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Shareholder Empowerment and Ownership Structure in a Free-Contracting Environment

Finance Working Paper N° 1159/2026
September 2026

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Abstract

We study how firms choose to allocate control over strategic corporate decisions between shareholders and management in a historical setting where governance design was not mandated by corporate law, but ownership structures were constrained by differences in regional wealth distributions. The general shareholder meeting is the dominant governance body, retaining control over the largest number of strategic decisions. Nevertheless, firms with a predominance of small - and plausibly less informed - shareholders empower managers by delegating control over a larger number of strategic decisions to them. Furthermore, shareholder empowerment is accompanied by statutory provisions that facilitate information acquisition, suggesting that control and information are complements. Our findings highlight that the debate on shareholder empowerment should account for the role of ownership structure and information as key determinants of the allocation of control between shareholders and management.

Keywords: Shareholder empowerment, ownership structure, corporate governance, control allocation

JEL Classification: G3, D23, K2, N80

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Abstract

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The modern public corporation is characterized by the separation of ownership and control (Berle and Means (1932)), with managers operating the firm with substantial discretion. In the United States, some legal scholars argue that corporate law exacerbates the resulting agency problem by insulating management from shareholder intervention, and therefore advocate greater shareholder empowerment (Bebchuk (2005)). Others counter that this model better serves shareholders' wealth: professional managers' expertise and informational advantages outweigh the agency costs, and expanded shareholder intervention may reduce value if owners interfere based on private agendas, mistakes, or inferior information (Bainbridge (2006)). Interestingly, UK corporate law has institutionalized stronger shareholder control through mandatory statutory rights, rather than treating shareholder influence as a threat to managerial effectiveness (Hill (2019)). This contrast is illustrated in Table 1, which shows that US (Delaware) corporate law tilts control over major corporate decisions toward management, whereas UK law allocates more control to the shareholder general meeting (hereafter, the GM).[1] One explanation for this divergence is the historical evolution of ownership structures. Although both the US and the UK are dispersed-ownership systems, institutional investors became more prevalent in the UK market earlier than in the US, where retail investors remained dominant until the end of the twentieth century (Davies (2015)). This suggests that optimal allocation of control depends on the composition of the shareholder base and, importantly, on whether shareholders possess the information needed to exercise control effectively.

Theory suggests that information plays a key role in how control is allocated. If a firm's ownership structure affects the informational asymmetry between owners and managers, it will ultimately drive the allocation of control. If shareholders lack information or face high information acquisition costs, and managers' goals are not significantly misaligned with theirs, delegating control to management is preferable (Aghion and Tirole (1997); Dessein (2002)).[2] In this context, ownership structure affects control allocation between shareholders and managers by influencing the information shareholders have. In general, individual shareholders do not internalize the collective benefits of their informed decisions, leading to an underprovision of

[1] For example, Delaware law requires charter amendments to be initiated by the board, whereas UK law treats initiation of charter amendments as an unwaivable GM right (Hill (2019)).

[2] In what follows, we use the term "management" or "managers" to refer jointly to board members and top executive officers.

effort in information gathering. This free-rider problem is exacerbated in firms with a dispersed ownership base, as smaller shareholders have weaker incentives to acquire information (Shleifer and Vishny (1986); Admati, Pfleiderer, and Zechner (1994)). As a result, firms with more dispersed ownership are likely to delegate more control to management.

In this paper, we study how ownership structure affects the allocation of control over five major corporate decisions —the acquisition or sale of company assets, secured borrowing, equity issuance, firm liquidation, and dividend payments— between shareholders and managers in 85 publicly traded Norwegian industrial firms at the turn of the twentieth century. Specifically, we investigate how the prevalence of small shareholders promotes delegation of control over these decisions to managers, via its impact on the level of firm-specific information held by the shareholders. We refer to this mechanism as the information channel of control delegation.

Studying this question in modern legal systems presents several obstacles. First, ownership structure is endogenous as it is jointly determined with other corporate governance features (Burkart, Gromb, and Panunzi (1997); Pagano and Roell (1998); Levit, Malenko, and Maug (2024)), making it difficult to establish its causal impact on control allocation. Second, statutory law often restricts the free allocation of control rights, regulating critical corporate decisions such as mergers, new share issues, and dividend distributions (Hansmann and Kraakman (2004)). When statutory rules mandate a particular allocation of control, the governance choices that firms would freely make are no longer observable, limiting our ability to identify how ownership structure shapes control allocation. Third, dispersed ownership may drive control delegation not only through shareholders' informational disadvantage but also through the conflicts among a more numerous and heterogeneous shareholder base. A fragmented and conflicted GM is an ineffective decision-making body (Schwartz-Ziv and Volkova (2024)), which promotes control delegation to managers. We refer to this mechanism as the conflict channel of control delegation.

Our historical setting addresses these challenges. First, given a scarce supply of wealthy investors in some areas of Norway, firms in those areas were constrained to issue equity to smaller investors, generating exogenous variation in the shareholder base. Second, Norway at the turn of the twentieth century lacked statutory corporate law regulating governance design, leaving companies free to allocate control over strategic decisions through their own statutes.

Third, boards were not legally required during this period, and Burkart, Miglietta, and Ostergaard (2023) show that mediating conflicts among heterogeneous shareholders was a major reason for their establishment. Board establishment therefore serves as an observable proxy for the potential for intra-GM conflicts, allowing us to disentangle the effect of shareholders' informational disadvantage on control delegation from that of shareholder disagreement.[3]

Our findings show that the GM remains the most powerful decision-making body, retaining control over the largest number of strategic decisions —consistent with shareholders safeguarding their interests against managerial opportunism. Nevertheless, managers in our sample firms are granted substantial control over strategic decisions. Importantly, firms with a predominance of small shareholders are significantly more likely to delegate control over strategic corporate matters to management, even controlling for potential conflicts among shareholders as proxied by board establishment. If this delegation is driven by the informational advantage that managers hold, we would expect the retention of control by the GM and statute provisions facilitating information acquisition by shareholders to be complements.

We investigate the relevance of information for control allocation through two sets of complementary tests. First, we exploit heterogeneity in the nature of corporate decisions. Decisions closely connected to the firm's operations —such as asset acquisitions and sales, borrowing, and equity issuance— are those for which executive officers have a large informational advantage, given their day-to-day involvement in the business. Consistent with this, we find that the prevalence of small shareholders significantly predicts delegation of these decisions to management, while it has no explanatory power for the dividend decision. The latter is a particularly contentious decision among owners, and its delegation is instead associated with board establishment —our proxy for shareholder conflict. Second, we provide a more direct test by exploiting the complementarity between control and information. If the GM is granted control over more strategic decisions, the statutes are more likely to contain stronger provisions facilitating shareholder information acquisition —including longer pre-meeting access to company books, longer notice periods for general meetings, and GM authority to appoint the firm's auditors.

