


## EXAMPLE ANSWER FOR SUMMER 2022 Assignment #1, Q#1



In Mesopotamia, key elements of the commercial activity were the extent of state control of agricultural production and trades beyond the border of the state. Around 1900 BC, the *Naruqqu* contract was used in external trading networks of ancient Assur where investors supplied capital rated in gold that was entrusted to a trader. The contract contained final settlements of accounts, dividend payments, and fines on premature withdrawal of capital. The important benchmark in the legal history of equity capital organization is in the Roman partnership law of *Societas*, which is translated as a partnership. It could be formed for a limited duration or in perpetuity. Unlike the modern organization of equity capital, it did not require permanent equity capital stock. Then, when medieval Christianity influenced the legal framework, scholastic doctrine, which focused on justice, played an essential role in financial activities. The notion of just price and usury relate to the 'equality of objects given in exchange', meaning charging of interest would be unjust. However, there were some activities which payments beyond what was lent were recognized as licit under usury doctrine such as cambium (bill of exchange), census, and peona (penalty). During the 16<sup>th</sup> century, the scholastic doctrine did not hold strong influence anymore in England and Holland. Following the growth of financial markets, Antwerp, Amsterdam, and London centralized exchanges dealing in a range of financial securities. In 16<sup>th</sup> and 17<sup>th</sup> centuries, joint stock evolved from the partnership model. The early joint stock ventures did not possess the elements of limited liability and transferability. Then, it changed when VOC was founded in 1602, where shares can be transferred. Early joint stock companies involved company charters, but they also could be formed without charters, which the Bubble Act banned all such issues of stock in 1720.