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How Ownership Structure Shapes Party Positions in Britain, Germany and France

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Abstract
This article argues that differences in the dispersion of corporate ownership help explain why party positions on corporate governance vary across countries and over time. I show that British, French and German political debates over takeover regulation since the 1950s differ significantly along several dimensions, including the pattern of left/right competition and the timing of debate, and that these differences correspond to differences in the structure of corporate ownership. To explain the observed correlation, I assume that parties cater to their core constituents and provide reasons for why ownership structure shapes the preferences of both upscale socioeconomic groups and working class clienteles. These empirical and theoretical contributions inform the literatures on party competition, corporate governance, Varieties of Capitalism and institutional change.

Keywords
Party competition, corporate governance, ownership dispersion, Varieties of Capitalism, takeover regulation, convergence

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1. Introduction

According to conventional wisdom, parties on the left favor the interests of stakeholders over shareholders. In Mark Roe's (2003) influential argument, 'social democracy' – through its presumed negative effect on shareholder rights – is the main determinant of cross-national differences in ownership dispersion. Roe assumes that minority shareholders in countries where social democratic values prevail have more reason to fear that their interests will be trampled on, inducing owners to hold larger blocks of shares. This widespread view stems from the impression that traditional leftist ideology and commitments to working-class and low-income constituencies are incompatible with the distributional consequences of increased shareholder orientation.

Recent empirical evidence challenges the conventional wisdom. Cioffi and Höpner (2006; Höpner, 2007) find that recent shareholder-friendly reforms in Germany, Italy, France and the US were promoted by left-leaning parties, against resistance from the right. To explain their findings, Cioffi and Höpner focus mainly on factors affecting the electoral strategies of parties on the left, including a need to attract middle-class voters and the growing number of individuals owning shares. Höpner (2007) adds that transparency gains from some shareholder-oriented reforms can benefit workers as well as shareholders, leading these two groups to unite against company managers. Parties on the right receive less attention but are depicted as reluctant to embrace shareholder oriented reforms because of ties to corporate elites, supposedly leading "politicians on the right to value managerial autonomy as matters of political expedience, personal economic interest, and ideological conviction" (Cioffi & Höpner, 2006 p. 487).

This article takes the enquiry one step further to systematically examine when and where left-leaning parties promote the interests of shareholders, and to look more closely at the electoral strategies of parties on the right. By mapping German, French and British party positions on takeover regulation from the 1950s onward, I show that the pattern identified by Cioffi and Höpner does not obtain everywhere. Instead, I find significant variation along three dimensions. First, left/right competition differs across countries. In Britain, from the 1950s until the arrival of Tony Blair it was a straightforward battle between capital and labor. In Germany, left/right positions are reversed, with Social Democrats, Greens and Socialists all joining the Liberal Party to promote outside shareholder interests against Christian Democrat resistance. In France, left and right are barely distinguishable due to equal ambivalence on both sides. Second, the timing of debate varies considerably. In Britain, takeover regulation first entered the political agenda in the early 1950s. In Germany, it was a non-issue until the mid-1990s. In France, it received little attention until the mid-1980s, then provoked passionate reactions before vanishing from the agenda, only to resurface again ten years later. Third, over time, parties everywhere have become more supportive of outsider-friendly takeover rules.

The documented variation contributes to growing evidence that patterns of party competition differ systematically across national production regimes (see also Amable (2003); Callaghan and Höpner (2005); Fioretos (2001)), raising the question: why? The seminal volume edited by Hall and Soskice (2001) focused on the consequences of Varieties of Capitalism, dealing with causes only superficially in an unsatisfactorily functionalist manner. It may well be that rules which enhance the economic performance of liberal market economies are bad for coordinated market economies. However, as Hall and Soskice (2001p. 52) note themselves, political choices are often motivated by considerations other than efficiency. The relationship between political and economic variables therefore merits closer examination.

In search of answers, recent research has examined the role of political institutions. Gourevitch and Shinn (2005), Pagano and Volpin (2005), and Iversen and Soskice (2006) all claim that political preferences and alignments on political economy issues are shaped by electoral systems. Among the mechanisms identified is the varying credibility of long-term political commitments under majoritarian versus proportional representation. Majoritarian systems like Britain are more likely to produce radical policy swings than PR systems, where coalition governments are the norm. Rational voters anticipating such swings should be less willing to support policy measures with pay-offs premised on long-term continuity. Such institutional accounts by themselves are not satisfactory because they fail to explain change over time. Empirically, voting systems have remained stable while party positions in many countries, including Germany, France and the UK, have shifted. Logically, the claim that the stability associated with proportional representation is necessary for coordinated market economies does not imply that the same condition is sufficient. The German political system may be more capable of offering long-term credibility of political commitments than the British, but the mere capacity to commit to the deals that sustain corporatist coalitions cannot force people to want them.

I propose an alternative explanation, which links party positions to the structure of corporate ownership. The theoretical reasoning behind this argument is laid out in section 2. Section 3 maps British, French and German corporate ownership structures and political debates over takeover regulation from the 1950s onward to demonstrate that the values of the dependent and independent variable differ across these countries and co-vary over time. Section 4 spells out the implications of my argument for research on party politics, corporate governance, Varieties of Capitalism and institutional change. I conclude with suggestions for further research.

2. The argument: how ownership structure affects party positions

To explain the variation documented below, my argument links party positions on takeover regulation to the structure of corporate ownership by focusing on the party-voter nexus. I assume that party positions reflect the preferences of their core voters and argue that the preferences of both upscale socioeconomic groups and working class clienteles are shaped by ownership patterns. Upscale groups are affected because they are split into "insider" and "outsider" factions, and the relative size of these factions depends on the degree of ownership dispersion. Workers are affected because ownership structure determines the frequency of job-threatening hostile bids and defines the target group for anti-capitalist sentiments. (Where banks and large blockholders can be plausibly cast as the main villains, left-leaning parties can better afford to support outside shareholders without alienating their base.) The following paragraphs discuss the assumptions that underlie this argument.

The assumption that voters care about an issue as seemingly technical as takeover regulation rests on four observations. First, it does not amount to assuming that all voters are mobilized on the issue. Many voters do not know or care about corporate governance matters. I only expect parties to cater to those who do. Second, the proportion of voters owning shares, while still small, is by no means negligible in all advanced industrialized democracies. In the UK, it reached 21 per cent of the population after Thatcher's privatization initiatives (see table 5 below). Third, voters are affected by takeover rules not only as shareholders, but also as employees. (As shareholders, they are likely to support rules that facilitate hostile bids because these are widely regarded as a means of encouraging shareholder value maximization. As employees, they are likely to oppose such rules because hostile takeovers are commonly associated with job loss and restructuring.) Fourth, while takeover regulation is not typically foremost on the mind of most voters, it does rise to prominence in the wake of controversial bids, when it is catapulted to the front pages of newspapers and generates the heated political debates documented below.

