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# **The Road to El Dorado: The search for proof of limited partnership use in the second half 19<sup>th</sup> century United States**

*Keywords: Limited Partnership, Limited Liability, Economic History, Law and Economics, Forms of Organization, United States, Nineteenth Century*

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## **Abstract**

The general academic consensus is that the use of limited partnerships was nonexistent either due to the punitive interpretation of the law or the lack of interest from the business community in the second half 19<sup>th</sup> century United States. This paper aims to show that limited partnerships were used by relying on the theory of institutional change. The hypothesis proposes that the increased use of limited partnerships if there is a positive change in capital. Using three linear regressions for a set of models have provided insignificant results when controlling for state and time fixed effect. However, this may be due to the limitations of the current methodology, which would be remedied by a change in variable to better represent institutional change. Therefore, in the context of the theory of institutional change and individual state development, results are inconclusive.

The views stated in this thesis are those of the author and do not reflect those of the supervisor, the second assessor, Erasmus School of Economics or Erasmus University Rotterdam.

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## I. INTRODUCTION

Today, the limited partnership is a well-known form of business organisation used around the world, even becoming the dominant form in some industries. From Blackstone to Bloomberg, 7% of businesses in the United States are partnerships, and certainly a fair percentage of them are limited liability. However, for a nation of high commercial and industrial power, the United States has little information on the use of limited partnerships prior to the 1970s, and research on its use in the 19<sup>th</sup> century is almost non-existent. Many academics past and present, argue that this is simply due to the negligible use of the form, which therefore led to a lack of academic and practical interest. However, fairly recently, some evidence has arisen to indicate that this generalisation may not be so global, which brings forward the interesting notion that the issue may be much more nuanced than previously suspected.

The United States is an interesting laboratory for the study of economic development. Due to the nature of its foundation and organisation, the United States offers a unique opportunity to track country-wide change at state level, while simultaneously identifying and contextualising the individual and regional causes for these changes. States, with their high level of independence and contrasting political and subsequently economic policies, allow for the juxtaposition of data which would otherwise be impossible; the unifying nature of federal government and its policies ensured the unification of the vast majority of corporate law into uniform pieces of legislation; different states reached that point at different times and at different paces, due to a number of unique individual factors. Thus, it is highly likely that limited partnership adoption was not purely a legal exercise of the 19<sup>th</sup> century legal profession, but instead had some economic merit, albeit to varying degrees.

This paper aims to be the first to look into whether economic factors really did prompt the introduction and use of limited partnerships. It also tries to identify the states, if any, that had noticeable use of limited partnerships by identifying and taking into consideration the political, economic and legal context of not only the individual states, but also regionally. The main hypothesis is that states that have abundant manufacturing activity, or border states of such activity, are more likely to have higher litigation activity with respect to limited partnerships. In other words, where there is proof of economic activity, the legal system will show active use. Therefore, the main research question is as follows:

*Did higher manufacturing activity at state-level prompt the increased use of the limited partnership as an enterprise form of organisation?*

To answer this question, the paper relies on the concept of institutional change introduced by Davis & North in their seminal work “Institutional Change & The American Economic Growth” as the framework for legal change in response to economic factors. The theory proposes that if manufacturers had capital to gain, they would display more increased activity with respect to the institution of law. The methodology used in this paper is based on a set of linear regressions, with non-scaled and scaled dependent variables, to run for court cases per decade, as well as for court cases shifted by one decade to take into consideration the reactionary lag of the business community. When including time and state fixed effects, both scaled and non-scaled models give insignificant results. This is not an entirely surprising result as capital growth, and potentially growth in number of establishments, would have been driven by population growth. However, when put into the framework of the theory of institutional change, it is effectively irrelevant in the larger scheme, as an increase in capital by any means should have an effect on court cases. Unfortunately, this still leaves with insubstantial results to conclude that the use of limited partnerships was in fact relevant for the greater business community. Therefore, an alternative methodology is proposed, which not only takes into consideration the changes to the limited partnership legislation itself (and therefore removing the state size and population as a factor), but whether there are intense changes to corporation legislation as well. This methodology would also allow focus on individual states which show more promise for tracking and finding substantial use, such as New York and Pennsylvania. However, this is outside the scope of this work and can therefore be viewed as an avenue for further research.

The structure of this paper is as follows: Chapter 2 is a general overview and history of the concepts used in this paper, as well as an in-depth look at why there may be more to the use of limited partnership than meets the eye. A hypothesis is then formulated. Chapter 3 gives a brief overview of the current literature and past sources on the use of limited partnerships. Chapter 4 describes the data and methodology used. Chapter 5 is comprised of the descriptive statistics, testing and results. This chapter briefly looks into the limitations of methodology as well as proposing an alternative, together with future avenues for research. Lastly, a conclusion follows.

## II. BACKGROUND OVERVIEW

This chapter serves as an overview of the legal terminology as well as the historic development of the limited partnership as we know it today. Some background is given on corporations as well as limited partnership associations, as they proved indirectly instrumental to the current understand of the use of limited partnerships.

### 2.1. Definitions

This work deals with a topic of interest both to lawyers and economist, definitions of concepts are important to bridge any discrepancies that the two disciplines may have.

#### 2.1.1. Limited Liability

Simply put, the rule of limited liability means “that investors in the corporation are not liable for more than the amount that they invest (Easterbrook 1985)”. However, despite this definition serving as a great demonstration of the intrinsic link between limited liability and corporations, as this paper shows this is not a form this is unique to. Therefore, it may be better to give the definition of liability itself which Carney summarises as “[it] is generally viewed as a device for minimising the social cost of private activities, and for forcing actors to internalise the full cost of their actions (1998).” In other words, limiting liability is the act of preventing actors from internalising the full cost of their actions, which the corporation has made itself known for. A look at the forms of organisation that provide limited liability is discussed in 2.2.1.

#### 2.1.2. Theory of Institutional Change

The theory of institutional change is not a well-known or a relatively well-researched one. This is in part due to other fields absorbing this area of academia, such as institutional economics. However, the interaction between institutions and the field of economics, history, and political science has consistently been tracked and questioned since the late 19<sup>th</sup> century (Tang 2016). In their work focusing on the overview of the various branches of the theory of institutional change, Coccia defines the main research field of the institutional theory as “the analysis of how institutions change over time (2018).” Bush defines institutional change as “the change in the value structure of an institution that can be measured theoretically by a change in the institution’s index of ceremonial dominance (1987).” In other words, it is a change to an institution that can be tracked by the amount of “power” this institution has or gives up. The theory consists of a belief that various economic and social factors drive change in the institutions themselves, by modifying the rules and expectations that govern human interactions (Coccia 2018, Kingston 2009). There are many issues discussed in this theory, ranging from the definition of an institution to what are the top goals of the theory itself. However, they are not the focus of this work.

This paper uses one branch of the theory, namely that of “neoclassical economics” to inspire its hypothesis. This is one of the most dominant variants of the theory and also one of the simplest; it believes that change is driven by efficiency, and to improve social welfare institutions self-regulate to reach the equilibrium point (Tang 2016). In this case, it is the frequency of litigation of limited partnerships in an Anglo-Saxon legal system. An equilibrium state would be reached when an increase in economic variables would not increase the number of cases litigated. This is further discussed in the literature review.

## 2.2. Limited Liability in 19<sup>th</sup> Century United States

Historically, in the mid-to-late 19<sup>th</sup> century United States, there were three forms of business organisation that limited liability of the individual: corporation, limited partnership, and limited partnership association. While other ways of limiting liability existed e.g. homestead exemptions, this paper focuses solely on the limited partnership, with mentions of the corporation and limited partnership associations reserved for when the interpretation of results may benefit.

### 2.2.1. Forms of Organisation

In the mid 19<sup>th</sup> century until today, the United States has had three major forms of organisation: the sole proprietorship, the corporation, and the partnership. Since those days, the partnership has been split into the general partnership and the limited partnership. Additionally, near the turn of the century, limited partnership associations were introduced by a select number of states. A brief overview is given of the most relevant forms of organisation to the topic of this paper.

#### 2.2.1.1. Corporation

It may surprise some, but following the independence of the United States, corporations were relatively rare. In order to incorporate, corporate sponsors had to petition in order to obtain a special corporate charter. In the early 19<sup>th</sup> century, the question arose of whether federal or state government be the ones to issue corporate charters (Hamill 1999). However, states showed little interest in corporations, and it was only in the late 1820s that the number of corporations began to grow. New York was novel in its approach and passed the first incorporation statute in 1811 in order to promote domestic manufacturing and reduce dependency on British imports. However, the majority of the states followed only in the late 1830s, and it was well by the end of the 1850s that most of the states had copied the legislation in order to keep manufacturing from leaving (Hamill 1999). By the civil war, the United States achieved a uniformity in its incorporation under general laws and provided an alternative to special charters. By 1875, almost all states offered these general laws for manufacturing, but excluded several other enterprises.

Subsequently, several decades passed with the special charter falling out of favour and by 1914 nearly all states had adopted the general incorporation laws, meaning that incorporation could occur without the need to turn to the legislature (Hamill 1999). The corporation provided the ability to trade equity while limiting the liability of its shareholders (Hilt 2008). However, there were certain restrictions, from amount of capital required to incorporate, to the ease of obtaining charter that impacted the use of this form of organisation.

#### 2.2.1.2. Limited Partnership

The limited partnership is a form of partnership and a non-corporate enterprise that originated in French law and was first adopted in the state of New York in 1822 . This was the first time the United States had relied on foreign law completely unrelated to the British law that had been taken as foundation up until that point (Troubat 1853). By 1850, all states had adopted the legislation (Troubat 1853), and new adoption came from the introduction of new states into the federation. The exception was Louisiana, where these kinds of partnerships were called partnership *in commendam* and had existed for quite some time prior as a result of the state's history under French and Spanish rule (Bates 1886). When contrasted with a normal partnership, the limited partnership allowed for the presence of special (silent, limited) partners, whose liability was restricted and whose main purpose was to contribute capital to the organisation. In other words, unlike a general partnership, which was comprised only of general partners who were all equally and fully liable for the debt incurred by the partnership, a limited partnership allowed the presence of one or several special partners who were only liable for the amount that they contributed, as long as they adhered to the various restrictions placed upon them by the law. These restrictions ranged from not partaking in active management of the partnership to ensuring proper filing and reporting of the role of the special partner. Limited partnership laws were finally unified by the 1916 Uniform Partnership Act, which was gradually adopted by all states, with Delaware being the last in 1974 (Kessler 1979). Today, most states adhere to the Revised Limited Partnership Act (Uniform Law Commission)

#### 2.2.1.3. Limited Partnership Association

Limited Partnership Associations (LPA) were a form of enterprise organisation authorised by Pennsylvania, Michigan, Ohio, Virginia and New Jersey in the late 1870s.<sup>1</sup> Interestingly, nearly 50 years prior in 1837, such a form of enterprise organisation was discussed in the State of New York. The bill in question had under consideration the authorisation of formation of limited partnerships to receive deposits, discounts, and monied securities, as well as to make loans on

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<sup>1</sup> Pennsylvania 1874, Virginia 1875, Michigan 1877, New Jersey 1880, Ohio 1881



mortgages; in short, the very things that limited partnership legislation did *not* allow at the time (Howard 1936). However, they were not popularised until incorporation by procedure under enabling acts had become custom, effectively silencing the argument that “as the bill assumes to provide for an unlimited and indefinite number of these corporations, at the mere pleasure of individuals, it is for that reason unauthorised by and in degradation of the Constitution” (Howard 1936; Assembly 1837). This work does not focus on LPAs, due to their complicated nature, time of its authorisation, and severe lack of literature. Today, the form is better known as the Limited Liability Partnership.

### 2.3. The Use of Limited Partnerships

The general consensus amongst modern day academics is that limited partnerships were rarely used in the United States during the 19<sup>th</sup> century (Lamoureaux 1995). Looking at the available literature it is easy to see why: Not much has been written about this form of organisation, and litigious activity was technically negligible in the few states the use was thoroughly examined in.<sup>2</sup> There are several reasons assigned to this: First, absence of use was attributed to the lack of modification of the original statutes (Brown 1930). It was widely believed that the statutes were too restrictive and punishing on the special partners, and for good reason. Much of the evidence points to courts often interpreting the statute literally and pushing for its strict enforcement (Brown 1930, DeMott 2001, Hilt 2009). Subsequently, this would lead to special partners constantly running the high risk of reverting to general partners, which was a risk many were unwilling to bear (Parson’s Lectures 1882). Second, it seemed that some believed that the introduction of limited partnerships was an institutional move. Howard summarises it quite aptly, stating

*“It appears, rather, that the enactment and subsequent amendments of the statute...made legally possible the use by businessmen of an institutional device for which a few had been asking; but that after the accomplishment of this legislative feat the business community failed to demonstrate that it had any active interest in the matter.”*

In other words, limited partnerships were an innovation that no-one from the business community saw the need for, but was rather an exercise by persons of the legal profession in the State of New York.

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<sup>2</sup> In a paper on Indiana, Brown finds the state had never experienced any sort of litigation to do with limited partnership up to 1930. Meanwhile the act had been present for nearly a century (Brown 1930).

However, this author believes that some were too quick to jump to such negative conclusions. To start, there is evidence to support that great thought had gone into the creation and adoption of this form of partnership. If one were to take a look at the purpose of the limited partnership, many sources agree that a main motivator was to promote business. In *Riper v. Poppenhausen* 43 N.Y. 68, 73, the aim was said to be to “benefit trade and aid young men if integrity and capacity but without means”. In *Singer v. Kelly*, 44 Pa St. 145, 149, the judge stated that it was “to encourage the employment of capital, without personal activity on the part of its owners, by associating it with industry and enterprise which might not be possessed of capital.” This sentiment was echoed across quite a few cases (Bates 1886). Therefore, it seems that there was a genuine belief that limited partnerships were going to meet an economic need. Additionally, a further look at case law uncovers the desire of some courts to make the law workable, and cast aside the harsh interpretation of statute. In *Lachaise v. Marks*, 3 E.D. the view on statute was that “the act was not conceived in a spirit hostile to those who might seek to avail themselves” and *Levi v. Lock*, 47 How. Pr. 394, 397 identified the purpose as “intended for the mutual protection of the special partner and those dealing with him.” Aptly put, *Singer v. Kelly* summarised the goal of the legislation quite well: “It is not intended to deny that the requisites of the statute must be strictly pursued in organising and conducting limited partnerships; but this should not change the rule of interpretation, which requires the public beneficial statutes the construction which will promote their objects rather than destroy them.” This kind of sentiment puts under scrutiny the thought that courts were inflexible in their rulings.

Nevertheless, there is arguably an even more important reason for not dismissing the presence and use of limited partnerships, and that is tied closely to the use of corporations. There seems to be some tentative evidence that limited liability partnerships did not thrive in states with generally easy to use corporation legislation.<sup>3</sup> As described in section 2.2.1.1, corporation had two ways of incorporating, and different states had different requirements for how to do so. Additionally, some industries were excluded from being able to incorporate in. Consequently, there was an additional driver for limited partnerships perhaps have been out-legislated. That is to say, in states where it was easy to incorporate limited partnerships fell out of favour simply because taking on (whatever-sized) risk associated with the form was not logical when a safer and easier alternative was available. However, in states where there was more opposition to the corporate form, the reverse may have happened. Kessler writes that

*“To understand why New York enacted a limited partnership statute in 1822, it is necessary first to comprehend the contemporary complex and conflicted attitudes toward corporations and the resultant state*

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<sup>3</sup> See section 3.2.

*of flux in which the corporate law of the time therefore found itself. It is now axiomatic that shareholders have limited liability and that corporations are fundamentally private organisations that are formed by a contract made in conformance with generally applicable statutory requirements. In the early nineteenth century, however, the extent of shareholder liability and the nature of the relationship between corporation and the state remained highly contested questions.”*

To complicate things further, data for the use of general partnerships may have been mixed together with that of limited partnerships, and modern academics sometimes do not differentiate the two forms. For example, in their work on jewelers in the Providence/Attleborough area in Rhode Island during the second half of the 19<sup>th</sup> century, Kim finds that 80% of the jewelers operated as partnerships, but many operated together in a non-familial context (Kim 2007). If contrasted with other evidence which indicates that limited partnerships were mostly used in a non-familial context (Hilt 2009), it would not be a stretch to suppose that the use of limited partnerships may also have been greater in this area. Therefore, it stands to logic that the active use of limited partnerships may have been overshadowed by the use of corporations, or lost among the general partnerships, but this does not mean that their use was entirely absent or irrelevant. As such, effort must be put towards elucidating the true presence and impact of this form.

