

*Preliminary draft. Comments
welcome.*

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**Democ
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Dividends:
Stockholding
in New York,
1791-1826**

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Abstract: The proliferation of business corporations in the early nineteenth century transformed the American Economy, but these enterprises were quite politically contentious. Early opponents of corporations claimed that they created 'aristocracy' and were owned by a wealthy elite. Using lists of shareholders of New York's corporations, which were matched to city directories and property tax records, this paper compares the wealth and status of those who owned stock in corporations to the general population both in 1791, when there were only two corporations in the state, and in 1826, when there were hundreds. The results indicate that although corporate stock was held principally by the city's elite merchants, share ownership became more widespread over time among less affluent households. In particular, the corporations created in the 1820s were owned by investors who were less wealthy than the stockholders of corporations created in earlier, less democratic periods in the state's history.

1. Introduction

In the years following the War of Independence, few questions were more contentious or polarizing in American politics than those relating to business corporations. The ambitious agenda pursued by Alexander Hamilton and the elite merchants who shared his vision resulted in

the creation of the Bank of the United States, the Bank of New York, the Society for the Establishment of Useful Manufactures, and several other corporations, most of which were far larger than any business the country had ever known, and which were endowed with exclusive privileges that smacked of monopoly. Critics of these enterprises felt they undermined popular

democracy and corrupted economic life, creating what John Wallis has termed “systematic corruption.” Many of the investors in the first business corporations were among the richest merchants and financiers in the country, along with several members of Congress, and opponents

of these enterprises argued that they would foster the concentration of wealth and create an ‘aristocracy’ endowed with formidable legal powers.² The political struggles over the creation of these institutions contributed in no small measure to Jefferson and Madison’s decision to found the Republican Party.

Over the first decades of the nineteenth century, the American economy experienced a transformation some historians have termed the “market revolution.” And as the economy developed, the earlier dominance of a relatively small number of elite merchants was diminished.

Hammond (1957: 145) puts it well: “business was becoming democratic. It was no longer a select and innumerable aristocracy—business opportunities were falling open to everyone.” And

one of the most important ways in which these opportunities were pursued was through the formation of business corporations, in an increasingly broad range of industries. As democracy

³² ¹ Wallis (2006). See the discussion in Davis (1917:II), especially pp. 303-309. A synthesis of this literature is presented in Sellers (1991) and Larson (2010). It is important to note that this term should not be interpreted as indicating that the economy previously lacked a market orientation. For example, an important contribution documenting the very early development of a market orientation among agrarian households in Massachusetts is presented in

Rothenberg (1992).
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expanded, both in business and in politics, access to the corporate form was broadened. It is one

of the great ironies of American history that the ascendant Republicans chartered business

corporations at totally unprecedented rates.

Although Republican legislatures ultimately facilitated enormous numbers of

incorporations, petitions for charters remained quite contentious.

Much of the anti-corporate rhetoric of the time was directed at the owners of these institutions. Bank stockholders were

called "Englishmen and Foreigners," "Federalists and Tories,"⁵ and a "Gentry," drawn from the

A Republican Governor of New York, when faced with

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"proposals for new bank charters, argued that banks were owned by the "wealthy and aristocratic

class," and gave them the power to "corrupt and subdue republican notions." To a lesser extent

similar arguments were made about all corporations, which were likened to "aristocracies" and

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¹ Defenders of
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that were owned by huge numbers of investors, including ordinary people
and
orphans,” and that stockholding was open to anyone with the resources
share.¹²
Some even argued that access to the corporate form could enable the
modest
means to compete with elite
enterprises.¹³

”Did corporations remain dominated by elites, or were those of the “middle
citizens” able to form companies or at least purchase shares in the early
governments? As business and politics became more democratic, did
ownership

¹³128765 ⁴ *Albany Arguer*
Hammond (1957: 158). *New York Republican Watch Tower*, 12 December 1805.
Republican Watch Tower, 3 September 1805. Governor Daniel D. Tompkins
of 1812, in *New York Commercial Advertiser*, 31 January 1812. ⁹ Philadelphia
January 1819. ¹⁰ Assemblyman J. R. Van Rensselaer, objecting to the bill for
Columbia Manufacturing Company, in “Legislature of New York, House of Assembly,”
New York American Citizen, 28 February 1809. ¹¹ *New York Columbian*, 29 January 1809.
the discussion in Hartz (1968: 74-6). See, for example, the discussion in Da

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become more democratic as well? Using newly collected data from New York's corporations in 1791 and in 1826, this paper analyzes these questions. Stockholders lists of all existing corporations in the state in 1791, and nearly half of existing corporations in 1826, were transcribed and matched to city directories, tax lists, and the census. In addition, random samples of the population were taken from city directories in those years, in order to compare the data on stockholders to those of other households. The paper uses this data to investigate the diffusion of shareholding within New York City, both socially and geographically, and to analyze how the ownership of corporations evolved over time.

The results indicate that in 1791, only 4% of New York City's households owned stock, but in 1826, at least 11% did, and in some parts of the city the rate was as high as 30%. Although stock was held principally by the city's elite merchants in both 1791 and 1826, share ownership became more widespread over time among less affluent households. In particular, the corporations created in the 1820s were owned by investors who were less wealthy than the stockholders of corporations created in earlier, less democratic periods in the state's history. Political and economic forces likely contributed to efforts to make corporate stock more attractive to ordinary households.

The results of this paper contribute to several areas of research. A substantial literature on the financial history of the United States has asserted that corporate stock was quite widely held throughout Wall Street's history. For example, Werner and Smith (1991) argue that "the mainstays of the early American securities market were the more numerous men of moderate ¹⁴means: tradespeople, merchants, and farmers." Although this view is accepted quite generally, there are dissenters. Pessen's (1973) study of wealth and inequality argued that "the bulk of [New York's] population probably owned nothing or a miniscule portion of [incorporated]

¹⁴ p. 62.
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capital.”¹⁵ And Miller (1962) argues that ordinary households preferred New York State’s Canal Loans, whereas only wealthier households invested in bank stock (p. 87-88).

More closely related to this paper are several studies that have used the records of corporations in particular industries to analyze the wealth and status of shareholders. Wright (1999; 2002) and Majewski (2006) analyzed bank stockholder lists, and found the shares to be quite widely held. Davis (1958) studied the stockholder lists of several prominent New England textile mills, and found a ‘vertical’ pattern of ownership in which textile merchants were the most significant owners. Majewski (1996) compared the ownership of transportation companies in Pennsylvania and Virginia, and documented the importance of urban capitalists in financing Pennsylvania’s railroads.

This paper builds on the approach of those studies in several ways. First, it compares the stockholders of New York’s corporations to random samples of the population, in order to carefully assess how atypical stockholders were. Second, it analyzes corporate shareholding both in the earliest phase of the development of the business corporation, in 1791, and then 35 years later, in 1826, when there were hundreds of corporations in the state. Finally, the 1826 sample includes a large number of corporations in a variety of industries, and thus allows for unparalleled investigation across many economic sectors. Moreover, those 1826 corporations were created over a long time period that spans enormous political and economic changes, and thus the effects of these changes on the resulting corporations and their ownership can be examined.

2. New York’s Corporations in 1791 In 1791 New York City and State politics were totally dominated by aristocratic elites.