The assumption that parties are both office-seeking and loyal to their core clienteles draws on two theories of party behavior that are distinct but often regarded as complementary. Vote-seeking theories assume that "[p]arties formulate policies in order to win elections, rather than win elections in order to formulate policies" (Downs, 1957 pp. 25, 28). Policy-promoting theories assume that parties have electoral ambitions because they want to implement policies favoring their core constituencies (e.g. Hibbs, 1977). My argument is based on the compromise view that both motivations operate jointly, i.e. that "parties are organizations of political entrepreneurs who make strategic calculations even while implementing policies that are in the interest of their supporters" (See also Frey & Schneider, 1982 ; Korpi, 1985 p. 1037; Strøm, 1990).

To understand why upscale socio-economic groups are divided into insiders and outsiders, one needs to know that a major purpose of corporate governance is to address the principal–agent problems that arise in companies run by managers on behalf of shareholders. Which solutions are available depends on the structure of corporate ownership. Large blockholders can supervise from the inside by threatening to use their seats on the supervisory board and/or their majority of voting rights in the shareholders' assembly to replace badly performing managers. Minority shareholders have fewer means of exercising voice because they suffer from collective action problems and lack individual incentives to spend resources on monitoring management. Instead, dispersed shareholders exercise arms-length control by threatening exit from companies that perform badly.

Regarding takeover regulation, the interests of insiders and outsiders are almost diametrically opposed. Outside shareholders like takeover rules that spur managers to maximize shareholder value. One such rule is the requirement that managers obtain authorization from shareholders before implementing so-called ‘poison pills’ which may deter hostile bidders. Managers dislike such rules because the increased supervision constrains their scope for acting as they see fit. Large blockholders have little reason to care one way or the other, because they have more direct means of keeping managers in check, and because companies with concentrated ownership are rarely subject to hostile bids.

The relative size of the insider and outsider factions depends on the structure of corporate ownership for at least three reasons. First, more dispersed ownership usually, though not always, implies more outside shareholders favouring active markets for corporate control. (In principle, increased dispersion can also result from the same number of investors spreading their capital over a larger number of firms. Moreover, an increase in the number of individuals owning shares need not imply a larger constituency in favour of hostile bids. Where employees acquire shares in their own company, this is not the case.) Second, dispersed ownership is a precondition for hostile bids, and more active markets for corporate control imply more lawyers, investment bankers, stock market analysts et al. whose jobs depend on outsider-friendly takeover rules. Third, ownership structure defines the target group for anti-capitalist sentiments. Where ownership is widely dispersed, the typical class enemy is a ‘casino capitalist’ with a diversified and mobile portfolio. In countries with concentrated capital ownership, bosses, banks and blockholders are the preferred villains of the left.

Based on these assumptions and observations, I argue that ownership structure affects party positions both on the right and on the left. Right-leaning parties respond to changes in the relative size of the insider and outsider factions among their core upscale socio-economic clientele. A larger outsider faction implies deeper divisions on the right of the political spectrum and increases the likelihood that outsiders prevail. Left-leaning parties respond to changes in companies’ vulnerability to hostile bids and to the spread of share ownership among their core clientele. On the one hand, more dispersed ownership and the associated increase in potentially job-threatening hostile bids makes it harder for parties on the left to support outsider-friendly takeover rules. On the other hand, a larger number of individuals owning shares makes it easier for parties on the left to support outsider-friendly takeover rules as a means favoring small shareholders over bosses, banks, and blockholders. Where both developments coincide, left-leaning parties face a dilemma, but, as explained above, this is not always the case. Beyond that, variation in ownership structure also contributes to explaining cross-national differences in the timing of debate. Two separate mechanisms are at work here. First, a pro-outsider constituency must emerge before politicians will advance its cause. Where minority shareholders are rare, their concerns are less likely to attract political attention. Second, public interest in takeover regulation tends to peak in the wake of high-profile bids, and a minimal degree of ownership dispersion is a necessary precondition for such bids. The following section presents my empirical evidence.

3. The evidence: party positions and corporate ownership patterns in Britain, Germany and France

A large-N study of whether ownership has a significant influence on party positions is beyond the scope of this article and may be impossible to conduct. In theory, the argument could be falsified by showing the lack of a significant correlation between the dependent and independent variable. In practice, many other variables besides ownership – including voting rules, number of parties, economic structure, political climate, historical legacies etc.- are likely to affect party positions on corporate governance issues. Given the limited number of advanced industrial democracies, it is impossible to control for all of them. Moreover, mapping party positions over time for a large number of countries is a time-consuming endeavor, and measurement on a numeric scale is fraught with difficulties. Corporate governance issues, which are too technical in nature to regularly appear in party manifestos, are not covered by the manifestos project dataset (Budge et al., 2001).

Instead, the following section presents historical evidence for the three cases from which the argument was inductively derived. It maps British, French and German political debates on takeover regulation from the 1950s onward to show that differences in party positions across countries and over time broadly correspond to differences in the structure and evolution of corporate ownership. Comparison across countries shows that ownership has always been far more dispersed in the UK, where hostile bids are far more frequent, and this is broadly reflected in party positions. On the right, British Conservatives were more deeply divided than French Gaullists and the German Liberals and Christian Democrats, and the outsider faction was more vocal. On the left, pre-Blair Labour was more passionately opposed to outsider-friendly takeover rules than the French Socialists and all German left-of-center parties, including the post-Communist PDS.

Over time, ownership concentration has declined everywhere, the frequency of hostile bids has fluctuated, and the number of individuals owning shares has increased abruptly after large-scale privatization of previously state-owned companies. These developments are reflected both in changing party positions and in the timing of debate. In all three countries, sudden growth in the number of individuals owning shares was followed by left party efforts to champion the interests of small shareholders. In Germany, where the spread of shares coincided with an increased vulnerability to hostile bids, the Social Democrats belatedly noticed the double-edged nature of shareholder capitalism and made a U-turn on takeover regulation with their spectacular last-minute withdrawal of support for the outsider-friendly EU takeover directive. Moreover, in all three countries, debate was sparked off by controversial takeover battles following increased ownership dispersion. In Britain, takeover regulation first entered the political agenda in the early 1950s. In Germany, it was a non-issue until the mid-1990s. In France, it received little attention until the mid-1980s, then provoked passionate reactions before vanishing from the agenda, only to resurface again ten years later. Before turning to the political debates, the following paragraphs present details on the variation in corporate ownership structures across countries and over time.

