

Will London overtake New York as the world's financial center?

London as Delaware?

BY ADAM C. PRITCHARD

University of Michigan

In the United States, state corporate law determines most questions of internal corporate governance — the role of directors; the allocation of authority between directors, managers, and shareholders; etc. — while federal law governs questions of disclosure to shareholders — annual reports, proxy statements, and periodic filings. Despite substantial incursions by Congress, most recently with the Sarbanes-Oxley Act, this dividing line between state and federal law persists, so state law arguably has the most immediate effect on corporate governance outcomes.

The allocation to the states of primary authority over corporate governance has created a regime of “issuer choice” in state corporate law. Corporations can choose the law of the state that best suits the needs of their directors, managers, and shareholders, without regard to where the corporation principally does business. States can compete to attract firms by offering the most attractive menu of corporate law rules. This competition for corporate charters is not just about state pride: states that attract incorporations are rewarded with tangible benefits in the form of charter fees.

Critics of issuer choice argue that states compete by pandering to corporate managers. These critics charge that states are caught in a “race to the bottom,” catering to management by providing rules that promote management entrenchment at the expense of shareholders. On the other side, advocates for state control over corporate governance respond that competition between states for corporate charters generates a “race to the top”: competition in the capital markets compels managers to offer shareholders corporate law rules that effectively constrain managerial overreaching.

Whether the race is to the top or the bottom, Delaware has prevailed. That state draws a clear majority of the nation's largest public companies to incorporate under its corporate code,

despite its relatively small share of the national economy.

Lately, the topic of jurisdictional competition has spread from corporate law to its close cousin, securities law. Historically, issuers listed their stock for trading on one of the exchanges in the country where they principally did business. Improvements in communication, however, have made possible an international market for stock exchange listings that resembles in many respects the long-standing federal market for corporate charters in the United States. In an era when businesses are consolidating across national boundaries, the notion of a corporation having a “home” country seems increasingly archaic. Today, corporations around the world realistically can choose the location, or locations, where they want to raise capital. They can also choose where they want their common shares to trade. They are not limited to their “home” country in making these critical business decisions, and the capital-raising decision need not be linked to the listing decision.

As of today, the primary contenders in the listing market are New York and London. Which city is likely to prevail in the long run? This international question can be explored through the historical lens of our domestic competition for corporate charters. Delaware has prevailed in that competition by being highly attuned to demands by directors who choose the site of incorporation. That responsiveness is driven, in part, by its small share of the U.S. economy. Delaware has very few public companies headquartered there, which limits the number of managers and shareholders who might seek to influence the direction of its corporate law.

Translating this insight to the market for exchange listings, London is the smaller, and therefore potentially more nimble, of the two primary international contenders. Should we expect the David of London to prevail over the Goliath of Gotham?

THE DELAWARE ADVANTAGE

The competition for corporate charters is largely bilateral: states compete with Delaware in an effort to retain corporate charters. Delaware does not compete on price: its incorporation fees are generally higher than those charged by other

Adam C. Pritchard is the Frances and George Skestos Professor of Law at the University of Michigan Law School. This article is taken from a longer paper forthcoming in the *University of Cincinnati Law Review*.



SCOTT BARBOUR/GETTY IMAGES (TOP), STAN HONDA/GETTY IMAGES (BOTTOM)

states. Does Delaware corporate law differ from that of other states in a way that is likely to appeal to directors choosing a state of incorporation? The differences between the Delaware General Corporation Law and its main competitor, the Model Business Corporation Act (adopted in over 40 states) are slight. Notably, egregious forms of self-dealing are proscribed by all of the states. So nowhere in U.S. corporate law will we find the tolerance for kleptocracy that discourages outside investment in many developing nations.

THE LAW With explicit self-dealing plainly prohibited in all U.S. jurisdictions, some have pointed to managers' quest for self-preservation. Anti-takeover provisions are thought to promote management entrenchment; perhaps these provisions explain Delaware's dominance in the competition for corporate charters?

Not really. Although Delaware's anti-takeover statute is generally considered less protective of management than most other states, the differences in anti-takeover statutes may have little practical effect. Delaware courts have validated the use of the poison pill to ward off takeovers, so managers of Delaware corporations are largely immune to external threat. Delaware companies get taken over at the same (low) rate as companies incorporated in other jurisdictions.

