

Practical Activity

Seminar on Corporations and PLLC

Economic History

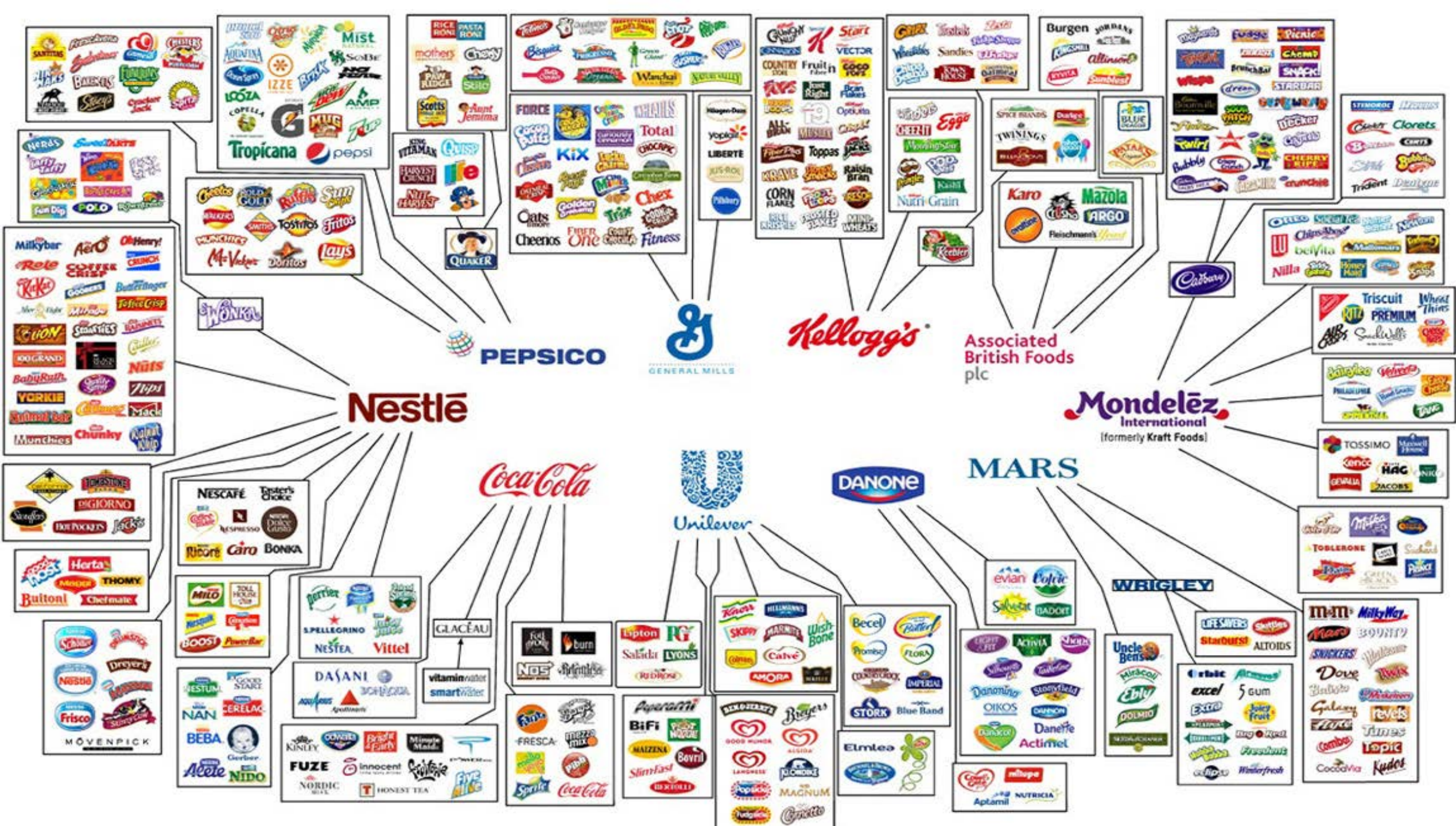


Suggested citation

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- CONVOCATORIA PARA EL IMPULSO Y LA CONSOLIDACIÓN DE PROYECTOS DE DOCENCIA BILINGÜE DURANTE EL CURSO 2017/2018 (**Resolución Rectoral 787/2017, de 26 de julio de 2017**)





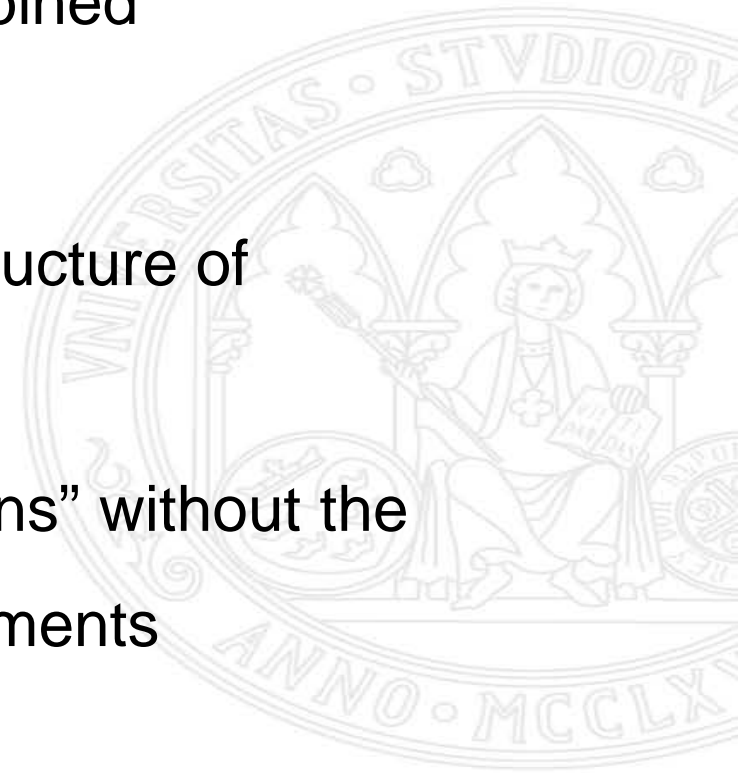
A warning about the impact of corporations (on economic development):