### 2.3.1. Institutional Change & Hypothesis

The seminal proposal offered in Davis & North’s “Institutional Change and American Economic Growth” is that institutional change occurs as a response to the changing needs of private parties or due to the presence of potential profit. In other words, law (and as a result, institutions) will be innovated upon as long as the expected net gains from this innovation i.e. future captured profit will outweigh the costs. The sources of these so-called institutional profits can be infinite, but the most common ones take the form of (a) economies of scale, (b) externalities, (c) risk, and (d) transaction costs (Davis & North 1971).

When considering the legal institution tied to limited partnerships, it can be divided into two: legislation and court activity. The latter is presented thanks to the precedent-centric nature of Anglo-Saxon law, where judges create law thanks to the decisions passed. As court activity has been seen as a good indicator for use (Brown 1930), and it is a much more manageable experiment to run, the author proposes the following hypothesis:

*Hypothesis: Did the amount of capital have an effect on the number of limited partnership cases litigated in courts around the United States?*

In the situation of limited partnerships, the net gains can be seen as overall capital available, since businesses are made and function to essentially increase the amount of capital. Therefore, if the capital is to increase, businesses would be more incentivised to use limited partnerships as an organisational form, and subsequently, more of such cases would be seen in court. The author therefore supposes that if capital increases, the number of court cases relating to limited partnership around the country would also increase. Again, as court activity is a good indicator of use (Brown 1930) this would provide evidence that limited partnerships were a relevant form of business organisation in the mid-to-late 19<sup>th</sup> century United States.

### **III. LITERATURE REVIEW**

This paper relies on some key sources, and was inspired by previous academic work done in the area of limited liability. However, as noted, the pervading sentiment about limited liability partnerships is that this form of business organisation (the use of which) was almost not used at all in 19<sup>th</sup> century United States, which is thus attributed for the lack of sources and academic work. Regardless, there is not much existing literature that concretely deals with the practical use of the limited liability partnership during the 19<sup>th</sup> century, and not much more that deals with the form itself. The author also acknowledges that this is not an exhaustive list, but has put in a commendable effort in raising as much relevant research as possible.

#### **3.1. Sources**

Three of the richest (and almost only) sources on limited partnerships come in the form of several compendiums drawn together by zealous members of the legal profession in the mid-to-late 19<sup>th</sup> century. The first is Troubat's 1953 compendium titled "The law of commandatary [sic] and limited partnership in the United States". This work provides an especially thorough overview of the history of the limited partnership, as well as the development of the law concerning this form in the United States until 1853. The second, which is also integral to the work of this author, is "The Law of Limited Partnership" by Bates. The work provides commentary on limited liability law by thoroughly examining the differences between limited partnership legislation of different states and attempting to unify them in a single compendium. It is also an overview of some of the leading case law on the subject. Lastly, there is Burdick's "Law of Partnership, including Limited Partnership." As the title states, this mostly follows the law of partnerships (which was much more used), and limited partnerships received a mostly superficial overview, marking a few key cases to take into account. Several other sources for limited partnerships are provided via lecture notes of the time (Parson 1882), as well as smaller compendiums (Lindley 1860).

### 3.2. Academic Writing

This paper draws direct inspiration from Hilt and O'Banion's 2009 work titled "The Limited Partnership in New York, 1822-1858: Partnership Without Kindship." This is one of the few, if not only, pieces of academic work that has found a significant and positive use of limited partnerships in the State of New York, in contrast to the prevailing academic thought. The paper finds that the use of limited partnerships is mostly found in the mercantile sector, but with noticeable use in some of the branches of the manufacturing sectors as well. Lastly, it noted that most of the limited partnerships were participated in by individuals with no familial ties, which supports the general thought on the purpose of the limited partnership was to encourage the influx of capital into businesses that needed it, which is supported by both from proponents of the laws, as well as past and present academics.

Two other earlier works that directly look at the use of limited partnerships are by Brown with "The Limited Partnership in Indiana" and Howard with "The Limited Partnership in New Jersey." Both works were written at the beginning of the twentieth century and found that the use of limited partnership was negligible, albeit for slightly different reasons. For the state of Indiana, Brown concludes with the most well-known reasoning for the lack of use of the form: "because the possibility of full liability was so serious as to make it seem useless to attempt to carry on business in this manner." On the other hand, Howard concludes that the limited partnership was an unattractive form of enterprise organisation in New Jersey simply due to the presence of the much more attractive corporate form, in large part thanks to the very "liberal" corporation legislation found in the state.<sup>4</sup>

This paper therefore contributes to this slim volume of academic research dedicated solely to the use of limited partnerships. However, the research conducted also contributes to several other areas of historical economics research. It is part of a growing volume of literature focused on limited liability and the organisational form in general.<sup>5</sup> Additionally, it marginally contributes

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<sup>4</sup> The purposes of the two papers are also quite different albeit prompted by the same event - the drafting of the Unified Limited Partnership Act 1916. Brown attempted to convince the larger community that the adoption of the ULPA 1916 would be beneficial for business, as it would allow their use in financial business i.e. insurance, brokerage and investment banking. He states: "Here limited partnerships are often more desirable than corporations because of the unlimited liability of the general partners and the consequent greater financial responsibility of the firm (p.424)" Howard's approach seems to be more of an academic exercise, as he outlines all the flaws and few potential uses of the form.

<sup>5</sup> See Lamoreaux < Constructing Firms: Partnerships and Alternative Contractual Agreements in Early Nineteenth-Century American Business>; Hansmann < Law and the Rise of the Firm >; Kempin <Limited Liability in Historical Perspective>; Guinnane et al. <Putting the Corporation in its Place>; Bodenhorn <Partnership and Hold-Ip in Early America>

to the research area of institutional change, specifically using Davis & North's presentation of the theory.<sup>6</sup>

#### IV. DATA & METHODOLOGY

The data for this paper is collected from various online and digitized sources due to the historic nature of this work. Where necessary, a new database was constructed.

##### 4.1. Data

###### Court Cases

The data concerning court cases was collected in three steps and from two sources. The cases were first collected from the 1886 compendium written by Clement Bates, titled "The Law of Limited Partnership." It was selected on the basis of being focused on the law of limited partnership as it was in the year 1886, which falls into the 1850-1880 time range researched by this paper, in addition to containing precedent setting limited partnership cases in large part from that time period as well. As with most legal compendiums, all cases mentioned in the work are listed at the front, with a clear indication of those related to limited partnerships. In total 137 cases were counted from this source. Cases were classified by both year and state: 117 cases were classified immediately following the date and court information found in their citation e.g. Snyder v. Leland (1879), 127 Mass. 291 [case tried in 1879 in the state of Massachusetts]. However, out of the remaining 20 cases, 19 cases did not have clear identification of state of litigation, while 1 case did not have an indication of either state of litigation and year e.g. Penrose v. Martyr E. B. & E. 499.

The classification of these cases is then interpreted through in-text references to a given state, or via the use of the Caselaw Access Project (CAP) run by Harvard University. Afterwards, under the search term of "limited liability" cases from CAP were manually matched with the cases from Bates, and any unaccounted-for cases in Bates's work added to the overall total. This provides two positives: First, it allows for the completion of the 1880s decade, where data is missing from 1887-1890 due to the nature of the publication but is required for the *courtplus* variable. Second, the number of cases was brought up to 419 and increased the overall number of observations. Basing the initial count on Bates's work was beneficial in catching certain lesser-known cases which may not have been digitized yet, but were considered precedent-setting in that era. As such, two time periods were dealt with: 1851-1880 and 1861-1890.

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<sup>6</sup> See Libecap < Economic Variables and the Development of the Law: The Case of Western Mineral Rights >

## States

This paper samples 32-37 states throughout the 1850s, 1860s, and 1870s. The change in number is due to several territories obtaining statehood during this period of time, namely

<b>Decade</b>	<b>Number of States</b>
1850s	33 <sup>7</sup>
1860s	34 <sup>8</sup>
1870s	38 <sup>9</sup>

Table 1: Number of states per decade

The state of Louisiana has been completely dropped from the sample as it is a state that has always had limited partnership laws in its code and therefore would have been unlikely to experience any sort of significant adoption lag due to changes in the legislation. In other words, even if there was any sort of adoption lag, this would have had a different root cause than most of the other states where limited partnerships were sometimes simply unknown and it therefore took time before they were even recognised as an option for business organisation (Troubat 1953). This is due to Louisiana being a French colony, which resulted in a legal system deeply affected by its French and Spanish colonial past (Louisiana State Museum). Therefore, it feels significantly different from the rest of the states, and seems logical to omit from this sample.

Territories have been omitted as they do not enjoy the same privileges and rights as states. Legislation was often adopted upon the entry of the Territory into the Federation, and thus, while information on their population and capital was gathered and tabulated in the censuses of the time, there is no data available on the functioning of the legislative and judicial branches during their existence in this form.

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<sup>7</sup> Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, Wisconsin

<sup>8</sup> Kansas, Nebraska, Nevada, West Virginia

<sup>9</sup> Colorado

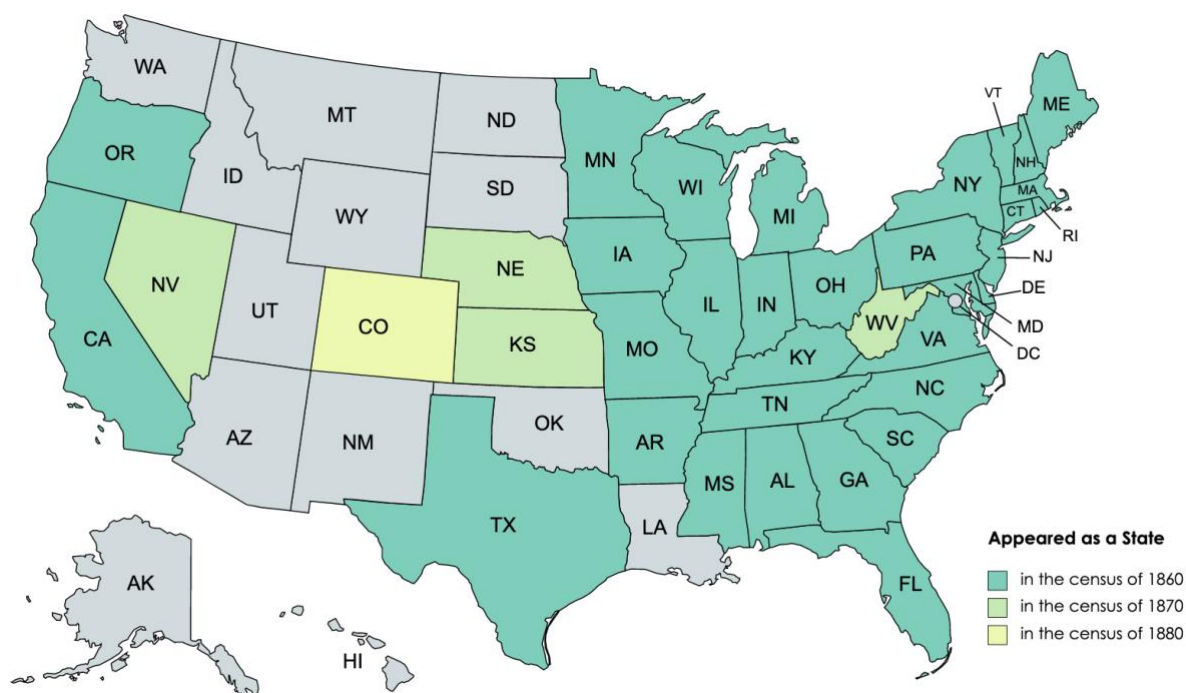


Image 1. Map of the states, and their decades for the adoption of limited partnership legislation. Note that this is a map of the United States as of 2021, and several states would not have existed until later.

### Capital

The capital amounts used in this work are taken from the Volume 2: Report on the Manufacturers of the United States at the Tenth Census for 1860, 1870 and 1880 denoting the capital for the 1850s, 1860s and 1870s; as such, in this paper census year is the representation of the whole previous decade. Capital values were collected individually, on the opinion of the proprietor, and as such “the liability to error in this respect inheres in the very nature of the subject, and is probably ineradicable.” A writer of the previous Ninth Census went so far as to say that “the census returns of capital invested in manufactures are entirely untrustworthy and delusive... No man in business knows what he is worth – far less can say what proportion of his state is to be treated as capital...It is greatly to be regretted that the census should be encumbered by an enquiry yielding so little.” However, as the research question deals with the magnitude of the values rather than the values themselves this does not pose a substantial problem. Additionally, when compared to the sample figures with respect to capital invested drawn from the data compiled by Bateman, Foust and Weiss at national level, the position of states with respect to each other hardly changed, indicating once more that the relative sizing of capital between states seems to be intact. For example, Pennsylvania, New York and Massachusetts consistently remain the top three states by capital.



<b>State</b>	<b>Capital</b>	<b>State</b>	<b>NatCapSample</b>
Pennsylvania	\$ 190,055,904	New York	\$10,211,685
New York	\$ 172,895,652	Massachusetts	\$6,246,585
Massachusetts	\$ 132,792,327	Pennsylvania	\$5,372,750
Ohio	\$ 57,295,303	New Jersey	\$2,078,275
New Jersey	\$ 49,521,048	Ohio	\$1,805,381
Illinois	\$ 27,548,563	Virginia	\$1,252,455
Virginia	\$ 26,935,560	Missouri	\$1,088,610
Michigan	\$ 23,808,226	Maryland	\$1,068,985
New Hampshire	\$ 23,274,094	Illinois	\$979,360
Maryland	\$ 23,230,608	Michigan	\$862,500
Maine	\$ 22,044,020	Maine	\$814,591

Table 2: Comparison of figures given by the 10<sup>th</sup> Census and manufacturing data collected by Bateman, Foust and Weiss in order to gauge if relative magnitude was kept intact.

### Political Party

The political party lean of the state was obtained from the results of the presidential elections from 1852-1880.<sup>10</sup> The results were sourced from The Presidential Ballots, 1836-1892. As the data is aggregated by decade, the “average” result was taken to represent the political leaning of the state prior to the Census at the turn of each of the respective decade. This is motivated by the understanding that should policy will change to that of the dominant party, and if the party is prominent for the majority of the decade, its policies will most likely prevail throughout the entire decade. For states that were barred from voting post the American Civil war, the state lean was carried over from the last election they were able to vote.<sup>11</sup> A full table for selection can be found in Appendix A.

### Number of establishments

The number of establishments is drawn from the Tenth Census per state, for the decades ending in 1860, 1870, 1880.

### Population

Population numbers are drawn from Volume 1: Statistics of the Population of the United States at the Tenth Census. This is the same compendium as used for the manufacturing data, and was also used for decades ending in 1860, 1870 and 1880.

<sup>10</sup> The elections considered were 1852, 1856, 1860, 1864, 1868, 1872, 1876, 1880.

<sup>11</sup> These were Alabama, Arkansas, Georgia, Illinois, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas

## 4.2. Methodology

This paper runs identical analyses on two related dependent variables: *court* and *courtplus*.

The two basic models are

**Model 1:**  $court = \beta_0 + \beta_1 capital + \beta_2 ncap\_avg + \beta_3 party + \beta_4 nparty + \beta_5 nparty^2 + \beta_6 num\_est + \beta_7 timefixedeffect + \beta_8 statefixedeffect + \varepsilon$

and

**Model 2:**  $courtplus = \beta_0 + \beta_1 capital + \beta_2 ncap\_avg + \beta_3 party + \beta_4 nparty + \beta_5 nparty^2 + \beta_6 num\_est + \beta_7 timefixedeffect + \beta_8 statefixedeffect + \varepsilon$

The scaled models are

**Model 3:**  $court = \beta_0 + \beta_1 cap\_per\_pop + \beta_2 ncap\_avg + \beta_3 party + \beta_4 nparty + \beta_5 nparty^2 + \beta_6 num\_est + \beta_7 timefixedeffect + \beta_8 statefixedeffect + \varepsilon$

and

**Model 4:**  $courtplus = \beta_0 + \beta_1 cap\_per\_pop + \beta_2 ncap\_avg + \beta_3 party + \beta_4 nparty + \beta_5 nparty^2 + \beta_6 num\_est + \beta_7 timefixedeffect + \beta_8 statefixedeffect + \varepsilon$

*court* is the number of observed limited partnership court cases observed per state during the time period of 1851-1880. *courtplus* is the number of observed limited partnership court cases observed per state moved by a decade, for the time period of 1861-1890. This is done in order to capture the possibility that the implementation of rulings, duration of cases, and response of the legal communities may experience a delay in effect. (Therefore, things like capital should be matched with cases from the next decade as the effect of this variable would only be assimilated by users (and in turn, courts) after a certain period of time.)

