

STAKEHOLDER PROTECTION IN CORPORATE GOVERNANCE AND IN THE LEGAL SYSTEM, LONG TERM UNEMPLOYMENT, AND THE VARIETIES OF CAPITALISM¹

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Abstract

In the literature the issue of the protection of stakeholder interests (of employees in particular) is usually considered in a static context: how should the institutions of corporate governance be shaped having regard to already existing firms, conforming in particular to some subjective criteria of fairness and fair play. It is remarkable that no attention is usually paid to the basic fact that a company in order to exist must first be established, and that the founders-owners are the original shareholders. Moreover not necessarily the most appropriate protection of stakeholder interests can be provided by the institutions and practice of corporate governance, other specific kinds of legal provisions may be more suitable. But rather than substitution complementarity prevails between different legal provisions protecting the interests of stakeholders (in particular employees) and the stakeholder protection afforded through the institutions of capital governance, conforming to the logic of the different "varieties of capitalism". An aspect that is emphasized in the paper, and is usually overlooked, are the much higher rates of long-term unemployment associated with the continental European variety as compared with the Liberal Market variety of the Anglo-Saxon tradition. But the Scandinavian Social-Democratic market model gives the best of both worlds: low long-term unemployment rate and incidence, together with high degrees of employment protection.

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