- **GUINNANE, LAMOREAUX, HARRIS, ROSENTHAL: “The economic consequences of the law”- Project Research NSF (2007-2010/11)**

Main idea:

- The superiority of the corporation is less clear for SMEs
- The PLLC in European economic-leaderships.
- Economic consequences of the law of business organizations in 4 major economies over the past 200 years.

- Private Limited Liability Company
 - » New organizational business form that combined
 - Advantages of legal personhood
 - Flexible internal organizational structure of corporations
 - A simpler way to have “corporations” without the bureaucratic (and capital) requirements



- **Workshop on History, Law and Business Organizations (28 -29 January 2015, Murcia)**

Timothy Guinnane (Yale Univ.): “Creating a new legal form: GmbH in Germany”

<https://tv.um.es/video?id=68591&idioma=es>



Task 1.

Please, answer the following questions

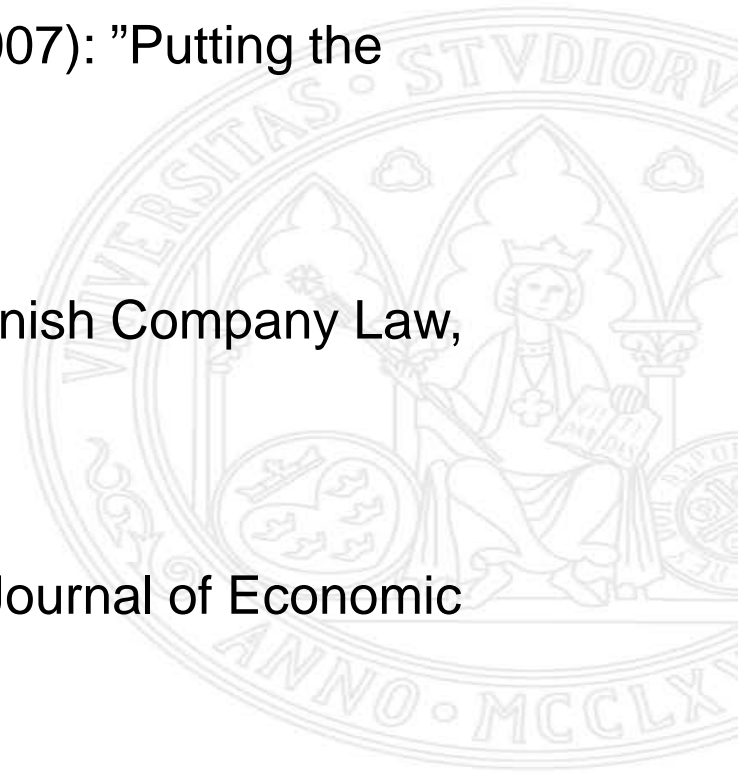
1. When the authors say "this article challenges the idea that the corporation is a globally superior form of business organizations." What do they mean?
2. What are the main pros and cons of the corporation as a business organization form?
3. The United States, considering a freedom paradigm, offered her business persons fewer choices to organize the companies. Please, give examples to explain the previous statement.
4. On page 8, the authors describe the spread of corporations in the leading Western economies. What institutional factors affect corporations?
5. Please, list all the characteristics of the GmbH

References:

GUINNANE, T.; LAMOREAUX, N.; HARRIS, R.; ROSENTHAL, J-L. (2007): "Putting the corporation in its place." *Enterprise and Society*, v. 8 (3), pp. 687-729.

GUINNANE, T.; MARTÍNEZ-RODRÍGUEZ, S. (2014): "Flexibility in Spanish Company Law, 1885-1936." *Revista de Historia Industrial*, 56, pp. 81-113

NICHOLAS, T. (2013): "The Organization of Enterprise in Japan." *The Journal of Economic History*, v. 75 (2), 333-362.