In any event, Delaware dominated the market for charters long before the advent of anti-takeover provisions. Historically, companies switched their incorporation to Delaware following its adoption of liability protections for directors. To be sure, under the corporate law of virtually every state, the combination of the business judgment rule, stringent demand requirements, and broad statutory exculpation provisions means that directors face vanishingly small probabilities of being held

personally liable for their acts as directors. Even if the probability of liability is low, however, directors may take a special interest in protections against personal liability if the states' corporate law does not differ very much on other margins. Liability concerns are likely to be salient for outside directors, who have limited ability to control the firm's litigation exposure because they do not make day-to-day business decisions. And directors, after all, make the decision where to incorporate.

THE JUDGES Delaware is also known for its experienced and expert judges who sit on its Court of Chancery. The low probability of liability suggests that intervention on behalf of shareholder interests is not the reason why the state's judges are valued. Instead, quality judges matter because they produce litigation outcomes that predictably shield directors. The predictability of Delaware law is further bolstered by the large stock of precedents to which its courts can look in deciding cases. Delaware's combination of expert judges and relatively comprehensive precedent provides a predictable body of law, at least on the salient point of the potential for director liability. If directors of a Delaware corporation are sued, the company's liability insurance for directors and officers will cover the costs of the suit and pay any settlement. The directors will not be out of pocket. Their houses and retirement funds are safe.

The recent *Citigroup* decision is a timely exemplar of the Delaware judiciary's predictability. The plaintiff shareholders sought to hold Citigroup directors liable for failure to monitor the bank's risk taking in the subprime mortgage market. Chancellor Chandler rejected the claim:

Business decision-makers must operate in the real world, with imperfect information, limited resources, and an uncertain future. To impose liability on directors for making a "wrong" business decision would cripple their ability to earn returns for investors by taking business risks. Indeed, this kind of judicial second guessing is what the business judgment rule was designed to prevent.... [T]his Court will not abandon such bedrock principles of Delaware fiduciary duty law.

The "bedrock principle" in a nutshell: Delaware courts will not second guess directors.

THE LEGISLATURE The Delaware legislature does its part to reassure directors as well. The state constitution requires a two-thirds vote of the legislature to amend the corporate law. Moreover, the legislature further enhances predictability by relying on the corporate bar to screen proposed amendments to the corporate code. These structural features mean that Delaware's politicians have largely tied their hands when it comes to corporate legislation. Partisan politics does not get entangled in the process of corporate lawmaking. Consequently, interest groups and corporate "reformers" — who have their own agenda — face substantial barriers when seeking changes in Delaware's corporate law.

More importantly, the state's dependence on its charter revenue stream guarantees that it will not do anything reckless in the field of corporate governance. Delaware's small population ensures that franchise tax revenues will be a significant

portion of its overall budget. That budget contribution amounted to 15 percent of revenues in 2007. The current financial crisis will inevitably be met with calls for populist retribution, but Delaware legislators are relatively insulated from the backlash that inevitably accompanies economic downturns. Insulating corporate lawmaking from the vagaries of democracy may be Delaware's most important comparative advantage.

In sum, Delaware's predictability gives comfort to outside directors, who can sleep well at night if they serve on the board of Delaware corporations, regardless of the diligence of their monitoring. Corporate governance failures will inevitably be met with calls for draconian reform and, most worryingly, the imposition of liability on the directors who were supposed to be minding the store. Directors of Delaware firms can be confident that those calls will be ignored. As *Citigroup* demonstrates, even amidst one of the worst financial crises of the century, Delaware directors can rest easy knowing that they are not going to be held personally liable for the fallout.

LONDON AND NEW YORK

London was the 19th century's preeminent center of finance, leveraging its longtime status as a trading center. The city enjoyed global ties and a deep source of capital, which it used to finance development around the world. Despite the head start, London's lead was wiped away by the cumulative effect of two world wars and the burden imposed by the rapidly disintegrating British Empire. By the end of the second of those two wars, New York emerged as the world's new financial leader.