Corporate ownership structure in Britain, Germany and France

The stark contrast between British, French and German levels of ownership concentration is captured by several indicators. First, listed companies in the UK account for a larger fraction of total national corporate activity than in Germany or

France (see table 2). This matters for the purposes of my argument because only companies listed on the stock market are potential targets for hostile bids. In Britain, since 1963, the number of domestic companies listed on the stock exchange has ranged from 4400 to 1900, out of a total population of around 500,000 firms. In Germany, it never exceeded 750. In France, the number of domestic listed companies peaked at around 1000 in 1950 and again at the turn of the millennium. The total value of companies listed on the stock market was also much higher in Britain, rising from close to 77 per cent of GDP in 1950 to more than 200 per cent in 1999. In Germany and France, market capitalization throughout most of the period was well below one third of the British level (see table 3).

Second, ownership concentration of listed companies is lower in Britain than Germany or France (see table 3). This matters because listed companies are less vulnerable to hostile takeovers if their ownership is concentrated. In all the years for which data are available, more than 50 per cent of French and German companies had a blockholder owning more than 50 per cent of shares, and 70 per cent of companies had at least one blockholder owning more than 25 per cent of shares. In Britain, the proportion of companies with a majority blockholder was always well below 10 per cent, and the proportion of companies with at least one blockholder owning more than 20 per cent of shares never exceeded 16 per cent.

Third, cross-shareholdings are less common in Britain than in Germany or France (see table 5). This matters because differences in the degree of cross-shareholdership are a further source of divergence in companies' vulnerability to hostile bids. Where companies have significant ownership stakes in each other, mutual dependencies increase the incentives for corporate shareholders to shield managers against raiders. From 1970 to the late 1990s, non-financial enterprises held around 40 percent of all German shares, compared to 5 percent in the UK. Despite a recent decline, German corporate cross-shareholdership remains very high by international standards. In France, the privatisation process of the late 1980s was designed to deliberately strengthen France's cross-ownership network, through the sale of large stakes to a limited number of interlocked shareholders (see Schmidt, 1996, pp. 369-392). These noyaux durs remain strong despite some recent erosion. In 2002, 30 directors enjoyed between them 160 seats on the boards of major French firms (Clift, 2007, p. 552, footnote 1).

Fourth, until recently, the role of banks in corporate ownership was more pronounced in Germany than elsewhere. Under the system of bank proxy voting *(Depotstimmrecht)*, private shareholders could authorize the banks where their shares were deposited to vote on their behalf at companies' annual shareholder meetings. This means that even dispersed ownership need not imply dispersed control because the controlling influence of banks is far greater than their equity holdings suggest. As dominant shareholders, mainly by proxy, banks were until recently represented on the supervisory boards of most German companies, acting as a shield against hostile bids. A study on the role of banks in twenty-four of the top 100 listed Germany companies showed that, in 1992, banks on average controlled 84 per cent of voting rights - 13 per cent by virtue of their own shareholdings; 10 per cent by virtue of their own subsidiary investment funds; and no less than 61 per cent by virtue of proxy votes (Jürgens et al., 2000, p. 59). In 1996, the supervisory boards of 29 of the 100 largest firms were chaired by representatives of Deutsche Bank (Beyer & Höpner, 2003).

Over time, ownership concentration has declined everywhere. The German network of inter-company shareholdings started displaying signs of dissolution in the late 1990s, with share-ownership by non-financial enterprises dropping below 30 percent for the first time in 1999. The number of capital ties between the 100 biggest German companies declined from 169 to 80 between 1996 and 2000. At the same time, German banks began loosening their ties to industrial companies, partly to avoid conflicts of interests with their increasingly lucrative investment banking activities, partly in response to a new law limiting proxy voting have resulted in a loosening of ties with industrial companies (Beyer & Höpner, 2003). In France, cross-ownership networks have also begun unraveling since the late 1990s, and the number of foreign institutional investors has grown (Goyer, 2007; Morin, 2000, p. 39). The British decline, starting from lower levels concentration, was more gradual and less significant, with industrial cross-shareholdings dropping from 5 per cent in 1963 to 0.7 per cent in 2003.

The number of individuals owning shares increased abruptly in all three countries following large-scale privatization of previously state-owned companies (see table 1). In the UK, largely due to share offerings carried out by companies privatized under Thatcher, the number of individual shareholders rose from less than 3 million, or 5 per cent of the population, in 1980 to more than 11 million, or 21 per cent of the population, in 1991. British Gas shares alone gained 2.4 million shareholders, British Telecom gained 800 000. Around 1.6 million people acquired shares in the company for which they worked (Florio, 2002, p. 21). In France, the privatization initiatives of the 1980s raised the proportion of individuals owning shareholders from 4.4 per cent of the population in 1980 to 16 per cent in 1991. In Germany, where privatization was initiated later and on a smaller scale, the proportion of shareholders among the population peaked at 9.7 per cent in 2000 after public offerings by Deutsche Telecom.

The frequency of hostile bids has fluctuated over time (see table 6). Unfortunately, systematic comparative data on the number of hostile bids is available only from 1988 onwards. It is, however, well documented that hostile bids in the UK first started occurring during the early 1950s and that the mid-1980s were a period of intense takeover activity. Franks and Mayer (cited in Goergen & Renneborg (1997, p. 185)) report 80 hostile takeovers in the UK for 1985-86 alone. In Germany, the first hostile offer was made in 1988, and the total number of hostile bids, both successful and unsuccessful, can be counted on two hands. In France, hostile takeovers were unknown until the late 1960s, when three hostile bids were launched, all of them unsuccessful (see von Kapff, 1975 pp. 162-166). The next fifteen years saw very little takeover activity. According to Daigre (1990, p. 92), "between 1965 and 1975, less than a hundred takeovers occurred, and all were friendly. In the years 1976, 1977 and 1978 about twenty takeovers a year occurred, most of them friendly. From 1979 to 1986 takeovers steadily declined in number." However, this figure increased sharply from 1986 on, sparking off the political reactions documented below. While the actual number of takeovers remained low by Anglo-American standards, the rise was sufficient to inspire headlines such as "Paris gripped by takeover fever" (FT, April 2, 1986) and to render the French acronym for takeover bid (*OPA*) "a cult word to use in every context from political commentaries to illicit love-affairs" (FT, April 11, 1988). The following narratives show how this variation in ownership structure across countries and over time is reflected in British, French and German party positions from the 1950s onwards.

British, French and German party political debate over takeover regulation, 1953-2003

In Britain, takeover regulation first entered the political agenda in the early 1950s, in response to the previously unknown phenomenon of hostile bids. Heated debate during the 1959 election campaign followed controversial bids for British Aluminium and the brewing company Watney Mann and a major City scandal involving takeover malpractice. As Roberts (1992 p. 137) explains, "[t]he City had long been a *bête noire* of some Labour politicians, and take-overs provided a 'live issue on which to arraign the government.'" The Financial Times reckoned that "the average person…is so offended by the trappings of some bids and mergers that he tends to be sickened by the whole process", making takeovers "just about the only issue on which the Socialists could win an election these days" (FT 7 July 1959, cited in Roberts, 1992). A second peak of political interest, during the late 1980s, occurred in the wake of high-profile controversial takeover battles for British Leyland, Pilkington and Rowntree and an insider trading scandal at Guinness.