One notable feature of our dataset is that some firms leave control over one or more

[3]We discuss these features in greater detail in Section 3.

strategic decisions unallocated. Given the importance of these decisions, such omissions must reflect deliberate choices. We find that statutes leaving a larger number of strategic decisions unallocated are more likely to contain a provision aimed at aligning the interests of shareholders and officers: it requires all officers to be shareholders of the firm. This positive association is consistent with the notion that the allocation of control matters less once the interests of owners and their agents are more closely aligned (Aghion and Tirole (1997); Harris and Raviv (2010)). Finally, we show that the allocation of formal control to the GM does not automatically translate into effective shareholder power: statutes that grant more decisions to the GM also tend to set higher equity thresholds for calling an extraordinary meeting, suggesting that control rights and the ease of exercising them are jointly designed.

Our findings underscore the critical role of ownership structure in shaping the allocation of control between shareholders and managers, and have implications for the ongoing debate on shareholder empowerment: A governance model that protects management from shareholder intervention may suit firms with dispersed and uninformed ownership, but not those with a shareholder base that is concentrated and informed. One may question the relevance of our conclusions for modern-day corporations, as ownership structure is jointly determined with all other governance choices. However, recent decades have witnessed large-scale shifts in ownership that are, to a considerable extent, exogenous to governance. Corporate ownership has moved from dispersed retail investors toward large institutional investors, a phenomenon driven by the preferential fiscal treatment of institutional intermediaries, pension system design, and households' learning about low-cost diversification—all forces independent of firms' governance choices (Gompers and Metrick (2001); Kahle and Stulz (2017); Rydqvist, Spizman, and Strebulaev (2014); Davies (2015)). Our results also help explain differences in shareholder empowerment across jurisdictions. The transatlantic divergence discussed above—stronger managerial control rights in the US than in the UK—is consistent with our evidence that the optimal allocation of control depends on the composition of the shareholder base. More broadly, our findings caution against the adoption of uniform control allocation standards across jurisdictions with heterogeneous ownership structures: a governance design that empowers shareholders in a concentrated-ownership environment may be ill-suited to one dominated by dispersed and less informed retail shareholders.

1 Control and ownership structure

1.1 Control as formal authority

Shareholder empowerment involves equipping a company's owners with the tools necessary to pursue their interests and protect themselves from potential managerial misconduct. In this paper, we focus on empowering shareholders by granting the GM control over major corporate decisions. If we accept that the primary purpose of a firm is to serve its owners' objectives, then there should be little hesitation in giving them substantial power to intervene in company affairs, block or reverse management actions, or replace officers and directors. Achieving this requires that corporate law or company statutes grant the GM the authority to make key decisions. However, even when shareholders are given significant control rights, they may not use this power effectively. It is unrealistic to expect shareholders to make all the decisions they are entitled to, given that they are not fully informed about every aspect of the company's operations and typically meet only a few times a year. Consequently, while shareholders may have formal control over certain corporate decisions, they generally allow the board and management to handle most of them, intervening only when necessary to challenge or block management actions.

The concept of formal authority allocation, introduced by Aghion and Tirole (1997), fits the situation described above well. In their setting, shareholders (the principal) decide whether to retain control over one or more corporate decisions or delegate it to management (the agent). If shareholders retain formal authority, they can make decisions, and if they lack information to make the decision themselves, they can rubber-stamp managerial recommendations, effectively leaving decision-making in managers' hands. Conversely, if shareholders delegate formal authority to management, managers can make decisions even against shareholders' preferences. At first glance, it seems there is no significant trade-off: shareholders should never relinquish formal authority to management, letting managers decide while retaining the option to step in if necessary to block opportunistic behavior. However, retaining formal authority is not costless for shareholders. When managers lack formal authority, they have weaker incentives to acquire decision-relevant information (Aghion and Tirole (1997)); moreover, even when managers do become informed, they may not communicate information

accurately (Dessein (2002)). Consequently, retaining formal authority can expose shareholders to the risk of poorly informed decisions. Formal delegation of authority to management can therefore be an optimal governance response when shareholders are informationally disadvantaged and shareholder-manager preference divergence is limited. Throughout this paper, we use the term control to mean formal authority in the sense of Aghion and Tirole (1997), that is, the contractually assigned formal right to make a given decision.

1.2 The impact of ownership structure on control

When shareholders incur the cost of acquiring firm-specific information, they do not internalize the benefits that accrue to the other shareholders, leading to underinvestment in information acquisition. This problem is more severe when ownership is dispersed (Shleifer and Vishny (1986); Admati et al. (1994)), since smaller ownership stakes reduce the private benefits of becoming informed. Consequently, a general meeting dominated by small shareholders is likely to be relatively uninformed, making the retention of control by owners less attractive (Aghion and Tirole (1997); Dessein (2002)). Conversely, large shareholders have stronger incentives to acquire information and are often better positioned to do so —through greater resources and access to business networks— reducing their informational disadvantage vis-à-vis management. These considerations imply that firms with more dispersed ownership should be more likely to delegate control to management because of their inferior information. The main objective of the paper is to assess whether the prevalence of small shareholders affects the delegation of control to management through the information channel.

As discussed above, this objective faces three fundamental challenges that our setting overcomes. The endogeneity of ownership structure is mitigated by the exogenous constraints on the shareholder base arising from regional variation in wealth distributions. The possibility that corporate law may restrict the free allocation of control rights is resolved by the absence of statutory corporate law, which leaves firms unconstrained in their governance design. Finally, the difficulty of separately identifying the information and conflict channels is addressed by the observability of board establishment as a proxy for the potential for shareholder conflict. Together, these features allow us to study how control allocation is affected by the prevalence of small owners, controlling for the conflict channel via board establishment.

After establishing that ownership structure predicts delegation of control to management —even after accounting for shareholder conflict— we need to find evidence that this relationship is driven by informational asymmetries between managers and owners. We address this question with two sets of tests. First, we exploit heterogeneity in the nature of corporate decisions. Some decisions are likely to feature a larger informational advantage of management, whereas others are more prone to disagreement among shareholders. Accordingly, we expect delegation of the latter to be explained primarily by our conflict proxy (board establishment), with little incremental explanatory power for small-shareholder prevalence, while delegation of the former should load on small-shareholder prevalence even after controlling for board presence. Second, we provide a more direct test of the information channel by exploiting the complementarity between control and information. Because management is typically better informed about the firm, when the GM retains control over a larger set of decisions, statutes should also facilitate information flowing to shareholders to enable them to exercise that control in a meaningful way. Accordingly, we examine whether statutes that allocate more control to the GM also include more provisions designed to strengthen shareholders' access to firm-specific information.

