Creating a new legal form: the GmbH

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Abstract:

In 1892, the German government introduced the Gesellschaft mit beschränkter Haftung (GmbH), a new legal form for enterprise. Prior to this date, entrepreneurs organizing a multi-owner firm had to decide between the partnership and the corporation. The partnership required unlimited liability for at least some investors and by its nature as a personal contract was impermanent. The corporation, on the other hand, did not entail these problems, but its minority owners risk abuse at the hands of the majority. The GmbH allowed entrepreneurs to combine limited liability with a joint-stock form and at the same time to construct governance rules tailored to their particular firm. The GmbH is now the most common multi-owner enterprise form in Germany. Many other countries introduced similar enterprise forms following (and in some cases preceding the GmbH), sometimes deliberately modeling theirs on the GmbH. Many accounts in Germany presume that the GmbH took a specific form, and was found mostly in certain sectors. Yet little is known about numbers and characteristics of firms that organized this way. We also know little about how entrepreneurs altered the default rules to organize their own firm. This paper reports the first steps toward filling in both gaps.

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Location: Seminar Room R42.2.110 (ground floor) of the Université libre de Bruxelles (ULB), Solvay Brussels School of Economics and Management
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