***Paper Outline***

1. Introduction
	1. Statement of the problem: Lack of clarity on corporate purpose definitions
		1. Historical Evolution of Corporate Purpose, where purpose was specifically defined in the corporate charter.
			* 1. Early history of corporations: Roman and Middle Ages periods
				2. Emergence of profit-driven corporations in the 17th century
				3. English and American precedents for corporate purpose
		2. Today, we can look at the charter for evidence, but Fisch & Solomon (2021) point out that most charters nowadays do not state anything specific but have rather broad terms on how the corporation intends to fulfill its purpose: to be in compliance with the laws of the state/country of incorporation. Hence, we need to look at the issue from a historical perspective.
	2. Research objectives and significance
		1. Reframing corporate purpose as a delineation of firm activities
		2. Implications for contemporary corporate governance and legal practices
2. Methodology
	1. Legal Mechanisms for Charter Revocations
		1. Overview of UK Royal charters and their significance
		2. Descriptive statistics on charter revocations by the monarch
		3. Alternative methods: Scire facias and judicial processes
		4. Case study: The Massachusetts Bay Company and its charter revocation
3. The Massachusetts Bay Company
	1. History behind the charter and its delineation of activities
	2. New developments in the meantime, particularly as it relates to the daily activities of the company
	3. Charter revocation
		1. Analysis of the judicial opinion (if found)
4. Scholarly Discourse on Corporate Purpose
	1. Contemporary debate on corporate purpose in legal and economic studies
	2. Highlight the need for a more nuanced understanding of corporate purpose that includes the limitation of the activities of the corporation

1. Conclusion
	1. Recap of key findings and contributions
	2. Implications for future research and practice
	3. Final thoughts on the importance of historical perspectives in understanding corporate purpose

II. Methodology

From a modern legal perspective, royal charters are not particularly appealing for the purpose of incorporation. After all, there is no added legal benefit that royal charters bestow upon a company that the modern corporate form does not; among such benefits are limited liability, entity shielding, transferability of shares and so on. From a historical perspective, royal charters are arguably the best source to understand the notion of corporate purpose.

For starters, the current modern process of incorporation, often deemed straight forward and more of an administrative burden rather than anything else, is the by-product of the English Companies Acts of the mid-nineteenth century in England. (Butler, 1986) Indeed, such acts ensured that Parliament relinquish its strict control over the corporate form and served as the starting point for ensuring that the corporate form became mainstream, a process I call the liberalization of the corporate form.

Before the 19th century, as Butler (1986) points out, “companies obtained their corporate status by either royal charter granted under the common law, royal charter granted under statute, or Special Act of Parliament. These corporations were defined under the common law, and they all had the privileges that are normally associated with modern corporations.” Indeed, prior to the 19th century, the grant of a royal charter was “the principal method of crafting separate legal personalities. (Privy Office, 2024) Hence, it makes sense that an overview of such charters should be a starting point for any debate related to the nature of corporate purpose.

Overall, there have been over a thousand (1041 to be precise) royal charters issued in the United Kingdom. Figure 1 represents the distribution of such charters over time.



Figure 1.

Figure 1 reveals two main patterns: (1) royal charters were not easily granted, particularly up to 1800s, and (2) the growth in the number of charters in the 1800s was not sustained, but rather the number fluctuates over time. Both these patterns are important. The former reveals that despite their appeal, corporate charters were difficult to obtain, as they were entirely dependent on the preferences of kings, who often distributed charters based on political interests rather than need or wanted a hefty financial compensation in return. (Holdsworth, 1922; Scott, 1912) The risk of expropriation also remained constatly high, as the kings often had a tendency to not honor entirely their charter agreements or there occurred a switch of alleageance within the political elites, making the king suspicious of commercial influences. (Butler, 1986).