The independent variables that were considered were *capital*, *ncap\_avg*, *ncap\_med*, *party*, *nparty*, *nparty2*, *num\_est*, *cap\_per\_est*, and *cap\_per\_pop*. *fixedstateeffect* and *fixedtimeeffect* are introduced to capture the respective effects.

*capital* is based on the capital data as described above, which is simply the capital per state, documented every decade. *ncap\_avg* is a binary variable that denotes whether a particular state borders with at least one other state with capital that is over the average of the group. *ncap\_med* follows the same principle, and looks at whether a particular state borders with at least one other state with capital that is over the median of the group. These variables were considered on the basis that manufacturing often happens regionally, and therefore a state may be more likely to manufacture if it is adjacent to at least one other such state. *ncap\_avg* and *ncap\_med* were introduced in order to capture if there is any significant impact from the state bordering another large manufacturing state. Due to the skewedness of the data, the average seemed to provide a better result than the median, as it was also nearly identical to the 75<sup>th</sup> quartile, and was thus selected over *ncap\_med*.

In an attempt to capture the impact of specific party politics, several variables have been designed to accommodate this. *party* is a binary variable that denotes if the state was democratic or republican. *nparty1* and *nparty2* are variables that denote if there is at least one or two adjacent states of the same political leaning, respectively. This is meant to capture the larger political movement in various geographical areas of the United States, and the impact that it may have had individual state policy, such as, for example, the Jacksonian-Democrats.

The last two non-scaled variables are *num\_est* and *pop*. *num\_est* is number of establishments in the state for a given decade. *pop* is the given population of the state for a given decade.

Several scaled variables have also been selected in order to take into consideration state size. These are *cap\_per\_est*, *est\_per\_pop* and *cap\_per\_pop*. *cap\_per\_est*, is the amount of capital (on average) across the establishments per state (capital/establishment). *est\_per\_pop* and *cap\_per\_pop* are establishments per inhabitant and capital per inhabitant respectively (capital/population and establishment/population). This would ensure the proper scaling of states, as a bigger state is more likely to have more capital through the virtue of its size alone.

The models used were of a simple regression, a regression with robust standard errors, as well as a regression with robust standard errors as well as both time and state fixed effects.<sup>12</sup> The latter feels appropriate as states themselves are so different that this allows for more accurate comparison, in addition to taking into consideration the effects of time and the peculiarities of the states themselves.

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<sup>12</sup> They are referred to 1, 2, 3 respectively throughout this paper.

## **V. DESCRIPTIVE STATISTICS, TESTING & RESULTS**

In this section the full overview of the descriptive statistics, followed by the results of the various models, as well as their interpretation Section 5.1 covers the descriptive statistics shown in Tables 2-5. Section 5.2. covers correlation and the implications, followed by section 5.3. with the testing of the modified models. Section 5.4. interprets the results, and drawbacks of the methodology, while section 5.5. proposes an alternative methodology. Lastly, section 5.6. proposes future avenues of research.

### 5.1. Descriptive statistics

Table 2 shows a significant gap between the maximum and the median for the number of cases between 1851-1880, as well as for the shifted time period of 1851-1890. This would indicate that the data is heavily skewed, with a few states having the most court cases throughout either of the two periods. This is supported by Table 3, which shows that in general most of the activity came from New York and Pennsylvania from 1851-1890, each of them having 185 and 111 cases respectively. A few other states had some noticeable activity namely Massachusetts, Illinois and Missouri, with 18, 16 and 11 cases respectively. Table 4 shows the increase of cases over the 1850s-1880s. Between the end of the 1870s and 1880s, case numbers experienced a 93% increase, jumping from 216 to 419 in 10 years. The majority of this activity can be attributed to New York and Pennsylvania, as found in Appendix B.

With respect to capital, it is once again very heavily skewed to one side, with the maximum being very distant from the median, with the standard deviation being nearly twice that of the mean. In the 1850s-1870s, capital nearly doubled, growing by from 1860s to 1870s. This is again due to states such as Pennsylvania, New York, Michigan, Ohio etc. which had state capital that was much higher than the average, as demonstrated in Appendix C.

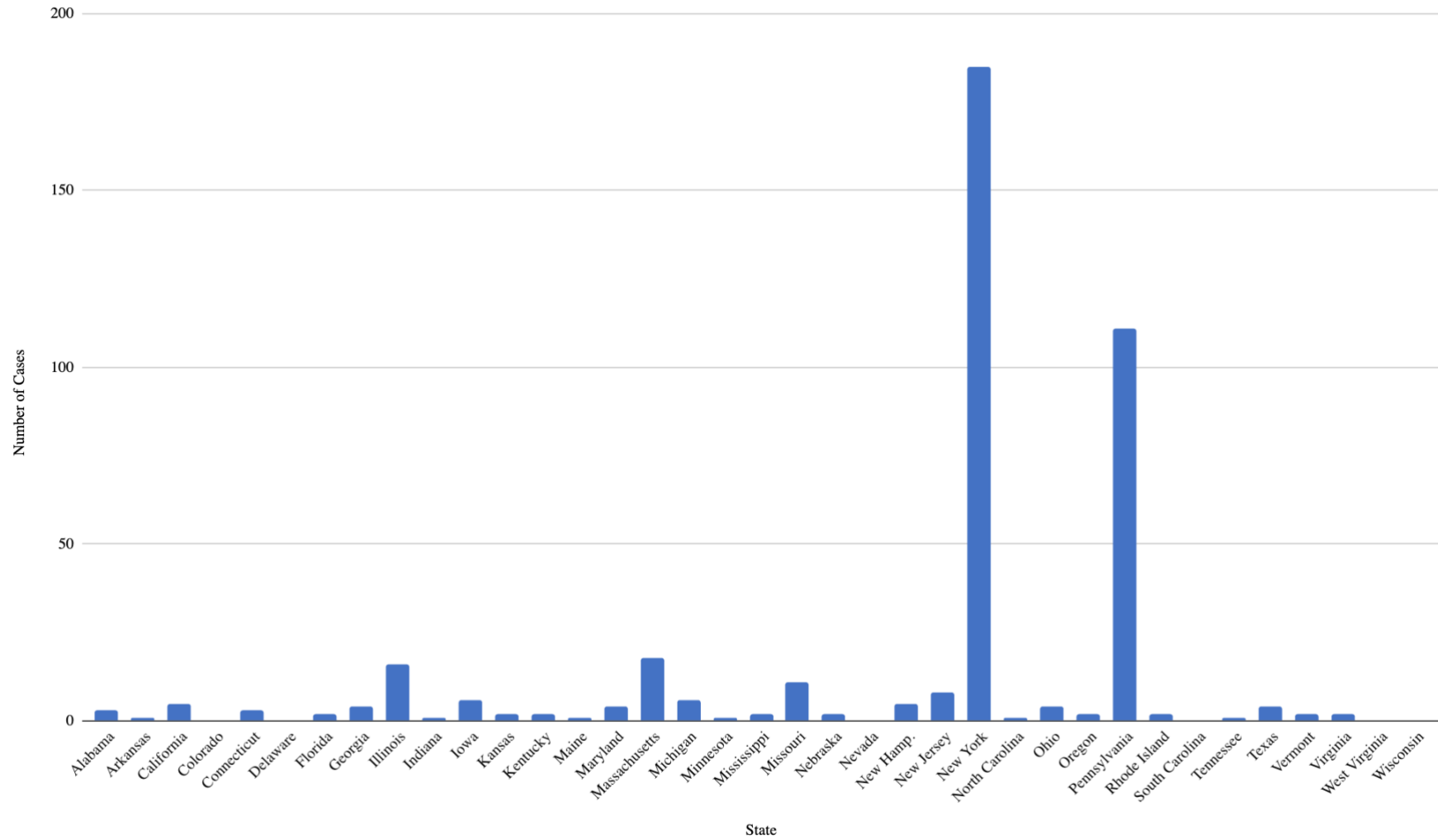
The number of establishments, population, and subsequently capital per establishment, capital per inhabitant and establishment per inhabitant are all skewed as well. Capital and establishments can be seen in Appendix D.

**Table 2: Descriptive Statistics of variables for 1851-1880**

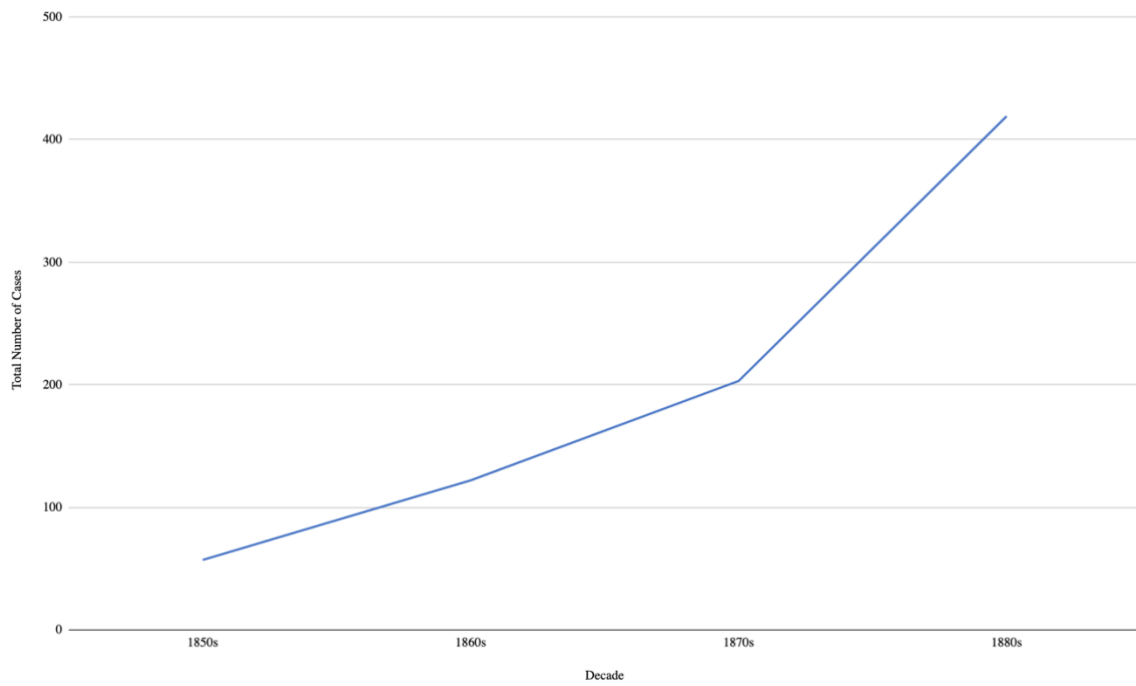
Variable	Mean	Median	Obs	Std. Dev.	Min	Max
Decade			105		1850	1870
Number of cases (1851-1880)	1.93	0	105	5.72	0	36
Number of cases (1861-1890)	3.45	1	105	12.2	0	90
Political party	.38	0	105	.49	0	1
Neighbour state political party	.92	1	105	.27	0	1
Neighbour state political party - 2	.73	1	105	.44	0	1
Capital (\$ Million)	55.72	2.20	105	93.64	1.32	514.24
Neighbouring state capital over average	.51	1	105	.50	0	1
Neighbour state capital over median	.76	1	105	.43	0	1
Number of establishments	6,089.82	3450	105	7,832.33	184	42,739
Capital per establishment	7,995.04	5,986.29	105	6,129.95	1,652.38	35,976.93
Population (Thousand)	1,086	828	105	983	42	5,083
Establishments per inhabitant	.005599	0.01	105	.0039505	.0011896	.0312259
Capital per inhabitant	50.63	31.28	105	54.90	3.024	306.22

Notes: Number of cases (1861-1890) was taken for that period of time, but it was then matched and used against data from 1851-1880. Additionally, decade denotes 10 years with the 1850s beginning in 1851 to 1860, 1860s – 1861-1870 and 1870s beginning in 1871 and ending in 1880.

**Table 3: Number of court cases dealing with limited liability between 1851-1890 by state**

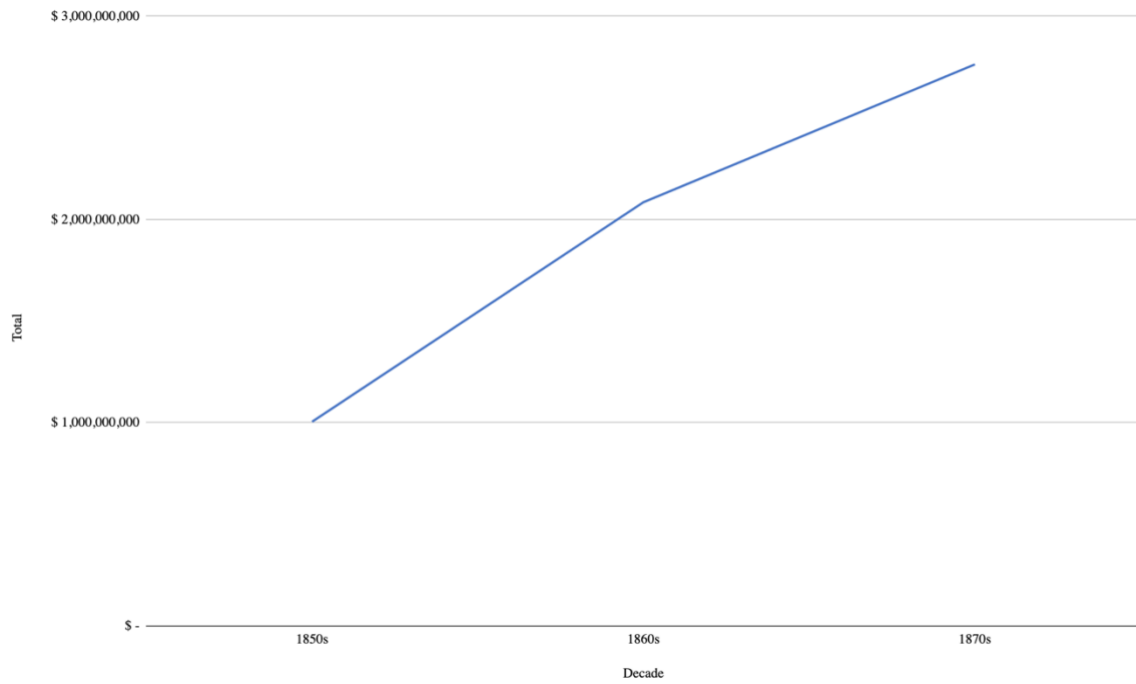


**Table 4: Number of cases per decade (1850s-1880s)**



Source: "The Law of Limited Partnership" by Clement Bates and Case Law Access Project

**Table 5: Growth of capital per decade (1850s-1870s)**



Source: Volume 2: Report on the Manufacturers of the United States.

## 5.2. Correlations

Table shows the correlations between all proposed variables. This is done in order to catch any high significant correlation that could result in multicollinearity, as well as track any interesting trends that may not have been prevalent before.

Firstly, population and capital are highly and significantly positively correlated (0.81). This would indicate that as population increases, so does capital which makes sense from a purely logical standpoint – more people make more money. Population is also highly and significantly correlated with number of establishments (0.91) which again is highly logical as it means that where there are more people, there are more establishments. This can be seen in Appendix E. With respect to the correlation between capital and establishments, the correlation is even higher (0.93). This is a little more difficult to interpret. If there is more capital, there are more establishments, but correlation does not mean causation and it is uncertain what factor prompts which. In a true case of the chicken and the egg, capital may originate due to the higher number of establishments, and as they succeed and grow, it may spur more people to go into business and create new establishments. It is not surprising that the scaled variables are also highly correlated: capital per population is highly correlated with establishment per population (0.53).

With respect to the independent variables, the number of court cases from 1851 to 1880 and the number of court cases from 1861 to 1890 are significantly correlated with capital (0.75 and 0.82 respectively) but are not so with the scaled capital per population (0.19 and 0.18 respectively). In this case, higher correlation would have been preferable, as the increase allows for a better fit.

The correlations of the binary variables are the hardest to interpret due to the nature of the variable. However, while it is possible to attempt to interpret via a point biserial correlation, it is not strictly speaking necessary. The correlation is needed only to know whether there is significant multicollinearity, which could impede the accuracy of results. As such, for Model 1, 2, 3 and 4 several variables were dropped as a result of high correlation.