Labour conformed to the conventional image of a leftist, anti-shareholder party for most of the period under consideration. In 1953-54, Labour party spokesmen, including Hugh Gaitskell, Roy Jenkins and Harold Wilson, complained about the asset stripping and large tax-free profits associated with hostile bids (Johnston, 1980 p. 10-12). During a heated Commons debate in June 1959, Labour MPs condemned takeovers as 'economic gang warfare.' Harold Wilson, then shadow chancellor, accused the Conservative government of serving shareholders at the expense of the national interest:

> Just as shareholders are becoming more and more avid for quick gains, so the Government regard any quick capital gains as good business, to be encouraged whatever the production realities. Of course, the capitalist international knows no national frontiers. In the presence of a quick profit the patriotism of the government melts like snow in the summer sun […] (Commons Hansard, 1959 p. 36-37).

Evoking the image of class struggle, Wilson calculated how long it would take a "coal miner in the most profitable mine in the country" or a "Lancashire mule spinner, after thirty years in the industry" to earn the sums associated with takeovers. He asked the government how it could

> appeal for wage restraint in the payment of a job honestly and well done, while millions of pounds can be made in this effortless manner by a section which does no work at all? [...] These people 'toil not, neither do they spin' yet their gains are out of all proportion to any services they render to that industry (Commons Hansard, 1959 p. 39-42).

Thirty years later, the same rhetoric was still in use. In 1986 and 1987, Roy Hattersley, shadow chancellor, branded the Thatcher administration as a "government of the City, for the City, and by far too large an extent by the City" that would not address the problems created by takeovers (Guardian, March 13, 1986). Labour's campaign coordinator Bryan Gould complained on TV about

> the sort of society which the present government has tried to bring about. It's a get rich, something for nothing sort of society where people can get enormous rewards not related in any way to the real contribution they make to our economy (Newswire, February 18, 1987).

Tony Blair, at that time Labour's industry spokesman, questioned whether 30 or 40 fund managers were the right people to decide the future of key industrial sectors (FT, May 28, 1988). From 1991 onward, the Labour party toned down its confrontational rhetoric. Mo Mowlam, Labour's spokeswoman for the City, announced that "[u]p until now there has been a natural antagonism between the City and Labour. That has now passed." But at the same time, Mowlam declared that industry was "pig-sick" of its vulnerability to predators (FT, April 26, 1991 p. 13).

The desire to control the takeover process was also reflected in Labour's policy initiatives. Harold Wilson's Labour government, elected in 1964, brought large mergers within the ambit of the monopolies legislation, thereby increasing the scope for government intervention in takeovers (Johnston, 1980 p.165). Labour's proposals while in opposition included incorporating the Takeover Code and Takeover Panel into a statutory framework of City regulation; asking companies to prove that industrial or commercial gains would come from a proposed merger; replacing the "Tebbit doctrine" – which made competition the main test for barring takeovers – with other public interest tests, including research and development; lowering the threshold triggering mandatory bids; assuring employee consultation on takeovers; and changing the tax treatment of share ownership to produce a bias in favor of long-term holdings (seeCallaghan, 2006 p.78-79).

Labour's stance on takeover regulation changed shortly before Tony Blair's 1997 election victory. In February 1997, a commission established by the left-leaning Institute of Public Policy Research pronounced that "[t]here should be no new administrative restraints on takeovers." Since its election in May 1997, the Labour government has followed this advice. In June 2000, Stephen Byers, trade and industry spokesman, told a conference organized by the Trades Union Congress that reforms intended to make companies pay more attention to stakeholders were not on the government's agenda (FT, June 8, 2000 p. 8). In May 2001, Tony Blair promised a shake-up of business merger law to facilitate takeovers, proud to be

> right in the centre of the City of London, one of the main financial institutions, launching our business manifesto with the support of many successful business people and able, credibly, to claim after four years the mantle of economic confidence and economic stability in our country. I don't suppose there is a greater indication of the change in British politics than that and certainly there is nothing that we have done over the past four years that I am prouder of than that (Guardian, May 30, 2001 p. 16).

Britain's Conservatives throughout the period provided the counter-rhetoric to Labour's traditional leftist stance, branding their opponent as anti-capitalist and depicting themselves as the saviors of free markets and private property. During a Commons debate in 1959, Derick Heathcoat Amory, Chancellor of the Exchequer, countered Harold Wilson's complaint about takeovers by arguing that

> the [Labour] Government of which he [Wilson] was a member did quite a bit of taking-over, and it seems that the Opposition are planning to thrust more down the throats of the people if they ever again get the chance. There is, however, one vital dis-qualification. The take-overs of the right hon. Gentleman and his colleagues were compulsory ones, with no choice to the owners. What the right hon. Gentleman today has been inveighing against are take-overs with the collective approval of the owners of the businesses concerned. That is a significant distinction (Commons Hansard 1959 p. 63).

In the same vein, Cecil Parkinson, a former secretary for trade and industry, suggested, three decades later, that City concern with short-term interests was partly Labour's fault:

> One of the reasons why our investors shorten their thinking is because of the uncertainty that could arise if we have a change of government. Unlike other successful capitalist countries, we have an Opposition which basically doesn't believe in private enterprise and does not support the system (Guardian, January 29, 1987).

The Conservatives defended shareholder-value orientation both for its own sake and as a means to better overall economic performance. In 1959, Heathcoat Amory insisted that “we have to accept that the control of a business is vested in its shareholders” and that, on balance, takeovers to date had been “beneficial rather than harmful from the point of view of the efficiency of industry, of the interests of the employees concerned and of the economy at large” (Commons Hansard, 1959 p.65-67).

Similarly, Kenneth Clarke, then minister for trade and industry, declared, in 1987, that

> [t]he Conservative party believes that the greatest national public interest lies in allowing such things [as takeovers] to take place within the market place. [...] It is contrary to all experience to believe that an industrial strategy, as managed by Labour Ministers, is in the interests of employees, compared with the decisions of shareholders in the free market economy that we are now operating (Commons Hansard, 1988 p.333).

The argument that takeover threats could help keep managers in check was also regularly invoked, especially by Thatcher’s supporters, who regarded barriers to hostile bids as incompatible with government efforts to bring in “the refreshing winds of competition.” Lord Young, then secretary for trade and industry, dismissed calls for better protection against bids as “ingenious schemes to protect sitting directors” (Times, March 1, 1989). Determined to promote the best interest of business even against the express wishes of the peak employer federation, he explained that “[i]f we were to follow the sort of policy it [the CBI] advocates, the economy would soon lose its competitive edge” (FT, November 9, 1998 p. 11).