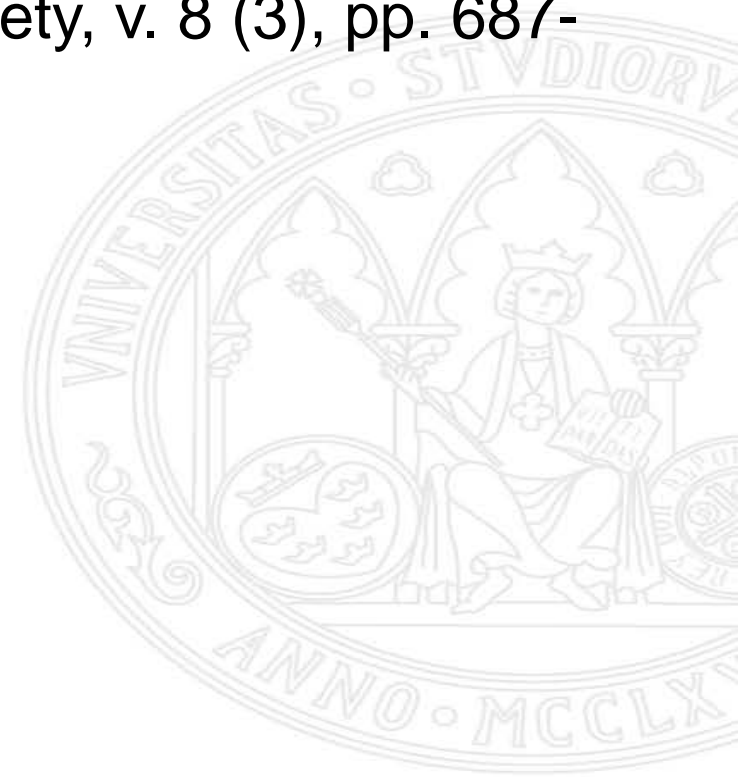
Empirical evidence:

- Registers: information on firm (legal) creation (firm's birth)
 - France
 - Spain
- Census of Firms
 - US (partnership is a private agreement)



- GUINNANE, T.; LAMOREAUX, N.; HARRIS, R.; ROSENTHAL, J-L. (2007):
"Putting the corporation in its place." Enterprise and Society, v. 8 (3), pp. 687-729.

- GERMANY
 - FRANCE
 - UK
 - US
- Leader economies



- GERMANY:
- 1892: PLLC law was approved. It became popular at the beginning of the 20th C.
- Demand of businessmen to avoid the complication of creating corporations

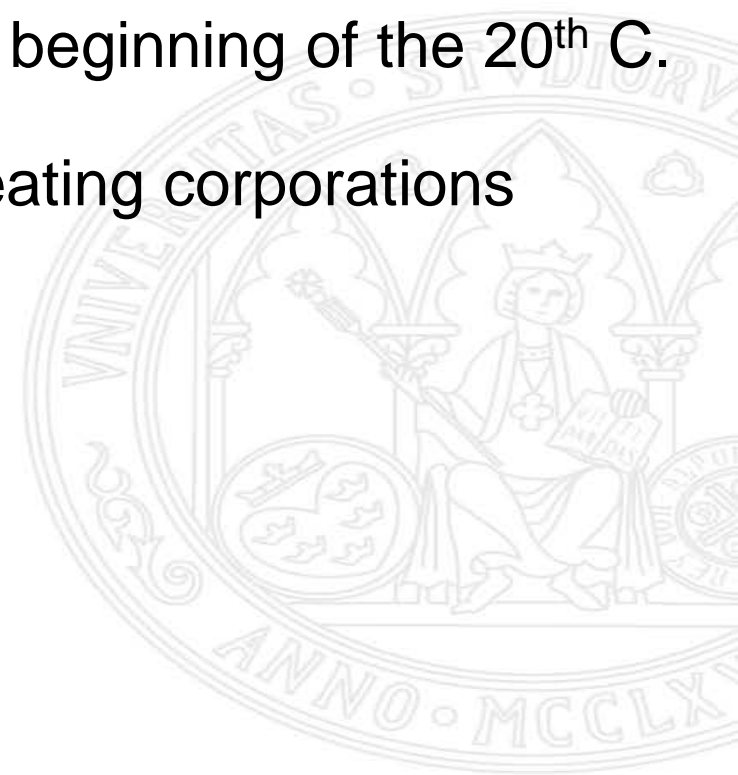
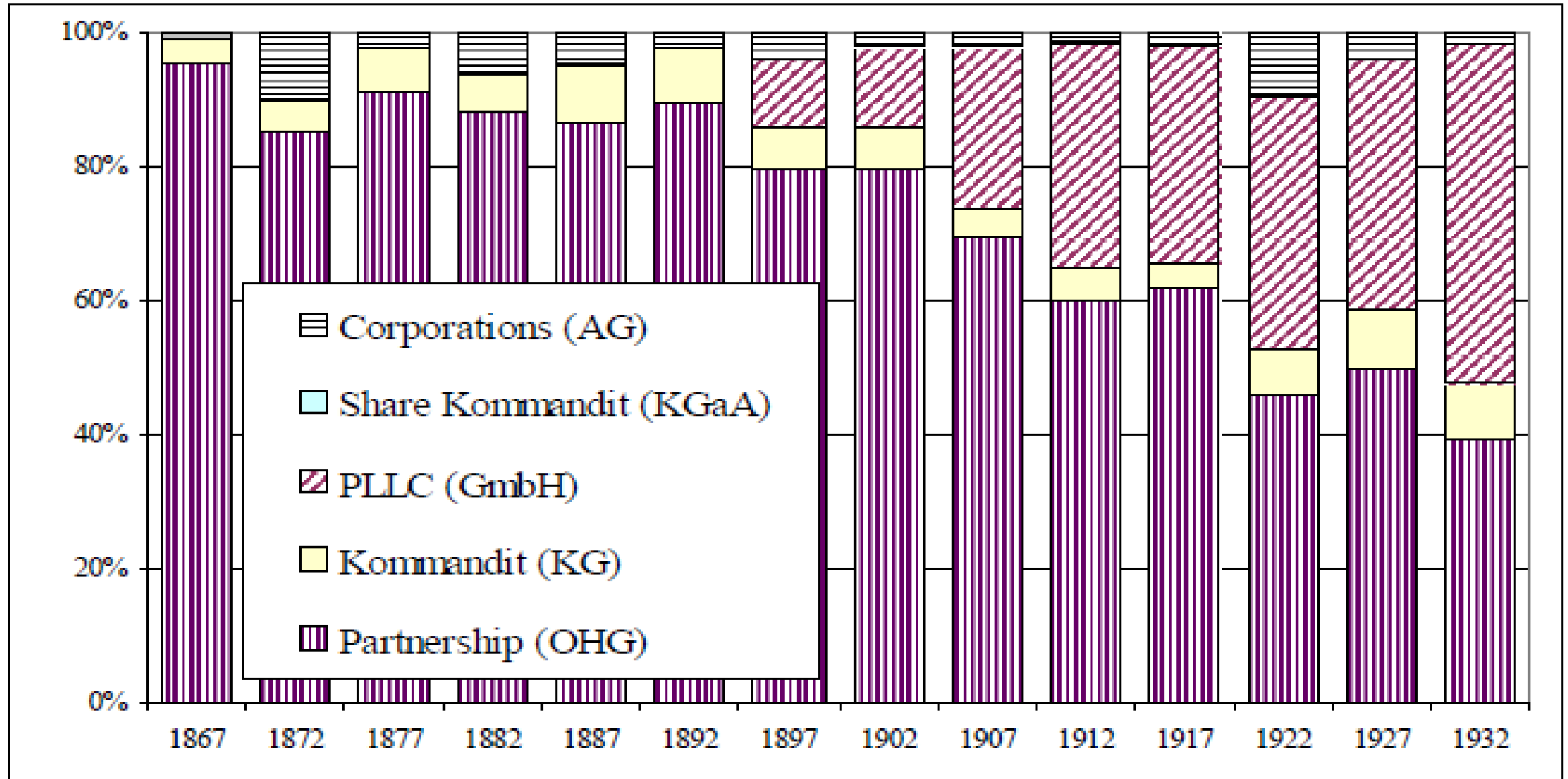