	<b>court</b>	<b>courtplus</b>	<b>party</b>	<b>nparty</b>	<b>nparty2</b>	<b>capital</b>	<b>ncap_avg</b>
<b>court</b>	1						
<b>courplus</b>	0.7997***	1					
<b>party</b>	-0.1595	-0.1468	1				
<b>nparty</b>	0.0471	0.0727	-0.0704	1			
<b>nparty2</b>	0.1253	0.1393	-0.0148	0.4762***	1		
<b>capital</b>	0.7467***	0.8172***	-0.2458**	0.1390	0.2083**	1	
<b>ncap_avg</b>	0.2395**	0.2132**	-0.2186**	0.2237**	0.3189***	0.4201***	1

	<b>court</b>	<b>courtplus</b>	<b>party</b>	<b>nparty</b>	<b>nparty2</b>	<b>capital</b>	<b>ncap_avg</b>
<b>ncap_med</b>	0.1309	0.1238	-0.2061**	0.3452***	0.3708***	0.2563***	0.5305***
<b>num_est</b>	0.7551***	0.7573***	-0.2108**	0.1218	0.2107**	0.9265***	0.4127***
<b>cap_per_est</b>	0.1467	0.1514	-0.2143**	0.1652*	0.1171	0.3776***	0.4414***
<b>pop</b>	0.7203***	0.7083***	-0.0486	0.1276	0.2452**	0.8056***	0.2916***
<b>est_per_pop</b>	0.1592	0.1182	-0.1797*	0.0033	0.0035	0.2633***	0.2656***
<b>cap_per_pop</b>	0.1882*	0.1780*	-0.2857***	0.1582	0.1204	0.4317***	0.4653***

	ncap_avg	ncap_med	num_est	cap_pe~t	pop	est_pe~p	cap_pe~p
ncap_avg	1						
ncap_med	0.5305***	1					
num_est	0.4127***	0.2347**	1				
cap_per_est	0.4414***	0.2886***	0.1479	1			
pop	0.2916***	0.1290	0.9083***	0.0060	1		
est_per_pop	0.2656***	0.2638***	0.2835***	0.2444**	0.0015	1	
cap_per_pop	0.4653***	0.3372***	0.02352**	0.9290***	0.0133	0.5320***	1

**TABLE 6: Correlations of variables for the 1850s-1880s data set, including standard and non-standard variables.**

LEGEND	
court – number of cases from 1851-1880	ncap_med – same as previous but w.r.t. decade median
courtplus – number of cases from 1861-1890	num_est – number of establishments
party – whether state is Democratic or Republican	cap_per_est – capital per establishment
nparty – whether at least one other state is of the same political sway	pop – population (number of inhabitants)
nparty2 – whether at least two states are of the same political sway	est_per_pop – establishments per inhabitant
capital – amount of capital	cap_per_pop – capital per inhabitant
ncap_med – whether state borders a neighbour with capital above the decade average	

For Model 1 & 2, the variables denoting whether the state bordered one of with high capital (ncap\_avg), whether the state bordered more than two states of the same political party(nparty2), and the number of establishments (num\_est) were dropped. nparty and nparty2 have a significant correlation of 0.48, navg\_cap and capital have a significant correlation of 0.47 and as mentioned, number of establishments was extremely highly correlated with capital. Therefore, Models 1 & 2 were modified in the following way:

### **Model 1**

Before:  $\text{court} = \beta_0 + \beta_1\text{capital} + \beta_2\text{ncap\_avg} + \beta_3\text{party} + \beta_4\text{nparty} + \beta_5\text{nparty2} + \beta_6\text{num\_est} + \beta_7\text{timefixedeffect} + \beta_8\text{statefixedeffect} + \varepsilon$

After:  $\text{court} = \beta_0 + \beta_1\text{capital} + \beta_2\text{party} + \beta_3\text{nparty} + \beta_4\text{timefixedeffect} + \beta_5\text{statefixedeffect} + \varepsilon$

### **Model 2**

Before:  $\text{courtplus} = \beta_0 + \beta_1\text{capital} + \beta_2\text{ncap\_avg} + \beta_3\text{party} + \beta_4\text{nparty} + \beta_5\text{nparty2} + \beta_6\text{num\_est} + \beta_7\text{timefixedeffect} + \beta_8\text{statefixedeffect} + \varepsilon$

After:  $\text{courtplus} = \beta_0 + \beta_1\text{capital} + \beta_2\text{party} + \beta_3\text{nparty} + \beta_4\text{timefixedeffect} + \beta_5\text{statefixedeffect} + \varepsilon$

With respect to Model 3 & 4, the variables denoting whether the state bordered one of with high capital (ncap\_avg), whether the state bordered more than two states of the same political party(nparty2), whether the state bordered at least one state of the same political leaning (nparty), and the number of establishments (num\_est) were dropped. This is nearly identical to Models 1 & 2 with the exception of nparty, which falls out due to being significantly correlated with capital per inhabitant. Therefore, Models 3 & 4 were modified in the following way:

### **Model 3**

Before:  $\text{court} = \beta_0 + \beta_1\text{cap\_per\_pop} + \beta_2\text{ncap\_avg} + \beta_3\text{party} + \beta_4\text{nparty} + \beta_5\text{nparty2} + \beta_6\text{num\_est} + \beta_7\text{timefixedeffect} + \beta_8\text{statefixedeffect} + \varepsilon$

After:  $\text{court} = \beta_0 + \beta_1\text{cap\_per\_pop} + \beta_2\text{nparty} + \beta_3\text{timefixedeffect} + \beta_4\text{statefixedeffect} + \varepsilon$

### **Model 4**

Before:  $\text{courtplus} = \beta_0 + \beta_1\text{cap\_per\_pop} + \beta_2\text{ncap\_avg} + \beta_3\text{party} + \beta_4\text{nparty} + \beta_5\text{nparty2} + \beta_6\text{num\_est} + \beta_7\text{timefixedeffect} + \beta_8\text{statefixedeffect} + \varepsilon$

After:  $\text{courtplus} = \beta_0 + \beta_1\text{cap\_per\_pop} + \beta_2\text{nparty} + \beta_3\text{timefixedeffect} + \beta_4\text{statefixedeffect} + \varepsilon$

### 5.3. Testing

Each model was run through three different regressions: (1) with no fixed effects, (2) with robust standard errors, and (3) with time and state fixed effects.

Model 1, which uses a non-standardized measure of capital and has the dependent variable of court activity from 1851-1880, sees capital with a significant ( $p = 0.000$ ) and positive coefficient of incredibly small magnitude only when there are no fixed effects (1). For the same model, party and nparty are highly insignificant for any of three regressions, indicating that there is no impact on court cases by the party of the state or if the state borders at least one other state of the same political lean. The  $R^2$  of regression (3) is 0.93 showing much of the variance has been explained.

#### MODEL 1

Dependent variable: court

	(1) no fixed effects	(2) with robust standard error	(3) with fixed time and state effects
capital	4.65e-08*** (0.000)	9.38e-09 (0.605)	7.83e-09 (0.686)
party	.274 (0.732)	-.225 (0.723)	-.367 (0.640)
nparty	-1.22 (0.394)	-.784 (0.177)	-.796 (0.130)
_cons	.370 (0.795)	2.22** (0.044)	2.39** (0.035)
Number of obs	105	105	104
R-squared	0.5614	0.5368	0.9270
R-Squared Adj	0.5484		0.8806

\*10% significance, \*\*5% significance, \*\*\*1% significance

All regressions are linear. (2) done via clustering. party is a binary variable denoting the political lean of the state between democrat and republican. nparty is a binary variable denoting if state borders at least one other state of the same political sway. courtplus denotes number of court cases for the 1851-1880 time period. cap\_per\_pop denotes capital per inhabitant.

Model 2, which uses a non-standardized measure of capital and has the dependent variable of court activity from 1861-1890, sees capital with a significant and positive coefficient of incredibly small magnitude for all three regressions (1)  $p=0.000$ , (2)  $p=0.000$  and (3)  $p=0.003$ . For the same

model, as previously, party and nparty are highly insignificant for any of the three regressions. The R<sup>2</sup> of regression (3) is 0.83 showing much of the variance has been explained.

### MODEL 2

Dependent variable: courtplus

	(1) no fixed effects	(2) with robust standard error	(3) with fixed time and state effects
capital	1.09e-07*** (0.000)	1.26e-07*** (0.000)	1.44e-07*** (0.003)
party	1.398 (0.344)	0.545 (0.655)	-1.806 (0.368)
nparty	-1.815 (0.492)	-.219 (0.749)	0.086 (0.941)
_cons	-1.480 (0.573)	-3.577* (0.057)	-4.008* (0.089)
Number of obs	105	105	104
R-squared	0.6725	0.6698	0.8282
R-Squared Adj	0.6628		0.7192

\*10% significance, \*\*5% significance, \*\*\*1% significance

All regressions are linear. (2) done via clustering. party is a binary variable denoting the political lean of the state between democrat and republican. nparty is a binary variable denoting if state borders at least one other state of the same political sway. courtplus denotes number of court cases for the 1861-1890 time period. cap\_per\_pop denotes capital per inhabitant.

Model 3, which uses a standardized measure of capital in the form of capital per inhabitant and has the dependent variable of court activity from 1851-1880, sees capital with a significant and positive coefficient for only regression (1), with a p-value of 0.063 and coefficient of 0.019 at 10% significance level. This would indicate that capital does very weakly impact court cases (as is shown in Model 1) but only if there are no fixed effects. In the regression (3) the capital is highly insignificant with a p-value of 0.681. This would seem to indicate that capital growth over time and per state explains the increase of court cases. Surprisingly, nparty is significant at the 10% level and highly negative in regression (3) with a p-value of 0.065 and a coefficient of -0.835. This seems odd as this is the only time that a variable other than capital is significant in any of the regressions in any of the models. If interpreted, it would mean that court cases are lower in states

which border at least one state that is similar to the policy of the state itself, which goes against the initial expectation. Ideally, states would experience more litigation if they are bordering at least one state of a similar political leaning as there is expectation of a regional policy effect at play. The  $R^2$  of regression (3) is 0.92 showing much of the variance has been explained.

### MODEL 3

Dependent variable: court

	(1) no fixed effects	(2) with robust standard error	(3) with fixed time and state effects
cap_per_pop	0.019* (0.063)	0.008 (0.383)	.003 (0.681)
nparty	.381 (0.857)	-.798* (0.100)	-.835* (0.065)
_cons	.603 (0.766)	2.250*** (0.001)	2.581*** (0.000)
Number of obs	105	105	104
R-squared	0.0357	0.0258	0.9248
R-Squared Adj	0.0168		0.8789

\*10% significance, \*\*5% significance, \*\*\*1% significance

All regressions are linear. (2) done via clustering. nparty is a binary variable denoting if state borders at least one other state of the same political sway. court denotes number of court cases for the 1851-1880 time period. cap\_per\_pop denotes capital per inhabitant.

Model 4, which uses a standardized measure of capital in the form of capital per inhabitant and has the dependent variable of court activity from 1861-1890, sees capital with a significant and positive coefficient once more only in regression (1), with a p-value of 0.086 and coefficient of 0.038. As with Model 3, the interpretation would be that capital does affect the number of cases litigated but only very weakly. With respect to regression (3), the model finds capital highly insignificant with a p-value of 0.542. Unlike model 3, nparty is not significant in any of the three regressions. The  $R^2$  of regression (3) is 0.68. This is noticeably worse than the rest of the models indicating that there is variance which could potentially be explained by different variables.

## MODEL 4

Dependent variable: courtplus

	(1) no fixed effects	(2) with robust standard error	(3) with fixed time and state effects
cap_per_pop	0.038* (0.086)	0.048 (0.254)	.019 (0.542)
nparty	2.090 (0.644)	.413 (0.316)	.108 (0.911)
_cons	-.404 (0.766)	.641 (0.738)	2.399 (0.176)
Number of obs	105	105	104
R-squared	0.0337	0.0323	0.6849
R-Squared Adj	0.0148		0.4928

\*10% significance, \*\*5% significance, \*\*\*1% significance

All regressions are linear. (2) done via clustering. nparty is a binary variable denoting if state borders at least one other state of the same political sway. courtplus denotes number of court cases for the 1861-1890 time period. cap\_per\_pop denotes capital per inhabitant.

### 5. 4. Interpretation of Results

The overall result states that there is nothing statistically significant to prove the hypothesis that capital had any sort of effect on the litigation activity of states with respect to limited partnerships. There was no significant effect regardless of the time period of cases taken. Additionally, there was no impact of the state being bordered by one (or two) of similar political lean. As such, it seems that the current belief that limited partnerships were virtually non-existent holds true. However, unfortunately, the methodology used showed some defects throughout the course of the experiment, which may have, in turn, prevented a significant outcome.

#### 5.4.1. Methodological limitations

First, the use of court activity as tracked by the number of cases brought before their respective state judicial systems is an extremely simplified method of tracking institutional change, which was ultimately elected due to the alternative being extremely time consuming, and of much larger scope than a work of this nature is capable of encompassing. While being a good indicator of the presence and use of limited partnerships, court activity does not indicate the true magnitude of this use, as there is an unknown number of successful contracts which may have used the form

but were never litigated. Additionally, as shown by Brown, there is a possibility of states with less court activity lack the proper documentation of this activity, due to the relative rarity of limited partnerships as a business form. As a result, this may skew results in favour of larger states such as New York, Pennsylvania, and Massachusetts, which may have had better filing procedures in place. Alternatively, inconsistencies may arise from simply the lack of filing information as demonstrated by Kim.

Second, the use of manufacturing capital may not be the ideal measure with respect to limited partnerships. In their paper, Hilt specifically mentions the overwhelming use of limited partnerships in the mercantile sector, with manufacturing coming in a definitive second. However, in the Census itself, there seems to be no clear delineation of mercantile industries, albeit there being distinct mention of this in an Archives Letterhead of the National Archives and Records Administration. Therefore, if mercantile capital could be separated and used for the analysis, the results may be more reflective of reality, although this is arguably not a solution. This is because the cases currently included in the court count have only been selected on the basis of the form of business, not on the sector, and as a result would also have to undergo a selection process, diminishing an already slim data pool.

Third, the temporal scope of this work is limited for two reasons: (a) The work anchors itself to the 1886 compendium on limited partnerships by Clement Bates which limited the analysis to three decades – *the range*, and (b) Data from the censuses was only available relative to the decade and not per year – *the selection*. It may be possible to broaden the range of the study if other compendiums are used as anchor points from 1822 up to 1916, but this causes its own set of execution problems.<sup>13</sup> Firstly, the earliest compendium on limited partnerships was published in 1853 by Troubat. As previously mentioned, this was in part due to him being a firm believer in the business form, and harboring a desire to spread the knowledge of its existence as the actual use of the form was greatly lagging behind an already slow adoption process. Secondly, compendiums post 1886 e.g. Burdick's 1899, Lindley 1860 were not solely dedicated to limited partnerships, and suffered in depth and volume as a result. Therefore, it makes them arguably non-comparable to Bates's thorough foundation for analysis. However, this may not be as detrimental to the study as it seems: between the 1850s-1870s, an explosive shift happened in the growth of the country as a whole, and while there may have been lag in use of the form due to the ignorance of the industrial community, it would have been greatly mitigated by the growing efforts of the legal community. In other words, the period of this paper already encompasses the

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<sup>13</sup> 1822 is the date New York implemented limited partnership legislation; 1916 is the year of the Unified Limited Partnership Act.



rapid increase in economic growth and provides enough variety of levels of capital and court activity.

With respect to the selection, it may be possible to interpolate the Census data to yearly in order to match the yearly court activity data. However, this does not seem to be necessary, as the increase in observations will not really contribute to the accuracy of the results due to the scarcity of the court cases themselves.

There is also the question of effectiveness of some of the variables chosen. As Appendix B and C show, it is not unreasonable to try and identify a regional effect. States with most density of establishments and population do not directly overlap with the states of most manufacturing capital, but as seen previously, they do highly correlate. Therefore, variables like `nparty`, `nparty2` and `navg_cap` may suffer (and ultimately did through having to be dropped), due to this strong correlation. Additionally, making a variable based on the likelihood of “at least one” state being similar is not precise. It makes some states more likely to flag as positive simply due to their geographical location. For example, the Atlantic states border a large body of water, and would therefore be less likely to flag up than a landlocked state as Pennsylvania. On the west coast, California can only ever border one or two states, thanks to the then existing territories which were excluded from this experiment. Arguably, what brings more inaccuracy is that this method will falsely flag up states that ring a certain region, effectively providing an inflated number. Therefore, a more refined method of trying to capture regional effect may be necessary but in a different form. Additionally, variables focused on catching political effects are also imprecise due to the significantly more fragmented state of the Federation back then, with strong political sway of third parties which may not have ever taken office or often won the state elections i.e. Federalists.

