



Online Workshop

The History of the Corporation

Thursday, 10 June 2021

09:00 – 16:00 EDT | 15:00 – 22:00 CEST

Organisers

Henry Hansmann (Oscar M. Ruebhausen Professor Emeritus of Law, Yale Law School and ECGI)

Naomi Lamoreaux (Stanley B. Resor Professor of Economics & History, Yale University)

In anticipation of the sixth **Global Corporate Governance Colloquium**, which will be hosted by Yale Law School on 11-12 June 2021, the organisers will present a virtual workshop on '**The History of the Corporation**' on 10 June 2021. The workshop will journey through Imperial Russia, turn of the century Egypt and China, Edwardian Britain and the Gilded Age US, exploring issues of corporate governance that continue to resonate in the present day. The morning sessions will examine the relative performance of western-style corporations and their indigenous alternatives in Russia, Egypt, and China. The afternoon papers will re-examine structures of corporate governance and control in the US and Britain in the late-nineteenth and early-twentieth centuries. The conference will end with commentary that draws out the broader implications of these historical studies, setting up themes that will run through the discussions of the next two days.

Registration

To register for this event, please visit: <https://bit.ly/2PeXhGL>

Thursday, 10 June 2021

(Timezone: EDT)

09:00 – 09:10 **Introduction**

Naomi Lamoreaux (Yale University)

Henry Hansmann (Yale Law School and ECGI)

09:10 – 10:00 **Shareholder Democracy under Autocracy: Voting Rights and Corporate Performance in Imperial Russia**

Amanda Gregg (Middlebury College), **Steven Nafziger** (Williams College)

Break

10:10 – 11:00 **Legal Origins of Corporate Governance: Choice of Company Law in Egypt, 1887-1913**

Cihan Artunç (Middlebury College)

Break

11:10 – 12:00 **Legal Transplants and Local Custom in China: The Struggle over Apportioned Liability for External Debt of Partnerships**

Madeleine Zelin (Columbia University)

Lunch Break

13:00 – 13:50 **Corporate Ownership and Control in the Gilded Age**

Eric Hilt (Wellesley College)

Break

14:00 – 14:50 **Managerial Failure and Corporate Ownership in Edwardian Britain Revisited**

Michael Aldous (Queen's University, Belfast), **Philip Fliers** (Queen's University, Belfast),
John Turner (Queen's University, Belfast)

Break

15:00 – 15:50 **General Discussion**

Timothy Guinnane (Yale University)

Giuseppe Dari-Mattiacci (University of Amsterdam)

15:50 – 16:00 **Concluding Remarks**

Naomi Lamoreaux (Yale University), **Henry Hansmann** (Yale Law School and ECGI)

Abstracts

"Shareholder Democracy under Autocracy: Voting Rights and Corporate Performance in Imperial Russia"

Amanda Gregg (Middlebury College), Steven Nafziger (Williams College)

This paper investigates how the rules that corporations wrote for themselves related to corporate finance and performance in an environment characterized by poor investor protections, Imperial Russia. We compose a new database of detailed governance provisions from Imperial Russian corporate charters, which we connect to a comprehensive panel database of corporate balance sheets from 1900 to 1915. We document how differences in votes per share and other shareholder rights provisions related to how corporations chose to finance operations using debt vs. equity and whether these governance provisions related systematically to corporate performance on the balance sheet and in terms of the market-to-book ratio. This investigation reveals the tradeoffs weighed by Imperial Russian corporations and demonstrates the surprising flexibility that Russian corporations enjoyed, conditional on obtaining a corporate charter.

"Legal Origins of Corporate Governance: Choice of Company Law in Egypt, 1887-1913"

Cihan

Artunç (Middlebury College)

The literature views that corporate governance structures should promote their shareholders' interests, and that Anglo-American legal rules achieve this more effectively than regimes derived from French civil law. However, the legal regime under which a business incorporates cannot be disentangled from other sources that can influence firm outcomes. Furthermore, few studies explore the details of rules corporations put in their articles of association. This paper takes a first step in disentangling these effects by assembling a new dataset of corporations in Egypt between 1887 and 1913. Egypt had an unusual system of incorporation. The main legal system was transplanted from France but entrepreneurs could incorporate under any European law. This legal flexibility led to considerable variation in governance structures and board makeup. The results suggest that companies incorporated under British law were less shareholder-friendly than those under French law – regardless of the nationality of founders, industry, or size – and were less successful in surviving the financial crisis of 1907.