Figure 1. Distribution of New Firms Among Multi-Owner Organizational Forms: Prussia, 1867-1932



- UK.
- Freedom of incorporation since mid 19th Century.
- 1907: PLLC

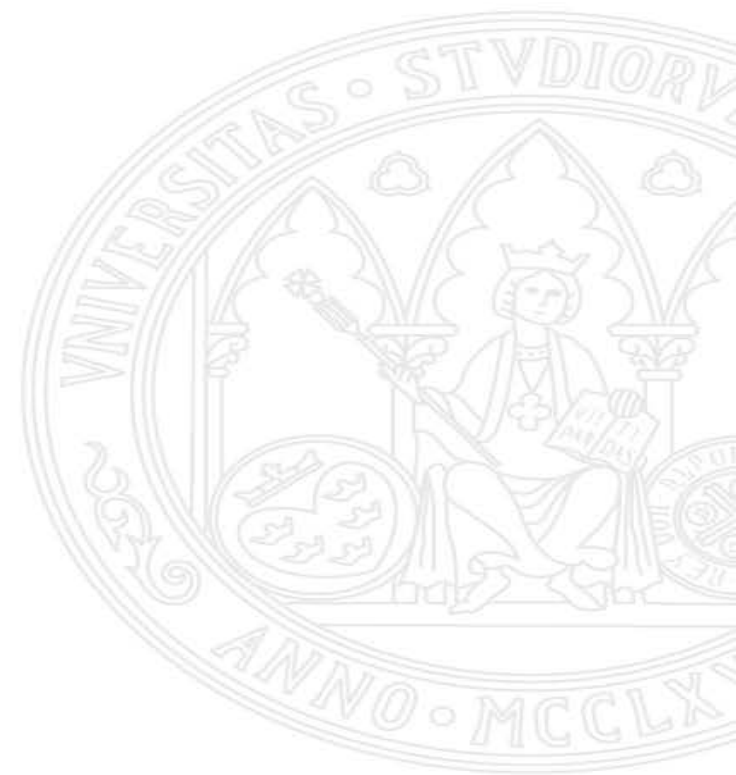
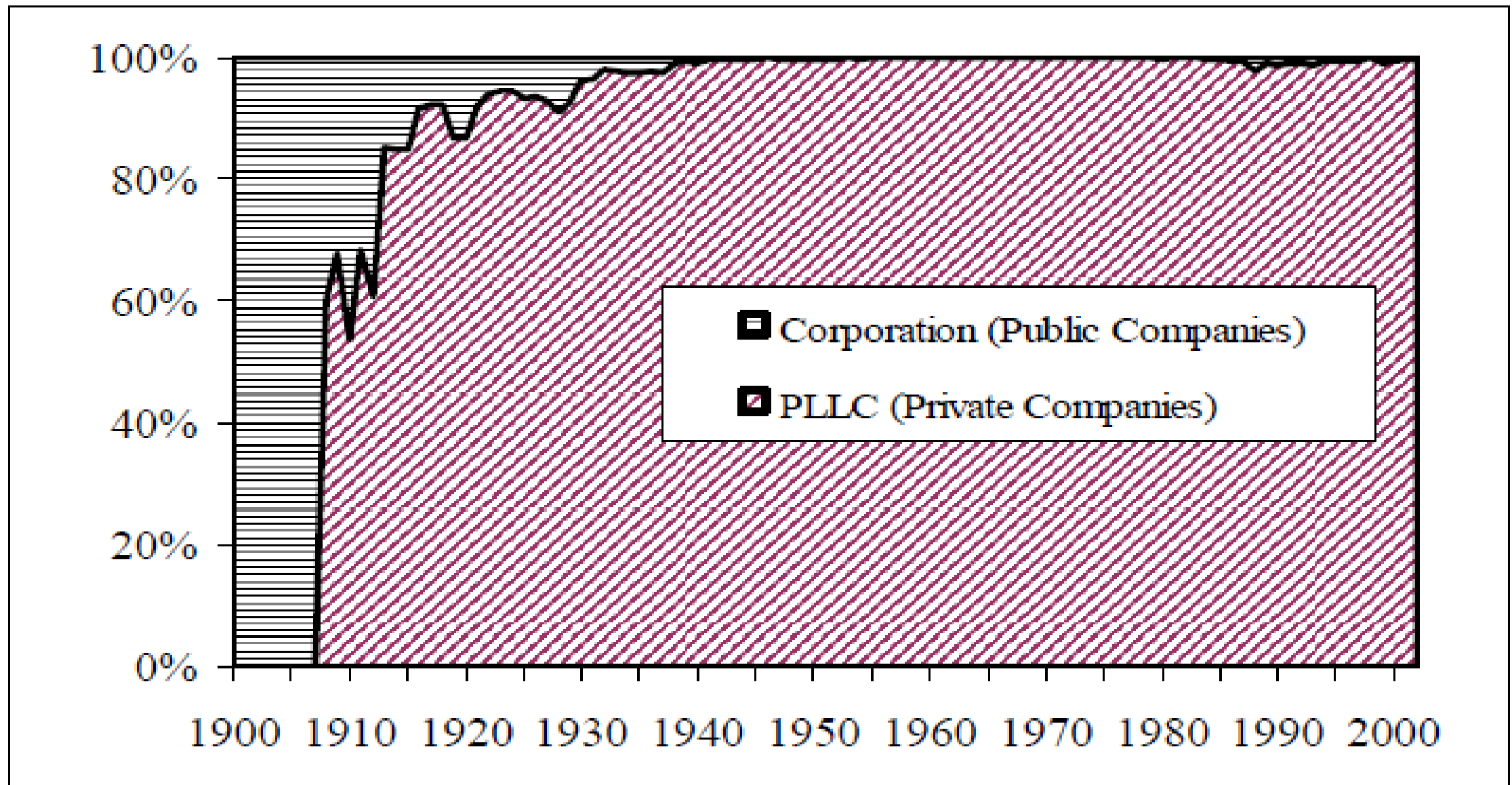