Lastly, and most importantly, the true cause of the growth of capital is difficult to identify, and how much of that can be attributed solely to the growth of population. This raises the question of migration patterns, post-war restructuring, establishment size, as well as levels of immigration, all of which were most certainly of great importance in explaining the volatility and speed of state economic activity. Another prominent question is whether the number of establishments is driven by the presence of available capital, or driving the amount of capital, or both. Furthermore, would more establishments lead to higher litigation activity, or would bigger establishments (with more business) be present in court more often? What makes interpretation harder is the presence of only a few states that experienced notable court activity, effectively making them outliers to the general trend of almost complete absence of limited partnerships in the business world.

Thus, the imperfection of the methodology should caution in taking the insignificance of the results as indication of the absence of use, especially with the descriptive statistics showing that this was clearly not the case in at least New York and Pennsylvania.

#### 5.4.2. The Role of Limited Partnerships

Looking in the context of institutional change, the presence of insignificant results does not go against the proposed notion that efficiency is sought through the change in the legal mechanism until all gains have been exploited. For one, institutional change is not concerned with *where* or *how* this capital is growing, only that it is increasing. Therefore, through this lens, the results seem to confirm that it is capital that is driving legislative action. Logically speaking, this is not an incorrect conclusion to come to, considering that as a form of organisation, the limited partnership is directly tied to business. This court activity could only happen when there are enterprises. The question thus returns to: What drives enterprise numbers? Is it the number of people, or the available capital? Or form of enterprise i.e. industrial vs plantation? Lastly, there may be a deficiency in using the court case count itself. The assumption of the theory of institutional change is that eventually an equilibrium will be reached, which would imply that eventually the number of cases should stabilize at a certain level. This does not sound entirely feasible due to the growth in population simply birthing more people that could eventually go to court. Nor has it been tested.

However, this paper has served a purpose in clarifying several things in relation to limited partnership use. First, states such as New York and Pennsylvania (and potentially Massachusetts) should be research into more in-depth. The rise of cases in New York continues the trend Hilt identified and therefore shows an encouraging sign of the state actively using this form of organisation. Yet, the most interesting data concerns Pennsylvania. Not only did the state have very notable limited partnership activity, but it also authorised the limited partnership association. While no source explicitly states so, this is probably due to the very incremental and delayed amendments done to the Pennsylvania's incorporation laws as it was one of the vestiges of the anticorporation movement, only adopting a general incorporation law in 1933 (Lamoureux 2015). The Democratic movement, while clearly often not winning the state during presidential elections (Appendix A) and facing a Republican dominated legislature, still held massive sway in policy making, and were constantly seeking to restrict corporate sway (Klein 1980).. When further compared to New Jersey, which had very similar political history to Pennsylvania, further tentative conclusions can be drawn (Lamoureux 2015). For one, New Jersey

had also introduced LPAs but it didn't really seem to have the necessity to do so. For one, the Democratic movement had lost its momentum and incorporation laws were much more prevalent (Lamoureaux 2015; Howard 1934). As a result, as evidenced by the sheer lack of cases, the limited partnership experienced negligible use and subsequently, there would have been no impetus to introduce this hybrid partnership/corporate form. And yet it was. A similar political environment could be found in Massachusetts (Lamoureaux 2015), and encouragingly, the state also experienced above average court activity with respect to limited partnerships. This serves to further support the assumptions this author took for regional political effects. A tentative conclusion thus presents itself: Limited partnerships, like life, survived under the constraints of very specific conditions, but they were by no means extinct as academia likes to think them.

### 5.5. Alternative Methodology

In order to circumvent the fundamental issue inherent to the use of court cases as the measurement for legal activity, a viable alternative could be the use of the limited partnership legislation itself, rather than the legal activity as demonstrated by court activity. The intrinsic benefit of the theory of institutional change is in its clear definition of what constitutes the phenomena, while being relatively open to its interpretation. However, at its core, institutional change is understood to be the change to the very legislation itself, and it may be that to gain significant results, this experiment should be run in such a manner as well. The biggest obstacle is the methodical and minuscule tracking of legislative changes over three decades and over thirty-five individual States, which is an enormous academic undertaking. Therefore, the author believes that this should be conducted in the states that show great likelihood of having active use.

#### 5.5.1. The Pennsylvania Example

Pennsylvania introduced limited partnership legislation in 1836. Taking, for example, an amendment passed in the 1880s and comparing the two pieces of legislation, it is possible to count the clarity and "freedoms" granted by the legislation as time passed.

For example, there are two new articles added to the original section of the legislation, articles 14 and 15.

Article 14 states that

“The capital of the firm may be increased either by taking in new special partners, or new subscriptions of capital from the partners previously in the firm. Such increase being made in pursuance of the consent of the partners, as expressed in the original articles of partnership, or in any subsequent instrument of writing”

Such an addition does not impose any negative duties onto the corporation, instead providing a more streamlined path for the raising of capital and the inclusion of new special partners.

Article 15 builds on the aforementioned, stating

“Every such increase of capital shall be duly acknowledged, certified and recorded; but no neglect in recording the certificate of any such increase of capital, or of any sale or transfer of the interests or shares of the special partners, or any of them, shall be constructed to operate as dissolution of the firm, or to make the special partners liable as general partners.”

Such a layer of assurance further simplifies the means of attracting capital. Full copies of the original and amendment can be found in Appendix F.

The methodology would work as follows:

First, a criteria would be developed to gauge the “restrictiveness” of the original piece of legislation. Subsequent amendments would be then compared to it. Second, if the number of allowances that made the legislation more workable grew, then the legislation was showing an active use of the form. Additionally, more amendments vs. less amendments, when compared at state level, would signify the same – more amendments would signify more use. The 1916 Uniform Limited Partnership Act could also be used to help this case: Should the state have many amendments and a prompt adoption of the ULPA, then there is reason to believe that there is a demand and economic benefit to doing so.

Lastly, to add an extra layer of complexity, this could potentially be done in tandem with incorporation laws and their amendments, juxtaposed against a temporal background. If amendment numbers pick up for limited partnership but are slow for corporations, then this leads to very strong proof of there likely to be increased use. Adding a final layer of court cases per year could potentially provide hard to refute evidence on the matter.

#### 5.6. Future research

There are several areas that this research can be further expanded on or utilised for.

First, as described in the previous section, a more direct approach to the experiment could be tracking the individual changes to the limited partnership legislation. The changes can then be tabulated by either their amount, or tracked by the amount of freedom they add to the subsequent amendment. As there is so little known about the use of limited partnerships in the USA prior to the 1970s, this could elucidate further whether the presence of this form of organisation was purely a legal exercise born from policy, or whether there was genuine economic necessity that pushed for its use and development.

Second, the findings of this paper could assist in future research in relation to limited liability in the United States in the second half of the 19<sup>th</sup> century. When answering questions of presence and impact of this form of organisation, research efforts can now be clearly directed towards states such as New York, Pennsylvania and Massachusetts where there is clear use of the form. Therefore, more attention can be paid to the states that seem to have had active use of the form, and consideration can be made to the presence of this factor during larger scale research.

## **VI. CONCLUSION**

The limited partnership is a form of partnership, and a well-known form of entity organization today. This has not always been the case. In the second half of the 19<sup>th</sup> century the limited partnership seems nearly invisible, with academics both past and present deeming this a form of passing law maker fancy. However, recent evidence from the state of New York has cast doubt onto these longstanding claims.

Using this evidence, as well as the theory of institutional change, this paper aimed to try and uncover any use of limited partnerships during 1851-1880. The theory of institutional change provides that if there is an unrealised net gain, then an institution will change until that gain has been nullified. By using capital per state as the unrealised gains and limited partnership cases legislated as the representations of the institution, this paper hoped to find that cases would increase with an increase in capital. However, none of the models showed that this was the case when time and state fixed effects were held for as well as a standardized form of capital was used. Unfortunately, due to the complexity of the experiment, this may have been due to the limitations of the methodology. However, states such as Pennsylvania and New York may require further research due to their unique historic backgrounds and evidence gathered.

Therefore, further research, using a new methodology focused on the legislation itself, may yield fruitful results. Thus, while the question of use of the limited partnership throughout the entirety of the United States in the second half of the 19<sup>th</sup> century remains largely unanswered, a few likely state candidates may pave the way in providing new and interesting data to promote more academic nuance in the field.

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APPENDIX A

State	1856	1850s	1860	1864	1868	1860s	1872	1876	1880	1870s
Alabama	1	1	1		0	0	0	1	1	1
Arkansas	1	1	1		0	0	0	1	1	1
California	1	1	0	0	0	0	0	0	1	0
Connecticut								0	0	0
Delaware	0	0	0	0	0	0	0	1	0	0
Florida	1	1	1	1	1	1	0	1	1	1
Georgia	1	1	1		0	0	0	0	1	0
Illinois	1	1	1		1	1	1	1	1	1
Indiana	1	1	0	0	0	0	0	0	0	0
Iowa	1	1	0	0	0	0	0	1	0	0
Kansas	0	0	0	0	0	0	0	0	0	0
Kentucky					0	0	0	0	0	0
Louisiana	1	1		1	1	1	1	1	1	1
Maine	1	1	1	0	1	1	0	0	1	0
Maryland	0	0	0	0	0	0	0	0	0	0
Massachusetts	0	0	1	0	1	1	1	1	1	1

1- Democrat, 0 - Republican

State	1856	1850s	1860	1864	1868	1860s	1872	1876	1880	1870s
Michigan	0	0	0	0	0	0	0	0	0	0
Minnesota		0	0	0	0	0	0	0	0	0
Mississippi	1	1	1			1	0	1	1	1
Missouri	1	1	1	0	0	0	1	1	1	1
Nebraska					0	0	0	0	0	0
Nevada				0	0	0	0	0	1	0
New Hamp.	0	0	0	0	0	0	0	0	0	0
New Jersey	1	1	0	1	1	1	0	1	1	1
New York	0	0	0	0	1	0	0	1	0	0
North Carolina	1	1	1		0	0	0	1	1	1
Ohio	0	0	0	0	0	0	0	0	0	0
Oregon			0	0	1	0	0	0	0	0
Pennsylvania	1	1	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0
South Carolina	1	1	1		0	0	0	0	1	0
Tennessee	1	1		0	0	0	1	1	1	1

1- Democrat, 0 - Republican

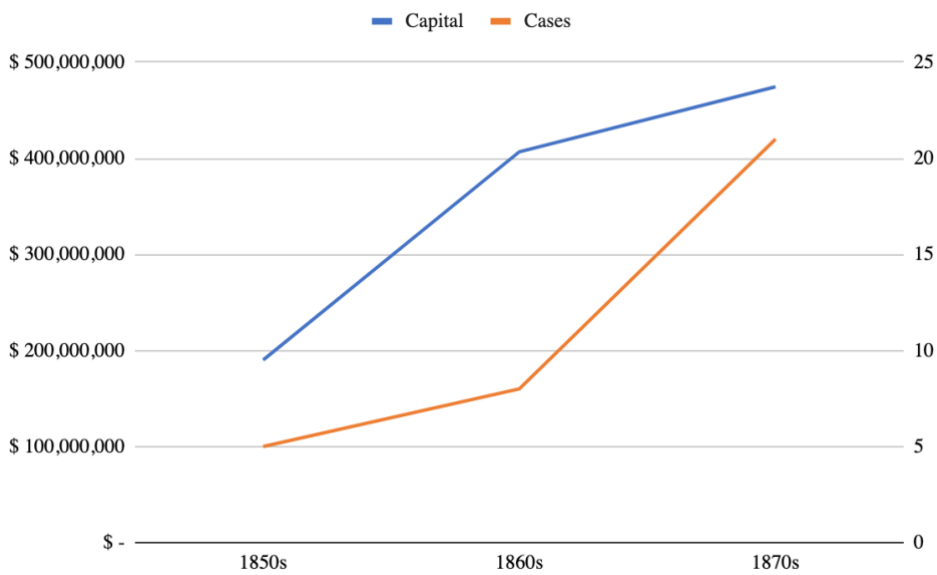
State	1856	1850s	1860	1864	1868	1860s	1872	1876	1880	1870s
Texas	1	1	1			1	1	1	1	1
Vermont	0	0	0	0	0	0	0	0	0	0
Virginia	1	1					0	1	1	1
West Virginia				0	0	0	0	1	1	1
Wisconsin	0	0	0	0	0	0	0	0	0	0

1- Democrat, 0 - Republican

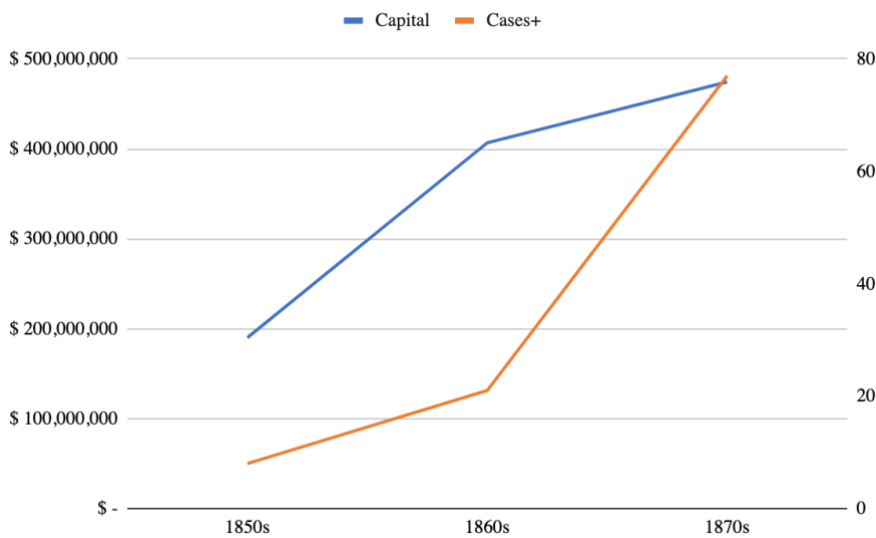
This table denotes the voting done by states from 1856 to 1880s. States that do not have data but subsequently do are those that enter the federation during that period of time. States that have voted but then experience a lack of data are those that were barred during and shortly after the civil war. In order to gauge the “average” political lean of the state, the vote taken most often during the elections in a decade represents the decade. If there is no data then the “vote” of the last election is carried over.

# APPENDIX B

## PENNSYLVANIA



Pennsylvania	1850s	1860s	1870s
Capital	\$ 190,055,904	\$ 406,821,845	\$ 474,510,993
Cases	5	8	21



Pennsylvania	1850s	1860s	1870s
Capital	\$ 190,055,904	\$ 406,821,845	\$ 474,510,993
Cases+	8	21	77

These charts show the growth of capital and cases in the state of PENNSYLVANIA during the standard and shifted time spans.



## NEW YORK



New York	1850s	1860s	1870s
Capital	\$172,895,652	\$366,994,320	\$514,240,575
Cases	36	31	28



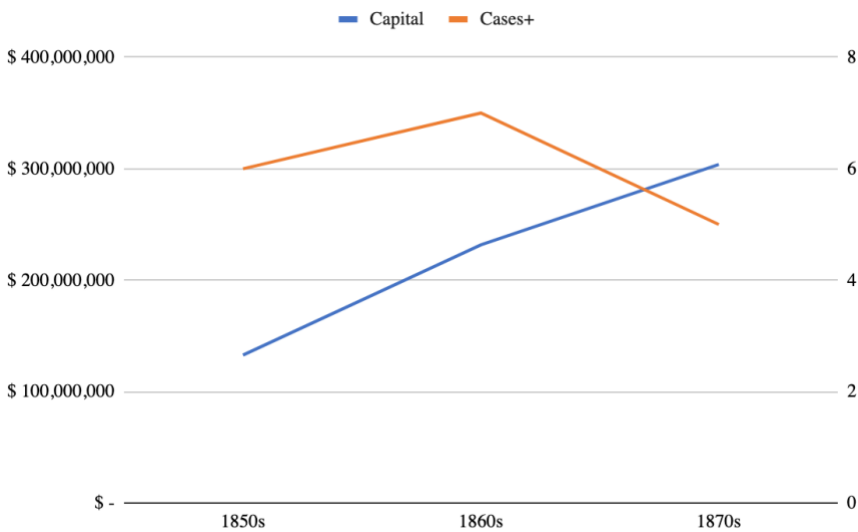
1850s	1860s	1870s
\$172,895,652	\$366,994,320	\$514,240,575
31	28	90

These charts show the growth of capital and cases in the state of NEW YORK during the standard and shifted time spans.

