Corporations in Evolving Diversity

Cognition, Governance, and Institutions

MASAHIKO AOKI

The present global economic crisis demands we look anew at the role of corporations and the workings of financial markets around the world. In this challenging and insightful book, one of our most eminent economists provides a compelling new analysis of the corporate firm, the role of shareholders, managers, and workers; and the workings of financial markets.

In recent decades the firm has predominantly been seen as an organization run and governed in the interests of shareholders, where managers act as the agents of shareholders, and the workers simply as instruments for share-value maximization. This book reverses this viewpoint. It sees corporations as cognitive systems where shareholders, and the workers simply as instruments for share-value maximization.

Aoki uses the ‘social mathematics’ of game theory to reveal the deep structure of corporate governance systems, in the recognition of the centrality of incentives, and deeply sociological in the recognition of the centrality of social norms and a culture of corporate morality.

Masahiko Aoki uses the ‘social mathematics’ of game theory to reveal the deep structure of corporate governance systems, in the recognition of the centrality of incentives, and deeply sociological in the recognition of the centrality of social norms and a culture of corporate morality.

His profound and highly original analysis speaks directly to the issue of corporate governance reform in the aftermath of the financial crisis of 2008–9.

Simon Deakin, Professor of Law, University of Cambridge

“The recent wave of fraud, corruption, and fiscal irresponsibility at the highest corporate levels dramatizes the need for a model of the modern corporation that is at the same time deeply economic in the recognition of the centrality of incentives, and deeply sociological in the recognition of the centrality of social norms and a culture of corporate morality. Professor Aoki has combined his magisterial knowledge of business organization with a foundational study of the role of culture in epistemic game theory to produce, for the first time, a truly transdisciplinary model of the corporation.”

Herbert Gintis, Santa Fe Institute

“This is a path breaking book that provides a rigorous analysis of the cognitive underpinnings of corporations. It gives fundamental insights into the diversity of organizational forms that exist and the association of these with the historical, political, social, and technological contexts within which they operate. As with so much of Professor Aoki’s work, it will radically alter the way in which we view the corporation.”

Colin Mayer, Peter Moores Dean, Said Business School, University of Oxford

“A pioneering contribution which formalizes in game theoretic language complex institutional structure and environment of the corporation both at a moment of time and over time.”

Douglas C. North, Nobel Laureate in Economics 1993, Spencer T. Olin Professor in Arts and Sciences, Washington University in St. Louis

Masahiko Aoki is in the Hunt and Tomoe Takahashi Professor Emeritus of Japanese Studies in the Economic Department, and Senior Fellow of Stanford Institute for Economic Policy Research (SIFER) and Freeman Spogli Institute for International Studies (FSI) at Stanford University. He is also Director of the Virtual Center for Advanced Studies in Institutions (VCASI) at Tokyo Foundation.

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