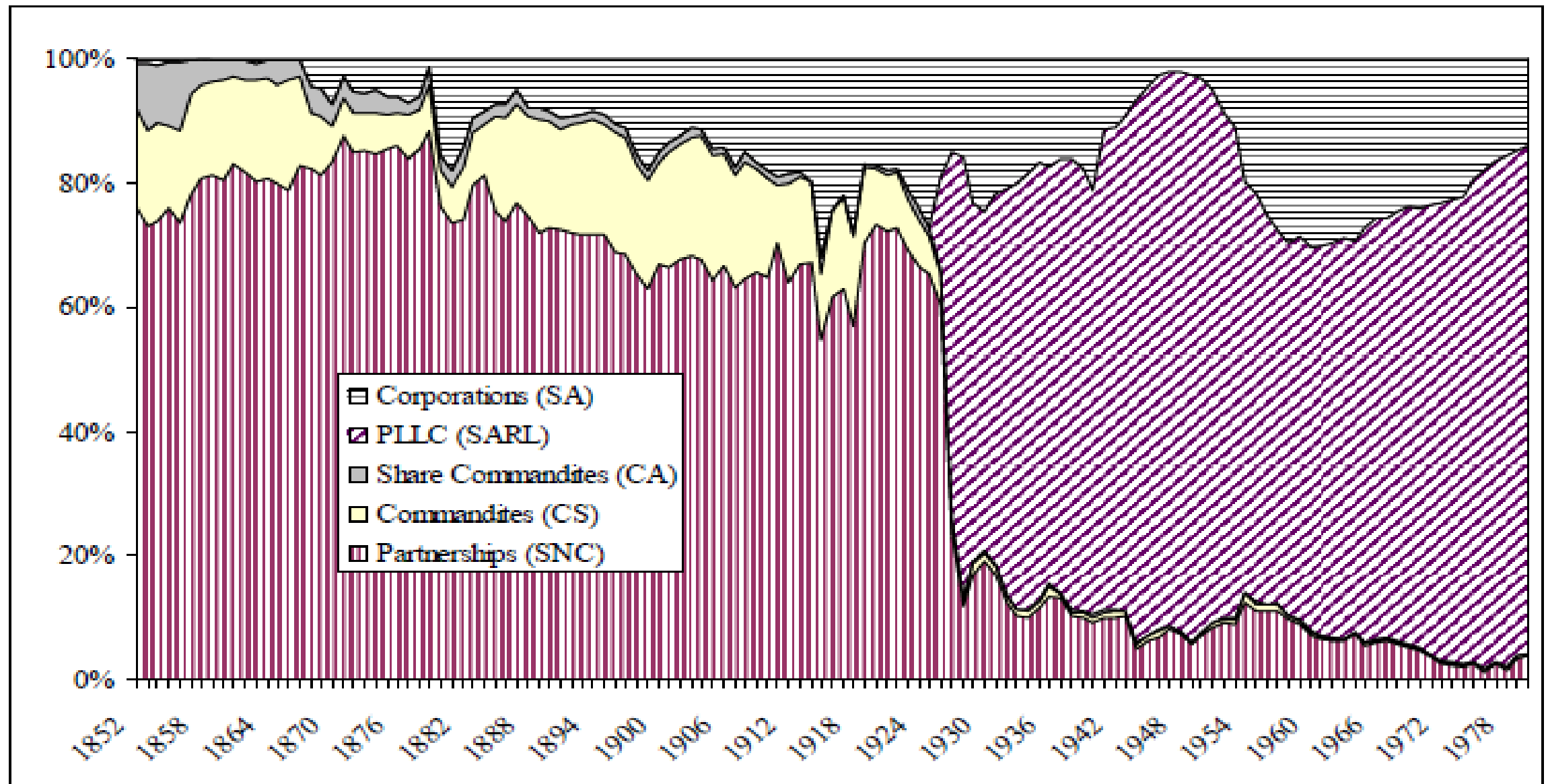
Figure 2. Ratio of New Private to All New Limited Companies in Britain, 1900-2000