Unlike their French and German counterparts, British Conservatives were deeply divided over takeover regulation, with a sizeable faction resenting the pro-shareholder stance of their party leaders. In 1959, the Financial Times suspected that, on a free vote, a motion condemning hostile takeovers brought by the Labour opposition would have been carried by a majority of two to one. During a Commons debate in January 1987, Edward Heath, the former Conservative Prime Minister, condemned predators moving into long-established family firms which had set aside money for long-term investment (Commons Hansard, 1987 p. 792-795). Sir Anthony Grant, “as traditional a Tory MP as one could find,” regretted that the energy spent on takeover deals was not invested into building up productive business (Times, January 18, 1987). In 1988, Crossbow, the publication of the Conservative Bow Group, called for a change of rules to ensure “that takeover activity is not undertaken at a frenetic pace at the behest of City interests” (Times, August 8, 1988). Peter Lilley, trade and industry secretary under Thatcher and Major, said in October 1990 that deal-making in London’s capital market had gone “beyond the economically justifiable to become almost an end in itself” and that shareholder value pressure could not be dismissed as a factor feeding short-termism (FT, October 25, 1990). Less than two weeks after Thatcher’s resignation, even John

Redwood, former head of the Prime Minister's policy unit, with a reputation as a free-marketeer, joined the chorus by referring to evidence that,

> except in the very short term, takeovers can all too often damage the wealth of shareholders of the bidding company rather than improve it. Only a limited number of British companies have been adept at taking over others and taking the business on to better success (Independent, December 8, 1990).

Many Conservatives also criticized the Thatcher government's non-interference with foreign takeovers. In the context of the 1986 bid for British Leyland (BL), Tory MPs supporting the "Keep BL British" campaign pressed the government to cease talks with General Motors and concentrate on negotiating with UK organizations (FT, February 17, 1986). In June 1988, more than 60 Conservative MPs signed a Commons motion brought by the Labour party against the government decision not to refer Nestlé's bid for Rowntree to the Monopolies and Mergers Commission (Toronto Star, June 2, 1988 p. 28). Crossbow accused Lord Young of "blatantly and shamelessly" ignoring the regional dimension in merger policy (FT, August 8, 1988).

However, the pro-shareholder faction always maintained the upper hand in the Tory party. Conservative governments never yielded to calls for legislative or political intervention that were advanced not just by the Labour opposition but also from within their own ranks. In 1984, Norman Tebbit, then secretary for trade and industry, renounced the main instrument of intervention available to British governments by announcing that, henceforth, takeovers would only be referred to the Monopolies and Mergers Commission if there were reason to fear significant adverse effects on competition. During the years that followed, the government resisted pressure to prevent foreign takeovers of British "crown jewels" including British Leyland, Pilkington and Rowntree (FT, May 16, 1988, p. 1). The change in Conservative rhetoric after Thatcher's departure was not matched by any significant change in policy. An all-party parliamentary select committee on trade and industry recommended wide-ranging changes to takeover law in 1991 and again in 1994, but these recommendations were not implemented (FT, December 20, 1991; Independent, April 29, 1994). Instead, the Major government sought to address the problem of market myopia by promoting private coordination. Tax breaks to encourage long-term shareholdings were ruled out in favor of attempts to improve communication between investors and managers over business aims and investment plans (FT, October 25, 1990, p. 8). In the same spirit, the 1995 Myners Report *Developing a Winning Partnership* "described what institutional investors should do but did nothing to ensure they would do so" (Howard, 2005 p.180).

In Germany, takeover regulation was a non-issue until the mid-1990s. The country lacked not just binding rules regarding the conduct of takeovers but also the political will to create them, despite periodic attempts by the European Commission from 1974 onward to promote takeover law harmonization (See Callaghan, 2006). Both chambers of the German parliament unanimously rejected the 1989 draft of the EU takeover directive on the grounds that there was "no need for regulation" (Deutscher Bundesrat, 1989; Deutscher Bundestag, 1990). A complete absence of hostile takeovers until the 1990s provides the backdrop to this lack of political interest in takeover regulation until after unification, when more German firms started turning to the stock market to finance their investments. As in Britain and France, political passions were first aroused by large-scale hostile bids. The 1997 battle between Krupp and Thyssen brought thirty-five thousand steelworkers to the streets in protest (See Ziegler, 2000 p. 210). Two years later, 62 percent of Germans surveyed thought that Vodaphone's takeover of Mannesmann would be bad for their country, while only 19 percent welcomed the idea of German companies being taken over by foreigners (Associated Press Worldstream, February 9, 2000).

When takeover battles in the late 1990s brought the issue to the forefront of the political agenda, all parties condemned hostile bids. In response to Krupp's hostile bid for Thyssen AG in 1997, "[p]oliticians from left to right, from state government to federal government, union leaders, the media, all protested against the Krupp move and clamored to have the tender offer withdrawn" (Hellwig, 2000 p. 122). Vodaphone's bid for Mannesmann two years later met with similar cross-party condemnation (for details, see Callaghan (2006, pp. 104-106)).

However, outside the spotlight of public attention cast on the issue by these unpopular bids, party positions were more nuanced and, by contrast to pre-Blair UK, a conventional left–right framework does not capture the main cleavage line. During the late 1990s, the Social Democrats, Greens and Socialists (PDS) all joined the Liberals to support the dismantling of two major structural barriers to takeover bids in Germany, namely the system of proxy voting by banks and the tight network of cross-ownership, while the Christian Democrats defended these characteristic features of "Germany Inc" (SeeCioffi, 2002; Cioffi & Höpner, 2006; Höpner, 2007).

The FDP, consistent with its ideological commitment to economic liberalism, strongly supported active markets for corporate control. The Liberals were a driving force behind the 1998 Control and Transparency Act (KonTraG) which stripped German firms of important takeover defenses by placing limits on proxy voting and abolishing unequal voting rights, voting caps and the voting of cross-shareholding stakes above twenty-five percent in supervisory board elections. When the KonTraG was debated in the Bundestag in 1997, Otto Graf Lambsdorff called Germany a rent-seeking society and insisted that German companies would benefit from increased exposure to capital market pressures (Höpner, 2007). During a debate on the German takeover law in 2001, FDP member Rainer Funke complained that the chancellor had caved in to trade unions and managers instead of facing international competition (Deutscher Bundestag, 2001a).