1.3 Related literature

The allocation of control —defined here as formal authority— has received substantial attention in the theoretical corporate governance literature. For example, Chakraborty and Yilmaz (2017) study how the optimal alignment of the board —with executives or shareholders— depends on the distribution of control between the board and the executives. Harris and Raviv (2008) analyze how control is allocated between insiders and outsiders on the board. Most closely related to our setting, Harris and Raviv (2010) characterize when shareholders should be given greater control over corporate decisions than management as a function of preference misalignment and the parties' relative informational advantages. Despite these theoretical contributions, empirical evidence on control allocation remains limited. Existing studies typically examine settings in which control over specific decisions is shifted by regulatory shocks. For instance, Cuñat, Lu, and Wu (2025) analyze how increased GM control affects voting standards in director elections. Wagner and Wenk (2025) study the consequences of strengthening

shareholder control via say-on-pay provisions, while Cornelli, Kominek, and Ljungqvist (2013) examine how legal reforms that empower boards to dismiss CEOs affect firm performance. More importantly, and despite the central role of information in the theory of control allocation, the empirical literature has not directly examined how informational considerations shape the allocation of control in corporate governance. We contribute by studying how ownership structure influences the shareholders' choice to relinquish control over corporate decisions by delegating it to management.

Our paper is closely related to Burkart et al. (2023), who analyze the same historical setting to study the determinants of board establishment. They show that firms with greater potential for conflict among numerous heterogeneous shareholders are more likely to establish a board to mediate between competing shareholder interests. While we share the same dataset and draw on their identification strategy —which exploits the exogenous prevalence of small shareholders in part of the sample firms— our paper addresses a fundamentally different governance question. Board formation is an organizational choice about establishing an intermediate governance body between the GM and officers, whereas control allocation is a distributional question about how formal authority over strategic corporate decisions is divided between shareholders and management, regardless of what governance bodies exist. Moreover, the economic problems investigated in the two papers originate from two different frictions: in Burkart et al. (2023) the establishment of a board is motivated primarily by conflicts among shareholders. In this study, the main problem driving the delegation of control to managers is their informational advantage, irrespective of shareholders' conflicts. Accordingly, we control for board establishment as a proxy for the potential for conflicts within the shareholder base, in order to account for any confounding effect of this friction on the information channel. In addition, we replicate our analysis in the subsample of firms without a board and obtain virtually identical results for delegation of control to management. This further distinguishes our study from Burkart et al. (2023), which focuses on differences in ownership structure between firms with and without boards, whereas our findings hold equally both in the full sample and within the subsample of firms without boards.

2 Data and statutes

2.1 Data collection

We use the same data as in Burkart et al. (2023), which are hand-collected from Carl Kierulf's *Handbook of Norwegian Bonds and Stocks* (*Haandbog over Norske Obligationer og Aktier*), the *Norwegian trade register* (*Brønnøysundregistrene*), and individual company records kept in national and regional archives. The Kierulf Handbook, first published in 1900, reports statutes for companies that were traded on the curb in Oslo, as well as rudimentary financial information such as paid-in equity, nominal share value, annual dividend payments and end-of-year stock prices. Later editions of the handbook omit the company statutes. We collect additional statutes and financial statements from archives to the extent historical records still exist.

Our sample consists of company statutes for 85 industrial firms and financial data from the period 1896–1920. Firms were not required to disclose their financial statements, hence accounting variables are not available in all years for many firms and are completely missing for several firms. For all but three firms, the company statutes are those in effect in 1900 (one firm was incorporated in 1905, and the oldest statutes available for the two other firms are from 1907 and 1908).

We map statutes into a set of categorical and numeric governance variables, which we describe below. Table A.1 in the appendix lists and defines the variables that are used in the analysis and Table A.2 provides descriptive statistics on the cross-sectional distributions of a number of accounting and financial variables.

2.2 Company statutes

Firms' statutes spell out governance rules in a list of numbered paragraphs. We discuss those provisions that are relevant for our analysis below. A more detailed discussion of the statutes can be found in Burkart et al. (2023). As documented there, the statutes display significant heterogeneity which provides us with a high degree of variation in the sample.

Governance provisions broadly fall into three groups: First, they define the corporate bodies that govern the firm. Second, they allocate control over corporate decisions across

governance bodies, and third, they outline the rules pertaining to the general meeting. We discuss each group in turn.

All of the firms in our sample formally establish a group of executive officers, typically referred to as the board of directors, or the board, and a general meeting of shareholders (GM). Twenty-two firms also establish a governance body that lies in between the executive group and the GM. This body, which is referred to as a board of representatives, has many similarities with the modern-day board of directors, wherefore we refer to it as the "board".[4] In contrast, despite the similarity in name, boards of directors in our sample have a more operational focus than modern-day boards of directors, wherefore we refer to them as the "officers".[5] Officer groups are relatively small in size, ranging from two to, in one case, nine members, with a median size of three members. A third of the firms stipulate a minimum meeting frequency for the officers ranging from four to 52 times a year, most frequently weekly (46%). Board sizes range from five to 24 members, most frequently 12 and 15 members. In firms with a board, 68% of the firms stipulate a minimum meeting frequency ranging from two to four times a year. In summary, our sample consists of firms (26%) that operate with three governance bodies consisting of an officer group, a GM, and a board in between them, and firms (74%) that operate with two governance bodies consisting of officers and the GM. In what follows, we group officers and board members together and refer to them as "management" or "managers." Both bodies are agents of the shareholders; treating them as a single category sharpens the principal–agent contrast at the heart of our analysis, and allows us to study directly when shareholders choose to relinquish control over strategic decisions to their agents.

Second, the governance provisions stipulate which corporate decisions fall under the control of which governance body. Five decisions, which are of strategic nature, occur repeatedly across statutes. They concern (1) the acquisition and sale of company assets, (2) borrowing against the company's real estate, (3) the issuance of new equity, (4) liquidation of the firm, and (5)

[4]We refer to Burkart et al. (2023) for a discussion of the similarities to modern-day boards.

[5]The operational focus of the officer groups is exemplified by the statutes of Union mineral water producer (§10): "The officers meet at least once every two weeks. Negotiations and decisions must be protocolled. The officers must 1) carry out the necessary investigations and suggest building sites, determine the building plan, choose the master builder, and must carry these plans as determined together with the board; 2) decide and carry out everything deemed necessary for the management of the business, use the company's credit to raise additional working capital, if such is needed, decide the price of the products, and in general manage the company and its operations."

the payment of dividends. The allocation of control over these five decisions is the focus of our analysis.[6]

The statutes confer decision control in different ways. They may either confer a specific decision on a specified body (exclusive control), or state that two bodies make the decision jointly. Alternatively, the statutes may confer control indirectly by stating that all decisions not mentioned explicitly in the statutes are allocated to a particular body. Christiania Handle and Lock Factory is one such example: "Officers hold any authority that is not reserved to the GM." We refer to such control allocation as "residual control". Two bodies may jointly hold residual control, although this is not common. In addition to strategic decisions, many statutes also assign control over operational decisions, such as inventory management, negotiations with third parties, product pricing, as well as decisions concerning the hiring of a treasurer, auditor, and a general manager.

Table B.1 in the appendix illustrates how three firms allocate control over strategic decisions. In the Ankerske Marble Company, officers control acquisitions and borrowing, but need the approval of the GM for a sale of the company's real estate. In Christiania Sailcloth Factory, control lies almost exclusively with the GM. In Bergens Mechanical Workshop, which has installed a board, the board and the officers share control over acquisitions, sales, and the distribution of dividends.