"Legal Transplants and Local Custom in China: The Struggle over Apportioned Liability for External Debt of Partnerships" Madeleine Zelin (Columbia University)

This paper examines one aspect of the introduction of Western business law to China in the first quarter of the twentieth century--the thirty-year debate over the liability of partners for external debt of the firm. The context for this debate was the continuous process of civil law codification during the last decade of the Qing dynasty [1644-1911] during which time the largely unregulated realm of private transactions in China was reimagined as governed by commercial and civil statute guided by Western examples. That the first and most eagerly anticipated legislation, company law, did not result in the widespread adoption of the corporate model has been attributed to many factors, including the weakness of Chinese capital markets, Chinese legal insufficiency, and the capricious traditionalism of Chinese businessmen. By flipping our focus from the corporation to the partnership and the long-standing practice of what I have called apportioned liability, this paper argues for the seriousness with which the creation of a new legal regime was taken as the vehicle for Chinese economic development. The debate reconstructed here pitted continental and common law principles of unlimited liability against protestations of long-standing Chinese practices. It was

performed within new state and popular institutions as well as mass and specialist print media. The latter, in particular, gave expression to contending views by publishing verbatim new modes of public communication with state agencies, the interpretations and decisions of the new Supreme Court, and a wide range of scholarly, journalistic and lay opinions regarding the changing legal landscape. The intensity of the debate over the issue of partnership liability relied on deeply embedded understandings of how business should be done, the place of custom in the ordering of private transactions, the sources of trust, and the appropriate role of the state in regulating business activity and intervening in dispute resolution. An examination of Chinese partnership liability during a period of intense engagement with Western legal norms thus provides a useful point of entry for understanding the embeddedness and historical contingency of legal practices. It underscores the inadequacy of legal transplantation as a means to understand the complex processes by which law enters new terrain. And it allows us to trace the processes by which Western law, itself by no means uniform, participated in the realignment of legal authority in the highly sophisticated, albeit non-Western context that was early twentieth century China.

“Corporate Ownership and Control in the Gilded Age” Eric Hilt (Wellesley College)

This paper analyses the ownership of public companies in the late nineteenth and early twentieth centuries. Beginning in the 1880s, the number of publicly traded corporations in the United States began to expand significantly, first with the addition of new railroads, and later with industrial corporations. As securities markets expanded, the ownership of the largest public companies became much more dispersed. At the same time, the composition of corporate boards changed significantly. Between 1880 and 1910, there was a substantial increase in the number of individuals holding five or more directorships, who were typically either financiers, prominent lawyers, or capitalists. As corporate ownership became more dispersed, the control of corporate boards became more concentrated.

“Managerial Failure and Corporate Ownership in Edwardian Britain Revisited” Michael Aldous (Queen’s University, Belfast), Philip Fliers (Queen’s University, Belfast), John Turner (Queen’s University, Belfast)

The business and economic history literature has traditionally made the following claims: (1) British management in the Edwardian era was amateur largely because the ownership of corporations was concentrated in the hands of families, and (2) this managerial failure contributed to the long-term decline of British business as well as the British economy. In this paper, we revisit these claims by looking at the ownership and control of the largest 1,800 British companies in 1911. We examine director ownership to see whether concentrated family ownership was common. We find that it was uncommon and that most large companies had a separation of ownership and control. This raises the question as to who ultimately controlled Edwardian companies. To address this question, we analyse the backgrounds and characteristics of this cadre of individuals to understand how they got to the top. Were they in these powerful positions because of their social, family and corporate connections or were they professional managers? We then explore whether ownership and control were associated with corporate performance and longevity.