Etymology

The word "corporation" derives from the Latin *Corpus* (body), representing a "body of people"; that is, a *group of people authorized to act as an individual* (Oxford English Dictionary). The word *universitas* also used to refer to a group of people but now refers specifically to a group of scholars (see University). In England the term *corporation* was also used for the local government body in charge of a borough. This style was replaced in most cases with the term council in Britain in 1973, and in the Republic of Ireland. The sole exception is the Corporation of London which retains the title.

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Pre-modern corporations

Corporations have been present in some forms as far back as ancient India and ancient Rome. Although devoid of some of the core characteristics by which corporations are known today, they nonetheless were enterprises with a form of shareholders who invested money for a specific purpose. Such corporations in the Roman Empire were sanctioned by the state, while such corporations in the Maurya Empire were mostly private commercial entities.[9]

With the collapse of the Roman Empire, the Roman conception of the corporation merged with other views. Germanic tribes, for example, maintained that a group entity in and of itself could have a separate identity from that of its members.

These influences came together in the body of canon law built around the conception of the church as corporate structure in the Middle Ages. Different theories of the church as corporate body were favored by different individuals but all agreed on one key component: that the church was more than just its members and could maintain an existence perpetually, regardless of the death of any individual member.

This, together with discussion as to the relationship between the head of a corporation (such as the Pope) and its members, contributed not only to the development of modern corporations and corporate theory but also set the stage for many ideas that would come to fruition during the enlightenment. Kenneth Pomeranz, an economic historian, argues that the need to perform pseudo-governmental operations (such as the waging of war) accounts for the development of this economic structure in Europe but not in China or in the Middle East.

The law classifies a corporation either as a corporation sole (one person) or as a corporation aggregate (any other number).

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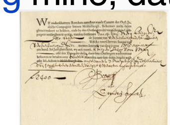
Development of modern commercial corporations

1/8 share of the Stora Kopparberg mine, dated June 16, 1288.



A bond issued by the Dutch East India Company, dating from 1623, for the amount of 2,400 florins

Early corporations of the commercial sort were formed under frameworks set up by governments of states to undertake tasks which appeared too risky or too expensive for individuals or governments to embark upon. The alleged oldest commercial corporation in the world, the Stora Kopparberg mining community in Falun, Sweden, obtained a charter from King Magnus Eriksson in 1347. Many European nations chartered corporations to lead colonial ventures, such as the Dutch East India Company or the Hudson's Bay Company, and these corporations came to play a large part in the history of corporate colonialism.

In the United States, government chartering began to fall out of vogue in the mid-1800s. Corporate law at the time was focused on protection of the public interest, and not on the interests of corporate shareholders. Corporate charters were closely regulated by the states. Forming a corporation usually required an act of legislature. Investors generally had to be given an equal say in corporate governance, and corporations were required to comply with the purposes expressed in their charters. Many private firms in the 19th century avoided the corporate model for these reasons (Andrew Carnegie formed his steel operation as a limited partnership, and John D. Rockefeller set up Standard Oil as a trust). Eventually, state governments began to realize the greater corporate registration revenues available by providing more permissive corporate laws. New Jersey was the first state to adopt an "enabling" corporate law, with the goal of attracting more business to the state.[10] Delaware followed, and soon became known as the most corporation-friendly state in the country after New Jersey raised taxes on the corporations, driving them out. New Jersey reduced these taxes after this mistake was realized, but by then it was too late; even today, most major public corporations are set up under Delaware law.

The 20th century saw a proliferation of enabling law across the world, which some argue helped to drive economic booms in many countries before and after World War I (the advantage to the overall economy of enabling laws must, however, be viewed in light of the success of Carnegie Steel and Standard Oil, the economic stimulus of the war, the flourishing of the automotive sector, and other major economic drivers). Starting in the 1980s, many countries with large state-owned corporations moved toward privatization, the selling of publicly owned services and enterprises to corporations. Deregulation -- reducing the public-interest regulation of corporate activity -- often accompanied privatization as part of an ideologically laissez-faire policy. Another major postwar shift was toward development of conglomerates, in which large corporations purchased smaller corporations to expand their industrial base. Japanese firms developed a horizontal conglomeration model, the keiretsu, which was later duplicated in other countries as well. While corporate efficiency (and profitability) skyrocketed, small shareholder control was diminished and directors of corporations assumed greater control over business, contributing in part to the hostile takeover movement of the 1980s and the accounting scandals that brought down Enron and WorldCom following the turn of the century.

More recent corporate developments include downsizing, contracting-out or out-sourcing, off-shoring and narrowing activities to core business, as information technology, global trade regimes, and cheap fossil fuels enable corporations to reduce and externalize labor costs, transportation costs and transaction costs, and thereby maximize profits.

