The history of the corporation and the discipline of political economy

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Argument: Current economic analyses of the activities of for-profit corporations fail to adequately appreciate both the intellectual history of the form and its relation in political theory and history to other collective undertakings, and thereby demonstrate some of what has been lost in the most from political economy to economics.
Influential economic analyses of the firm

Disconnect between managers and owners: Berle and Means, 1932

Transaction cost theory: Coase, 1937 (Klein, 1983)

Managerial theory: Baumol, 1959, 1962; Williamson 1961; Marris 1964 (Spence and Zeckhauser 1971)

Behavioral theory: Cyert and March, 1963

Influential economic analyses of the firm

In approaching what the form is, these theories look at its characteristics vis-à-vis other economic actors.

This tendency ignores crucial developments in the history of the corporation, a history that shows the connection between the corporation and other forms of collective activity. Knowing this history can prompt us to reconsider the proper purview of different types of corporations.

This tendency also falls short from the standpoint of political theory in failing to consider how these different forms of collective activity should be understood in relation to one another, and how the different goals and characteristics of corporations might influence how we analyze them.
History of the corporation

Discussion of the historical variety of the corporate form, with particular attention to the connections between corporations and political initiatives

Underscoring of where in this history the discipline of economics began to grow most consequentially
History of the corporation

Antiquity: *societates* (*publicanorum*), *universitas*

Middle Ages: municipalities (by charter and by custom / prescription), guilds, universities, the Church

Early Modern Period: commercial, especially joint-stock companies (monopoly charters)

Modern Period: 19th-century administrative change
The history of the corporation

Economics developed and grew after this change in how most corporations were formed and where within the law their activities were understood to reside.

As a result, the body of economic analyses of for-profit corporations, a literature with particular characteristics and intellectual interests, arose while examining a small subset of such collective undertakings; this work has not adequately taken stock of the corporation’s relation to other forms and endeavors.

A particular result of this is their failure to consider political questions of sovereignty and representation in the activities of corporations.
History of the corporation

Attempts then to apply economic approaches and methods to politics, and more or less explicitly to call for change in politics on the basis of such work, obfuscate this relation by not showing the historical and on-going interdependence of corporations and political endeavors, and the inherent crossovers between these categories.

This is using the species to supposedly define the genus, where the advocates of such a project still do not recognize the species as in constant relation to and derived from the genus.
In what remains, I will examine the case of the Banca Romana for what it can show us about (1) a particular set of relationships between a firm and numerous polities and political institutions, (2) the performance by a private firm of what we might consider “state” functions, or markers of sovereignty, and (3) the consequences of such actions for ideas of political representation.

I argue that such questions are crucial to a contextual understanding of the activities of such firms, and to uncover larger tendencies in historical political economy. Such questions are usually not explored by economic analyses.

This case was chosen because the bank bore witness to the political change that characterized the Italian peninsula during these decades of larger legal transition, and because of its domestic importance and international connections.
Banca Romana, 1835–1893

Founded in 1835 by French and Belgian investors

Became the official bank of the Papal State in 1851

One of six banks authorized to print currency in 1874
Banca Romana, 1835–1893

1887 - Issuing banks exceed limit
   Speculative boom based in real estate collapses,
      banking and agriculture hurt
   Trade war with France
1889 - Turin banks suspend payments
   Inspections of Banca Romana, irregularities found,
      Crispi (PM) and Giolitti (Treasury Minister) repress report
1892-3 - Giolitti (now PM) forced to appoint commission,
   serious irregularities found
      Tanlongo (Governor of BR) and others arrested
Bank Act of 1893
1893-5 - Giolitti and Crispi contend, eventually both are exposed,
   scandal is buried, trust in institutions damaged
Banca Romana, 1835–1893

Explanatory power of factors beyond usual economic consideration -
Context of its founding, French and Belgian investment
Changing Italian political landscape

Performance of ‘state’ functions, location of sovereignty

Political representation, lifespan of institutions