The city was governed by a colonial charter that was distinctly conservative in its provisions with the claim that “It is doubtless impossible to track down the individual owners of corporate wealth. Records, inadequate to begin with, have been lost” (p. 34).

¹⁵ p. 35. Pessen qualifies this conclusion

regarding suffrage; the franchise was limited to freedmen and freeholders of at least £20 (\$50).

The Federalist-controlled city government after 1790 essentially refused to grant the freedom (freeholder status) to artisans and others from the ranks of society likely to vote Republican, in order to perpetuate its hold on power. The state's 1777 constitution was somewhat more liberal,

in that it permitted forty-shilling (\$5) rent payers to vote for Assemblymen, although elections for Senate were restricted to £100 (\$250) freeholders. But the constitution also stipulated that the

Mayor, Recorder, Sheriff and other city officials were not elected but rather chosen by the state's "Council of Appointment," which included the Governor and several senators. Municipal offices such as the Mayor, and the Alderman and assistants who were chosen in charter elections, were

quite lucrative, not only because of the extensive patronage controlled, but also because of the various licenses and fees those officeholders were entitled to collect. For the five years Mayor James Duane held office (1784-1789), his annual income was determined to have been approximately £800 (\$2,000), although of course no formal accounts were kept.¹⁸

In 1791, this political system had produced exactly two business corporations, both within New York City: The Bank of New York, and the New York Society for the Establishment of Manufactures ("New York Manufacturing Society"). Both were projects of Alexander Hamilton and his allies, and both are quite representative of the earliest American business corporations, in that they served a somewhat public purpose, and were quite innovative in their operations and business methods.

The Bank of New York was founded in 1784, just a few months after British forces ended their occupation of the city. Although it did not receive a corporate charter until 1791, the bank commenced operations as an unincorporated company in April 1784, and was immediately

¹⁸17 Pomerantz (1938: 66). *Constitution of 1777*, Articles VII, X. Pomerantz (1938: 39). During those years, Duane was also a member of the

New York Senate; plural officeholding was not uncommon.
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¹⁹profitable. The success of the bank was due at least in part to the fact that it faced no

competitors within the city—it was conceived by Hamilton to act as a local monopoly. Those ties, along with accusations that the bank favored Federalist borrowers and interfered in elections

on behalf of Federalist candidates stirred virulent opposition to the bank's efforts to obtain a charter. As one critic of the bank wrote,

²⁰ The present company which compose that body, are a combination of wealthy men, odious to the people, and formidable to the State...it is an institution formed for private emolument, injurious to the public welfare...and derogatory to the dignity of government. At the time when the bank received its charter, it had \$318,250 in paid-in capital, divided into

²¹636.5 shares of \$500 each. Its charter granted the bank the right to expand its capital stock to

\$900,000, and subsequent revisions increased it to more than \$1 million.

The New-York Manufacturing Society was modeled on the "Pennsylvania Society for the Encouragement of Manufactures and the Useful Arts," founded 1787. Both corporations were pioneering ventures founded to promote manufacturing industries, as well as to engage in manufacturing, and had many promoters and directors in common with the larger "Society for Useful Manufactures" of New Jersey.²² The New York Society built a large brick factory on Vesey Street in New York's West Ward, and produced cotton textiles using Spinning Jennies. The Society hired Samuel Slater when he arrived in New York from England, and hoped that Slater would help them improve their operations. But Slater found their equipment "not worth using" and also found the water power sources in the area inadequate, and so moved to Rhode

²³Island to work with Almy & Brown. Although the firm did manage to produce cotton textiles

²³2221 ¹⁹ The founders of the bank sought a charter in 1784, but were thwarted by supporters of a rival bank, which would have been capitalized using the extensive landholdings of several elite New York families. See Davis (1917). Nevins (1934) documents the early profitability of the bank. ²⁰ "Censor," in *New York Packet*, 21 January 1790. Nevins (1934:21). Davis (1917, II: 275). White (1836: 72). With Almy & Brown, Slater of course established the first successful water-powered textile mill in the United States.

**Table 1: Stockholders vs. Population:
Wealth, Slaveholding and Occupations, 1791**

Slave Ownership	Taxable Wealth	Stockholders, %	Population, %	Stockholders Population Mean
1,287	.66	.22	3,255	1,287
Median n/a	n/a	1,875	569	Occupation Within Occupations (Means)
Stockholders, %	Population, %	Stockholders Population	Artisan .17	.39 2,093 946
Merchant .55	.11 3,739	2,835	Retail .13	.11 2,494 1,288
Public Official .08	.02 4,538	1,924	Professional .02	.02 1,125
1,388	Services .01	.23 n/a	377	Other .00
.05 n/a	659			
None .04	.07 3,364	1,857		

for several years, at one point having 150 employees and more than \$11,000 in total assets, it

never achieved profitability and was shut down by 1793.²⁴

Who owned these firms? The stockholder lists for each were transcribed and matched to the Federal Census of 1790, the city directory for 1791, and a tax list, from the 1789 Federal Direct Tax (additional details on sources and data are presented in the Data Appendix). For purposes of comparison, a 10% sample of households was taken from the 1791 directory, and also matched to the census and tax list. From the census, the number of slaves in the sampled households were recorded, as an independent measure of wealth and status.

These comparisons are presented in Table 1. Stockholders were about two and a half times wealthier than the population, as measured by mean taxable wealth. The comparisons of the occupations across the two groups present even more dramatic contrasts. About 55% of stockholders were listed as “merchants” in the city directory—the elite of the world of

²⁴ The company was required in its charter to submit financial statements to the New York State Treasurer, and a balance sheet from 1791 survives listing £4,546 in total assets. (Records of the Comptroller’s Office, New York State Archives, Albany NY.) The operations of the company and the number of employees are described in Peskin (2003).

commerce—compared to only 11% of the population. Most of the other stockholders were either artisans (17%), shopkeepers (“retail,” 13%), or public officials (8%). In contrast, the population was much more heavily weighted toward artisans (39%) and those in the services (22%), such as tavern keepers, hairdressers and cartmen. In contrast, only 1% of stockholders’ occupations fell within the “services” category.

For all the occupational categories except the professionals, the stockholders were far wealthier than their counterparts from the rest of the population. The richest stockholders were the public officials, and some of these individuals are worth noting.²⁵ The public officials among the stockholders include Treasury Secretary Alexander Hamilton (taxed at \$3,000; no slaves), an important promoter of both enterprises. But they also include Governor George Clinton (taxed at \$2,500; 8 slaves); U.S. Senator Aaron Burr (\$7,500; 5 slaves); U.S. Senator Rufus King (\$1,500; no slaves); Chief Justice of the U.S. Supreme Court John Jay (\$8,700; 5 slaves); Mayor Richard Varick (\$2,425; 1 slave), former mayor and current U.S. District Court judge James Duane (\$8,125, 1 slave) and various other state and municipal officials. That Burr and Hamilton were both stockholders in the Bank of New York is also worth noting; although the Bank of New York was strongly associated with the Federalist Party, there were some prominent Republicans among its shareholders, and the New York Manufacturing Society, like its peer institutions in New Jersey and Philadelphia, had Republican shareholders as well.