## MASSACHUSETTS



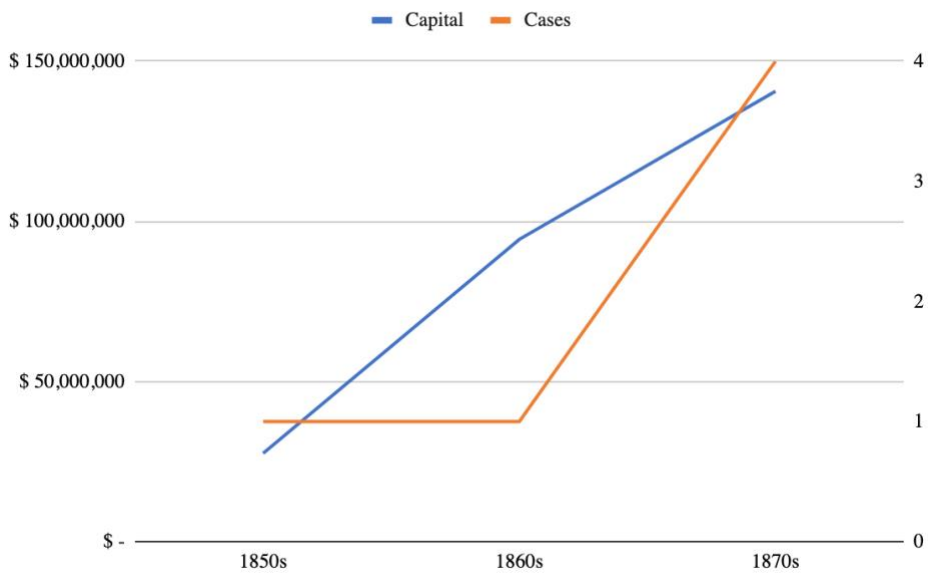
Massachusetts	1850s	1860s	1870s
Capital	\$ 132,792,327	\$ 231,677,862	\$ 303,806,185
Cases	0	6	7



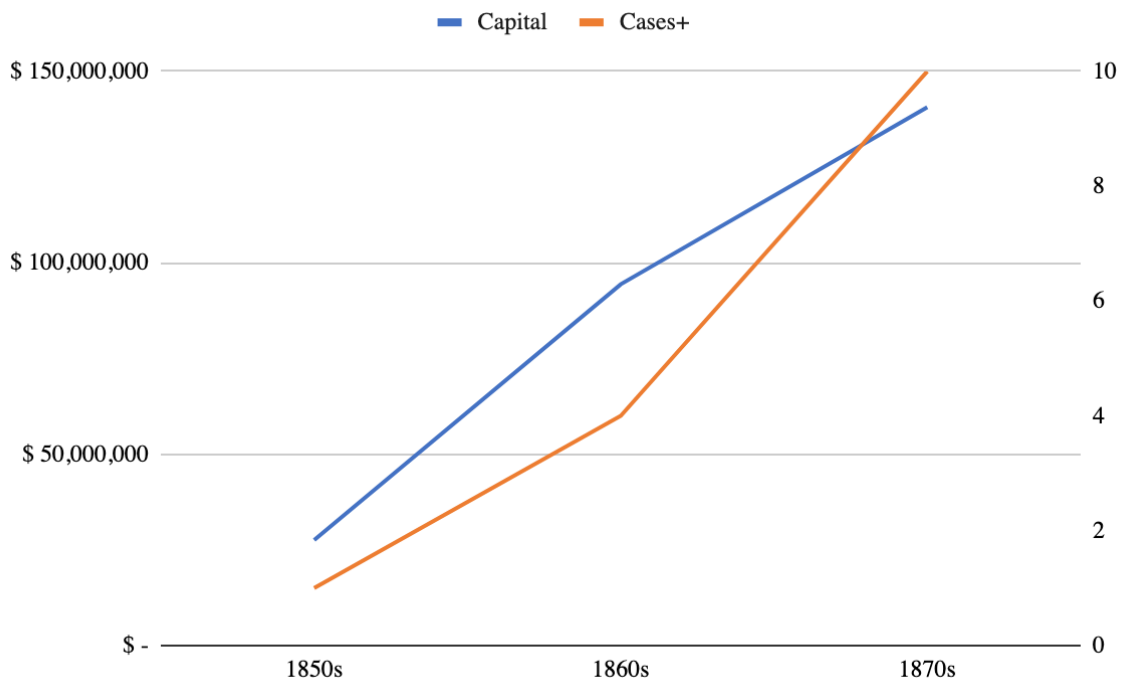
Massachusetts	1850s	1860s	1870s
Capital	\$ 132,792,327	\$ 231,677,862	\$ 303,806,185
Cases+	6	7	5

These charts show the growth of capital and cases in the state of MASSACHUSETTS during the standard and shifted time spans.

## ILLINOIS



Illinois	1850s	1860s	1870s
Capital	\$ 27,548,563	\$ 94,368,057	\$ 140,652,066
Cases	1	1	4



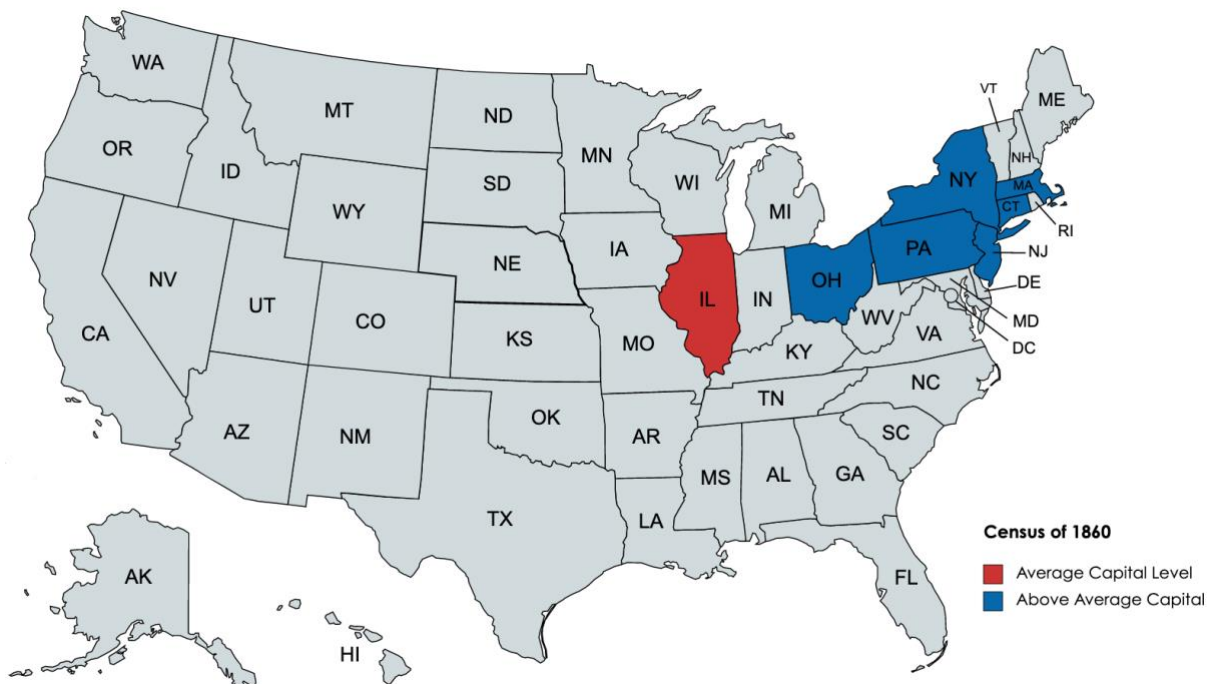
Illinois	1850s	1860s	1870s
Capital	\$ 27,548,563	\$ 94,368,057	\$ 140,652,066
Cases+	1	4	10

These charts show the growth of capital and cases in the state of MASSACHUSETTS during the standard and shifted time spans.

## APPENDIX C

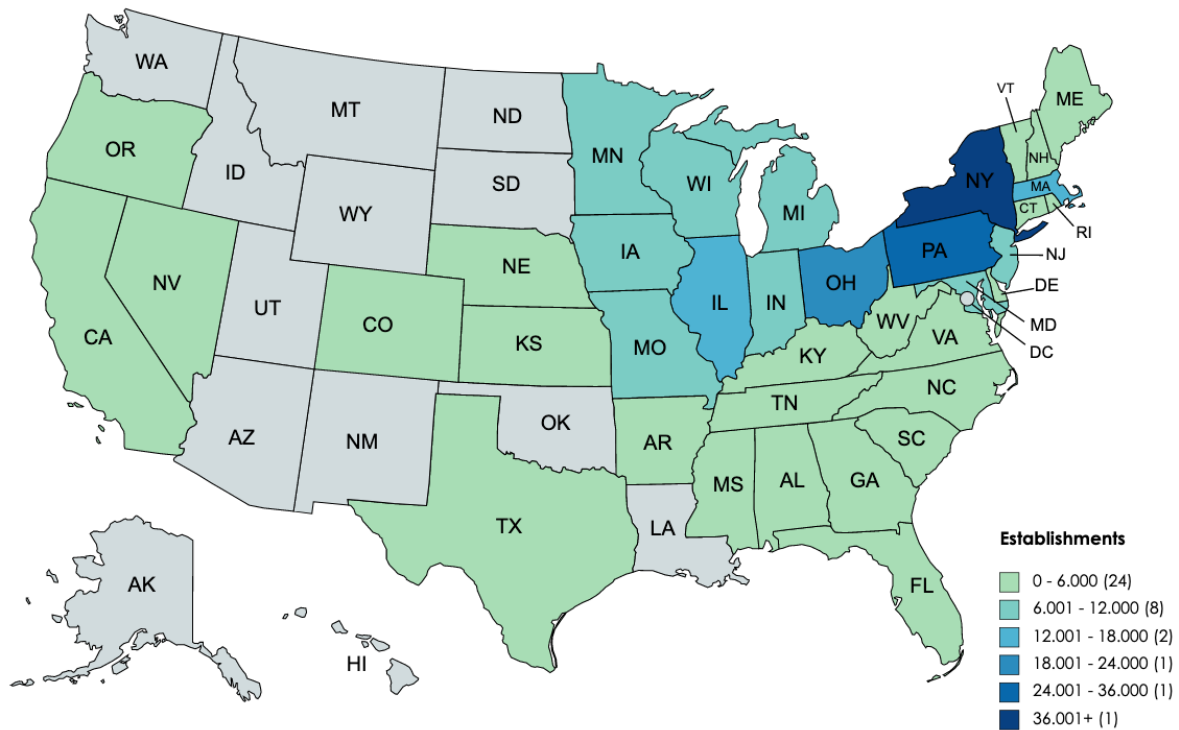
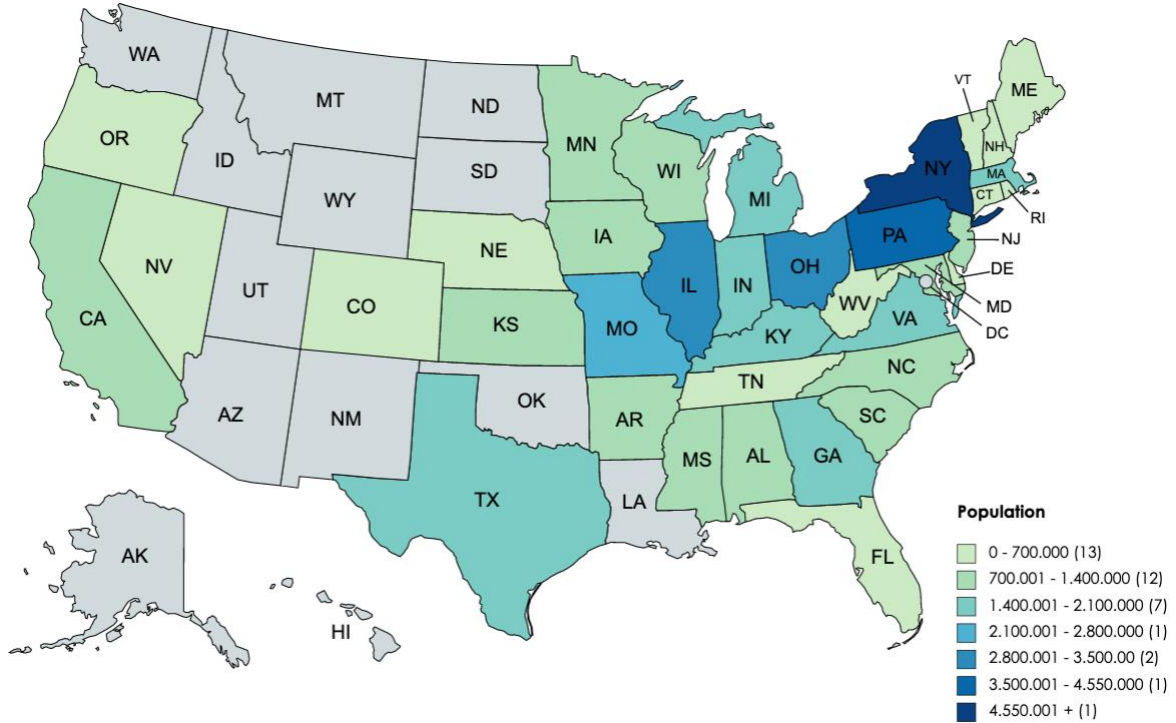
Census of 1860		Census of 1870		Census of 1880	
State	Capital	State	Capital	State	Capital
Pennsylvania	\$ 190,055,904	Pennsylvania	\$ 406,821,845	New York	\$ 514,240,575
New York	\$ 172,895,652	New York	\$ 366,994,320	Pennsylvania	\$ 474,510,993
Massachusetts	\$ 132,792,327	Massachusetts	\$ 231,677,862	Massachusetts	\$ 303,806,185
Ohio	\$ 57,295,303	Ohio	\$ 141,923,964	Ohio	\$ 188,030,614
New Jersey	\$ 49,521,048	Connecticut	\$ 95,281,278	Illinois	\$ 140,652,066
Connecticut	\$ 45,590,430	Illinois	\$ 94,368,057	Connecticut	\$ 120,480,275
<b>Illinois</b>	<b>\$ 27,548,563</b>	Missouri	\$ 80,257,244	New Jersey	\$ 106,226,503
Virginia	\$ 26,935,560	New Jersey	\$ 79,606,719	Michigan	\$ 92,030,959
Rhode Island	\$ 24,278,295	Michigan	\$ 71,712,283	<b>Rhode Island</b>	<b>\$ 75,575,943</b>
Michigan	\$ 23,808,226	Rhode Island	\$ 66,557,322	Wisconsin	\$ 73,821,802
New Hampshire	\$ 23,274,094	<b>Indiana</b>	<b>\$ 52,052,425</b>	Missouri	\$ 72,507,844

This table shows the top 11 states w.r.t. capital. Red marks the first state above the average capital in that decade. This shows that they were roughly the same throughout the 3 decades, as well as the discrepancy even between states, as the average was heavily skewed by the top.





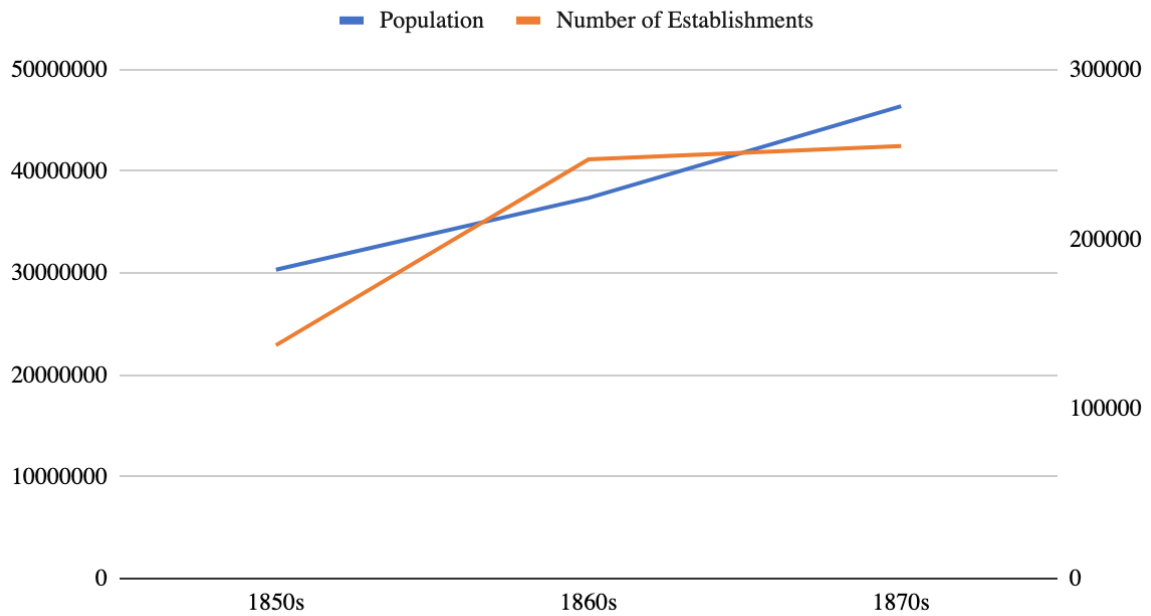
## APPENDIX D



Maps showing the grouping of the population and establishment density for the 1880s. The correlation is strong but not perfect.

