Comment on

Related Party Transactions in Commonwealth Asia Dan Puchniak & Umakanth Varottil

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GCGC 2019

Excellent Paper

- Reality check of economists' work
- Second best role of legal scholar
 - First best is for economists to ask before making mistakes

Dan/Umakanth's Proposition

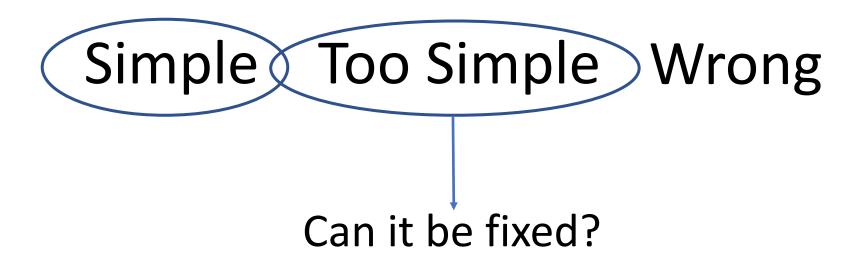
DBR Index and DLLS Index reflect law on the books

Not law "in action"

Sources of the Problem

- 1. Fail to reflect "regulatory complexity"
- 2. Fail to reflect "shareholder complexity"
- 3. Fail to recognize RPTs may be good

Governance Indices



What is Dan's and Umakanth's bottom line?

Small sample—four countries

That's ok

Back to Sources of the Problem

- 1. Fails to reflect "regulatory complexity"
 - Public enforcement ignored
 - Malaysia and India do not enforce well generally
 - HK and Singapore cannot enforce against Chinese companies
 - Other important factors—rule of law, culture
- ➤ Can/should this be fixed?

Sources of the Problem

- 2. Fails to reflect "shareholder complexity"
 - Special rules for state-owned enterprises
 - Family companies (deserver leniency)
- ➤ Can/should this be fixed?

Sources of the Problem

3. RPTs may be *good*

➤ Anything to fix?

Index in journals vs. Index in action

Simple Too Simple Wrong

Can it be fixed?

Excellent Paper