Slavery was legal in New York City in the 1790s, and stockholders were much more likely to own slaves, with about 66% of stockholding households reporting the presence of at least one slave in their household in the census, compared to about 22% of the population. The

strong correlation between slaveholding and stockholding is clearly driven by the fact that both

occurred principally at higher levels of wealth, but the connection may be somewhat deeper.

Slaves were an important investment for New York households, and wills commonly specified both the State of New York and of the United States, although within that year, the Federal government moved to Philadelphia, and in 1799 the state capital was moved to Albany.

²⁵ In 1791, New York City was the capital of

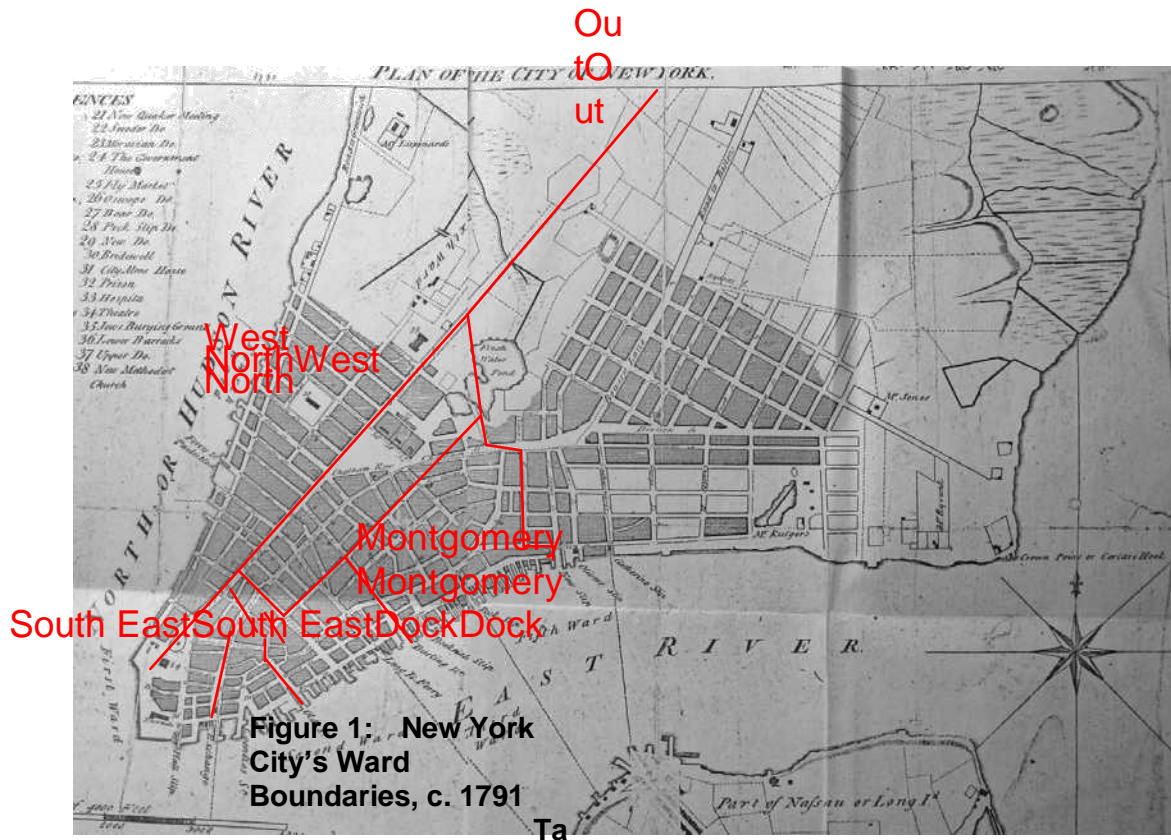


Figure 1: New York City's Ward Boundaries, c. 1791

Table 2: Stockholding, Wealth, and Occupations by Ward, 1791

	Percent Mean Wealth (\$)	Percent Slave-holding	Percent Occupation: Artisan	Percent Occupation: Merchant	Percent Occupation: Retail	Percent Occupation: East
All	2,040	.39	.18	.45	.16	.11
Montgomery	.03	.2	.13	.0	.18	.32
North	.17	.12	.56	.06	.03	1,073
Dock	.05	.94	.0	.48	.00	.29
South	.14	.09	.13	.90	.00	.17
West	.03	.54	.3	.13	.56	.02
Out	.01	.53	.1	.17	.44	.02
	.21					
All	.04	1,287	.22	.39	.11	.11

that slaves would take care of the owner's family (or be rented out and produce an income for the

family) if the owner died. To the extent that stock in New York's earliest corporations also represented an investment opportunity, one would expect to see households holding both.

New York has always been a city of distinct neighborhoods of different economic and social composition. In 1791, New York was divided into seven 'wards,' or political districts, which can be thought of as (highly imperfect) representations of the city's neighborhoods. Figure

1 depicts the boundaries of the city's wards on a contemporary map.²⁶ By looking at wealth,

occupations and slaveholding rates within New York's different wards, further insight into the

social context of stock ownership can be obtained. These comparisons are presented in Table 2. The highest average levels of wealth were found in New York's East and Montgomery wards, where a relatively large portion of households were headed by merchants, and slaveholding was relatively common. Households in the western and northern part of Manhattan, the Out and West wards, had far lower levels of wealth (about 25% of that of the richer wards on average) and were often headed by artisans. Rates of stock ownership can be calculated from these data; overall it was quite low, and reached its maximum (11%) in the wealthy East Ward, and its minimum in the Out ward (1%), although there were at least a few stockholders in every ward. Taken together, these data paint a portrait of a city dominated by wealthy merchants, who lived in exclusive neighborhoods in lower Manhattan, who often had ties to the state's aristocratic landowning families, and whose wealthiest members held political office in the state and national government. Most of the owners of the state's two corporations were drawn from this group, although there were also some artisans, particularly in the New York Manufacturing Society. The prominence and levels of wealth of the owners of New York's corporations at that time are consistent with the nature of those ventures—pioneering enterprises with a quasi-public purpose.

²⁶ Note that the map itself has newer ward boundaries that were created in 1791 and had numbers for names. The boundaries drawn onto the map in red were used until 1790, and the Federal Census returns for the city are organized according to those borders.

The investors who provided capital to these enterprises had a stake in their success that went beyond the dividends they could earn on the shares: both the Bank of New York and the New York Manufacturing Society were created to develop or perhaps even transform New York's economy. And the vituperative rhetoric of the opponents of these enterprises was inspired by fears about what this transformation would mean for the people and government of New York.

3. New York's Corporations in 1826

In the 35 years that elapsed after 1791, the economy of New York, and the nation as a whole, was transformed. Within New York, financial markets deepened; transportation networks expanded and developed, with steamboats traveling the Hudson river and the Erie Canal opening

a waterway to the west; the port of New York City emerged as the nation's largest center for trade; large-scale manufacturing enterprises emerged, and began to replace household production

of goods such as textiles; and increasingly specialized producers and distributors transacted in a

market that was becoming far more integrated. The population of New York City grew from 33,131 in 1790 to more than 166,036 in 1825, as it surpassed Philadelphia to become the nation's

largest. Economic opportunity abounded in the city, and its population became more prosperous.

