

## **Corporate Charters and Credible Commitments before the Glorious Revolution**

The paper will examine the formation of the early merchant corporations in England and the Dutch republic from the perspective of credible commitments. Corporate charters were in contemporary constitutional terms unilateral and discretionary delegation of elements of the Crown's prerogative to a group of incorporators in their corporate capacity. The delegation was revocable at will. In modern public choice terms these charters are often viewed as an agreement between the Crown and the incorporators. The crown sold trade monopoly, corporate features and some level of state support in return for public payments, including one time payments at incorporation, customs or other volume based payments, in some cases shares in the company and possibly private side payments. The North - Weingast framework calls attention to the problem that results from the Crown's sovereign position. The Crown could expropriate the property from the corporation, could expropriate the shares of the incorporators, grant charters to competing enterprises that would diminish the profits of the original one and could renege the promise to support it politically and militarily. Were incorporators willing to pay for revocable charters? Did the charters as such serve as credible commitment devices? How? Were there any institutional aspects, external to the charters themselves, which allowed the state to convey credible commitment to the incorporators?

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