

I

Contents

Abstract	II
1. Introduction.....	1
2. The particular severity of the corporate governance problem in transition	1
3. The initial response of economists and its shortcomings	4
4. The bumpy road from hypothesizing to empirical testing.....	7
5. A further difficulty for empirical testing: Expectations concerning the future economic system.....	9
6. Three basic mechanisms of corporate governance.....	10
6.1 Hostile take-overs as a disciplining device.....	11
6.2 Corporate control by financial institutions	13
6.2.1 Banks	13
6.2.2 Other financial institutions.....	15
6.3 Control shifts to creditors and bankruptcy procedures.....	16
7. Conclusion.....	20
Bibliography:	21