The third group of governance provisions refers to the general meeting. They specify voting rules, outline the rules for calling ordinary and extraordinary GMs, set rules for how meetings should be announced and how information should be made available to shareholders prior to meetings, among others. Several of these provisions have implications for how easily shareholders may obtain information about the firm's operations and finances. Table B.2 illustrates such information-related provisions for the three companies above. The statutes of Ankerske Marble Company and Christiania Sailcloth Factory are careful to list the newspapers in which meetings should be announced and put company information on display for shareholders in the headquarter offices (a common practice). In contrast, shareholders of Bergens Mechanical

[6]The decisions largely coincide with those significant corporate decisions that modern-day corporate law reserves for special regulations, such as mergers and consolidations, new share issues, voluntary dissolutions, and distributions of capital (Hansmann and Kraakman (2004)). A sixth strategic decision —statute amendment— is not included in our analysis because it is always controlled by the GM, and thus has no variation.

Workshop are given less information as there is no requirement to give them access to the financial accounts.

3 Ownership, control and shareholder conflicts

The primary objective of this paper is to test whether the prevalence of small, less-informed shareholders leads firms to delegate control to managers. This requires addressing three identification challenges: the endogeneity of ownership structure, the confounding influence of corporate law on governance design, and the need to control for the conflict channel as an alternative explanation for managerial empowerment. Our historical setting addresses each of these challenges through three distinctive features: (i) exogenous constraints on firms' ownership structures; (ii) the complete absence of statutory corporate law; and (iii) the availability of an observable proxy for shareholder conflict potential —in the form of board establishment. We discuss each of these features in detail below.

3.1 Constrained ownership structure

Our analysis relies on the premise that the ownership structure of a subset of firms is influenced by exogenous constraints. During this period, firms typically raised equity locally (Franks, Mayer, and Rossi (2009)), making their ownership structure dependent on the investor availability in the region. Thus, a firm located in an area with few wealthy individuals would need to issue equity also to smaller investors. Burkart et al. (2023) demonstrate that, to make shares accessible to these investors, firms in such regions split their equity into a larger number of shares, lowering the share value to accommodate individuals with limited financial resources. Consequently, firms with equity split into a larger number of shares with lower prices are more likely to emerge in regions where wealthy individuals are scarce and the supply of moderately wealthy individuals is relatively large.

Since we lack share price data for some sample firms, we instead use nominal share values —referred to as share denominations— as a proxy, given the strong correlation between prices and denominations at the time. This likely reflects a historical tendency to treat shares similarly to bonds, where nominal values were adjusted up or down in response to changes in market

value. The denominations in our sample vary significantly, ranging from 100 NOK to 10,000 NOK, which is equivalent to 882 USD to 88,166 USD in 2025.[7] For our analysis, we categorize firms into two groups: small and non-small denominations. The small-denomination group consists of 40 firms within the smallest denomination tertile, with nominal values between 100 NOK and 500 NOK.[8] The other group collects the remaining 45 firms, with denominations ranging between 500 NOK (not included) and 10,000 NOK.

Burkart et al. (2023) argue that firms with small-denomination shares are more likely to place equity with small investors, given the limited supply of wealthy investors. Two issues must be addressed to support this interpretation. First, it must be established that small-denomination firms in fact have a more dispersed shareholder base, rather than being held by a small number of large investors who each own many shares. Second, we must show that the greater prevalence of small shareholders in these firms reflects an exogenous financing constraint —stemming from limited access to wealthy investors— rather than an unconstrained and endogenous choice of ownership structure.

To address the first issue, we note that a single share in a large-denomination firm requires a significantly larger investment than a share in a small-denomination firm, regardless of whether we measure it in terms of percentage ownership or monetary value. In our dataset, one share of a large-denomination firm represents, on average, 0.51% of the firm's equity, compared to just 0.18% for a share in a small-denomination firm—a threefold difference. Additionally, the monetary investment needed to acquire a large-denomination share is larger.[9] Furthermore, we have the ownership structure for a subsample of 17 firms, and we observe that on average 53% of the equity of small-denomination firms is held by small shareholders (owning stakes smaller than 2.50%). In contrast, on average, only 30% of the equity in the rest of the firms is owned by small shareholders, and a nonparametric rank-sum test[10] (not reported) shows that the difference between the two averages is significant at a 5% level. This result supports

[7] These values are adjusted for inflation and converted to US dollars using the December 31, 2025 exchange rate of 10.0791 NOK/USD. Inflation adjustments are based on the Norwegian Consumer Price Index from 1900 to 2025, as reported by the Bank of Norway and SSB-Statistisk Sentralbyrå.

[8] The number of firms included in the small-denomination group is larger than 33% of the sample size as there are many firms tied at the 500 NOK denomination.

[9] For context, non-small-denomination shares were affordable only to wealthy individuals. In 1900, the annual gross salary of a well-paid civil servant ranged from 1,100 NOK to 6,000 NOK (Grytten (2007)), making these shares inaccessible to many in society.

[10] We run this test in consideration of the small sample size.

the notion that small-denomination firms indeed have a broader base of small shareholders compared to firms with large share denominations.

The next aspect to consider is whether this ownership pattern reflects a constrained decision or an unconstrained choice by the firm. At the turn of the twentieth century, the emerging middle class represented the primary source of small investors. Thus, regions with a higher concentration of middle-class individuals should see a greater prevalence of small-denomination firms. Burkart et al. (2023) show that this is indeed the case. A potential objection to this result is that the availability of moderately wealthy investors might be influenced by the economic activity of small-denomination firms themselves, raising concerns about reverse causality. To address this, the authors use the share of civil servants in the population as an explanatory variable: Civil servants had sufficient income and wealth to be small shareholders, and their presence was driven by public administrative needs rather than by the existence of small-denomination firms. The results indicate that the (exogenous) presence of a higher number of civil servants is associated with a greater prevalence of small-denomination firms.

In conclusion, small-denomination firms draw predominantly on small shareholders, and this ownership pattern reflects exogenous financing constraints rather than unconstrained governance choices.

3.2 Control allocation in the absence of corporate law

From the statutes we record the allocation of control over the five strategic decisions described in Section 2.2: the acquisition or sale of company assets, secured borrowing, equity issuance, firm liquidation, and dividend payments. To measure the extent of control allocated to each governance body, we construct a control index that counts the number of strategic decisions over which a body —either the GM or management— has control, taking values between zero and five. Higher values indicate a broader scope of control and, correspondingly, stronger empowerment of that body.

We also consider an alternative measure of empowerment: whether a governance body has residual control —that is, control over any decision not otherwise explicitly assigned. Hence, residual control empowers a governance body without requiring the enumeration of all the

possible decisions it might have to make in the future.[11]

In some instances the control over one or more of the five strategic decisions considered is left unassigned. This is surprising given the high importance of the decisions considered, and given such relevance, it must be a deliberate choice made when drafting the statutes. Theory suggests that when the interests of owners and managers are very aligned, then control allocation may be irrelevant (Aghion and Tirole (1997); Harris and Raviv (2010)). In light of these considerations, we investigate whether firms whose statutes require officers to be shareholders, a provision that aligns management's interests with those of owners, leave a larger number of strategic decisions unallocated.