More surprisingly, the center-left SPD during the late 1990s also supported the dismantling of takeover barriers, before suddenly reversing its stance in 2001. In 1997, while still in opposition, the SPD took the initiative of presenting the draft for a German takeover law, which, like the EU takeover directive, contained a neutrality rule and mandatory bid rule. The Control and Transparency Act, presented by the FDP/CDU coalition government in 1997, was criticized by the SPD as insufficiently shareholder-oriented. During a 1998 Bundestag debate on the proposal, Hans-Martin Bury (SPD) called the KonTraG a "placebo law designed to appease the public without introducing any real change, a law to protect managers and banks against shareholders." He argued that the German corporate sector was stifled by the power of banks, interlocking directorates, lack of transparency and underdeveloped markets for corporate control and demanded a ban on bank ownership of industrial shares (Deutscher Bundestag, 1998 p. 20354). Eckhard Pick added that the protection of shareholders and the development of the capital market were important goals for the SPD (Deutscher Bundestag, 1998 p. 20365). Four years later, during a Bundestag debate on the German takeover law, Nina Hauer insisted that "the shareholders own the corporation and should have the final say" (Deutscher Bundestag, 2001b p. 19829). Upon coming to power in 1998, the Social

Democrats, in coalition with the Green Party, immediately passed the KonTraG, which stripped German firms of important defenses against hostile bids. Two years later, they abolished capital gains tax on the sale of large share blocks, to unwind the web of cross-shareholdings which had traditionally made takeovers difficult (Cioffi, 2002 p. 38). Initially, the Schröder administration also lent its support to the EU takeover directive. However, following heavy lobbying from both business associations and trade unions, Schröder changed his stance in 2001. On April 28, weeks before the final vote in the European Parliament, Schröder withdrew his support from the European Council's common position on the directive. In May, the government announced its intention to redraft the German takeover law to allow management and supervisory board to obtain shareholder authorization for the use of poison pills prior to an actual bid. This law, allowing pre-authorization of poison pills, was passed in November 2001.

Left of the SPD, the Green and Socialist parties during the late 1990s also supported the removal of takeover barriers. As Ziegler explains, the Greens used the issue of corporate governance "to criticize established concentrations of economic power as obstacles to desirable types of change. Much like the Social Democrats, the Greens attacked the multiple sources of influence that the large universal banks exercised over German firms. Much like the liberals, they argued ever more pointedly through the 1990s that Germany needed a modern equity market to support entrepreneurs in the small and medium-sized sector." The Socialists shared the desire to curb the power of banks and interlocking capital. During a Bundestag debate on the KonTraG, Uwe-Ernst Heuer for the PDS explained that more active markets for corporate control would democratize and revitalize the economy (Ziegler, 2000 p.205).

This left the Christian Democrats as the main defenders of Germany's structural barriers to hostile bids. During a Bundestag debate on SPD proposals for a German takeover law in 1997, members of the CDU rejected the draft as "too early and too wide-ranging" and maintained that, to date, the absence of a takeover law had not done any harm (FAZ, October 4, 1997). Instead, they favored a self-regulatory system based on the voluntary takeover code introduced in 1995. During a Bundestag debate on the KonTraG in 1998, Joachim Gres (CSU) said that a change of direction in German corporate governance was neither intended nor necessary. "Constancy," he said, "is important in economic policy…Please don't think that the job of economic policy makers is to permanently introduce new ideas." Gres also insisted that the image of a 'Germany Inc.' built upon quasi-cartels did not reflect reality. Hartmut Schauerte (CDU) dismissed calls for curbing the power of banks as "pure ideology" (Deutscher Bundestag, 2001a). Klaus-Heiner Lehne (CDU), rapporteur for the directive in the European Parliament, played a key role in mobilizing his fellow MEPs against the neutrality rule and proudly claimed credit when the European Parliament rejected the directive in 2001.

In France, political interest was sporadic. Hostile takeovers were unknown until the late 1960s, when three hostile bids, although unsuccessful, occasioned a brief spell of debate resulting in France's first takeover code (see von Kapff, 1975 pp. 162-166). The following decade of silence on the issue was a period of low takeover activity. Political interest returned during the mid-1980s in response to increased activity on the market for corporate control. As in Britain, takeover battles and scandals over controversial bidding practices heated up the political atmosphere (for details, see Callaghan 2006, p. 112). The subsequent period of relative calm was one of low takeover activity. Political interest only returned in October 1996 when French employer federations AFEP and

"Entreprise et Cité" launched papers demanding reforms of French takeover law to make takeovers more difficult (Le Monde, October 15, 1996). One observer explains the sudden mobilization after years of complacency by pointing to changes in corporate ownership structures:

> [Until recently], few French companies considered themselves attractive to foreign investors. […] But they now find themselves in a state of weakness that is cause for concern. [...] French companies see themselves as potential victims of takeovers, all the more because the 'hard core' *(noyau dur)* system of cross-shareholdings put in place ten years ago is dissolving (Le Monde, October 15, 1996, p. 19).

As in Germany and Britain, and in line with populist sentiment, the immediate political response to hostile bids was passionately hostile. During his presidential reelection campaign in April 1988, Mitterrand called for regulatory intervention to tame "financial anarchy and savage takeovers," deeming it "time for the triumph of an economy of short-termist speculation to come to an end" (Mitterrand, 1988). A year later, during a TV interview shortly before the French municipal elections, he warned his audience "against takeover mania, against the gangsterism and the rule of the strongest" and promised to

> defend French producers, company managers, French entrepreneurs, against this wandering money, these birds of prey, who grab all this […] without having taken part in the daily effort. That's too easy! So I say that the role of the state, in this area, is a major role. The state can prevent things (Le Monde, February 14, 1989).

However, the accumulated words and actions of French politicians both on the left and right sent a less clear-cut message. Edouard Balladur, Gaullist finance minister under prime minister Jacques Chirac, explained in 1988 that, regarding takeovers,

> [t]wo things need to be taken into account. First, protecting the continuity of companies and the interests of their shareholders and employees. Second, ensuring that the companies do not seal themselves off, blocking all evolution, all alliance formation, all restructuring. Where is the good measure between these contradictory aims? It clearly depends on the circumstances. […] (Le Monde, March 1, 1988).

Balladur's successor Pierre Bérégovoy, Socialist finance minister under prime minister Michel Rocard, opened a parliamentary debate in 1989 by declaring that

> [t]he government wants to neither prevent nor encourage takeovers, but the role of the legislator and of the market authorities is to guarantee the clarity and legality of the rules of the game […] (Le Monde, April 21, 1989, p. 44).

Gaullist prime minister Jacques Chirac announced in 1996 that

> [w]e do not want to return to protectionism, but we don't want to sell out either (Le Monde, October 15, 1996, p. 19).

These ambivalent attitudes are also reflected in legislative measures. The Gaullists in 1986 embarked on the privatization of French industry, but not without creating golden shares and interlocking capital structures to protect the previously state-owned enterprises against hostile bids (see Le Monde, June 13, 1987, p. 4). Foreign ownership of privatized companies was initially limited to a maximum of 20 percent (FT, June 15, 1987, p. IV). In March 1988, following takeover battles over Prouvost, Télémécanique, Rhin-Rhône and Compagnie de Midi, Balladur suggested that

> the recent takeover developments should lead us to consider whether it would not be useful, in certain cases, to increase the stabilized portion of capital of companies that are particularly threatened, and to reduce the number of candidates so that the hard core becomes less fragile (Le Monde, March 4, 1988, p. 27).

