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EDITORIAL

Dear readers!

The recent issue of the journal is devoted to several governance and regulation issues.

Kim Trottier explores the share price reaction to a recent news announcement that Canadian banks were adopting say-on-pay, a policy that gives shareholders an annual non-binding vote on executive compensation. Using event study methodology, the effect of adopting this new policy is explored by the author and found to be associated with a significant increase in share price. This result suggests that giving shareholders a voice on executive compensation is expected to generate economic benefits, which adds to the paucity of knowledge currently available to shareholders and legislators as they consider the consequences of say-on-pay.

Alexander J. Bělohlávek analyses arbitrability limitation in consumer disputes. The author explores different national approaches and experience in the resolution of consumer disputes; underlines positive and negative aspects of litigation and arbitration in consumer disputes, fair trial and efficiency of dispute resolution; pay attention to the importance of consumer protection against the background of the dispute resolution mechanism; argue abour risk of abuse of the special protection by the consumer; and compare the scope of the consumer protection issues.

Ewgeni Hersonski presents arguments concerning the fair levels of executive directors' remuneration. He argues that principles are a better way to achieve this goal. However, author also found arguments in support of detailed legal rules when dealing with this matter. Since both methods have their pros and cons the paper delivers a balanced discussion and also outlines how the executive pay is currently regulated in the UK, the United States as well as on the global scale.

Octavian-Dragomir Jora and Mihaela Iacob try to show that modern business corporations, as such, have nothing to do with perverting the fructuous workings of capitalism (as epitomized by the boom-bust business cycles), because they allegedly received, undeservingly, the privilege of limited liability that incites to irresponsible behaviours and to a quest for large-scale speculation instead of productively adding value in society.

David G Mayes uses the example of the collapse of the finance company sector in New Zealand in 2006-2010 to illustrate the problems with light touch regulation and a reliance on good governance to ensure financial stability. It shows two major governance failures, the first in the governance of the sector by the authorities and the second, serious failures in corporate governance by the firms involved.

Mehmet Ugur and Nawar Hashem aim to contribute to the debate by investigating both partial and combined effects of corporate governance and market concentration on innovation. Utilising a dataset for 1,400 non-financial US-listed companies and two-way cluster-robust estimation methodology, they report several findings. First, the relationship between market concentration and innovation is non-linear. Secondly, the relationship has a U-shape in the case of input measure of innovation (research and development - R&D – expenditures); but it has an inverted-U shape when net book-value of brands and patents is used as output measure of innovation. Third, corporate governance indicators such as anti-takeover defences and insider control tend to have a negative partial effect on R&D expenditures but a positive partial effect on net book-value of brands and patents. Finally, when interacted with market concentration, anti-takeover defences and insider control act as complements to market concentration.

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