3.3 Shareholder conflicts and board establishment

In order to assess the role of the information channel for the allocation of control, it is critical to control for the alternative conflict channel. Burkart et al. (2023) argue that conflicting preferences are more likely to arise when small shareholders are more prevalent, since the shareholder base is more numerous and heterogeneous. The authors show that firms respond to this conflict potential by establishing a board, which serves as an institutional mechanism for mediating divergent owner interests. A conflicted GM tends to be an inefficient decision-making body. Hence, shareholders may choose to delegate control over strategic decisions to a board better equipped to reconcile conflicting objectives. Since the potential for disagreement increases with the number of shareholders, the establishment and empowerment of boards are more prevalent in firms with a broad base of small shareholders. Consequently, small-denomination firms are more likely both to institute a board and to delegate control to it and, therefore, to the management group as a whole. Following these arguments, we use the presence of a board as an indicator of the underlying shareholder conflicts, which allows us to control for the impact of the conflict channel on control delegation to management.

Controlling for the conflict channel via board establishment represents a conservative identification strategy. The board has functions beyond conflict mediation. In particular, it is also a shareholder agent charged with monitoring officers. To perform this role effectively, the

[11] This residual control allocation confers considerable power and removes any concern about the arbitrary choice of which corporate decision should be deemed more relevant in the life of a firm.

board must be more closely aligned with shareholders than officers —consistent with its mediation role— and, crucially, it must be better informed than the GM. Consequently, controlling for board establishment captures not only conflict potential among shareholders but also the presence of a well-informed intermediary between shareholders and management. This feature implies that our estimates of the information channel effect represent a lower bound on the true effect, as controlling for board establishment partially absorbs the information mechanism we seek to identify.

Finally, firms without a board may still exhibit some residual potential for conflict among shareholders. To address this concern, we exploit a common feature of the firms in our sample: many cap the number of votes a single shareholder can cast in the GM. By limiting the influence of any individual owner, stringent vote caps prevent a single shareholder from imposing his/her interests on the others when disagreements arise in the GM. The presence of stringent caps is therefore plausibly associated with a greater underlying potential for conflict among shareholders (Burkart et al. (2023)).[12] Accordingly, as a robustness check, we control for residual conflict potential in the no-board subsample by including an indicator for firms capping votes at 5% or below.[13]

4 Empirical analysis

Our empirical analysis begins by examining GM empowerment: we assess the extent to which the GM retains control over corporate decisions as a safeguard against managerial opportunism. We then turn to the paper's central question—how the prevalence of small shareholders affects the delegation of control to management (i.e., officers and board members) —and investigate whether this relationship operates through managers' informational advantage. Finally, we study under what circumstances corporate decision control may remain unallocated and how statutes facilitate (or hinder) the GM's exercise of control rights.

[12]The interpretation of board establishment as a conflict mediation institution is supported by its strong positive correlation with the presence of stringent voting caps (Burkart et al. (2023)).

[13]A 5% voting cap means that a shareholder's voting power ceases to increase beyond a stake of 5% of outstanding shares, so that additional shares confer no additional votes.

4.1 GM empowerment

Retaining control over corporate decisions is a key mechanism through which shareholders can limit managerial expropriation: shareholders can delegate day-to-day operations to management while preserving the ability to intervene when managerial actions deviate from their interests. GM empowerment is particularly relevant in our setting because, in the absence of corporate law, shareholders lack the statutory protections against managerial expropriation that are present in modern jurisdictions[14] (La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1997); La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998); Djankov, La Porta, Lopez-de-Silanes, and Shleifer (2008)). One would therefore expect the GM to be the most powerful governance body in terms of control over major corporate decisions. Figure 1 confirms this prediction. The GM is the most powerful body, controlling about three out of five strategic decisions on average. Figure 2 further shows that GM dominance is not merely an aggregate phenomenon: for each individual decision, the GM is the body most frequently assigned control. Notably, liquidation is almost exclusively controlled by the GM, suggesting that owner–manager conflicts are particularly relevant for this decision. Overall, the data support the view that shareholders typically retain control rights in the general meeting as a safeguard against managerial opportunism, with the GM serving as the default locus of control over major corporate decisions.

4.2 Control delegation to management

Despite the GM's preeminence, management is nonetheless granted a meaningful degree of control: Figure 1 shows that managers have control over more than one out of five decisions on average. A central rationale for such delegation is managers' informational advantage, which is more pronounced when ownership is dispersed. As discussed above, small shareholders face a free-rider problem in information acquisition, leading to underinvestment in information production and a larger informational gap vis-à-vis management. We therefore test whether a greater prevalence of small owners is associated with delegation of control over more strategic decisions. Figure 3 shows that in roughly half of our sample firms, control over at least

[14] Appendix A of Burkart et al. (2023) contains a description of the legal and institutional background of our historical setting.

one decision is delegated to management (i.e., the board and officers); moreover, one, two, or three delegated decisions occur with similar frequency (between 14% and 17% of firms), showing a significant variation of management empowerment across the sample. Table 2 shows how the prevalence of small owners, as proxied by share denomination, impacts the empowerment of management. In small-denomination firms managers control on average 1.68 strategic decisions, versus 0.56 decisions in the others, a 1.12-decision difference, significant at 1%.[15]

Turning to the multivariate analysis, Table 3 regresses the number of strategic decisions delegated to management on two alternative measures of small owners prevalence. The first is an indicator for small-denomination firms (those with a share denomination of 500 NOK or below), and the second is the log of the firm's share denomination. Both measures are significantly associated with the extent of delegation: firms with smaller share denominations, and therefore prevalently owned by small shareholders, delegate control over more decisions to management. As previously discussed, we control for board establishment to account for the potential for conflicts among shareholders, finding that board presence is significantly associated with control delegation. Firm size is also positively related to delegation, consistent with larger firms being more complex to operate.[16] Table 4 reports analogous regressions for the subsample of firms without a board. The results are unchanged: smaller share denomination continues to predict more delegation to management, indicating that ownership structure shapes control delegation to management irrespective of whether a board exists. A residual concern is that firms without a board may still have some potential for conflict among shareholders, which could itself correlate with the prevalence of small owners. To address this possibility, we include an indicator variable for firms capping votes at 5% or below, which serves as a proxy for residual conflict potential in the no-board subsample. The estimate on this control in Table 4 is insignificant, and the coefficient on share denomination is essentially unchanged, indicating that residual shareholder conflict does not drive the relationship

[15]The averages do not sum exactly to five for the dividend, equity issuance and asset acquisition/sale decisions: these are either occasionally governed by mandatory rules in firm statutes or, in a limited number of instances, shared between the GM and managers.