Balladur also asked the French stock market authorities to reinforce companies' defense options against hostile bids. The stock market authorities turned down his request, but three less radical rules designed to reduce the number of hostile bids were adopted in April 1988 (Vie Française, May 14, 1988). In 1995, Alain Madelin, then economics minister, abolished the legal requirement for all foreign takeovers to be registered with and formally approved by the government (FT, June 20, 1996). However, one year later, Jacques Chirac felt that, "by comparison to our main competitors, we are too open at times" (Le Monde, October 5, 1996, p. 31) and initiated three changes to the French takeover code to make hostile bids more difficult (Le Monde, October 11, 1996; Le Monde, March 21, 1997).

Socialist policies were similarly ambivalent. Between 1984 and 1986, during his first term in office under the Socialist government of Laurent Fabius, economics minister Bérégovoy launched France on its path of financial modernization by pruning credit and exchange controls and creating new markets for commercial paper and financial futures. In 1986, he gave up his ministry's right to veto all French takeovers. However, as takeover activity increased, Bérégovoy stepped on the brakes. In the spring of 1988, while still in opposition, he proposed creating a special investment fund to intervene in takeover battles on behalf of a besieged management. Back in office, he responded to a series of takeover scandals in the spring of 1989 by passing a bill on the 'Safety and Transparency of the Financial Markets', which strengthened the disciplinary powers of the Commission des Opérations de Bourse (COB), the French stock market watchdog. The bill also strengthened employee information rights in the context of takeover bids, allowed target companies to augment capital in order to dilute the proportion of shares held by bidders, required the CEO to inform the comité d'entreprise (works council) of takeovers in progress and introduced transparency requirements regarding the crossing of thresholds and the revelation of shareholder pacts (Le Monde, April 21, 1989, p. 44). The Nouvelles Régulations Économiques (NRE), passed by the Socialist government of Lionel Jospin, strengthened employee information by depriving bidders of all voting rights acquired during an offer until they would comply with the obligation of discussing their intentions with the works council. The NRE also broadened the scope for state intervention by requiring potential bidders for a bank or insurance company to inform either the economics minister or the president of the committee of banks and investment companies in advance of an offer. However, they also suspended shareholder pacts involving more than 0.5% of capital for the duration of the offer period, thereby facilitating hostile bids (Echos, May 14, 2001, p. 67).

4. Implications

In sum, my article has shown that British, French and German political debates over takeover regulation since the 1950s differ along several dimensions, including the pattern of left/right competition and the timing of debate, and that these differences broadly correspond to differences in the structure of corporate ownership. To explain the observed correlation, I focus on the party-voter nexus, by assuming that parties cater to their core constituents and providing reasons for why ownership structure should affect the preferences of both upscale socioeconomic groups and working class clienteles. The remaining paragraphs point out what my empirical and theoretical findings contribute to current debates in comparative politics and political economy and offer suggestions for further research.

First, the article addresses the literature on party competition over political economy issues (e.g. Alt, 1985; Alvarez et al., 1991; Budge & Robertson, 1987; Hibbs, 1977, 1992; Hicks & Swank, 1992; Wilensky, 2002). Like much of this literature, I assume that party positions reflect the interests of their core constituencies, and that parties on the right cater more to upscale socio-economic groups, while parties on the left are more attentive to workers. I depart from the traditional framework by noting that the relevant conflict line on takeover regulation is not between upscale and working class constituencies, but between insiders - including workers, managers and large blockholders - and outside shareholders. Distinguishing between insiders and outsiders has a long tradition in the corporate governance literature, but my exploration of possible implications for party strategies represents a new endeavor. It builds on recent work by Rueda (2005; 2006), who shows how the divergent interests of employed and unemployed workers affect party positions on labor market issues. I argue that a similar insider–outsider divide on the capital side affects party positions on corporate governance issues. The segmentation of capital poses dilemmas for center-right parties that can be exploited by parties on the left just as, in Rueda's analysis, conservative parties benefit from the strategic difficulties faced by social democratic parties due to the segmentation of labor.

Second, it challenges existing work on the relationship between ownership patterns and minority shareholder protection. Most authors explain correlations between ownership dispersion and various political factors by treating ownership as the dependent variable. Roe (2003) argues that 'social democracy' discourages ownership dispersion by making it more difficult for outside shareholders to claim primacy vis-à-vis other stakeholders, including workers. Gourevitch and Shinn (2005) suggest that the larger number of veto players in consensus-oriented as opposed to majoritarian political systems favors concentrated ownership by encouraging corporatist coalitions between managers, workers and blockholders against outside owners. La Porta et al. (2000) claim that the degree of dispersion depends on the quality of corporate law, including minority shareholder protection. I argue that a causal arrow runs in the opposite direction, from ownership structures to politics and corporate law. Outside shareholders must first emerge as a sizeable constituency before a political party will advance their cause. Unlike the arguments discussed above, mine is compatible with Coffee's (2001 p. 66) observation that, historically, political and legal efforts to protect shareholders have tended to follow, rather than precede, the appearance of securities markets.

Third, it contributes to growing evidence that different patterns of party competition correspond to different varieties of capitalism. Amable (2003) uses regression analysis to show that liberal market economies are more likely to be governed from the right than coordinated market economies. Callaghan and Höpner (2005) find that members of the European Parliament from countries with low shareholder protection were less likely to support the EU takeover directive than delegates from countries with high protection. Fioretos (2001) remarks that governments in EU negotiations act as though they were defending their country's comparative institutional advantage. The present article shows that Britain and Germany – the closest real-world examples of a liberal and a coordinated market economy respectively – display strikingly different patterns of party competition on a policy issue that is considered central to generating the comparative institutional advantages of these national production regimes.

Fourth, it advances the literatures on Varieties of Capitalism and institutional change by suggesting that political support for shareholder capitalism is greater in Britain than in Germany *not* because actors in both countries know about and seek to defend the comparative institutional advantage of their production regimes, but simply because Britain has more shareholders. The assumption implicit in parts of the Varieties of Capitalism literature that interest groups and governments care mainly about preserving the comparative institutional advantage of their national production regime (see Fioretos, 2001, p. 255) makes it difficult to explain moves away from equilibrium. Widespread recent growth in support for shareholder-oriented corporate governance is easier to explain once ownership structure is recognized as a determinant of preferences and party positions. My argument implies that increased ownership dispersion due to privatization, tax changes or the like may undermine political support for stakeholder-friendly corporate governance rules regardless of their contribution to the comparative institutional advantage of coordinated market economies.