- France
- PLLC: 1925, although there were previous experiences without regulation in Alsace-Lorraine



Figure 3. Distribution of New Firms Among Multi-Owner Organization Forms, France, 1852-1978



US

- Only options for business: corporations or partnerships.
- PLLC regulation was passed in 1980-90.

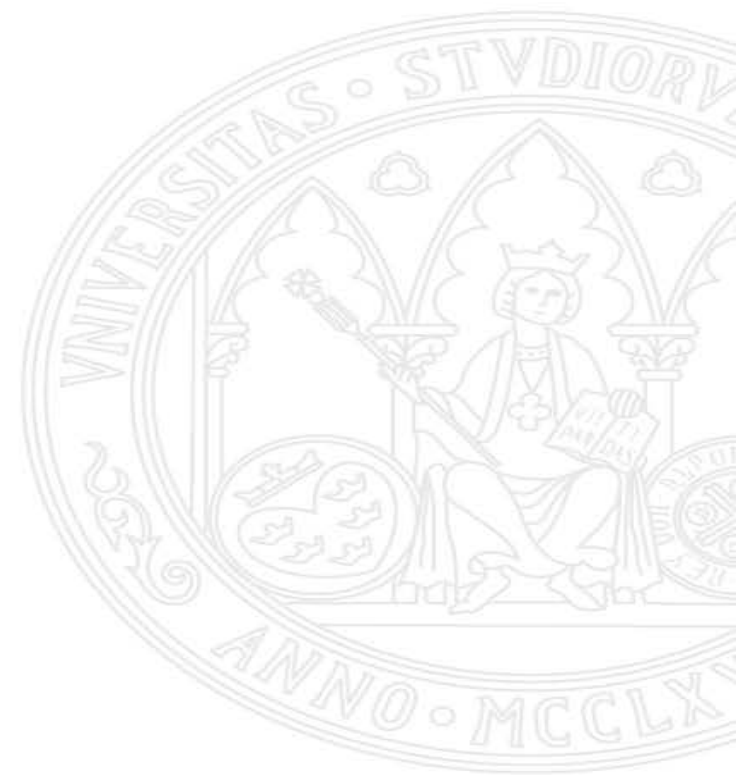


Table 3. Distribution of Organizational Forms in the US, 1949 to 2002

Year	Partnerships	Corporations	LLCs
1949	61	39	--
1963	41	59	--
1979	34	66	--
1993	26	73	1
2002	18	70	12

NICHOLAS, T. (2015): “The Organization of Enterprise in Japan.” The Journal of Economic History, v. 75 (2), 333-362.

Japan

- Corporation was very popular (and successful)
- Similarities with US example
- PLLC: 1940