NEW YORK'S ASCENDANCE It was not until the 1990s, however, that the world became small enough to allow New York to translate its status as a financial center into the ability to draw stock exchange listings from outside the United States. During that decade, the New York Stock Exchange and NASDAQ established themselves as trading venues not only for U.S. companies, but foreign companies as well. New York's status as the world's leading financial center made it the preferred destination for companies choosing to cross-list on a stock exchange away from their home jurisdiction. New York led this competition through the 1990s, attracting 861 listings by foreign companies during the decade. London trailed badly, garnering only 156 foreign listings during the same time period. In 2000, nine of the ten largest initial public offerings in the world took place in the United States; nearly half of the money raised by non-U.S. companies in IPOs came from listing on a U.S. exchange. New York was riding high.

What did New York have to offer that London (and other jurisdictions) lacked? Listing in New York offered a certain prestige, demonstrating that a company was "world class." More tangibly, New York offered liquidity — the city boasted a deeper pool of investment capital than London could provide at that time. Listing in the United States also provided valuable acquisition currency: common stock that could be freely traded in the United States. For growing companies with international aspirations looking to acquire publicly held U.S. companies, having stock that could be used as merger

consideration offered strategic advantage.

In response to lobbying by the exchanges, the Securities and Exchange Commission encouraged foreign companies to list here by relaxing a number of potentially expensive requirements. Most notably, the agency allowed foreign issuers to reconcile their accounts with U.S. accounting principles, rather than requiring a new set of financial statements prepared in accordance with the U.S. standards. Conspicuously, however, the SEC did not go so far as to allow foreign companies to merely comply with the disclosure requirements of their home jurisdictions. From the SEC's perspective, U.S. standards were superior; they could be tinkered with around the edges, but wholesale waiver was not an option. Although the SEC was anxious to bring foreign companies to U.S. exchanges, it had

THE (BRITISH) EMPIRE STRIKES BACK This happy equilibrium for U.S. competitiveness did not last. London has overtaken — and by some measures surpassed — New York. The switch can be traced to 2001–2002, a period marked by two signal developments for the U.S. financial markets. First, the tech bubble collapsed. The United States' thirst for “the next Microsoft” had seemingly abated overnight, perhaps quenched by the collapse of Enron and WorldCom. Second and more tangibly, Congress reacted to the accounting scandals at those companies by enacting a host of new regulatory requirements in the Sarbanes-Oxley Act. Critically, the SEC was not empowered to exempt foreign issuers from the reach of Sarbanes-Oxley.

The flow of foreign companies stopped and, more worry-

In the market for corporate listings, the United States yielded its lead with the enactment of the Sarbanes-Oxley Act.

to worry about the political backlash that would flow from a financial scandal involving a foreign firm.

Perhaps this explains why the SEC did not exempt foreign companies from the anti-fraud rules. Those rules carried with them the potential for SEC enforcement. More unpredictably, selling securities in the United States also exposed foreign issuers to §§ 11 and 12 of the Securities Act, which carry liability for misstatements made in connection with public offerings, and Rule 10b-5 of the Exchange Act, which makes companies potentially liable for misstatements even when they have not been selling securities. That liability risk, so frequently bemoaned by U.S. companies, made many foreign companies wary of dipping their toes into the U.S. waters. Indeed, the risk of private litigation — generally unheard of in other jurisdictions — was frequently cited by the executives of foreign companies as the most compelling reason for *not* listing in the United States. Those companies willing to face this risk were sending a strong signal of their honesty and integrity (or more cynically, expected lack of volatility in their stock returns).

The twin burdens of SEC disclosure requirements and exposure to securities class actions made listing in the United States a costly proposition for foreign companies, notwithstanding the SEC's efforts at accommodation. The fact that a significant number of companies were willing to pay this price allowed the SEC to tell a happy story of a race to the top in the competition for international listings. The best companies sought to list in the United States because it had the best regulation, the story went. Foreign companies could signal their integrity by exposing themselves to the rigors of the exacting U.S. disclosure regime. Left unsaid was the inference that companies that chose not to list in the United States had something to hide.

ingly, reversed. After the SEC relaxed standards for foreign companies wanting to de-list, a flood of companies headed for the doors. London seized the opportunity; 14 of the top 20 IPOs listed on the London Stock Exchange came from outside the United Kingdom in 2005–2008. By contrast, only four of the top 20 IPOs in New York came from outside the United States. At the same time, London's pool of liquidity was growing deeper as it developed its own community of hedge funds and private equity.