## APPENDIX E

### Growth of Population and Enterprise between 1850s and 1870s



	1850s	1860s	1870s
Population	30332838	37379726	46383388
Number of Establishments	137467	247030	254934

Table to show correlation between population and number of establishments. They are highly correlated and increased throughout the three decades, although number of establishments flattened out from 1860s to 1870s indicating that perhaps establishments were instead getting larger.

## No. 51.

**An Act**

Relative to limited partnerships.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, and it is hereby enacted by the authority of the same,* That limited partnerships for the transaction of any agricultural, mercantile, mechanical, mining and transporting of coal, or manufacturing business, within this state, may be formed by two or more persons, upon the terms, with the rights and powers, and subject to the conditions and liabilities herein prescribed; but the provisions of this act shall not be construed to authorize any such partnership for the purpose of banking or making insurance. Banking and insurance prohibited.

SECTION 2. Such partnerships may consist of one or more persons, who shall be called general partners, and who shall be jointly and severally responsible as general partners now are by law, and of one or more persons who shall contribute in actual cash payments, a specific sum as capital to the common stock, who shall be called special partners, and who shall not be liable for the debts of the partnership beyond the fund so contributed by him or them to the capital. General and special partners.

SECTION 3. The general partners only shall be authorized to transact business and sign for the partnership, and to bind the same. General partners only to act.

SECTION 4. The persons desirous of forming such partnership shall make and severally sign a certificate, which shall contain:—

I. The name or firm under which such partnership is to be conducted. A certificate to contain—

II. The general nature of the business intended to be transacted.

III. The names of all the general and special partners interested therein, distinguishing which are general and which are special partners, and their respective places of residence.

IV. The amount of capital which each special partner shall have contributed to the common stock.

V. The period at which the partnership is to commence, and the period at which it will terminate.

SECTION 5. The certificate shall be acknowledged by the several persons signing the same, in the manner, and before the same persons, that deeds are now acknowledged, Certificate to be acknowledged.



and the said acknowledgment shall be certified in the same manner as the acknowledgment of deeds are now certified.

*Certificate to be recorded, and where.* SECTION 6. The certificate so acknowledged and certified, shall be recorded and filed in the office of the recorder of deeds of the proper county, in which the principal place of business of the partnership shall be situated, and shall also be recorded by him at large, in a book to be kept for that purpose open to public inspection: If the partnership shall have places of business situated in different counties, a transcript of the certificate and of the acknowledgment thereof, duly certified by the recorder in whose office it shall be filed, and under his official seal, shall be filed and recorded in like manner in the office of the recorder of every such county.

*Affidavit of general partners.* SECTION 7. At the time of filing the original certificate, with the evidence of the acknowledgment thereof, as before directed, an affidavit of one or more of the general partners shall also be filed in the same office, stating the sums specified in the certificate to have been contributed by each of the special partners to the common stock, and to have been actually, and in good faith, paid in cash.

*Liability in case of false statement.* SECTION 8. No such partnership shall be deemed to have been formed until a certificate shall have been made, acknowledged and filed, and recorded, nor until an affidavit shall have been filed as above directed; and if any false statement be made in such certificate or affidavit, all the persons interested in such partnership shall be liable for all the engagements thereof, as general partners.

*Terms of partnership to be published.* SECTION 9. The partners shall publish the terms of the partnership, when registered, for at least six weeks immediately after such registry, in two newspapers, to be designated by the recorder of deeds of the county in which such registry shall be made, and to be published in the county or counties in which their business shall be carried on; and if such publication be not made, the partnership shall be deemed general.

*Affidavits.* SECTION 10. Affidavits of the publication of such notice by the printers of the newspapers in which the same shall be published, may be filed with the recorder, directing the same, and shall be evidence of the facts therein contained.

*Renewal of partnerships.* SECTION 11. Every renewal or continuance of such partnership beyond the time originally fixed for its duration, shall be certified, acknowledged and recorded, and an affidavit of a general partner be made and filed, and notice be given in the manner herein required for its original formation, and every such partnership which shall be otherwise renewed or continued, shall be deemed a general partnership.

SECTION 12. Every alteration which shall be made in the <sup>Alterations</sup> names of the partners, in the nature of the business, or in the <sup>of partner-</sup> capital or shares thereof, or in any other matter specified in <sup>ships.</sup> the original certificate, shall be deemed a dissolution of the partnership, and every such partnership which shall in any manner be carried on after any such alteration shall have been made, shall be deemed a general partnership, unless renewed as a special partnership, according to the provisions of the last section.

SECTION 13. The business of the partnership shall be conducted under a firm, in which the names of the general partners only shall be inserted, without the addition of the word "Company," or any other general term, and if the name of <sup>Company.</sup> any special partner shall be used in such firm, with his privacy, he shall be deemed a general partner.

SECTION 14. Suits in relation to the business of the part- <sup>Suits.</sup> nership may be brought and conducted by and against the general partners, in the same manner as if there were no special partners.

SECTION 15. No part of the sum which any special part- <sup>Liability for</sup> ner shall have contributed to the capital stock, shall be <sup>debt.</sup> liable for any debts previously contracted by the general partners, nor shall any part of such sum be withdrawn by him, or paid or transferred to him in the shape of dividends, profits, or otherwise, at any time during the continuance of the partnership; but any partner may annually receive lawful <sup>Interest and</sup> interest on the sum so contributed by him, if the payment of <sup>profits.</sup> such interest shall not reduce the original amount of such capital, and if after the payment of such interest, any profits shall remain to be divided, he may also receive his portion of such profits.

SECTION 16. If it shall appear that by the payment of <sup>Original cap-</sup> interest or profits to any special partner, the original capital <sup>ital not to be</sup> has been reduced, the partner receiving the same shall be <sup>impaired.</sup> bound to restore the amount necessary to make good his share of capital, with interest.

SECTION 17. A special partner may, from time to time, <sup>A special</sup> examine into the state and progress of the partnership con- <sup>partner may</sup> cerns, and may advise as to their management, but he shall <sup>examine into</sup> not transact any business on account of the partnership, nor <sup>the concerns,</sup> be employed for that purpose as agent, attorney or other- <sup>&c.</sup> wise; if he shall interfere contrary to these provisions, he shall be deemed a general partner.

SECTION 18. The general partners shall be liable to ac- <sup>Liability of</sup> count to each other and to the special partners, for the <sup>general part-</sup> management of their concern, both in law and equity, as <sup>ners.</sup> other partners now are by law.

- Fraud.** SECTION 19. Every partner who shall be guilty of any fraud in the affairs of the partnership, shall be liable civilly to the party injured, to the extent of his damage.
- Sale, assignment or transfer, when insolvent, void.** SECTION 20. Every sale, assignment, or transfer of any of the property or effects of such partnership, made by such partnership when insolvent, or in contemplation of insolvency, or after or in contemplation of the insolvency of any partner, with the intent of giving a preference to any creditor of such partnership or insolvent partner over other creditors of such partnership, and every judgment confessed, lien created, or security given by any such partner under the like circumstances and with the like intent, shall be void as against the creditors of the partnership.
- Judgment & lien also void.** SECTION 21. Every such sale, assignment, or transfer of any of the property or effects of the general or special partner, made by such general or special partner when insolvent, or in contemplation of insolvency, or after or in contemplation of the insolvency of the partnership, with the intent of giving to any creditor of his own or of the partnership a preference over creditors of the partnership, and every judgment confessed, lien created, or security given by any such partner under the like circumstances and with the like intent, shall be void as against the creditors of the partnership.
- Liability.** SECTION 22. Every special partner who shall violate any provision of the two last preceding sections, or who shall concur in or assent to any such violation by the partnership, or by any individual partner, shall be liable as a general partner.
- Rights of creditors.** SECTION 23. In case of the insolvency or bankruptcy of the partnership, no special partner shall, under any circumstances, be allowed to claim as a creditor, until the claims of all the other creditors of the partnership shall be satisfied.
- Dissolution.** SECTION 24. No dissolution of such partnership by the acts of the parties, shall take place previous to the time specified in the certificate of its formation, or in the certificate of its renewal, until a notice of such dissolution shall have been filed and recorded in the recorder's office in which the original certificate was recorded, and published once in each week for four weeks, in a newspaper printed in each of the counties where the partnership may have places of business.

NER MIDDLESWARTH,

Speaker of the House of Representatives.

THOMAS S. CUNNINGHAM,

Speaker of the Senate.

APPROVED—The twenty-first day of March, A. D. eighteen hundred and thirty-six.

JOS: RITNER.

# LIMITED PARTNERSHIP.(l)

See JOINT-STOCK COMPANIES; PARTNERSHIP.

1. Limited partnerships may be formed. Banking and insurance prohibited.
2. General and special partners.
3. General partners only to act.
4. Certificate to be signed. What such certificate to contain.
5. To be acknowledged.
6. And recorded in each county where the firm has a place of business.
7. Affidavit of general partners.
8. Partnership not to be formed, until certificate is recorded, and affidavit filed. Penalty for making false statement.
9. Terms to be published. Penalty for omission.
10. How terms of partnership to be published.
11. Affidavit of publication to be filed.
12. Partnership to be renewed in the same manner.
13. Every alteration of terms to be a dissolution.
14. Increase of capital.
15. To be acknowledged and recorded. Neglect not to operate as a dissolution, or to render special partners liable.
16. How suits to be brought.
17. Liability of special partner. Not to withdraw his capital. But may receive interest and profits.
18. Capital not to be impaired.
19. Powers of special partner.
20. General partners to account.
21. Liability in case of fraud.
22. Transfer of partnership effects in contemplation of insolvency, to be void. And judgments confessed, &c.
23. Transfer of individual property to be also void. And judgments confessed by partners, &c.
24. Penalty for assent thereto by special partner.
25. Special partner not to claim as creditor.
26. How such partnership may be dissolved.
27. General partner may assign or bequeath his interest. In case of death, his executors, &c., may sell. Name of firm to be altered, and certificate thereof to be recorded.
28. Special partner may assign his interest.
29. Assent to transfer of interests may be given in advance. General partners may purchase shares of special partners.
30. Insolvency of special partner, not to cause dissolution.
31. His executors, &c., may continue the business, or sell his interest, or he may bequeath it.
32. Notice of alterations to be given to general partners, and certificate recorded.
33. Special partners may contribute merchandise, as stock. Appraisement.
34. Style of firm.
35. How business to be conducted.
36. Firm name may include the word "company."

1. Limited partnerships for the transaction of any agricultural, mercantile, mechanical, mining and transporting of coal, or manufacturing business, within this state, may be formed by two or more persons, upon the terms, with the rights and powers and subject to the conditions and liabilities herein prescribed; (m) but the provisions of this act shall not be construed to authorize any such partnership for the purpose of banking or making insurance.

2. Such partnerships may consist of one or more persons, who shall be called general partners, and who shall be jointly and severally responsible as general partners now are by law, and of one or more persons who shall contribute in actual cash payments, (n) a specific sum, as capital to the common stock, who shall be called special partners, and who shall not be liable for the debts of the partnership beyond the fund so contributed by him or them to the capital.

3. The general partners only shall be authorized to transact business and sign for the partnership, and to bind the same.

4. The persons desirous of forming such partnership shall make and severally sign a certificate, (o) which shall contain:

I. The name or firm under which such partnership is to be conducted.

II. The general nature of the business intended to be transacted.

III. The names of all the general and special partners interested therein, distinguishing which are general and which are special partners, and their respective places of residence.

lic officer is valid, if brought within four years. *Culp v. Commonwealth*, 109 P. S. 363.

(l) For the act 2 June 1874, P. L. 271, authorizing the formation of partnership associations "limited," see tit. "Joint Stock Companies."

(m) There can be no limited partnership in this state, unless formed in strict compliance with the statute. *Richardson v. Hogg*, 38 P. S. 153.

(n) If the capital of a special partner be contributed in "credits," instead of an actual cash payment, he is liable as a general partner, though the affidavit be not intentionally false. *Van Ingen v. Whitman*, 62 N. Y. 513. So, if the certificate state that the capi-

tal was paid in cash, when in fact it was paid by a post-dated check, though the check was paid when due. *Durant v. Abendroth*, 69 N. Y. 148. *Elliot v. Hinrod*, 108 P. S. 563. But if there be an actual cash payment, it is sufficient, without regard to the source from whence it was derived, if the transaction be *bona fide*. *Lawrence v. Merrifield*, 10 J. & S. 36; s. c. 73 N. Y. 590. A payment in the checks of third persons (conceded to represent cash) is sufficient. *Hogg v. Orgill*, 34 P. S. 344. See *infra* 33.

(o) For form of certificate, see Graydon's Forms 61.

21 March 1886 § 1.  
P. L. 143.

Limited partnerships may be formed.  
Banking and insurance prohibited.

Ibid. § 2.  
General and special partners.

Ibid. § 8.  
General partners only to act.

Ibid. § 4.  
Certificate to be signed.  
What such certificate to contain.

- 21 March 1836 § 4. P. L. 143. IV. The amount of capital which each special partner shall have contributed to the common stock.
- Ibid. § 5. V. The period at which the partnership is to commence, and the period at which it will terminate.
- To be acknowledged. Ibid. § 6. 5. The certificate shall be acknowledged by the several persons signing the same, in the manner and before the same persons, that deeds are now acknowledged, and the said acknowledgment shall be certified in the same manner as the acknowledgment of deeds are now certified. (p)
- And recorded. Ibid. § 6. 6. The certificate, so acknowledged and certified, shall be recorded and filed in the office of the recorder of deeds of the proper county, in which the principal place of business of the partnership shall be situated, and shall also be recorded by him at large, in a book to be kept for that purpose, open to public inspection; if the partnership shall have places of business situated in different counties, a transcript of the certificate and of the acknowledgment thereof, duly certified by the recorder in whose office it shall be filed, and under his official seal, shall be filed and recorded in like manner in the office of the recorder of every such county.
- In each county where the firm has a place of business. Ibid. § 7. 7. At the time of filing the original certificate, with the evidence of the acknowledgment thereof, as before directed, an affidavit of one or more of the general partners shall also be filed in the same office, stating the sums specified in the certificate to have been contributed by each of the special partners to the common stock, and to have been actually, and in good faith, paid in cash. (q)
- Affidavit of general partners. Ibid. § 8. 8. No such partnership shall be deemed to have been formed, until a certificate shall have been made, acknowledged, and filed and recorded, nor until an affidavit shall have been filed as above directed. And if any false statement be made in such certificate or affidavit, all the persons interested in such partnership shall be liable for all the engagements thereof, as general partners.
- Partnership not to be formed, until certificate is recorded and affidavit filed. Ibid. § 9. 9. The partners shall publish the terms of the partnership. (r) when registered. (s) for at least six weeks (t) immediately after such registry, in two newspapers, to be designated by the recorder of deeds of the county in which such registry shall be made, and to be published in the county or counties in which their business shall be carried on; and if such publication be not made, the partnership shall be deemed general.
- Terms to be published. Penalty for omission. Ibid. § 9. 10. The terms of the partnership required to be published by the ninth section of the act to which this is a further supplement, shall consist of:
- How terms of partnership to be published. 21 April 1858 § 1. P. L. 388. I. The name of the firm under which such partnership shall be conducted.  
II. The general nature of the business intended to be transacted.  
III. The names of the general partners, and their respective places of residence.  
IV. The aggregate amount of capital contributed by the special partners to the common stock.  
V. The period at which the partnership is to commence, and the period at which it will terminate.
- 21 March 1836 § 10. P. L. 144. 11. Affidavits of the publication of such notice, by the printers of the newspapers in which the same shall be published, may be filed with the recorder directing the same, and shall be evidence of the facts therein contained.
- Ibid. § 11. 12. Every renewal or continuance of such partnership beyond the time originally fixed for its duration (u) shall be certified, acknowledged and recorded, and an affidavit of a general partner be made and filed, and notice be given in the manner herein required for its original formation, and every such partnership which shall be otherwise renewed or continued, shall be deemed a general partnership. (v)
- Partnership to be renewed in the same manner. Ibid. § 12. 13. Every alteration which shall be made in the names of the partners, in the nature of the business (w) or in the capital or shares thereof, or in any other matter

(p) See Graydon's Forms 29.  
(q) See Graydon's Forms 37. Where evidence is given to show, *prima facie*, that the special partner did not pay in the amount specified in the affidavit, such affidavit is not even *prima facie* rebutting evidence. *Madison County Bank v. Gould*, 5 Hill 309. See *Hogg v. Orgill*, 34 P. S. 344. *Richardson v. Hogg*, 38 *Ibid.* 153.