These economic and social changes made political change inevitable. Popular participation in politics expanded, and there was a general "decline of aristocracy" in the state's political leadership as politics became more open and democratic. To be sure, many of the state's

aristocratic landowners and elite merchants remained important figures in the state's politics, but the political center of gravity shifted toward households of modest levels of wealth. In 1804, the state amended the charter of the city of New York to broaden access to the electoral franchise, and in 1821, a constitutional convention produced a new constitution for the state, which granted nearly universal suffrage to adult white males.

**Table 3: Ownership, 1826
Corporations**

% Individual 0.802
Men 0.949 Women 0.051 Partnership 0.090
Corporation 0.066 Trust or Estate 0.035 Government 0.004
Non-profit 0.002

Over these years, the state promoted economic development aggressively, financing the creation of the Erie canal and other major infrastructure projects, offering credit, “bounties,” and other forms of aid to manufacturers, and above all else, liberally granting charters of incorporation to businesses. From 1790 to 1825, 812 corporations were created, and in 1826, there were approximately 282 corporations in existence in the state, of which about 74 were located in New York City. Shareholder lists for 133 of these 282 corporations were located in the New York State Archives, and in a small number of additional archives.

Table 3 presents summary statistics for the ownership of the 133 corporations in the sample. The corporations were owned overwhelmingly by individuals and partnerships, and it is these owners who will be the focus of the analysis below.²⁷ But a substantial portion of some corporations’ shares were owned by trusts or estates, and it is important to note that the wealth and status of the ultimate beneficiaries of those holdings can not be identified, as the stockholder list normally provided the names of the trustees or executors, rather than the beneficiaries.

The average size and ownership structures of the corporations varied widely across industries. Table 4 presents summary statistics for the major industrial categories into which the firms were grouped. The data in the table indicate that banks were substantially larger than firms

²⁷ Partnerships where none of the individual partners were also shareholders were effectively treated as if they were individuals, with their taxable wealth and industry or occupation recorded in the data. The wealth of partnerships where the partners also owned stock under their own names was added to the individual partners’ wealth and eliminated from the sample.

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**Table 5: Stockholders vs. Population:
Wealth and Occupations, 1826**

Occupations	Wealth (Means)	Stockholders, %	Population, %	Stockholders	Population			
Artisan	0.14	0.36	4,903	1,738	Merchant	0.30	0.08	12,284
7,987	Retail	0.13	0.15	7,160	3,250	Public Official	0.02	
0.01	7,670	1,808	Professional	0.10	0.04	7,371	3,309	
Services	0.03	0.14	6,732	2,351	Other	0.02	0.04	4,487
1,467	None	0.26	0.18	11,179	5,347	All (mean)		
9,427	3,532	All (median)		5,500	1,683			

percent sample of households was taken from the 1826 city directory, to serve as a basis of comparison to the stockholders.

Table 5 presents average taxable wealth and occupations of the population and the stockholders of New York City in 1826. Average wealth in the population grew nearly threefold from 1791, a clear sign of rising prosperity in the city (and the rising property values that accompanied that prosperity). However, the average taxable wealth of stockholders also grew by the same proportion, and the ratio of the stockholders' wealth to the population's wealth remained roughly constant between the two periods, at about 2.5. The distribution of occupations of the population had about the same proportion of artisans, but the proportion of merchants and those in the services fell, while the proportion of retailers increased. Among the stockholders, the proportion of merchants fell substantially, as did the proportion of public officials. As in 1791,

solvent debtor." *New York Laws*, 1823, ch. 262. However, contemporary observers and modern scholars both argue that assessments substantially understated true wealth. Hilt and O'Banion's (2009) analysis of New York merchants in the 1850s found assessed values to be equal to about 36% of estimated net worth as recorded by the R.G. Dun & Company agents. See also Pessen (1973) and the sources cited therein. For a history of New York's tax collections, see Schwab (1890).

within every occupational category, the stockholders were wealthier than the general population: artisans and retailers did own stock, but they were the more successful or wealthy members of those groups. Another noteworthy change is that public officials accounted for a smaller proportion of stockholders, and their wealth was below the average for stockholders.

Unfortunately, a larger proportion of the listings in the 1826 directory included no occupation, and this category encompassed 26% of the stockholders. Their average wealth clearly indicates

that these stockholders were similar to merchants—in fact, in many cases they may have been successful merchants who were so well known that there was no need to list an occupation for them. But there was substantial variation within this group, and the trend toward a larger proportion of entries with no occupation listed may have reflected a change in social norms, or perhaps in the operations of the printers of the directory.

In 1826, we can once again examine the social context of shareholding in greater depth by looking at the geographical distribution of the shares. As New York's population grew and shifted north over time, the city's wards were reconfigured repeatedly, and by 1826 the ward boundaries had almost no relationship with those of 1790-91. Figure 2 presents a map of the ward boundaries in place in 1826, and table 4 presents data on wealth, occupations and stockholding by ward.

The data in table 6 indicate that the proportion of households that owned stock had increased substantially, from about 4% in 1791 to 11%, and in the richest (first) ward the rate was 31%. But the data also indicate that there was greater inequality across wards in 1826, with households in the first ward having an average level of taxable wealth that was more than ten-fold

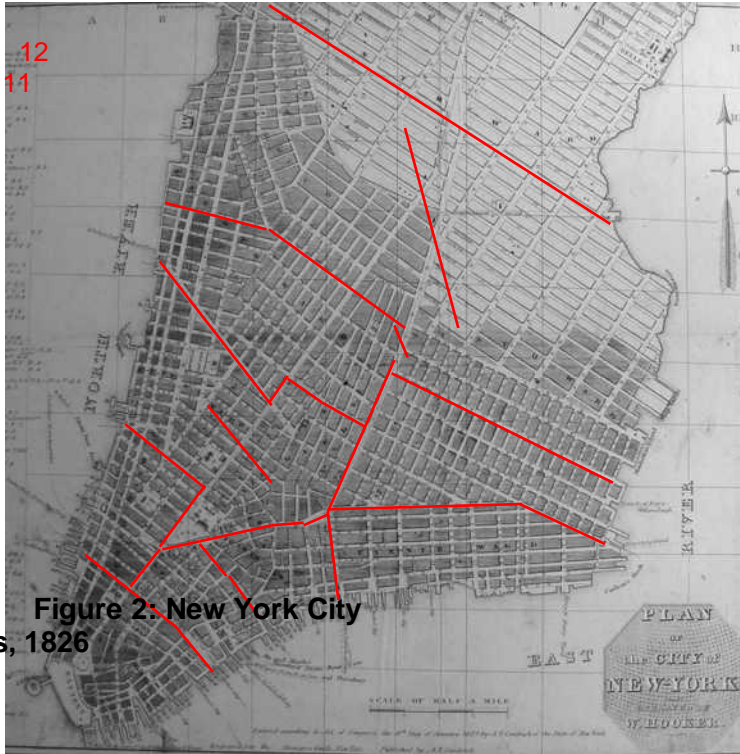
higher than the poorest ward. Following the rows down the table, and thus moving to the "mechanic" wards uptown, one sees the proportion of artisans increase, the average level of wealth decrease, and the rate of stock ownership also decreases. But wealth and stockholding

were imperfectly correlated, and even in some of the wards where average household wealth was

quite low, the rate of stock ownership was as high as 10%.

