

Book Reviews

investors Buffett and Charles Brandes attest that Graham truly enjoyed the intellectual pursuit of investing. He desired financial security, but was “not preoccupied with amassing tremendous wealth.” (p. 101) When he died in 1976, Graham bequeathed an estate worth approximately \$3 million dollars, (p. 314) a sum many might find less than expected, given his legendary stature.

As Carlen highlights, Graham, with his careful articulation of the principles of value investing, deserves credit for inspiring some of the most successful billionaire investors in history. Some, like Warren Buffett, refined these principles to make them their own, yet he and many others still credit Graham with profoundly shaping their investing philosophies.

Benjamin Graham left a huge legacy in the investing world, and Carlen’s book is a welcome reminder of that. As Warren Buffett once said, “No one ever became poor by reading Graham.” (p. 9) Likewise, no one is poorer for reading another quality biography of him.

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Wright, Robert E. *Corporation Nation*. Philadelphia: University of Pennsylvania Press, 2013. 317 Pp.

My students would hate this book for its depiction of the messy reality of corporate governance where definitive solutions are far from clear. I, on the other hand, thoroughly enjoyed its stimulating and no doubt intentionally provocative richness and argument. Robert Wright, professor of political economy at Augustana College and author of numerous books and articles on US business and financial history, has two purposes. The first is to demonstrate that the US had become a “corporation nation” earlier (antebellum rather than postbellum) and to a greater extent than historians have previously argued. The second is “to improve the internal governance and external regulation of corporations

today” (2) by using the historical experience to support recommendations for reform. Wright presents an extraordinary array of evidence in the 229 pages of the main text, supported by the 74 pages of endnotes. His expertise in financial history is useful as many early corporations were banks and insurance companies, and the book is a worthy addition to the literature on the corporate form, which has attracted considerable interest from historians in recent years.

Wright (with Richard Sylla) has assembled, and presents here and elsewhere, new data that cover only corporations formed by special charter, and thus understate the extent of corporatization. The very demanding task of collecting detailed data on corporations formed under general chartering laws remains, although these were a small minority in the period of 1790-1860 which is his main focus. Wright freely acknowledges this and other data limitations which he argues are not serious enough to defeat his arguments. Readers interested in this aspect of the book are encouraged to read Leslie Hannah’s (2014) article which complements and critiques the Wright-Sylla data.

Wright goes on to describe and explain the evolution of corporate governance practices in antebellum corporations, a process which involved considerable experimentation but generally led to satisfactory outcomes for their owners. He argues that over the course of the next 150 years or so, with the progressive professionalization of management as corporations grew and ownership and control became increasingly divorced, the balance of power swung decisively from stockholders to managers. Debtholders and “gatekeepers” such as auditors and regulators, sometimes with their own incentives, failed to curb this shift effectively. The development of more sophisticated and liquid financial markets further pushed stockholders to exercise the “exit” option in preference to “voice” in the face of managerial dominance.

The final chapter draws together Wright’s themes, but he is arguably too pessimistic, or perhaps chooses to exaggerate for effect. Is corporate failure driven by governance weakness really any more prevalent in the 21st century than in the 19th? Wright treats the financial crisis as a failure of governance, although the academic evidence is more mixed than he suggests, notwithstanding clear regulatory failures, excessive remuneration and risk-taking, and the questionable performance of many

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gatekeepers (auditors, law firms, credit rating agencies etc.) whose activities, like those of major banks, are heavily (and dangerously?) concentrated into relatively few firms. Like many others, Wright is critical of the Sarbanes-Oxley Act and similar regulation in other countries, implicitly drawing on private interest and capture theories. Such regulation certainly has limitations, but there have been relatively few recent failures and scandals among non-financial corporations. Wright is particularly skeptical about the quality of modern financial reporting, yet investors have more, and more detailed, information than ever before, although perhaps too much or the wrong kind. But there are difficult technical challenges, for example the valuation problems of intangible assets, which add to information overload and make financial statements harder to interpret and act on. Another trend in corporate governance disturbing to some has been the comeback of capital structures involving share classes with differential voting rights, especially in US-listed technology companies, and some previous critics have softened their view on this issue. But the corporate governance street is not one-way and encouraging signs can be found in various jurisdictions. The frustration of institutional investors at the failure of companies to link executive remuneration and long-term performance (however defined) found expression in the “Shareholder Spring,” mainly in Britain. Convergence of ownership structures in Germany and Japan with those in the Anglosphere and increases in private equity ownership arguably align managerial and owner objectives more effectively, but Wright is dubious about the disciplinary power of debt which accompanies private equity ownership and share buy-back programs.

Wright largely accepts the “Law and Finance” view that stronger investor rights foster better economic outcomes and at the end of his final chapter proposes a number of reforms to reinforce these rights to promote better corporate governance. Some of these echo historical practices, with adaptations for the modern era. Wright offers clear justification for the reforms he seeks, but these would require extensive changes to existing regulation, and it is hard, impossible even, to see some of these proposals surviving the kind of intense lobbying to which they would be subject. This may limit the book’s impact, but it deserves

to be read widely by those concerned with corporate governance. Wright does not have all the answers, but then none of us do.

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Works Cited

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Haggerty, Sheryllyne. *'Merely for Money'? Business Culture in the British Atlantic, 1750-1815*. Liverpool: Liverpool University Press, 2012. 287 Pp.

In this study, Sheryllyne Haggerty reveals a thriving business culture in the British Atlantic during this period, and argues that it was socially embedded, preventing merchants and their agents from acting solely for profit. Merchants took years to create and maintain reputations that allowed them to expand their networks and profits. As a result, business was not just an economic activity, but a social one as well. Furthermore, these businessmen created a shared culture in the Atlantic basin. This relied on combination of personal trust, shared risk (via chartered companies), and state intervention (via laws and military protection). This produced an environment in which two merchants, having never before engaged in business, could reasonably expect each other to provide goods and payments.

Haggerty delves into an enormous volume of personal and business papers in order to explain this business culture. She focuses on merchants who were either based in Liverpool or had strong ties to the city, a center of trade second only to London in the British Isles. Her illustrations of personal networks are especially telling, showing the extent of established economic ties. The period of 1750-1815 is an excellent choice for exploring a time filled with enormous uncertainty, wars, and numerous other crises that tested and nurtured the strong networks in the