For example, the first royal charter was granted in 1155 to the Weavers Company – currently the oldest chartered livery company in the City of London – because it agreed to make a contribution in return for the priveleges of the charter. As stated in its [own website](https://www.weavers.org.uk/about/history/1100-2/):

“The Anglo Saxon word “gild” meant “payment” and the members’ subscriptions raised funds which could be used for *social*, *charitable* and trade purposes. One important use of the funds was *to make a contribution to the Exchequer in return for which a charter confirming certain privileges, rights or liberties would be granted by the King*. It is the recording of such a payment, the first for any guild, which establishes the Weavers as London’s oldest Company.” (emphasis added)

As the intense lobbying for the same commercial charters and the ever heighteining risk of expropriation remained present, it eventually dissuaded such requests, leading to an initial tendency to grant charters for corporations that engaged in “noncommercial” activities. (Seavoy, 1982) For example, the second royal charter was granted to the University of Cambridge in 1231, whereas the third royal charter was granted to University of Oxford in 1248.

While there were various criteria applied for the issuing of a royal charter, it becomes evident that one of the main condititions that is needed to be satisfied was a “public-oriented” sense of purpose for the corporation that is seeking the charter. As the charters were often given for specific periods of time, then it was imperitative to have a charter that specifically listed the activities of the firm. As capital lock-in was not yet invented (Dari-Mattiacci et al, 2017), the corporation would have to be disolved after a certain amount of time, whether that was at the lapse of the charter or because the agreed purpose of the corporation had been fulfilled. As such, most of the early English corporations were chartered for municipal, ecclesiastical, charitable, and educational purposes. (Seavoy, 1982)

The vast land discoveries during the Age of Exploration, along with their porfitable trade routes and an emergence of mercantilist thought, led to a reconsideration of the royal charter. New forms of corporate forms were emerging, partly because of legal innovations (Dari-Mattiacci et al, 2017) and partly because of a new political elite largely composed of merchants who were keen to implement changes to spurr business growth. (Butler, 1986) Part of the reason why governments obliged with such legal innovation was that the newly established corporations still fulfilled some sort of public purpose. For example, in the case of the Dutch East India Company (VOC) – the classic example offered to show the emergence of the corporate form, the corporation used its “pooled resources to contribute to the military advancement of Dutch interests overseas through various infrastructure investments”. (Dari-Mattiacci et al, 2017) Such practices started to become the norm also in the United Kingdom; in a comprehensive analysis of the English corporate law of that time, Stewart Kyd's *Treatise on the Law of Corporations* (1793) provided a more specific definition of corporations as "bodies politic," and identified their purpose as serving public or quasi-public infrastructure needs. (Guenther, 2019)



Figure 2.

Figure 2 shows the distribution of royal charters by century. While there is a consistent growth in the number of royal charters granted each subsequent century, an outlier emerges. Part of such explanation can be the fact that from the end of the 17th century, monarchs lost most of their executive power, becoming increasingly subject to Parliament, which more often than not was composed by a new class of merchant elites, who most likely were quite familiar with the expropriation risk highlighed above. (Butler, 1986).

Despite all of this, the royal charter remained attractive. As seen in Figure 3, when grouped by the decade, there is a relatively consistent growth of the number of royal charters issued, particularly starting the 1500s and the 1800s.



Figure 3.

A breakdown of the data, from the highest to lowest, reveals the top five decades when most royal charters were issued:

|  |  |
| --- | --- |
| **Decade** | **Number of Royal Charters Issued** |
| 1850 | 74 |
| 1920 | 73 |
| 1840 | 57 |
| 1960 | 56 |
| 2010 | 54 |

Of particular interest here are the decades of 1840 and 1850. This is not only because they are in the top five decades when most royal charters were issued, but because they also coincide with the period where the liberalization of the corporate form started to take place. For example, the United Kingdom’s Parliament passed the Joint Stock Companies Act of 1844 (7 & 8 Vict. c. 110), which significantly broadened the possibilities for establishing joint-stock companies. The Limited Liability Act of 1855 followed, along with the Joint Stock Companies Act of 1856, which basically allowed for the corporate form to be attained as a merely administrative procedure from now on.

As such, the grant of a royal charter “came to be seen more as a special token of Royal favour or as a mark of distinction.” (Privy Office, 2024). Looking at the graphs in Figure 2 and 3, one notices that such distinction was still sought out, particularly in the late 1900s. Such trend might question the determination on whether the public-oriented nature of the purpose of the corporation, under royal charters, remained constant, even after commerical enterprises emerged or the corporate form was liberalized. According to the Privy Office, “since the 1950s one of these criteria has been that the petitioner shall exist not solely to advance the interests of its members but also, and primarily, *to advance the public interest.”* (emphasis added)