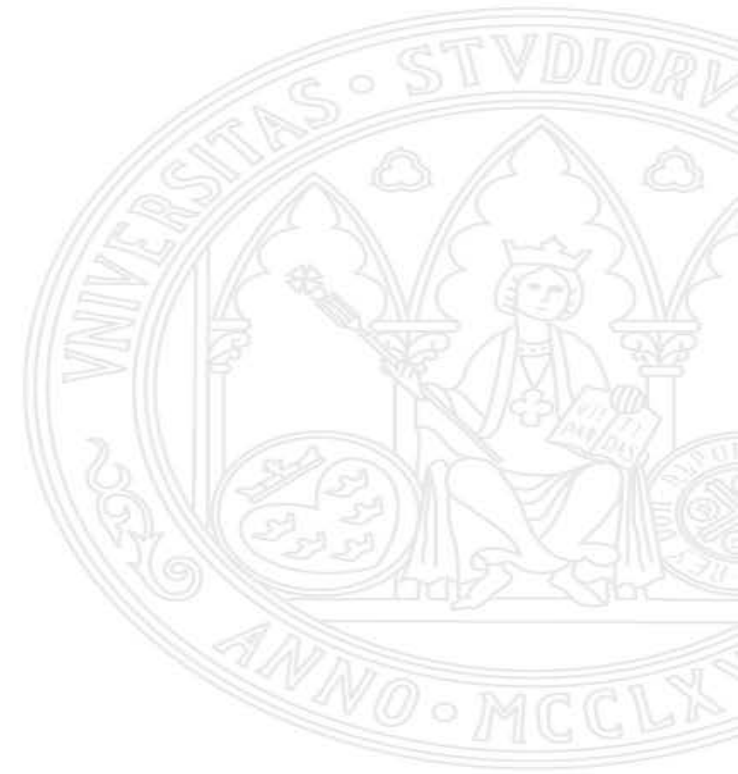
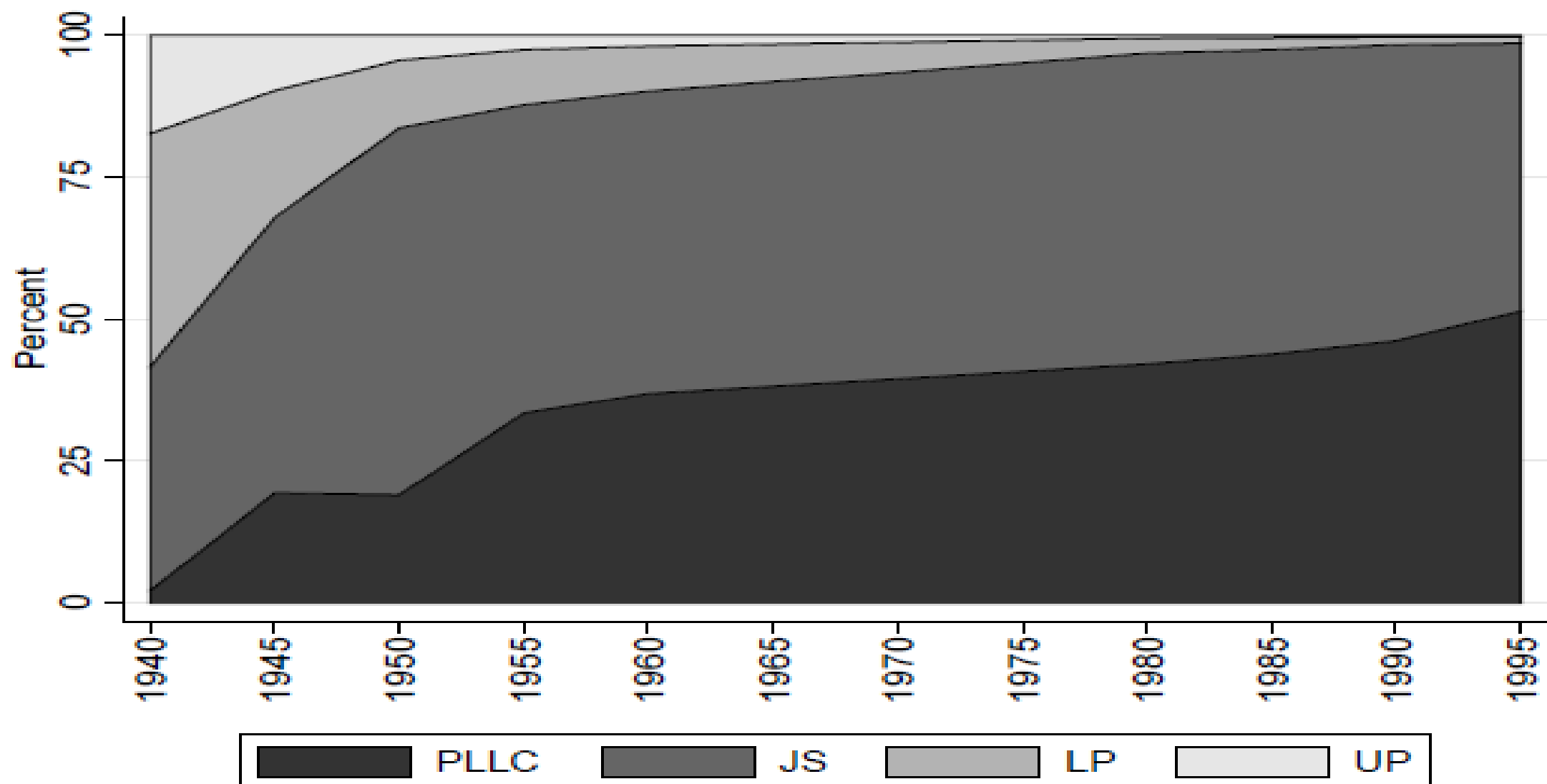


Figure 10. Share of Enterprises 1940-1995 by Legal Form



GUINNANE, T.; MARTÍNEZ-RODRÍGUEZ, S. (2014): “Flexibility in Spanish Company Law, 1885-1936.” *Revista de Historia Industrial*, 56, pp. 81-113