[16]Given the small sample, we restrict the set of controls to three variables —size, age, and an industry-level fixed-assets ratio— to preserve degrees of freedom. The fixed-assets ratio is measured at the industry level and allows us to parsimoniously capture industry effects.

between ownership structure and control delegation.

As discussed above, firm statutes may also confer significant authority on a governance body through the allocation of residual control —that is, authority over any decision not otherwise explicitly assigned. Table 5 shows that share denomination significantly drives the allocation of residual control to management, reinforcing our main result.

Another factor that may shape the allocation of control is the firm's financial leverage. Debtholders may prefer governance arrangements that better protect their interests and may demand such arrangements as a condition for providing funding. Also, with high financial leverage, shareholders may prefer to delegate control to managers to facilitate negotiations with creditors, particularly over borrowing and repayment terms. Our data contain limited information on leverage. We therefore use each firm's average debt-to-total-assets ratio over the period 1896–1920.[17] Table 6 shows that leverage is not statistically significant in explaining either the number of strategic decisions delegated to managers or the delegation of the borrowing decision. Moreover, the reduced significance of the share-denomination variables in these specifications reflects the smaller sample (54 firms), rather than the effect of the additional explanatory power of leverage.[18] Overall, we find no evidence that capital structure affects delegation of control to management.

Taken together, the above results show that firms more likely to have a broader base of small shareholders are also more likely to delegate control over corporate decisions to management, even after controlling for potential shareholder conflicts.

4.3 Control allocation and information

We now turn to the question whether the positive association between small-shareholder prevalence and managerial empowerment is driven by managers' informational advantage. We address this question using two complementary analyses.

The first set of tests is based on the notion that shareholder conflicts and managerial information advantages do not affect all decisions to the same extent. Officers typically possess

[17]Leverage is persistent. The correlation between average leverage over 1896–1910 and average leverage over 1896–1920 is 96%. We use the latter measure because it is available for more firms.

[18]Re-estimating the same regressions on the same subsample of 54 firms without the leverage measure (unreported) yields virtually identical significance levels and no meaningful change in R-squared.

the most firm-specific information; accordingly, decisions for which shareholders are relatively poorly informed should be more frequently controlled by officers. Conversely, those decisions relatively more affected by shareholder conflicts should be delegated to the board. Decisions connected with the firm's operations —such as the acquisition or sale of assets and the corresponding financing choices via equity issuance or borrowing— are arguably those for which shareholders are markedly at an informational disadvantage relative to officers, given the latter's day-to-day involvement in the firm's business. Consistent with this argument, Figure 4 shows that asset acquisition/sales, equity issuance, and borrowing are more often delegated to officers or shared between officers and the board. By contrast, Burkart et al. (2023) argue that dividend policy is a particularly contentious decision: some shareholders rely on steady dividends as a source of income, while others, typically wealthier owners, may prefer to forgo them in favor of investment and growth. The authors document instances where dividend decisions triggered disputes within the GM. Consistent with this interpretation, Figure 4 shows that dividend control is most frequently assigned exclusively to the board, in line with its role as a mediator.[19]

Table 7 examines how share denomination and board establishment impact the delegation of control to management for each of the five strategic decisions. If smaller share denomination induces a larger managerial information advantage, by proxying for the prevalence of smaller and less informed owners, then decisions that are relatively more affected by information asymmetry should be delegated more frequently in small-denomination firms, irrespective of whether a board is established or not. Conversely, delegation of the decision most exposed to shareholder conflict should be explained mainly by board establishment, with little role for share denomination. The evidence is consistent with these predictions. The three decisions most affected by owner-manager information asymmetry are delegated to management significantly more in small-denomination firms, even after controlling for board presence. This last result is both statistically and economically significant: the probability of delegation for these decisions is 24% to 30% higher in small-denomination firms, holding other factors constant. By contrast, delegation of the dividend decision is significantly associated with the presence

[19]The liquidation decision is hardly ever delegated to either board or officers, signaling that the conflict between managers and owners may be particularly pronounced for this decision, leading shareholders to rarely relinquish control over it.

of a board, while share denomination has no explanatory power. Overall, decisions for which managerial informational advantages are likely to be most important appear to be delegated more frequently in firms where small shareholders are more likely to be prevalent.

Our second analysis provides a more direct test of the role of information in the allocation of control and is focused on the set of decisions retained by the GM. Since any meaningful exercise of shareholder control requires access to information, we expect that statutes empowering shareholders more should also further facilitate their information acquisition. Specifically, as the number of decisions controlled by the GM increases, the value of shareholders becoming informed rises, and we should observe more statutory provisions that mitigate shareholders' informational handicap. We identify four such provisions. First, we measure the number of days during which the firm's books are available for shareholder inspection prior to the GM; longer access windows facilitate information acquisition. Second, we record the minimum notice period for calling a general meeting; longer notice provides shareholders with more time to collect and process information. Third, we count the number of newspapers in which the meeting call must be published; broader publication increases the likelihood that shareholders learn about the meeting in time, improving their chances to become informed. Finally, we record whether the GM has the power to appoint the firm auditors. If information is central to the exercise of control, shareholders may seek to influence the quality and credibility of disclosed information by selecting auditors of their choice.[20]

Table 8 shows how the number of decisions controlled by the GM is positively and significantly correlated to (i) the availability of the firm's books, (ii) the notice period for calling the GM, and (iii) the GM's power to appoint the firm's auditors. By contrast, the number of newspapers in which the GM call must be published is not statistically significant. The GM auditor-appointment provision is particularly interesting. When statutes grant the GM the power to appoint auditors, shareholders are assigned, on average, roughly one additional strategic decision, holding other factors constant, an effect that is both statistically and economically significant. All these results provide direct evidence that statutes link shareholder control to enhanced shareholder access to information, consistent with control and information

[20]These provisions and GM empowerment are endogenous. The objective of our analysis is to ascertain the existence of a positive correlation between the two.

being complementary.

4.4 Unallocated control

A notable feature of our data is that some firms leave the control over one or more strategic decisions unallocated. On average, the control over roughly one strategic decision is left unassigned in the statutes. This is a striking pattern given the importance of such decisions. A key determinant of whether control is retained by shareholders, delegated to management, or left unallocated is the alignment of interests. When manager and shareholder preferences are sharply misaligned, it is optimal for shareholders to retain control. When misalignment is moderate, delegation becomes more attractive. If preferences are highly aligned, the allocation of control becomes largely irrelevant (Aghion and Tirole (1997); Harris and Raviv (2010)). Intuitively, if shareholders and managers have relatively congruent objectives then control delegation becomes more desirable. If objectives are highly aligned, managers will make decisions in the interest of shareholders who, in turn, would have no incentive to interfere with managers' actions, hence control allocation becomes irrelevant. As a result, moving from highly misaligned preferences, as interest congruence increases, two outcomes are plausible: greater delegation of control to management if the increase is moderate, or a higher number of decisions left unallocated if the increase is high.