For a history of corporations that is “pro-corporate”, see John Micklethwait and Adrian Wooldridge, *The Company: a Short History of a Revolutionary Idea* (New York: Modern Library, 2003). For a history of corporations that is “critical”, see Joel Bakan, *The Corporation. The pathological pursuit of profit and power* (Toronto: Viking Canada, 2004).

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Types of corporations

Most corporations are registered with the local jurisdiction as either a stock corporation or a non-stock corporation. Stock corporations sell stock to generate capital. A stock corporation is generally a for-profit corporation. A non-stock corporation does not have stockholders, but may have members who have voting rights in the corporation.

Some jurisdictions (Washington, D.C., for example) separate corporations into for-profit and non-profit, as opposed to dividing into stock and non-stock.

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For-profit and non-profit

Main article: non-profit organization

In modern economic systems, conventions of corporate governance commonly appear in a wide variety of business and non-profit activities. Though the laws governing these creatures of statute often differ, the courts often interpret provisions of the law that apply to profit-making enterprises in the same manner (or in a similar manner) when applying principles to non-profit organizations — as the underlying structures of these two types of entity often resemble each other.

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Closely held and public

The institution most often referenced by the word "corporation" is a **public** or **publicly traded** corporation, the shares of which are traded on a public market (e.g., the New York Stock Exchange or Nasdaq) designed specifically for the buying and selling of shares of stock of corporations by and to the general public. Most of the largest businesses in the world are publicly traded corporations. However, the majority of corporations are said to be **closely held**, **privately held** or **close corporations**, meaning that no ready market exists for the trading of shares. Many such corporations are owned and managed by a small group of businesspeople or companies, although the size of such a corporation can be as vast as the largest public corporations.

Closely held corporations do have some advantages over publicly traded corporations. A small, closely held company can often make company-changing decisions much more rapidly than a publicly traded company. A publicly traded company is also at the mercy of the market, having capital flow in and out based not only on what the company is doing but the market and even what the competitors are doing. Publicly traded companies also have advantages over their closely held counterparts. Publicly traded companies often have more working capital and can delegate debt throughout all shareholders. This means that people invested in a publicly traded company will each take a much smaller hit to their own capital as opposed to those involved with a closely held corporation. Publicly traded companies though suffer from this exact advantage. A closely held corporation can often voluntarily take a hit to profit with little to no repercussions (as long as it is not a sustained loss). A publicly traded company though often comes under extreme scrutiny if profit and growth are not evident to stock holders, thus stock holders may sell, further damaging the company. Often this blow is enough to make a small public company fail.

Often communities benefit from a closely held company more so than from a public company. A closely held company is far more likely to stay in a single place that has treated them well, even if going through hard times. The shareholders can incur some of the damage the company may receive from a bad year or slow period in the company profits. Workers benefit in that closely held companies often have a better relationship with workers. In larger, publicly traded companies, often when a year has gone badly the first area to feel the effects are the work force with lay offs or worker hours, wages or benefits being cut. Again, in a closely held business the shareholders can incur this profit damage rather than passing it to the workers. Closely held businesses are also often known to be more socially responsible than publicly traded companies.

The affairs of publicly traded and closely held corporations are similar in many respects. The main difference in most countries is that publicly traded corporations have the burden of complying with additional securities laws, which (especially in the U.S.) may require additional periodic disclosure (with more stringent requirements), stricter corporate governance standards, and additional procedural obligations in connection with major corporate transactions (e.g. mergers) or events (e.g. elections of directors).

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Mutual benefit corporations

A mutual benefit nonprofit corporation is a corporation formed in the United States solely for the benefit of its members. An example of a mutual benefit nonprofit corporation is a golf club. Individuals pay to join the club, memberships may be bought and sold, and any property owned by the club is distributed to its members if the club dissolves. The club can decide, in its corporate bylaws, how many members to have, and who can be a member. Generally, while it is a nonprofit corporation, a mutual benefit corporation is not a charity. Because it is not a charity, a mutual benefit nonprofit corporation cannot obtain 501(c)(3) status. If there is a dispute as to how a mutual benefit nonprofit corporation is being operated, it is up to the members to resolve the dispute since the corporation exists to solely serve the needs of its membership and not the general public.[11]

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Multinational corporations

Main article: Multinational corporation

Following on the success of the corporate model at a national level, many corporations have become transnational or multinational corporations: growing beyond national boundaries to attain sometimes remarkable positions of power and influence in the process of globalizing.

The typical "transnational" or "multinational" may fit into a web of overlapping shareholders and directorships, with multiple branches and lines in different regions, many such sub-groupings comprising corporations in their own right. Growth by expansion may favor national or regional branches; growth by acquisition or merger can result in a plethora of groupings scattered around and/or spanning the globe, with structures and names which do not always make clear the structures of shareholder ownership and interaction.

In the spread of corporations across multiple continents, the importance of corporate culture has grown as a unifying factor and a counterweight to local national sensibilities and cultural awareness.