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**Figure 2: New York City
Ward Boundaries, 1826**

**Table 6:
Stockholding, Wealth, and
Occupations by Ward, 1826**

Percent Mean Occupation, % Ward Stockholders
Wealth (\$) Artisan Merchant Retail
1 .31 9,762 .14 .39 .16 2 .14 6,778 .25 .23 .24 3 .18
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.34 .03 .11 6 .06 1,470 .34 .06 .26 7 .07 1,959 .32 .00
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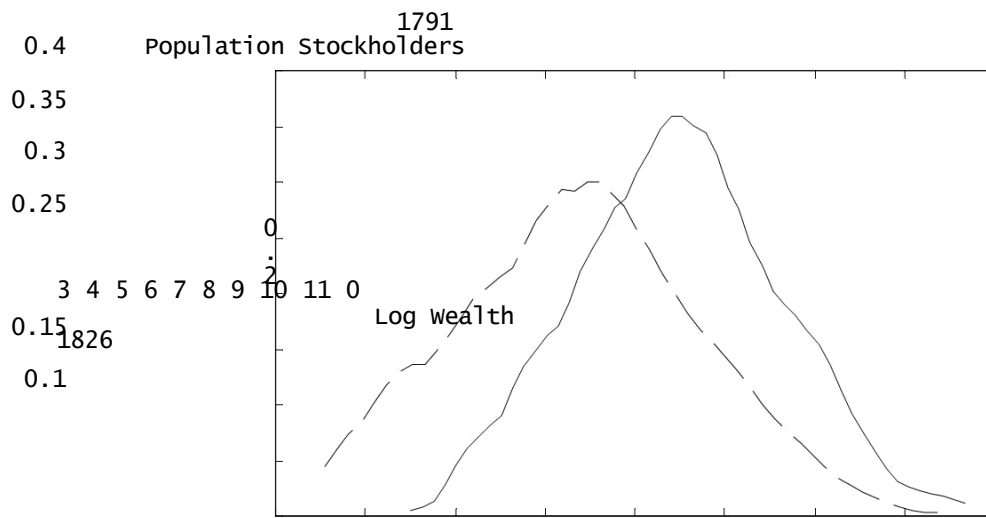
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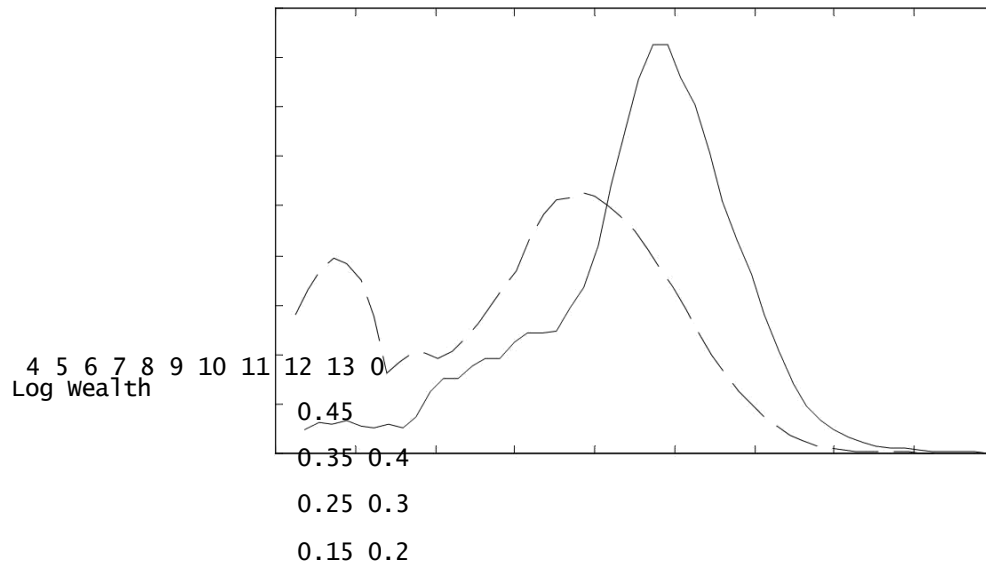
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Figure 3: Wealth Distributions, 1791 and 1826

Another indication of the changes in the distribution of wealth, and the differences

between stockholders and the population in the two periods, can be found in figure 3, which

presents plots of kernel density estimates of the distribution of wealth in the two periods.

Although the overall level of inequality in taxable wealth across households remained essentially

Table 7: Occupations and Taxable Wealth of New York City Stockholders by Industry

% of stock held in:

All corps	Banks	Insurance	Mfg and mining	Transportation	Other	Artisan	.06	.06	.07	.10
.01	.02									
Merchant	.37	.45	.36	.35	.48	.23	Retail	.06		
.11	.07	.03	.03	.02	Public	Official	.02	.02		
.02	.02	.00	.00	Professional	.16	.09	.18	.15		
.22	.07	Services	.01	.00	.01	.00	.00	.00		
Other	.01	.01	.01	.00	.04	.00	None	.31	.26	
.28	.34	.21	.65				Median wealth			
5,500	6,550	5,500	7,500	10,250	10,500					

unchanged between the two periods (the Gini coefficient was .655 in 1791, and .652 in 1826), the

shape of the wealth distribution was substantially different in 1826, and became bimodal: large

numbers of New York households were concentrated at the lower end of the wealth distribution.

Did the composition of stockholders vary by industry? Perhaps the shares of companies

in specific industries were attractive to particular types of investors. One might imagine, for

example, that large publicly traded banks and insurance companies would be attractive to passive

investors from middle-income households, whereas shares in manufacturing companies, which

were highly illiquid, would have been more attractive to individuals with some knowledge of or

connection to the firm, as Davis (1956) has shown of New England's textile companies.

Table 7 presents a breakdown of the wealth and occupations of shareholders by industry. The occupational distributions of the stockholders across industries are generally

similar, with those of bank and insurance being nearly identical. In manufacturing firms, artisans

owned shares at a substantially higher rate than they did in other industries. Banks and Insurance

industry-specific medians for total wealth are all higher than the median for all stockholders, since many wealthy stockholders invested in the shares of companies in multiple industries, and so have their wealth included in each column's calculation.

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corporations attracted shareholders with the lowest median wealth—probably a reflection of liquidity and perceived safety of the shares. It is worth noting that the transportation companies, which included turnpike roads, bridges, and canals, were nearly all located outside of New York City, and it was probably wealthy merchants who owned land in the areas where the companies were located who bought shares in those firms—their local shareholders may have had a somewhat different occupational distribution.

4. Stockholding and Political and Economic Change

The period from 1791 to 1826 saw considerable change in New York's economy. Ever larger numbers of households saw their fortunes increase, and accumulated some savings that could be invested. Entrepreneurs and corporate promoters would have found these households an attractive market for the shares of new corporations, and would have configured their corporations in a way that would have been more appealing to that market. At the same time, the state's politics was becoming more democratic, and greater popular oversight of the political process may have influenced the provisions of corporate charters the state legislature was willing to grant, as well as expanded access to the corporate form to individuals who would previously have been excluded.

These processes of evolution suggest that within the 35 year interval between 1791 and 1826, the characteristics of New York's corporations and their owners may have evolved considerably. If that were the case, then the results presented thus far for all corporations in existence in 1826 would mask some potentially important variation within those companies, based on when they were created. This suggests that differences across corporations of different

³¹ In general, the breakdowns for the occupations of manufacturing firms' stockholders are consistent with the findings of Davis (1956), and those of the banks are roughly consistent with the findings of Majewski (2006) for Pennsylvania bank

stockholders from around 1814, although those banks seemed to attract more numerous small investments from artisans.