This reversal suggests that the United States may have repeated New Jersey's misstep in the competition for corporate listings. Delaware did not start out with the lead in the market for corporate charters; New Jersey was the first state to attract companies located out of state in any significant numbers. New Jersey stole a march on its peer states by adopting an “enabling” model of corporate law, one that emphasized contractual freedom. The state's reputation as a haven for incorporation was eviscerated overnight, however, when it enacted new laws at the behest of Gov. Woodrow Wilson to crack down on business trusts. Corporations quickly fled south to Delaware, which had copied New Jersey's original enabling approach. Delaware grabbed the lead and never looked back. In the market for corporate listings, the United States yielded its lead with the enactment of the Sarbanes-Oxley Act. Can the UK dominate the listing market the way Delaware has dominated the charter market?

IS LONDON DELAWARE?

The UK has a number of characteristics that seem to mirror the factors responsible for Delaware's comparative advantage. Certainly the financial services industry is critical to the

UK, growing from 5.3 percent of the economy in 2001 to 9.4 percent in 2006. The industry employs half a million people in London alone. From a regulatory perspective, the UK's credible and responsive Financial Services Authority (FSA) might be viewed as the securities law analogue to the Delaware Chancery Court's role in corporate adjudication. The FSA's "light touch" approach to regulation gives London a predictability edge over New York, which is subject to the much more intrusive (and expensive) scrutiny of the SEC. London's unitary financial services regulator also reduces compliance costs in the UK relative to those imposed by the splintered regulatory structure found in the United States, with its alphabet soup of federal and state agencies, regulating broker-dealers, banks, and insurers.

2002 when the British response to the collapse of Enron and WorldCom was quite restrained, the British response to the financial meltdown was conspicuously un-Delaware-like. Indeed, the UK's actions closely paralleled the populist backlash against the moneyed classes that emanated from Washington.

The initial British response was just as muddled as it was in the United States. As the markets declined in 2008, the FSA responded by banning short selling for a long list of financial institutions. This strategy of killing the canary in the coal mine, lest it die from the poisonous gases, was also pursued by the SEC, which introduced its own limits on short selling in an effort to prop up markets. The message for hedge funds and other liquidity providers was clear: regulators and politi-

With the adoption of the Sarbanes-Oxley Act, Congress demonstrated that it could not be trusted, at least in the eyes of foreign executives and directors.

Key to Delaware's ability to maintain and extend its lead in corporate charters has been the restraint of the Delaware legislature. That body was conspicuous in failing to succumb to the quest for populist retribution in the wake of Enron and WorldCom. Less restraint was shown by the U.S. Congress; with the adoption of the Sarbanes-Oxley Act, Congress demonstrated that it could not be trusted (at least in the eyes of foreign executives and directors). As noted above, the flow of foreign companies to New York largely dried up. By contrast, the British Parliament largely stayed on the sidelines. For its part, the FSA pushed "best practices" for corporate governance, backed only by a disclosure requirement for firms that chose not to follow them. That episode suggested that London would follow the Delaware example, affording it a comparative advantage over New York on the predictability front.

More recent events, however, suggest that the regulatory forces in London cannot be so reliably constrained. Consequently, its recently gained allure for listings may be more tenuous. Unlike Delaware, which has a small population and very few public companies headquartered in the state, the UK, while benefiting from the financial services industry, cannot completely insulate that industry from the political pressures (pathologies?) typical of modern democracies. Britain has many public companies headquartered there, and a substantial representation among the world's largest banks. The response to the near failure of a number of those banks in the wake of the recent credit crisis revealed that the British democratic process was not immune to the inevitable quest for a scapegoat.

The British real estate market experienced a bubble that paralleled the one that fueled the U.S. economy from 2002 to 2007, and the bubbles popped simultaneously. Unlike

executives in both Washington and London believed in the free play of market forces — until it became politically inexpedient. When the markets started to go south, policymakers on both sides of the Atlantic retreated to the old-time faith in government control. (For the record, the effort failed; the markets continued to plunge.)

