

Comment on

Related Party Transactions in Commonwealth Asia
Dan Puchniak & Umakanth Varottil

Michael Klausner
Stanford Law School
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

Simple Too Simple Wrong



Can it be fixed?

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?

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