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'vintages' in 1826 could be analyzed in order to examine how corporations evolved over time. Did the state charter different kinds of companies as its politics evolved and its economy grew, and did the ownership of these corporations change as well?

It is important to note that powerful incumbent interests may have dictated the terms under which later corporate charters were granted, and imposed conditions on new entrants that prevented them from competing too directly, either for capital or in markets for goods and services. Thus if the characteristics of corporations changed over time, this may have been the outcome of political forces that imposed those changes on the new firms. New entrants may have gained access to the corporate forms, but not necessarily on the terms they would have preferred.

Figure 4 plots several important characteristics of corporations by their charter year. (The corporations are collapsed into three-year periods, because for many years there are either no incorporations or incorporations of just one small company.) Panels (c) and (b) plot the percentage of corporations that were in banking and insurance, and the average capital per corporation over the period. The former is roughly stable, with an increase after 1810 and a decrease after 1822, and the latter is generally decreasing, with a brief increase in the 1811-13 period when the state chartered several enormous banks in the aftermath of the expiration of the charter of the First Bank of the United States. Panel (d) plots the location of the corporations, measured as the percentage (weighted by capital) located in New York's richest wards, wards one through three. (Ward one contains Wall Street and the city's financial center). This is gradually decreasing over time, as newer corporations increasingly located in the city's upper wards, perhaps in an effort to serve those communities, and perhaps also due to political resistance from _____ the incumbent banks and insurance companies on Wall Street that would have opposed new

³²competition. Finally, panel (a) presents the average par value of the shares of corporations over

³² Some evidence of this latter phenomenon is found in the charters of the newer companies. For example, Tradesmen's Bank, incorporated in 1823, stipulates that "the banking house of the said incorporation, shall be located in Chatham Square, in the said city, or its immediate vicinity, and not to the westward of James-

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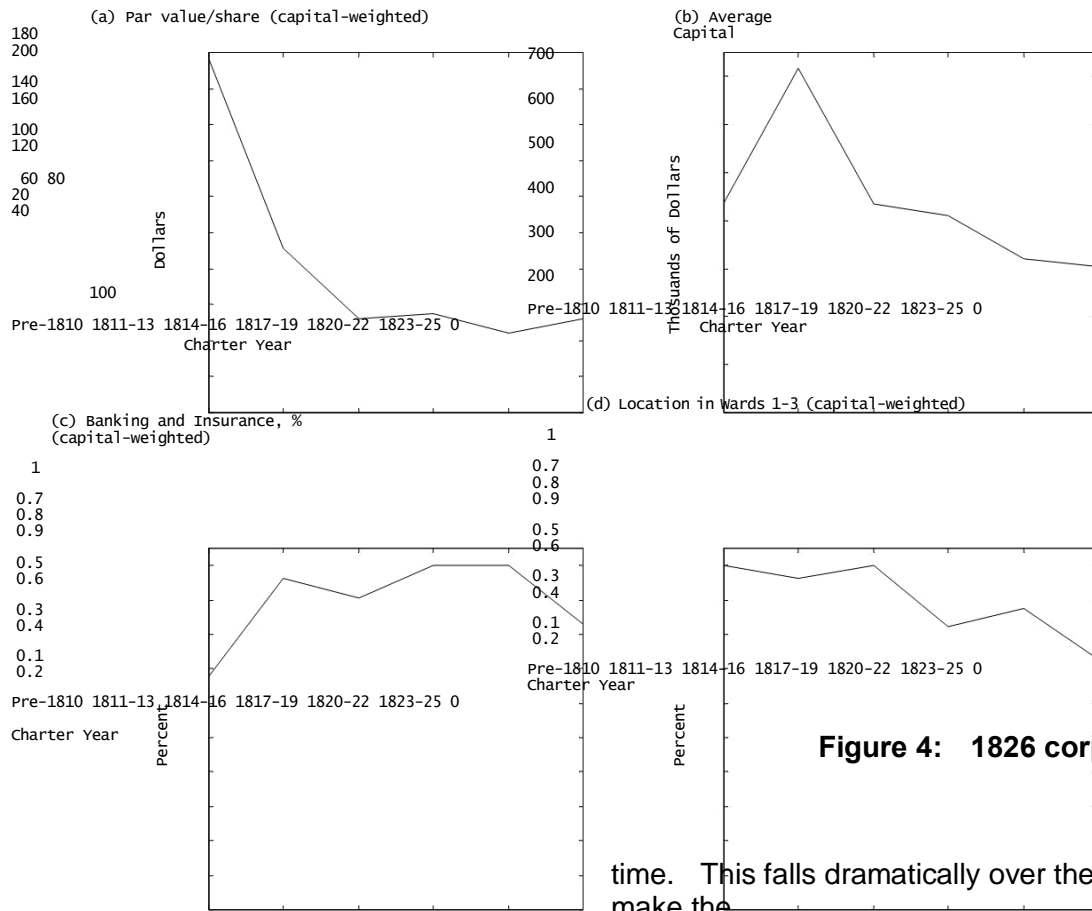


Figure 4: 1826 corporations' characteristics,

time. This falls dramatically over the period. Although lower par value shares make the

shares more liquid, and thus more attractive to any investor, this is not true for an

investor making a small investment. Thus it probably made the market more appealing and

appealing to investors of limited wealth.

Another characteristic of corporations that changed over time was their location, at least

in New York City. The symbolic importance, was the name they were given. New York City included the

Bank of New York and Merchants Bank (inc. 1805), and the earliest companies

street." (*Laws of New York*, 20 March 1823, ch. 93.) This firm would have had it had opened an office in some other part of the city. Chatham Square

included New York Insurance (1798). In contrast, later incorporations in these industries included the Mechanics Bank (1810), Farmers Fire Insurance (1822), Tradesmen's Bank (1823), and Tradesmen's Insurance (1825), a tradition that would ultimately continue with later institutions such as the Butcher's and Drover's Bank (1830) and the Leather Manufacturers' Bank (1832). Although those names may have had represented little more than symbolic gestures to link the institutions to republican ideals in order to win political approval for a charter, some of these institutions did contain provisions reserving directorships or even shares of stock for ³³"mechanics and tradesmen."

In order to analyze the effects of such changes, one would ideally want to observe the ownership of corporations over time. Our dataset, which presents a snapshot of ownership at one point in time, does not permit this, but it does permit something similar: we can see how ownership in 1826 varies by year of incorporation. Before examining the data in this way, it is worth noting that any effects of changes in the style or characteristics of corporations would need to be fairly persistent in order for the differences they create to remain until 1826. One might expect, for example, that the shares of all corporations would become more diffusely held over time, and any initial differences in ownership would tend to dissipate.³⁴ It is also important to note that all else equal, the age of a corporation might have important effects on its ownership. If newer companies' prospects are less certain, one would expect that their shares would tend to be held by specialized investors who would be best able to gauge and perhaps hedge the risks of the shares; one would expect these investors to be wealthier. If a more democratic economy and politics would tend to lead to less wealthy individuals holding the shares of newer companies, these factors might confound those effects.