As the credit crisis deepened, London, like Washington, was forced to bail out a number of leading financial institutions. And like Washington, London quickly followed up government control with populist retribution. Constituents were angry, and limits on executive pay were imposed on executives of financial institutions receiving bailouts on both sides of the Atlantic. To be sure, no British politician sunk to the level of Sen. Charles Grassley (R-Iowa), who recommended ritual suicide for AIG derivatives traders who received performance bonuses after the government bailed out the insurance company. (Never mind that the traders receiving the bonuses were not the ones who caused the losses.) But British bankers did come in for vandalism of their homes and cars, not to mention bullying of their children at school. And the bureaucrats now in charge of the British banks cracked down in myriad irksome ways, such as limiting the use of car services and requiring employees to pay for their own meals on business trips. Trivial matters perhaps, but for productive employees with alternative options, another factor pushing them out the door.

The message on both sides of the Atlantic was clear. Regulators told the public that their top priority was to free up lending markets. They sent a very different message to the bankers making the decisions about whether to make loans: if you make risky loans and they turn out badly, we are going to slash your pay. Not surprisingly, bankers who were subject to the restrictions responded that they would repay the gov-

ernments' bailout funds as soon as possible. Banks that had not accepted money from the government loudly proclaimed that they would not be lining up at the trough, and that they would be selling even strategically important assets to avoid that fate. Credit markets tightened in response.

The governments' message to the small group of bankers that were actually generating profits for the bailed-out banks was that they should start looking for greener pastures at the healthier banks or at unregulated entities. In a situation where the UK might have distinguished itself by parting ways with the United States, it instead succumbed to the populist backlash. The head of the FSA went so far as to warn that the bankers responsible for the crisis should be "very frightened" of the FSA; more ominously, he declared that "a principles-based approach does not work with individuals who have no principles."

The contours of that frightening regulation came into sharper focus with the publication of *The Turner Review* by the FSA. The Chancellor of the Exchequer commissioned Lord Adair Turner, chairman of the FSA, to review the events that led to the financial crisis and to recommend reforms. Most of the proposed reforms, such as increased capital requirements, in particular for trading books, were predictable. More importantly, major banks are in no position to resist, given their dependence on the promise of a government backstop. Most controversial is the proposal to limit pay structures thought to create undue risk. The FSA has begun to implement this proposal by banning guaranteed bonuses for bankers, which has to rank rather low on risk-inducing compensation structures. It does, however, assuage populist outrage, at the cost of proscribing an important recruiting tool for British banks. As a political matter, the proposal to expand regulation to cover entities deemed to be part of the shadow banking system will face the challenge of those entities fleeing offshore. Underlying all of these proposals is a newfound skepticism of the efficiency of capital markets, perhaps auguring a considerably more interventionist attitude going forward.

THE FUTURE

If the United States and the UK both responded in a heavy-handed way to the credit crisis, does this make it a wash from the perspective of regulatory competition? Perhaps in the short term, but the response does not bode well for London's long term future.

This crackdown on financial institutions creates the potential for bifurcating the financial sector into two spheres. The first, populated by the type of institutions that have populated the headlines lately, consists of financial institutions deemed "too big to fail" by the government because their insolvency would threaten the functioning of the financial system. Going forward, these institutions are likely to require the backing of a lender of last resort in order to have credibility with counterparties. If counterparties lose confidence in the ability of these financial institutions to perform, these massive entities can evaporate virtually overnight, as we witnessed with the demise of Lehman Brothers. The registration of Goldman Sachs and Morgan Stanley as commercial banks

reflected their recognition of that market reality. As the *Turner Review* suggests, these large institutions are likely to face an array of regulation, including considerably more stringent capital requirements.

The flip side of capital requirements, however, is the lower profits implied by constraints on leverage. The proprietary trading that drove bank profits during the boom years was fueled by leverage. Smaller bets will mean smaller paychecks. Not satisfied with limiting leverage, regulators may seek to limit pay directly. Financial institutions will tolerate this interference only if their business model requires the backstop of a very deep pocket. And London's pocket is unlikely to be deeper than New York's. Consequently, London's policies are unlikely to be more lax than those emanating from Washington. If anything, London's regulatory crackdown may be more draconian than the United States', driven by new directives from the European Union.