(r) A mistake in the publication, stating that \$5000 had been put in instead of \$2000, renders the special partners general. *Smith v. Argall*, 6 Hill 479. *Argall v. Smith*, 3 Denio 436. But where, in an action to charge special partners as indorsers, it appeared, that the published notice stated that the partnership would commence 16 Nov. 1837, whereas, the certificate filed stated 16 Oct. 1837; it was held, that unless the error of the publication was designed to deceive, or the indorsement made before 16 Nov. 1837, the special partners were not liable. *Madison County Bank v. Gould*, 5 Hill 309. So, a mistake in the publication of the names of the partners—as Argale for Argall—will not vitiate the publication; whether or not the mistake tended to mislead, should be left to the jury. *Bowen v. Argall*, 24 Wend. 496.

(s) A publication within three days after the

registry, is sufficient. *Bowen v. Argall*, 24 Wend. 496.

(t) It is enough, if the terms of the partnership be published in a daily paper, once in each week, for six successive weeks. *Bowen v. Argall*, 24 Wend. 496.

(u) No formal notice of the dissolution of the firm, at the end of the prescribed period, is necessary. *Haggerty v. Taylor*, 10 Paige 261.

(v) Where a third person enters the firm, as a general partner, the special partnership is dissolved, and if there be a renewal, and not a new cash payment by the former and continuing special partner, but the cash paid into the former special partnership remains with the new firm, the special partner becomes a general partner of the new firm. *Andrews v. Schott*, 10 P. S. 47. See *infra* 33. A failure to record the renewal of a special partnership renders the special partner liable as a general one. *Guillou v. Peters*, 89 P. S. 163. It should appear from the affidavit of the general partner that the capital is in the same condition as when the partnership was originally formed, unimpaired, and available for creditors. *Haddock v. Manufacturing Co.*, 109 P. S. 373. See *Hirsch v. Vanauken*, 15 W. N. C. 467.

(w) An alteration, by the general partner, without



specified in the original certificate, shall be deemed a dissolution of the partnership, and every such partnership which shall in any manner be carried on after any such alteration shall have been made, shall be deemed a general partnership, unless renewed as a special partnership, according to the provisions of the last section.

14. The capital of the firm may be increased either by taking in new special partners, or new subscriptions of capital from the partners previously in the firm; such increase being made in pursuance of the consent of the partners, as expressed in the original articles of partnership, or in any subsequent instrument of writing.

15. Every such increase of capital shall be duly acknowledged, certified and recorded; but no neglect in recording the certificate of any such increase of capital, or of any sale or transfer of the interests or shares of the special partners, or any of them, shall be construed to operate as a dissolution of the firm, or to make the special partners liable as general partners.

16. Suits in relation to the business of the partnership may be brought and conducted by and against the general partners, in the same manner as if there were no special partners.

17. No part of the sum which any special partner shall have contributed to the capital stock shall be liable for any debts previously contracted by the general partners; nor shall any part of such sum be withdrawn by him, or paid or transferred to him in the shape of dividends, profits or otherwise, (x) at any time during the continuance of the partnership; but any partner may annually receive lawful interest on the sum so contributed by him. If the payment of such interest shall not reduce the original amount of such capital, and if after the payment of such interest any profits shall remain to be divided, he may also receive his portion of such profits.

18. If it shall appear that by the payment of interest or profits to any special partner the original capital has been reduced, the partner receiving the same shall be bound to restore the amount necessary to make good his share of capital with interest.

19. A special partner may from time to time examine into the state and progress of the partnership concerns, and may advise as to their management; but he shall not transact any business on account of the partnership, (y) nor be employed for that purpose as agent, attorney or otherwise: if he shall interfere contrary to these provisions, he shall be deemed a general partner.

20. The general partners shall be liable to account to each other and to the special partners for the management of their concern, both in law and equity, as other partners now are by law.

21. Every partner who shall be guilty of any fraud in the affairs of the partnership shall be liable civilly to the party injured, to the extent of his damage.

22. Every sale, assignment or transfer of any of the property or effects of such partnership, made by such partnership when insolvent, or in contemplation of insolvency, or after or in contemplation of the insolvency of any partner, with the intent of giving a preference to any creditor of such partnership or insolvent partner, over other creditors of such partnership, and every judgment confessed, lien created or security given by any such partner, under the like circumstances, and with the like intent, shall be void as against the creditors of the partnership. (z)

23. Every such sale, assignment or transfer of any of the property or effects of the general or special partner, made by such general or special partner, when insolvent, or in contemplation of insolvency, or after or in contemplation of the insolvency of the partnership, with the intent of giving to any creditor of his own, or of the partnership, a preference over the creditors of the partnership, and every judgment confessed, lien created or security given by any such partner, under the

21 March 1836 § 12.  
P. L. 144.

Every alteration of terms to be a dissolution.

21 April 1856 § 3.  
P. L. 384.

Increase of capital.

Ibid. § 4.

To be acknowledged and recorded.

Neglect not to operate as a dissolution.

21 March 1836 § 14.  
P. L. 145.

Ibid. § 15.

Liability of special partner.

Not to withdraw his capital.

But may receive interest and profits.

Ibid. § 16.

Capital not to be impaired.

Ibid. § 17.

Power of special partner.

Ibid. § 18.

General partners to account.

Ibid. § 19.

Liability for fraud.

Ibid. § 20.

Transfer of partnership effects in contemplation of insolvency, void. And judgments confessed, &c.

Ibid. § 21.

Transfers of individual property to be also void.

And judgments confessed by partners, &c.

the knowledge of the special partner, in the nature of the business provided for in the articles of copartnership, does not convert the special partner into a general one. *Singer v. Kelly*, 44 P. S. 145; s. c. 4 Phila. 312.

(x) The purchase of real estate for the benefit of the firm, the title to which is taken in the names of all the partners, with the knowledge of the special partner, is a virtual withdrawal by him of part of his capital. *Madison Bank v. Gould*, 5 Hill 309.

(y) Negotiating the purchase of real estate for the firm, will render the special partner liable as a general one. *Madison Bank v. Gould*, 5 Hill 309. See *McKnight v. Ratcliff*, 44 P. S. 156. He may wind up the affairs of the firm on a dissolution. *Lawson v. Wilmer*, 3 Phila. 122. But if it be stipulated in the articles, that the son of the special partner shall keep the books, and have a general superintendency over the business, at a salary, and that the general partners shall sign no note or check, without the son's knowledge and approval, it will render the partnership a general one. *Richardson v. Hogg*, 38 P. S. 153.

(z) An assignment to a trustee for the benefit of creditors, after the firm has become insolvent, or in contemplation of insolvency, is void as against the creditors of the firm, if any preference be given to one creditor or class of creditors over another, or if it provide for the payment of a debt to the special partner, ratably with the other creditors of the firm, or before all the general creditors are satisfied in full for their debts. *Mills v. Argall*, 6 Paige 577. It may be doubted, whether the general partner has the right to make an assignment of all the partnership effects to a trustee, for any purpose, without the assent of the special partner. *Ibid.* A court of equity will not appoint a receiver of the effects of a special partnership, on the ground that a creditor of the firm is about to obtain judgment for a large amount, and to issue execution, whereby he will obtain a preference. *Boebe v. Boswell*, Com. Pleas, Phila., 22 January 1853. MS. A voluntary assignee of a limited partnership cannot avoid an assignment made contrary to the provisions of the act; he represents only the assignors, not the creditors. *Bullitt v. Chartered Fund*, 26 P. S. 108.

<p>21 March 1836 § 21. P. L. 145.</p> <p><u>Ibid.</u> § 22.</p> <p>Penalty for assent thereto by special partner.</p> <p><u>Ibid.</u> § 23.</p> <p>Special partner not to claim as creditor.</p> <p><u>Ibid.</u> § 24.</p> <p>How such partnership may be dissolved.</p> <p>16 April 1838. P. L. 691.</p> <p>General partner may assign or bequeath his interest. His executors may sell.</p> <p>Name of firm to be altered.</p> <p>And certificate thereof recorded.</p> <p><u>Ibid.</u></p> <p>Special partner may assign his interest.</p> <p>21 April 1858 § 2. P. L. 384.</p> <p>Assent to transfer of interest may be given in advance.</p> <p>General partners may purchase shares of special partners.</p> <p>16 April 1838. P. L. 692.</p> <p>Insolvency of special partner not to cause dissolution.</p> <p><u>Ibid.</u></p> <p>His executors, &amp;c., may continue the business or sell his interest.</p> <p>Or he may bequeath it.</p> <p><u>Ibid.</u></p> <p>Notice of alterations to be given.</p> <p>30 March 1865 § 1. P. L. 46.</p> <p>Special partners may contribute merchandise as stock. Appraisal.</p>	<p>like circumstances, and with the like intent, shall be void as against the creditors of the partnership.(a)</p> <p>24. Every special partner who shall violate any provision of the two last preceding sections, or who shall concur in or assent to any such violation by the partnership, or by any individual partner, shall be liable as a general partner.(b)</p> <p>25. In case of the insolvency or bankruptcy of the partnership, no special partner shall, under any circumstance, be allowed to claim as a creditor, until the claims of all the other creditors of the partnership shall be satisfied.(c)</p> <p>26. No dissolution of such partnership, by the acts of the parties, shall take place, previous to the time specified in the certificate of its formation, or in the certificate of its renewal, until a notice of such dissolution shall have been filed and recorded in the recorder's office in which the original certificate was recorded, and published, once in each week for four weeks, in a newspaper printed in each of the counties where the partnership may have places of business.(d)</p> <p>27. A general partner in any limited partnership may, with the assent in writing of his partner, by deed duly acknowledged and recorded, or by last will and testament, in writing, sell, assign, dispose of or bequeath his interest in such limited partnership; and when such general partner dies without having disposed of his interest in such limited partnership, his administrator or executor may, in like manner, sell, assign and transfer his interest therein for the benefit of his estate; and on every such sale, transfer or bequest, a corresponding alteration shall be made in the name or firm under which the business of such partnership is conducted, and the same shall be forthwith acknowledged, certified, recorded and published, in the same manner as is provided by law in the case of the original formation of the partnership.</p> <p>28. A special partner, with the assent of his partner, in writing, first had and obtained, may sell or assign his interest in a limited partnership without causing thereby a dissolution of the partnership.</p> <p>29. The consent of the partners to a sale or transfer, by either the general or special partners, of their respective interests in the partnership, in pursuance of the resolution of the 16th of April 1838, may be given in advance, either in the original articles of partnership, or other like instrument; and a sale or transfer of any part or share of the interest in the firm of any partner, if made in pursuance of the articles of copartnership, or previously expressed consent of the partners as aforesaid, shall be equally valid as a sale of the whole interest of any one or more of the partners. And it shall further be lawful for the general partner or partners, or either of them, to purchase part or the whole of the interest or shares of one or more of the special partners.</p> <p>30. The insolvency of any special partner shall not cause a dissolution of the limited partnership, but his interest therein shall be sold by his assignees for the benefit of his creditors.</p> <p>31. When any special partner shall die, without having disposed of his interest in the limited partnership, his executor or administrator may either continue his interest therein for its unexpired term, for the benefit of his estate, or may sell the same at public auction, under the direction of the orphans' court of the county in which the principal place of business of such partnership may be, in the same manner as the estates of intestates are now by law sold; testamentary dispositions, in writing, of the interest of special partners may also be made. The decease of special partners shall not dissolve such limited partnership,(e) unless by the agreement between the parties, it is provided that such decease shall have that effect.</p> <p>32. Every alteration in such limited partnership, according to the provisions of this resolve, shall be notified to the general partner, and shall be duly acknowledged, certified and recorded, as in the case of the original formation of such partnership.(g)</p> <p>33. It shall and may be lawful for any special partner to make his contribution to the common stock of any limited partnership he may become a member of, in cash, goods or merchandise: <i>Provided</i>, That when such contributions are made in goods or merchandise, the same shall first be appraised under oath, by an ap-</p>
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(a) The provisions of this section can only be invoked by the firm creditors. *Brooke v. Alexander*, 3 W. N. C. 304. A judgment confessed by one partner to another, to secure the amount of the capital stock advanced by such partner, who had agreed to enter into a special partnership, but became a general partner, by reason of non-compliance with the requisitions of the act, is valid against a separate creditor of the partner who confessed the judgment. *Purdy v. Lacock*, 6 P. S. 490. But a confession of judgment by the general partner to a third person for money advanced to the special partner, which formed his contribution to the firm, is not valid as against the creditors of the firm. *Coffin's Appeal*, 106 P. S. 280. See *Dunning's Appeal*, 44 P. S. 150.

(b) Where a limited partnership is dissolved by agreement of parties, before the period fixed by the

original certificate, it continues, as to persons dealing with the firm, without actual notice, until the notice required by the act has been filed, recorded and published for four weeks, as prescribed by the statute. *Beers v. Reynolds*, 11 N. Y. 97.

(c) The 21st and 22d sections apply only to existing partnerships, not to one which has been dissolved. *Pusey v. Dusenbury*, 75 P. S. 437.

(d) A misappropriation of the partnership fund by the general partner, does not render the special partner liable as a general one, if he were not privy to the transaction. *Seibert v. Bakewell*, 87 P. S. 506.

(e) See *Ames v. Downing*, 1 Bradf. 321.

(g) If a limited partnership remove its place of business to another county, and do not file a new certificate in such county, the partnership becomes a general one. *Van Riper v. Poppenhausen*, 43 N. Y. 68.

praiser, who shall be appointed by the court of common pleas of the county in which such partnership is to be carried on: (h) And provided also, That in the certificate now required by law, the nature and value of the said goods shall be fully set forth and described. 80 March 1865 § 1. P. L. 46.

34. The business of the partnership shall be conducted under a firm, in which the names of the general partners only shall be inserted, without the addition of the word "company," or any other general term; and if the name of any special partner shall be used in such firm, with his privy, he shall be deemed a general partner. 21 March 1836 § 18. P. L. 145. Style of firm.

35. The business of the partnership shall be conducted under a firm, in which the names of all the general partners shall be inserted, except, that when there are more than two general partners, the firm name may consist of either two of such partners, with the addition of the words "and company;" but the said partnership shall put up, upon some conspicuous place on the outside, and in front of the building in which it has its chief place of business, some sign, on which shall be painted in legible English characters, all the names, in full, of all the members of said partnership, stating who are general, and who are special partners. (i) 80 March 1865 § 2. P. L. 46. How business to be conducted.

36. The firm name of any limited partnership may consist of the name of any general partner, with the addition of the words "and company," notwithstanding the name of such general partner may be common to him and any special partner; but the said partnership shall put up the sign required by the 2d section of the act approved the 30th of March 1865, to which this is a supplement. (k) 21 Feb. 1868 § 1. P. L. 42. Firm name may include the word "company."

(h) See *Vandyke v. Roskam*, 67 P. S. 330.

(i) See *Conrow v. Gravenstine*, 17 W. N. C. 204.

(k) The adoption of the firm name of Bullock's Sons, the special partners being brothers of the general ones, does not render the former generally liable, if the sign required by the act be properly exhibited. *Vilas Bank v. Bullock*, 10 Phila. 309. But where a

firm is composed of one special and two general partners, the use of the names of the two general partners, with the addition of the words "and company" as a firm name, is unauthorized by any act of assembly, and will render the special partner generally liable. *Metropolitan Bank v. Gruber*, 14 W. N. C. 12. *Gibb v. Mershon*, Ibid. 89.