Beyond that, my article opens up several agendas for further research. First, more nuanced descriptions of ownership patterns and their relationship to political preferences would be desirable. The present article takes only one of many necessary steps toward disaggregating capital. While the insider–outsider distinction is reasonably informative on the issue of takeover regulation, it may not be the most relevant cleavage on other corporate governance issues. Among the insiders, one could distinguish further between managers and owners of listed and unlisted, small and large companies of different sectors, between family owners, banks, the state as blockholder in nationalized enterprises, etc. Among the outsiders, individual shareholders differ from various types of institutional investors, including pension funds, hedge funds and mutual funds. Who wants what on any particular issue is impossible to ascertain analytically because no model is better than its assumptions, and standard assumptions such as the idea that material interests can be inferred from material positions remain controversial. A systematic empirical study of lobbying efforts by groups representing different segments of capital would alleviate some of these concerns.

Second, while the present article focuses on the party-voter nexus, electoral pressures are clearly not the only conceivable channel through which ownership structure might affect party positions. Alternative channels include a structurally privileged position of business in capitalist economies (see e.g. Lindblom (1979)), or the role of bureaucrats in the policy-making process (see e.g. Tiberghien (2007)). Arguments along these lines require different assumptions from the ones I make regarding the motivations and autonomy of politicians, but they are compatible with my claim that party positions depend on the structure of corporate ownership, to the extent that business preferences and expert recommendations depend on the structure of corporate ownership. There are good reasons for believing that this is the case. The Varieties of Capitalism literature has long argued that companies in Coordinated Market Economies, where concentrated ownership prevails, have different corporate governance requirements than companies in Liberal Market Economies more exposed to stock market pressures (e.g.Vitols, 2001), and recent empirical research confirms that these differences are reflected in employer preferences (Callaghan, 2007). Ascertaining whether politicians are swayed more by electoral pressures or interest group demands is ultimately impossible, but careful process-tracing of lobbying efforts and political responses might go some way towards answering this question.

Third, the effect of factors other than ownership structure on the politics of corporate governance merits further exploration. Institutional variables, while insufficient by themselves, surely play a role. Apart from the above-mentioned effect of electoral systems on coalition behavior, differences between federal and unitary systems seem likely to be relevant. So far, research into the effect of federalism on corporate governance has focused on policy outcomes (Bebchuk & Ferrell, 1999 pp. 1176-7; , 1998, pp. 70-73; Roe, 1993 pp. 332-333). It seems worth exploring how multilevel governance affects party competition. More so than the US, the European Union would be a promising terrain for such studies.

Fourth, the consequences of the timing and sequencing of debate for the content of debate remain to be examined. As shown above, British parties started arguing over takeover regulation almost four decades before the issue entered the German political agenda. Timing is likely to affect the content of debate not only because economic ideas *en vogue* in one period may be less fashionable decades later. The order in which countries liberalize their markets for corporate control is also likely to matter because latecomers suffer disadvantages of backwardness. Britain removed barriers to hostile bids at a time when cross-border capital mobility was limited, and British firms had decades to adapt to the British Takeover Code before it was proposed as a blueprint for regulation throughout the European Union. Partly as a result, German firms found themselves in a position of asymmetric vulnerability, which helps explain why German members of the European parliament from all political parties voted against the outsider-friendly 2001 version of the EU takeover directive (Callaghan & Höpner, 2005). The advantageous position of British companies in an increasingly transnational market for corporate control may also help explain why British parties on the right and left, bitterly divided over takeover regulation until the 1990s, have since converged to endorse the absence of barriers to hostile bids.

Finally, it will be interesting to see how German, French and British parties respond to future changes in the structure of corporate ownership. But this is a question which only time can answer.

Table 1: Proportion of individuals owning shares, as a percentage of the population

	1980	*1981*	*1984*	*1987*	*1988*	*1990*	*1991*	*1992*	*1994*	*1996*	*1999*	*2000*	*2001*	*2003*
UK	5		7	15		19	21	17						
G		5.3			6.8	5.8		6.4	6.3	6	7.8	9.7	8.9	7.8
F	4.4			10.9			16			10.1		12.7		16

Source: DAI Factbook 2004, table 08.6-2. France 1987: author's calculation based on Goldstein (1996 p. 1314).

Table 2: Number of listed companies

	1950	*1960*	*1963*	*1970*	*1980*	*1986*	*1990*	*1995*	*2000*	*2003*
UK			4409	3418	2747	2173	2111	1971	2371	2311
Germany	670	628		550	460	492	649	678	744	684
France	1095	836		812	749	598	873	710	1013	

Sources: 1986-2003 data: DAI Factbook 2004 table 02-3; UK data 1963-1980: Franks and Mayer (2004 p. 27), table 1B; French and German data 1950-1980: author's calculation based on Rajan and Zingales (2003 p. 17), table 5 and the US Census Bureau International Database, September 2004 version.

Table 3: Market capitalisation of domestic companies as a percentage of GDP

	1950	*1960*	*1970*	*1980*	*1990*	*1999*
UK	77	106	163	38	81	225
Germany	15	35	16	9	20	67
France	8	28	16	9	24	117

Source: Rajan and Zingales (2003 p. 15), table 3.

Table 4: Proportion of listed companies where largest blockholder owns more than 50 [25] per cent of shares

	1951	*1976*	*1984*	*1986*	*1990*	*2000*
UK	> 10 [>10]		5		6 [16]	2 [10]
Germany				59	50 [85]	50 [70]
France		55			50 [80]	50 [70]

Sources: 1990 data: Becht and Mayer (2001 p. 2); 2000 data: Van der Elst (2004); 1976-1986 data: Berglöf (1990 p. 126); UK 1951 data: Florence (1961 p. 69).

Table 5: Percentage of shares owned by non-financial companies

	1953	*1963*	*1969*	*1975*	*1981*	*1989*	*1991*	*1993*	*1995*	*1997*	*1999*	*2001*	*2003*
UK		5.1	5.4	3	5.1	3.8	3.3	1.5	..	1.2	2.2	1	0.7
G	39.86	39.14	38.8	42.1	46.5	37.2	46.3	44.4	46.0	40.2	34.9	36.8	32.5
F									25.7	19.2	23.8	23.7	23.7

Sources: UK: Office of National Statistics (ONS); Germany: DAI Factbook 2004, tables 08.1-2 and 08.1-3: France 1995-2003: Banque de France.

Table 6: Number of hostile bid announcements

	1950-1964	*1965-75*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
UK			41	35	24	31	16	11	9	16	14	11	12	24
G	0	0	1	0	2	1	0	0	0	0	0	1	0	1
F	0	3	6	5	0	0	2	1	0	1	1	4	0	6

Source: 1988-1999 data: Thomson Financial SDC Platinum Database
1950-1975 data: von Kapff (1975 pp. 162-65), Daigre (1990 p. 92).

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