How do these developments in the financial services industry affect the competition for listings? Strong banks — commercial and investment — are one source of liquidity, but they do not dominate trading in the financial markets as they once did. Moreover, as capital requirements are ramped up for such entities, they will become even less important as sources of liquidity because they will need to rein in their proprietary trading. Traders have headed for the door rather than have their pay restricted. Where have they gone? To institutions that have not yet felt the backlash of political retribution. Institutional investors, such as pension funds, mutual funds, and increasingly hedge funds, have become the predominant sources of investment capital and trading orders. London has become a leading center for such entities, rivaling New York. But is the status of those two finance capitals as centers for institutional investors secure?

Tightened limits on leverage for institutions deemed "too big to fail" create opportunities for smaller institutions, whose business models do not require the backing of a lender of last resort. These entities will be harder to regulate. Governments are keen to do so in the wake of the financial crisis; politicians on both sides of the Atlantic put forward proposals to crack down on hedge funds and other sources of capital that have mushroomed in the last decade. That impulse to regulate, however, comes squarely up against the ever-increasing mobility of such institutions. These institutions can do business in Greenwich or London, but Bermuda, the Cayman Islands, Dubai, Ireland, Luxembourg, and Singapore, just to name a few, are also potential venues. Smaller countries, like Delaware in the U.S. charter competition, are better able to pre-commit to predictable regulatory structures because their economies tend to be underdiversified. It is a safe bet that a number of these jurisdictions will be happy to commit to a "principles-based" regulatory approach now that the UK has announced a turn toward a "frightening" regulatory approach.

Regulators are in the business of regulating; naturally they want to regulate as wide a domain as possible. The bifurcation between financial institutions that are too big to fail, and therefore require a government backstop, and those whose

business models afford them greater mobility, challenges regulators' domains. The end result may well be that regulators in the United States and the UK wield overarching authority over financial institutions that are dependent upon government bailouts (or may need such bailouts down the road). These regulators wield such authority, however, at the risk of shrinking the sector to be regulated. The banks (and similar institutions) that are too big to fail will be closely monitored; smaller financial institutions may well flee to more permissive jurisdictions. Of course, the regulator's impulse will be to try and suppress regulatory competition through international agreement on regulatory standards. That goal, however, faces immense collective action problems, with many countries not inclined to follow the lead of the United States and the UK.

The flight of liquidity providers is one very real threat to London's newfound ascendance in the market for listings. The other threat is improvement in trading technology: stock exchanges around the world now offer similar speed in executing orders, reducing securities trading to the status of commodity. The best trading systems are no longer the monopoly of the exchanges, which are hemorrhaging market share to proprietary trading systems and dark pools. That same commodification of trading technology — along with greater access to information about companies in other jurisdictions — has greatly reduced the liquidity advantages formerly enjoyed by the London and New York Stock Exchanges, which have had to cut fees in response. The value of the exchanges has plummeted.

Of equal importance to the question of liquidity, companies no longer need to bring their shares in physical proximity to investors. Institutional investors, at least, can access virtually any market in the world. Moreover, Rule 144A allows issuers to access capital in the United States without a U.S. listing. Why should a company pay for an expensive listing in London or New York if a listing in its home country allows it easy access to capital from around the world? For regulators, this means that listing requirements are likely to offer little leverage as a regulatory tool.

In sum, my argument here is that the international market for listings has a parallel structure to the domestic market for corporate charters. Delaware's sustained ability to dominate

that domestic market, however, is not likely to be replicated in the market for listings. In corporate law, Delaware has been that market leader since it surpassed New Jersey; in listings, New York has been the market leader, but its dominance was undermined when Congress had its "New Jersey moment" with the Sarbanes-Oxley Act. London has now surpassed New York, but neither market is likely to provide any important listing advantage over a company's home jurisdiction in the long run. Both jurisdictions have shown that they are willing to impose regulatory burdens in the face of political pressure. In their home jurisdiction, companies can at least bring political pressure to bear as a counter to political retribution. In the United States and the UK, foreign companies are essentially powerless in political circles. London has not succumbed to the "burn the witches" mentality seen in Washington of late, but it nonetheless lacks the credibility to insulate companies from political influences in the way that Delaware does.