To measure owner–manager alignment, we exploit a statutory provision adopted by some firms that requires officers to be shareholders of the firm. This provision is likely designed to promote shareholder participation in a firm's management, and we therefore treat it as a proxy for stronger interest alignment between shareholders and officers.[21] Using ownership data for a subsample of 17 firms, we examine whether officer equity ownership is higher in firms adopting such a provision, which would support the interpretation that this provision raises interest alignment by increasing officers' exposure to firm performance. In firms requiring officers to be shareholders, officers own on average 17% of equity, versus only 6% in other firms, with this difference significant at the 15% level.[22] Table 9 reports two sets of OLS

[21] While increasing the objectives alignment between officers and owners, this provision limits the pool of talent from which the firm can draw its officers. This is a clear cost of this statute requirement.

[22] Given the small sample size, we also conduct a rank-sum test confirming that the difference in average ownership between firms requiring officers to be shareholders and the remaining firms is significant.

regressions, one for the full sample and one for the subsample of firms without a board. The results indicate that requiring officers to be shareholders does not predict a higher propensity to delegate control. Instead, this provision is significantly and positively associated with a greater number of unallocated decisions. This pattern aligns with the second implication discussed above: as owner–manager interests become more closely aligned, the formal allocation of control matters less. Leaving control unallocated and requiring that officers be shareholders are jointly determined in the statutes, hence the coefficients in Table 9 capture correlations rather than causal effects. The positive association may therefore reflect a mechanism slightly different from the one described above. A firm may, for reasons we do not observe, prefer to leave some strategic decisions unassigned. Requiring officers to be shareholders would then ensure that, in the future, whoever ends up making those decisions will be part of the owners' group, and thus more aligned with other shareholders than a non-shareholder officer. Regardless of the underlying mechanism, the evidence points to a consistent pattern: stronger interest alignment, as captured by a greater overlap between ownership and management, is associated with more control rights left unallocated.

4.5 GM access to control

As discussed above, the GM is by far the most powerful governance body. Yet assigning control to the GM does not necessarily imply strong shareholder empowerment in practice. Statutes may include provisions that make it costly for shareholders to exercise the control they are granted. A natural example is the ability to convene an extraordinary GM. To act on matters under GM control, shareholders must be able to call an extraordinary meeting in a timely manner. If the statute requires an exceptionally high ownership threshold to request such a meeting, shareholder control may be severely limited.

In our sample, 64 firms specify a rule for calling an extraordinary GM—60 in terms of a minimum equity percentage and four in terms of a minimum number of shareholders. We focus on the 60 firms with an equity-percentage requirement. The average threshold is 24% of equity. The modal requirement is 25%, while two firms set thresholds of 50% or more; the lowest threshold is 4.2%. Table 10 documents how firms allocating control over more strategic decisions to the GM or that leave more decisions unallocated tend to set higher

thresholds for calling an extraordinary meeting, thereby making that control harder to exercise. Conversely, when statutes allocate more control to management, they are associated with lower thresholds, consistent with shareholders retaining a more readily exercisable counterbalancing power. Overall, statutes appear to modulate control allocation by jointly regulating the ease with which shareholders can access extraordinary GMs.

5 Conclusion

We study how firms allocate formal control over strategic corporate decisions between shareholders and management in a setting unconstrained by corporate law, exploiting exogenous variation in ownership structure arising from differences in regional wealth distributions.

Our findings show that the GM is the dominant governance body, retaining control over the largest number of strategic decisions —consistent with shareholders safeguarding their interests against managerial opportunism. Nevertheless, firms with a predominance of small shareholders delegate significantly more control to management. We find evidence that this pattern is driven by the informational disadvantage of dispersed shareholders: delegation of operationally complex decisions for which officers' information advantages are largest stems from small-shareholder prevalence, and statutes that empower the GM more also include stronger provisions facilitating shareholder information acquisition. These results show that control rights and information are complements in governance design —a theoretical prediction for which, to our knowledge, this paper provides the first direct empirical evidence. In addition, and consistent with the prediction that control allocation may become irrelevant when preferences are highly aligned (Aghion and Tirole (1997); Harris and Raviv (2010)), we find that a proxy for stronger owner–manager alignment is associated with a greater likelihood of strategic decisions being left unallocated. Finally, control rights and the ease of exercising them appear to be jointly determined: statutes that allocate more control to management set lower equity thresholds for calling extraordinary meetings, while those granting more control to the GM, or leaving more decisions unallocated, set higher ones. This finding suggests that the effective empowerment of shareholders depends not only on the formal allocation of control but also on the procedural conditions under which that control can be exercised.

Our results have direct implications for the ongoing debate on shareholder empowerment. As documented by Gompers and Metrick (2001) and Kahle and Stulz (2017), US corporate ownership has undergone a secular transition from a shareholder base dominated by dispersed and relatively uninformed retail investors to one increasingly dominated by large institutional shareholders with greater resources, expertise, and incentives to acquire firm-specific information. This change stems largely from forces independent of governance considerations, such as fiscal incentives that encouraged households to migrate their equity holdings to institutional vehicles (Rydqvist et al. (2014); Davies (2015)). Our evidence suggests that this transition has a direct bearing on the allocation of control between shareholders and management. If the management-centric governance model —in which management is largely insulated from shareholder intervention— is well-suited to markets with dispersed and uninformed ownership, it may be increasingly misaligned with a shareholder base that is more concentrated and informed. More broadly, our results caution against treating any particular allocation of control as universally optimal. Ownership structure —and, in particular, the capacity of shareholders to exercise control in an informed manner— is an important determinant of governance design, suggesting that corporate law and company statutes should be calibrated accordingly.

