

Our Hidden History of Corporations in the United States

When American colonists declared independence from England in 1776, they also freed themselves from control by English corporations that extracted their wealth and dominated trade. After fighting a revolution to end this exploitation, our country's founders retained a healthy fear of corporate power and wisely limited corporations exclusively to a business role. Corporations were forbidden from attempting to influence elections, public policy, and other realms of civic society.

Initially, the privilege of incorporation was granted selectively to enable activities that benefited the public, such as construction of roads or canals. Enabling shareholders to profit was seen as a means to that end. The states also imposed conditions (some of which remain on the books, though unused) like these*:

- **Corporate charters (licenses to exist) were granted for a limited time and could be revoked promptly for violating laws.**
- **Corporations could engage only in activities necessary to fulfill their chartered purpose.**
- **Corporations could not own stock in other corporations nor own any property that was not essential to fulfilling their chartered purpose.**

- Corporations were often terminated if they exceeded their authority or caused public harm.
- Owners and managers were responsible for criminal acts committed on the job.
- Corporations could not make any political or charitable contributions nor spend money to influence law-making.

For 100 years after the American Revolution, legislators maintained tight control of the corporate chartering process. Because of widespread public opposition, early legislators granted very few corporate charters, and only after debate. Citizens governed corporations by detailing operating conditions not just in charters but also in state constitutions and state laws. Incorporated businesses were prohibited from taking any action that legislators did not specifically allow.

States also limited corporate charters to a set number of years.

Unless a legislature renewed an expiring charter, the corporation was dissolved and its assets were divided among shareholders. Citizen authority clauses limited capitalization, debts, land holdings, and sometimes, even profits. They required a company's accounting books to be turned over to a legislature upon request. The power of large shareholders was limited by scaled voting, so that large and small investors had equal voting rights. Interlocking directorates were outlawed. Shareholders had the right to remove directors at will.

In Europe, charters protected directors and stockholders from liability for debts and harms caused by their corporations. American legislators explicitly rejected this corporate shield. The penalty for

abuse or misuse of the charter was not a plea bargain and a fine, but dissolution of the corporation.

In 1819 the U.S. Supreme Court tried to strip states of this sovereign right by overruling a lower court's decision that allowed New Hampshire to revoke a charter granted to Dartmouth College by King George III. The Court claimed that since the charter contained no revocation clause, it could not be withdrawn. The Supreme Court's attack on state sovereignty outraged citizens. Laws were written or re-written and new state constitutional amendments passed to circumvent the (*[Dartmouth College v Woodward](#)*) ruling. Over several decades starting in 1844, nineteen states amended their constitutions to make corporate charters subject to alteration or revocation by their legislatures. As late as 1855 it seemed that the Supreme Court had gotten the people's message when in *[Dodge v. Woolsey](#)* it reaffirmed state's powers over "artificial bodies."

But the men running corporations pressed on. Contests over charter were battles to control labor, resources, community rights, and political sovereignty. More and more frequently, corporations were abusing their charters to become conglomerates and trusts. They converted the nation's resources and treasures into private fortunes, creating factory systems and company towns. Political power began flowing to absentee owners, rather than community-rooted enterprises.

The industrial age forced a nation of farmers to become wage earners, and they became fearful of unemployment—a new fear that corporations quickly learned to exploit. Company towns arose, and blacklists of labor organizers and workers who spoke up for their rights became common. When workers began to organize, industrialists and bankers hired private armies to keep them in line. They bought newspapers to paint businessmen as heroes and shape public opinion. Corporations bought state legislators, then announced legislators were corrupt and said that they used too much of the public’s resources to scrutinize every charter application and corporate operation.

Government spending during the Civil War brought these corporations fantastic wealth. Corporate executives paid “borers” to infest Congress and state capitals, bribing elected and appointed officials alike. They pried loose an avalanche of government financial largesse. During this time, legislators were persuaded to give corporations limited liability, decreased citizen authority over them, and extended durations of charters.

Attempts were made to keep strong charter laws in place, but with the courts applying legal doctrines that made protection of corporations and corporate property the center of constitutional law, citizen sovereignty was undermined. As corporations grew stronger, government and the courts became easier prey. They freely

reinterpreted the U.S. Constitution and transformed common law doctrines.

One of the most severe blows to citizen authority arose out of the 1886 Supreme Court case of *Santa Clara County v. Southern Pacific Railroad*. Though the court did not make a ruling on the question of “corporate personhood,” thanks to misleading notes of a clerk, the decision subsequently was used as precedent to hold that a corporation was a “natural person.” This story was detailed in “The Theft of Human Rights,” a chapter in Thom Hartmann’s recommended book *Unequal Protection*.

From that point on, the 14th Amendment, enacted to protect rights of freed slaves, was used routinely to grant corporations constitutional “personhood.” Justices have since struck down hundreds of local, state and federal laws enacted to protect people from corporate harm based on this illegitimate premise. Armed with these “rights,” corporations increased control over resources, jobs, commerce, politicians, even judges and the law.

A United States Congressional committee concluded in 1941, “The principal instrument of the concentration of economic power and wealth has been the corporate charter with unlimited power....”

Many U.S.-based corporations are now transnational, but the corrupted charter remains the legal basis for their existence. At Reclaim Democracy!, we believe citizens can reassert the convictions of our nation’s founders who struggled successfully to free us from

corporate rule in the past. These changes must occur at the most fundamental level

