ABOUT THIS ISSUE

A series of high profile corporate financial scandals in the United States and elsewhere has focused attention on the consequences of poor corporate governance. At the same time, increased demand for investment capital has made companies and countries worldwide look to good governance as a means of attracting and keeping investors.

Broadly speaking, "corporate governance" refers to the rules that guide the behavior of corporations, shareholders, and managers, as well as to government actions to promote and enforce those rules. Corporate governance provides the basis for a stable and productive business environment. It can be especially important in emerging markets and to firms that seek to distinguish themselves in the global economy, says corporate governance expert Ira Millstein in the introductory overview to the journal.

In the United States, financial scandals prompted a comprehensive overhaul of laws covering business behavior, in the form of the Sarbanes-Oxley Act of 2002. Ethiopis Tafara and Robert Strahota of the U.S. Securities and Exchange Commission (SEC) describe SEC cooperation with overseas regulators to help foreign firms deal with the strict new standards the Act imposes. And U.S. Department of Justice official Christopher Wray says that Sarbanes-Oxley has given prosecutors a larger arsenal of tools with which to prosecute corporate wrongdoers.

In other countries, particularly those in the developing world, good corporate governance may require transforming political and economic governance arrangements from relationship-based systems to rules-based systems, say Charles Oman and Daniel Blume of the Organization for Economic Cooperation and Development (OECD). The U.S. Agency for International Development (USAID) explains how, to promote this transformation, it has partnered with the Center for International Private Enterprise (CIPE) to support corporate governance development projects overseas that combine local knowledge with international principles.

Other articles in the journal discuss business education and the teaching of ethical management practices across national borders, corporate governance within the context of family-owned businesses, the role of shareholders in the corporate decision-making process, and how one major pharmaceutical company, Pfizer Inc., has found that "Doing business with integrity is good for business."

This issue of *Economic Perspectives* aims to give readers an overview of the principles of corporate governance, current trends in U.S. and international policies affecting businesses and business managers, and the work that is being carried out by governments and businesses alike to create a more transparent and accountable corporate environment.

The Editors