³³ See, for example, the charter of the Mechanics Bank, which reserves directorships for members of the General Society of Mechanics and

Tradesmen, and requires at least four to “follow a mechanic profession.” *Laws of New York*, 23 March 1810. ³⁴ This is certainly the case with modern corporations. See, for example, Helwege, Pirinsky, and Stulz (2007).

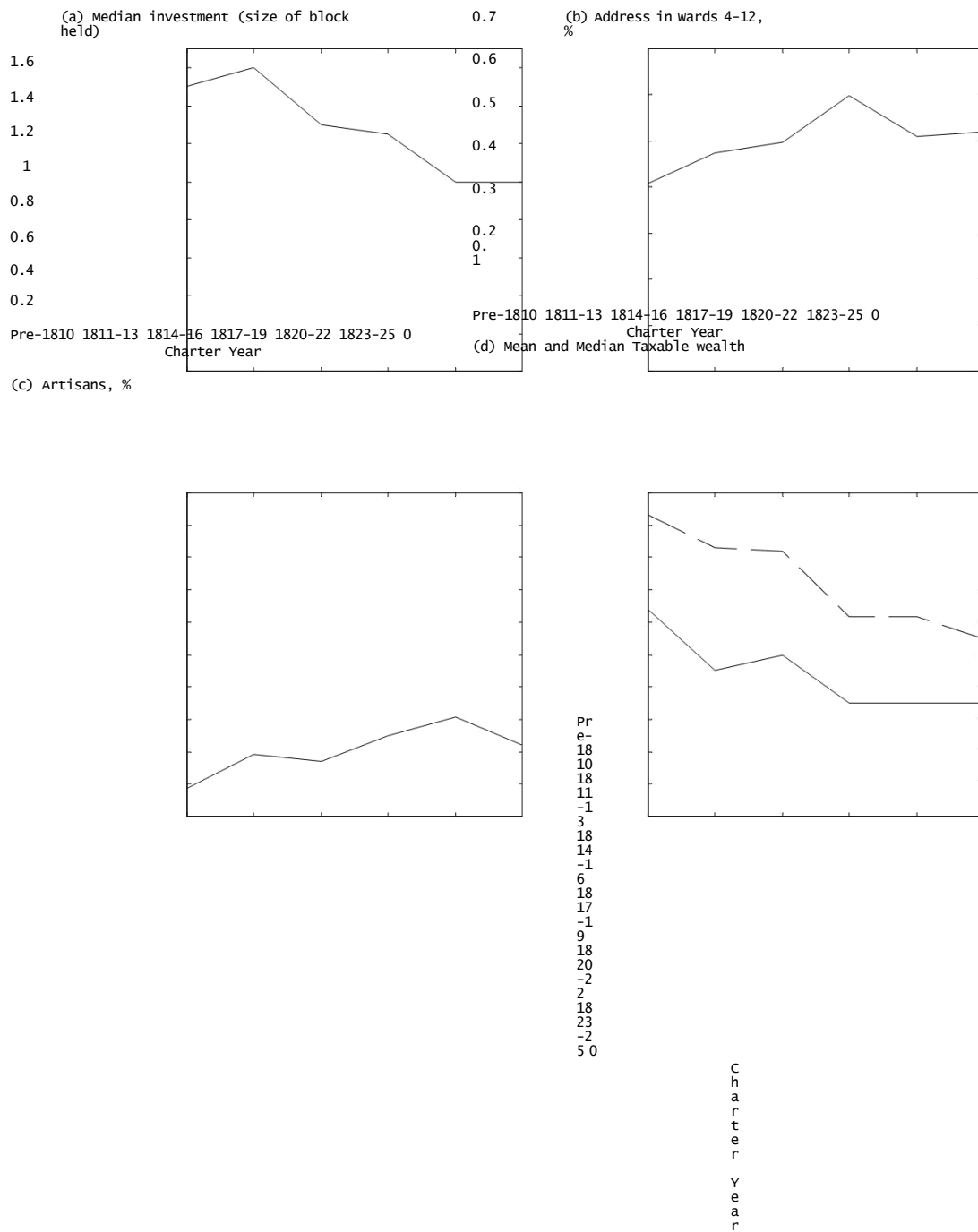


Figure 5: 1826 stockholders' characteristics, by charter year of corporation

Figure 5 presents the ownership of New York's corporations in 1826, by charter year.

Each panel of the figure presents evidence consistent with greater share ownership of newer

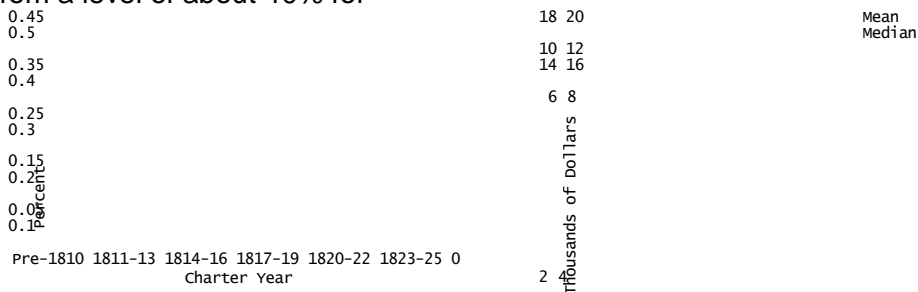
corporations by more ordinary households. Panel (a) plots the median size of the block of shares

held by each investor, which is about 50% lower for corporations created in 1823-25, compared

to those chartered prior to 1810. Panel (b) shows the percentage of stockholders from New

York's upper wards (4-12). The newer corporations were more likely to be located in those

wards, and consistent with a "local ownership effect," the percentage of stockholders residing in those wards increases by more than ten percentage points, from a level of about 40% for



corporations chartered prior to 1810. Panel (c) shows the percentage of the stockholders who are

listed as artisans in the city directory. Although the level is quite low, it is substantially higher for newer corporations, showing a five percentage point increase which more than doubles the value.

Finally, panel (d) plots the mean and median wealth of stockholders, by charter year. Both fall dramatically. Median taxable wealth falls from about 13,000 for pre-1810 corporations to 7,000 for corporations from 1817 and later, and mean wealth falls from about 19,000 to about 11,000.

In 1826, investors in the city's newest corporations were more likely to reside in the city's upper wards, were more likely to be artisans, were considerably less wealthy, and held blocks of stock that were much smaller than those of the city's older corporations. This could have been due to efforts to configure newer corporations' charters in a way that made them appealing to non-elite stockholders, to efforts market the shares to ordinary households, or simply

to the persistence of elite ownership among the older firms. Although the ownership of corporate stock was still relatively uncommon and median household wealth (\$1,683) was quite low relative to the cost of a single share (usually \$50), share ownership was clearly diffusing into the hands of less elite segments of society.

The relationships in the above figure may, however, be due to the subtly changing industrial composition of the firms over time. Moreover, it is not clear to what extent the changes are due to changes in the characteristics of the firms, such as the decreases in the par values, or to

other factors such as the political orientation of the government that authorized the charter. One

reasonable approach to investigating these issues in greater depth would be to collapse the above

data into a firm-level dataset, and perform regressions using individual firms' ownership structures, dates of incorporation, and other characteristics. In particular, firm-level averages for the ownership traits depicted above could be regressed on a linear time trend for years since incorporation, industry fixed effects, and variables for the location of the firm, the par value of

the firm's shares, and the firms log capital.