Spain

- A successful example of PLLC
- Without a law until 1953, but legal since 1919

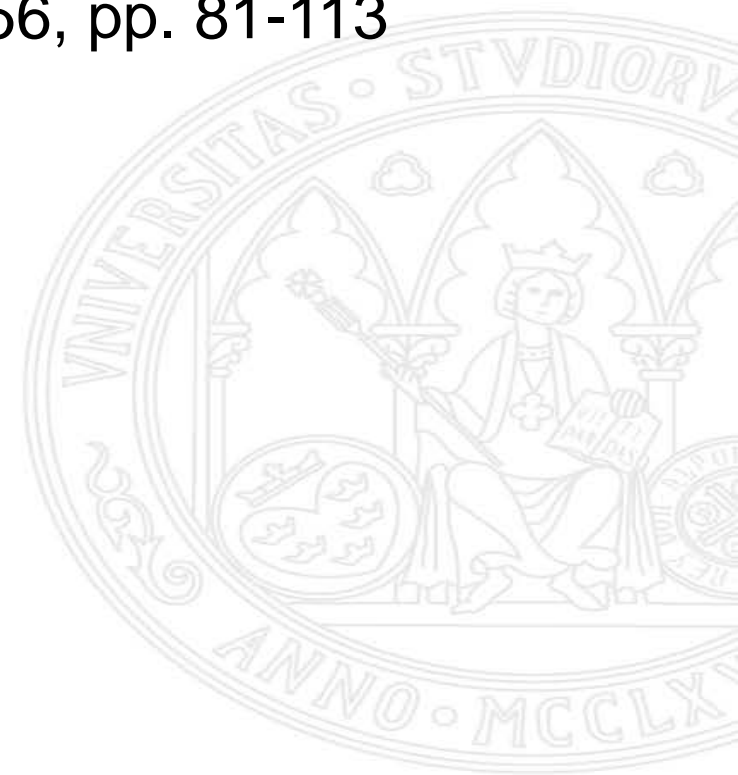
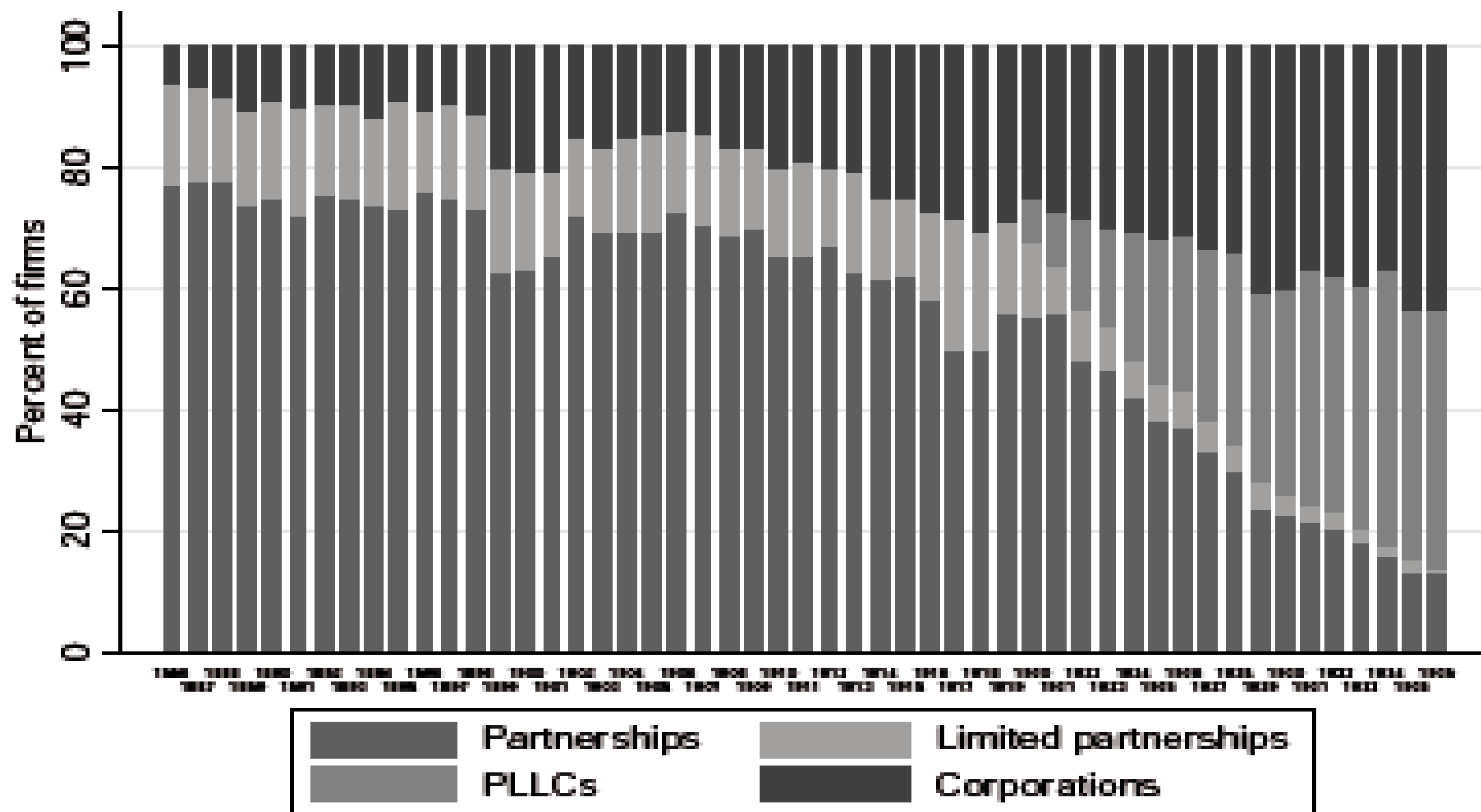


FIGURE 1 • *Number of firms, by type*



Task 2

Please, answer the following questions

1. Compare the distribution of firms in Germany (Prussia), France and Spain. Do you think that the PLLC substitutes other legal forms? Please, give reasons for each of the cases.
2. Do you believe that the expansion of PLLCs was faster in France than in Germany (Prussia)? Please, give reasons for your answer.
3. Compare the evolution of PLLCs in Spain and Japan.
4. The US is the paradigmatic case study for the corporation. Based on the information in Table 3, could you give a more accurate statement than the previous one?