a. The Necessary and Proper Clause .....	206
	b. The Demand for Clarity .....	207
	c. The Idea of Respect for National Law .....	208
	d. The Pursuit of Other Than Economic Goals .....	209
	3. Article 220 .....	209
	4. Article 235 .....	210
C.	Expectations in Community Law – Failure of National Laws ....	212
	1. Implementation .....	212
	a. Granting Subjective Legal Positions .....	213
	b. Procedural Disincentives .....	215
	2. Problems of Economic Theory .....	218
	a. Efficient Capital Markets .....	218
	b. Disclosure .....	219
	c. Other Framework Conditions .....	220
	3. Economic Concentration .....	221
	a. Company Law, Particularly on Groups of Companies ....	222
	b. Antitrust Law .....	224
III.	Methods and Tools for Integration of Company and Capital Market Law	226
	A. Indirect Methods and Tools .....	226
	1. Conflict of Laws .....	226
	2. Model Laws and Restatements .....	230
	3. The International Code Effort .....	231
	B. Legal Integration Through Community Company and Capital Market Law .....	232
	1. Harmonization Through Community Directives .....	232
	a. Regulation or Directive? .....	232
	b. Overly Specific Directives .....	233
	c. Harmonization by Options .....	234
	d. Direct Applicability as an Answer to Time-Lapses and National Balking? .....	236
	e. Possible Conflict with National Enabling Legislation .....	240
	f. Blocking Later National Legislation .....	241
	g. Ratification and Possible Cures .....	242
	2. Creation of a Substantive Community Law: The <i>Societas Europaea</i> and the European Economic Interest Grouping .....	243
	a. The <i>Societas Europaea</i> .....	244

b.	The European Economic Interest Grouping (EEIG) .....	246
3.	Self-Regulation in the Shadow of Community Law .....	246
IV.	Status, Difficulties and Prospects of Integration .....	250
A.	The State of Harmonization of Company and Capital Market Law:	
A	Preliminary Table of Contents .....	250
1.	Company Law .....	250
a.	Company Law Harmonization .....	250
i.	Directives Adopted .....	250
ii.	Proposed Directives .....	252
iii.	Prepared Directives .....	253
b.	European Community Company Law .....	253
i.	Regulations Adopted .....	253
ii.	Proposed Regulations .....	253
c.	Agreements Among Member States .....	254
i.	Not in Force .....	254
ii.	Draft Agreements .....	254
2.	Capital Market Law .....	254
a.	Free Movement of Capital .....	254
i.	Directives Adopted .....	254
ii.	Prepared Directives .....	255
b.	European Community Codes .....	255
c.	Capital Market Law Harmonization .....	255
i.	Directives Adopted .....	255
ii.	Proposed Directives .....	256
iii.	Prepared Directives .....	256
3.	Banking Law .....	257
a.	Freedom of Establishment and of Provision of Services ...	257
i.	Directives Adopted .....	257
ii.	Proposed Directives .....	257
b.	Banking Law Harmonization .....	257
i.	Directives Adopted .....	257
ii.	Proposed Directives .....	258
iii.	Prepared Directives .....	258
iv.	Recommendations Adopted .....	258
B.	Difficulties of Integration: The Example of Worker Participation on Company Boards (Codetermination) .....	259
1.	The History .....	259
2.	The Political Context .....	260
C.	Prospects for Integration .....	262
1.	Extent, Speed and Effectiveness of Integration .....	262
a.	Extent .....	263
b.	Speed .....	264
c.	Effectiveness .....	264
2.	The Role of Administrative Agencies .....	266
3.	The Role of the Courts .....	268

### Chapter Four: The Legal Problems in Their Social Context

I.	Harmonization of Company Law – At Which Level? .....	271
A.	The Ongoing Process of Harmonization by European Community Directives .....	271
B.	The Judicial Role in Harmonization .....	272
C.	The States' Statutory Role in Harmonization .....	273
D.	The Harmonization Process and the Public Choice Model .....	274
II.	The Causes of Failure of Harmonization at the Member State or Community Level .....	274
A.	The History of Accounting Law Harmonization .....	275
B.	Accounting Law Harmonization and Economic Models .....	278
C.	Securities Regulation and the Models .....	280
D.	The Process of Harmonization and the Models .....	282
III.	Harmonization of Law on the Basis of Priorities Derived from Non-Economic Values .....	283
A.	Substantive Values and Value Disputes and Harmonization Efforts .	284
B.	Process Consensus and Harmonization Efforts .....	284
C.	Methods and Tools of Harmonization in Politically Fragmented Areas	285
	<b>References</b> .....	289
	<b>Index</b> .....	329