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**Table 8: Regressions,
Ownership Structure**

% Artisan	% in Wards 4-12	Median Wealth	Median Holding	mean .07, SD .08	mean .51, SD .23	mean 7967			
SD 3456	mean 1875	SD 2238							
Years since incorporation	-.004***	-.003*	-.003	-.005					
276.1***	176.4**	101.4	-41.62	(0.001)	(0.001)	(0.005)			
(0.006)	(74.2)	(74.6)	(88.4)	(29.66)					
Located in wards 1-3	-.046	-.143	1576.9*	603.1*					
(0.042)	(0.096)	(885.2)	(354.1)						
Par value per share	0.000	0.000	5.153	20.60**					
(0.000)	(0.000)	(8.874)	(8.89)						
Log(capital)	-.040	.047	1648.1	813.8**					
(0.025)	(0.102)	(1212.7)	(338.3)						
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	R-squared
51	51	51	51	51	51	51	51	51	0.08 0.23 0.04 0.12 0.26 0.37 0.09 0.59 N 51

Such regressions were estimated, and are presented in Table 8. The results are generally consistent with the notion that newer corporations had owners that were less wealthy, although the explanatory power of the correlates varies significantly across equations. The 'percent artisan' variable, which measures the fraction of the stock held by artisans, is well explained by a time trend, and little else: older corporations had fewer artisan owners, but evidently artisans were attracted to some other characteristics of newer firms besides their par value or their location. The percentage of the stock held in wards 4-12 is indeed negatively correlated with a corporate location in wards 1-3, but this correlation is not precisely estimated. The median wealth of the stockholders is positively and fairly strongly correlated with a corporate location in wards 1-3. Finally, the size of the median holding of the stockholders is positively correlated to the par value of the shares.

Taken together, these results indicate that only some of the variation in ownership structure of corporations of different ages can be explained by the characteristics of the companies analyzed above. The location of newer firms in the uptown wards and the lower par

value of the shares of newer companies were indeed correlated with different ownership structures, but they can not fully explain the differences between newer companies and older companies. The corporations of the 1820s were created in a more democratic economy, by a more democratic government, and their ownership responded in ways that can not be fully explained by the provisions written into their charters.

5. Conclusion

The proliferation of business corporations in the early nineteenth century exemplifies the legislative zeal of early state governments to use the law to promote economic development. As

the economy grew and became less dominated by elite merchants, corporations evolved as well.

A new generation of businessmen incorporated firms and sold their shares to increasingly 'ordinary' households. When measured as a percentage of total capital, the holdings of artisans

and those of modest wealth were quite small—corporate ownership was generally concentrated in

the hands of insiders. Nonetheless, the participation of broader elements of society in the ownership of corporations marked a transition toward a more 'democratic' economy. Whereas the elite merchants who dominated both economic and political life organized their firms as private partnerships, extraordinarily exclusive enterprises in which no artisan could ever hope to invest, the ownership of corporations, and the dividends that came from growing markets, were open to virtually anyone with savings to invest. Although the fraction of the population that could and did invest remained relatively small, it was clearly expanding.

Data Appendix

³⁵The data for this paper was collected from lists of stockholders and matched to wealth and occupation information from other sources. This process was conducted for the two corporations in 1791, and again for the 133 corporations in 1826 for which a stockholder list could be found. The names of the shareholders for the 1791 corporations, the Bank of New York and the New York Manufacturing Society, have been published. These names were then matched to the Federal Census of 1790 to obtain information on slave holdings, and to tax lists from the 1789 Federal Direct Tax, which survive in the New York Municipal archives. They were also matched to the 1791 *New York Directory and Register*, which provided addresses and occupations. The stockholder lists for the 1826 corporations are held mostly in the New York State Archives; see Hilt (2008) for details. These lists were submitted to the comptroller pursuant to the New York State tax of 1823-28, which exempted individuals' stock holdings from personal taxation, instead collecting taxes on paid-in capital from the corporations themselves. Under this tax, corporations were required to submit the name, place of residence, and number of shares owned by each stockholder to the state comptroller so the revenues could be distributed to county governments. Of the 242 corporations in operation in New York State in 1826, these lists survive for 133. This sample includes \$26.3 million of the \$48 million total paid-in capital in the state and \$19.1 million of the \$34.8 million incorporated capital held in New York City. All available information was transcribed for each shareholder from all these lists. The 1826 shareholders' names were matched to entries in *Longworth's American Almanac, New-York Register, and City Directory* (1826) to determine the address and occupation of shareholders who lived in New York City. The directory includes "the names, occupations, and place of residence of all heads of families, firms, and those doing business in this City." With the address we were able to look up each shareholder within the city's tax assessment records, which survive in the New York Municipal Archives, to determine the assessed value of real and personal wealth, which were combined to calculate total assessed wealth. Stockholdings were not included in these assessments, because the 1823-28 tax law required the corporation, rather than the stockholders, to pay the tax. In 1791 there were 343 unique shareholders, including 28 partnerships, 3 early 'societies' (political and social organizations such as the 'St. Andrew's Society'), and 2 trusts. The Bank of New York had 190 stockholders and the New York Manufacturing Society had 186; 33 individuals owned both. Of those, 229 of the individuals and partnerships could be found in the city directory, and another 19 corresponded to multiple entries in the directory, so could not be uniquely identified. Most of the remaining 95 likely resided outside New York City, although at least a handful probably resided in New York City

³⁵ The list of stockholder for the Bank of New York in 1791 is in Nevins (1934), and the list of stockholders of the New York Manufacturing Society is printed in the New York *Daily Advertiser*, 17 March 1789.

households that were headed by someone else. Tax assessments were found for 205 of those stockholders, and 200 were matched to the Federal census of 1790, where slave holdings were listed. The 133 corporations from 1826 for which stockholder lists survive had a total of 6,534 unique stockholders, 6,019 of which were individuals or partnerships and 3,030 of those were listed as residing in New York City. Of those, 1,647 were matched to entries in the directory. Of the remaining 1,383 that could not be matched to the directory, 351 had names that corresponded to multiple directory entries and so could not be uniquely identified. The remaining 1,032 either were not heads of households, or did not actually reside within New York City—at this time, many households were relocating to Brooklyn, for example, and the corporations in which they invested may not have kept track of this. Of the 1,647 found in the directory, 1,232 could be found in the city's tax assessment lists. For both 1791 and 1826, a 10% random sample of households from the city directory was collected. (The sample was taken by entering every tenth page of the directory). This yielded 776 individuals or partnerships in 1790, 723 of which had occupations and 298 of which could be matched to tax assessments. The 1826 sample had 2,798 individuals, of which 1,161 were located on tax records. In both the samples of the population and the stockholders, many addresses could not be located on tax assessment lists, which reflects the inevitable confusion resulting from the growth and transformation of the city at this time. Even the author of the directory laments: "The numbering of the houses in the city still continues a subject of complaint; and the [city] directed the re-numbering of houses in the upper part of Greenwich-street...there is also in Wall-street, among others, every intermingling variety and confused irregularity of numbering" (*Longworth's*, 1826, p. 546).

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