ABSTRACT

Corporate Governance and Corporatism

-The Effect of Corporatism on Corporate Governance in Sweden and Germany-

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Since the 20th Century, Sweden and Germany have established themselves as the economic powerhouses of Europe. The representative companies of these two countries have shown remarkable success compared to other companies in the United States and other parts of Europe. The curiosity that I had regarding this issue, that is the key to the accomplishments of these Swedish and German companies led to the birth of this thesis.

It is presumable that the economic system of Sweden and Germany had great influence on the corporate governance of both countries, but I am also interested in the political and social factors that transformed and influenced corporate governance.

Corporate governance in Sweden and Germany differs from that of the

United States of America, where stockholder-focused liberal market economy is established. Sweden and Germany have coordinated market economies in place, in which stockholders, labor unions, banks and the government are all major stakeholders.

Swedish corporate governance recognizes the differential voting rights of the 'blockholder', who has more voting rights compared to other stockholders. German corporate governance is characterized by the fact that banks, regional governments and other stakeholders deposit long-term stocks and mutually possess other company's stocks, and thereby exercise their power over management.

At the end of the 19th century, Sweden and Germany developed into industrialized nations through the Industrial Revolution. In this process, labor and management of the two countries underwent severe conflicts regarding the distribution of wealth that was reaped through economic growth. But the labor-management relations in Sweden had an immediate switchover from conflict to peace since the signing of the Saltsjobaden Agreement in 1938, and Germany also saw a turnaround in relations after the Second World War ended in 1945. The different political, historical and social factors allowed these two countries to achieve peaceful labor-management relations through agreement.

Sweden informally created the Tripartite Commission, in which the government supports the agreement made between labor and management. This reflects the centralized power of labor and management. On the other hand, Germany preferred mutual discussions within respective industries since the Second World War. Swedish labor and management reached an

agreement in the form of informal social discussions, whereas Germany laid the groundwork for agreement between the two parties by guaranteeing labor participation in management legally through institutionalized measures such as codetermination system and dual-board system.

As this thesis shows, not only economic factors, but also political and social factors influenced the formation and development process of the corporate governance in Sweden and Germany. Sweden and Germany's corporate governance share one thing in common, corporatism, which is a system that distributes wealth through agreement between labor and management. Thus, it can be pointed out that tripartite trust-based corporatism has been the most influential factor that contributed to the stability of corporate governance in these two countries, rather than any other economic factors like coordinated market economy.

Trust and compromise between labor and management for mutual cooperation serves as a stepping stone for the stability of corporate governance.

Key words : Corporate Governance, Corporatism, Sweden, Germany, Blockholder, Coordinated Market Economy, Ownership, Codetermination, Differential Voting Rights, Dual Board System.