CONCLUSION

For London to dominate in the market for listings as Delaware has done in the market for charters, it needs to offer a product that companies' home jurisdictions cannot easily duplicate. The notion that the world has become smaller is a cliché, of course, but it nonetheless holds an important insight here. The world of investment capital shrinks every day, as institutional investors become more and more willing to look beyond their home jurisdictions in search of profitable investments. The lure of New York and London, and the pools of liquidity that they offer, has diminished greatly in the last decade, as trading has increasingly become a commodity. London must look elsewhere to find a comparative advantage.

London bears at least superficial resemblance to Delaware — the smaller, less populous competitor, heavily dependent on the financial services industry — but it has shown that it is susceptible to political retribution in the same way that New York is. Democracy has its virtues, but it also has its costs. Delaware has prevailed by insulating its corporate law from the ebb and flow of politics. London may dominate New York with respect to predictability, but it does not appear to offer substantially more certainty than companies can get in their home jurisdiction.

London as Delaware? No. R

Readings

- "Delaware and the Market for Corporate Charters: History and Agency," by Curtis Alva. *Delaware Journal of Corporate Law*, Vol. 15 (1990).
- "Empowering Investors: A Market Approach to Securities Regulation," by Roberta Romano. *Yale Law Journal*, Vol. 107 (1998).
- "Federalism and Corporate Law: Reflections upon Delaware," by William Cary. *Yale Law Journal*, Vol. 83 (1974).
- "Forty Years of Charter Competition: A Race To Protect Directors from Liability?" by Gordon Moodie. Working paper, Harvard University, 2004.
- "Has New York Become Less Competitive than London in Global Markets? Evaluating Foreign Listing Choices over Time," by Craig Doidge, G. Andrew Karolyi, and Rene M. Stulz. *Journal of Financial Economics*, Vol. 91 (2009).
- "Is the U.S. Capital Market Losing Its Competitive Edge?" by Luigi Zingales. ECGI Working Paper Series in Finance, Working Paper No. 192/2007 (2007).
- "Legal Origins, Politics and Modern Stock Markets," by Mark Roe. *Harvard Law Review*, Vol. 120 (2006).
- "Outside Director Liability," by Bernard Black, Brian Cheffins, and Michael Klausner. *Stanford Law Review*, Vol. 58 (2006).
- "State Law, Shareholder Protection, and the Theory of the Corporation," by Ralph K. Winter. *Journal of Legal Studies*, Vol. 6 (1977).
- "The Demand for Corporate Law: Statutory Flexibility, Judicial Quality, or Takeover Protection?" by Marcel Kahan. *Journal of Law, Economics, and Organization*, Vol. 22 (2006).
- "The Historical Race: Competition for Corporate Charters and the Rise and Decline of New Jersey: 1880-1910," by Charles M. Yablon. *Journal of Corporate Law*, Vol. 32 (2007).
- *The Turner Review*, published by the Financial Services Authority, March 2009.

THUNDERBIRD

INTERNATIONAL BUSINESS REVIEW



A PUBLICATION OF THE
THUNDERBIRD SCHOOL
OF GLOBAL MANAGEMENT

Thunderbird International Business Review is a refereed journal, published six times a year, which aims at advancement and dissemination of research in the field of international business. Its main target audience includes academicians and executives in business and government.

The globalization of markets and businesses brings the need for more active communication and a greater exchange of thought and research among scholars and practitioners throughout the world.

Articles cover innovative ideas and new research methods for understanding the challenges confronting global business in:

- **Human Resource Management**
- **Marketing**
- **Finance**
- **Global Management**
- **Economic and Socio-Cultural challenges**

EDITOR

Mary B. Teagarden, PhD
Thunderbird School of Global Management

MANAGING EDITOR

Suzy Howell
Thunderbird School of Global Management



INDEXING AND ABSTRACTING

The contents of this journal are indexed or abstracted in:

- ABI/Inform Database (ProQuest)
- Business Periodicals Index/Abstracts (HW Wilson)
- Current Abstracts (EBSCO)
- Emerald Management Reviews (Emerald)
- PAIS: Public Affairs Information Service (CSA/CIG)
- SCOPUS (Elsevier)

Sample copy online at www.interscience.wiley.com/journal/tie