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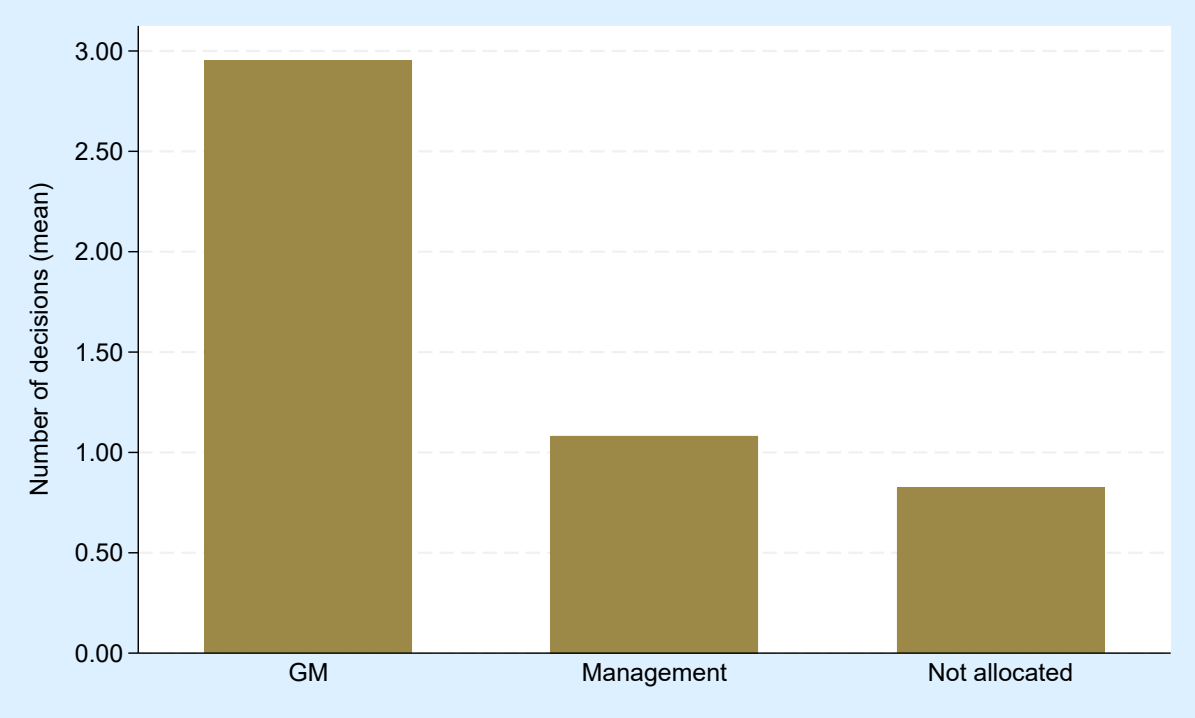
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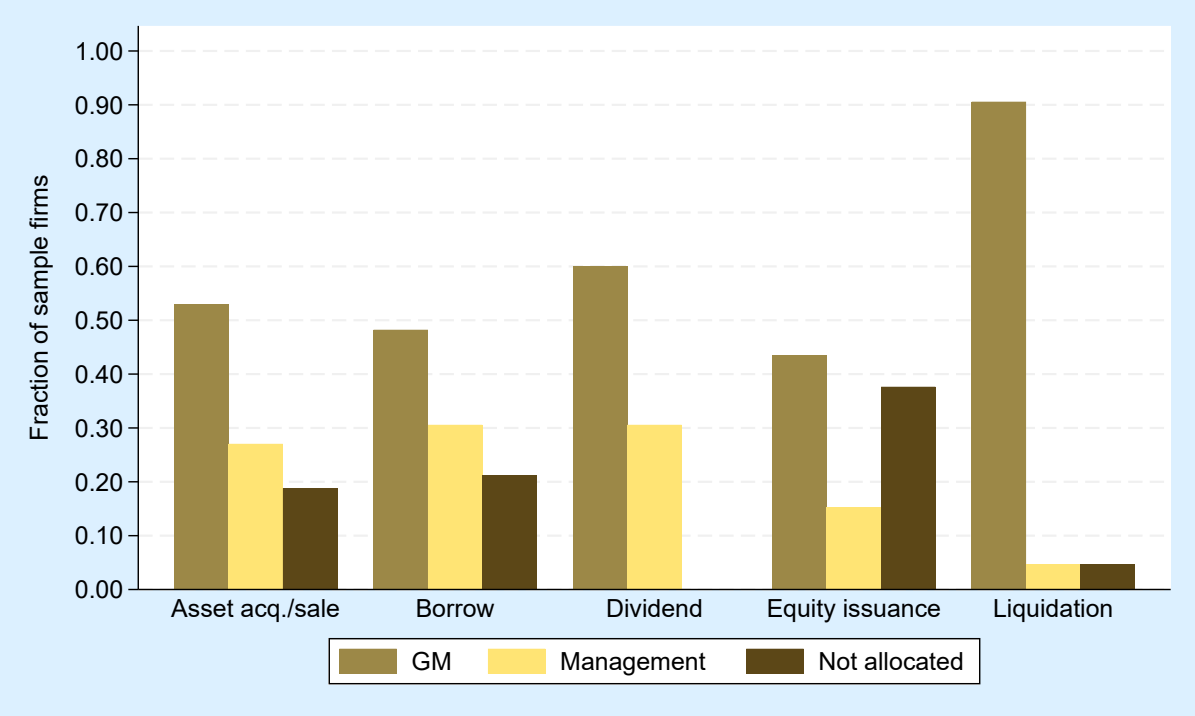
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Figure 1: **GM vs Management Control**



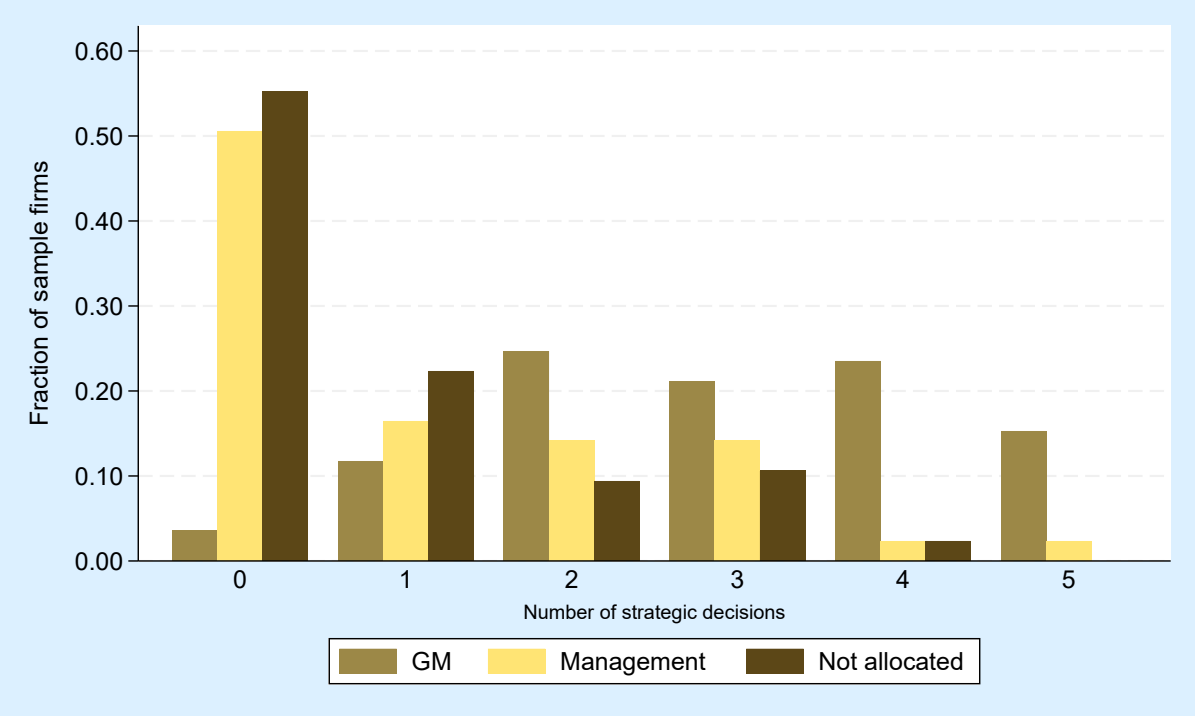
This figure shows the average number of strategic decisions controlled by the GM, by the management (officers and board) or not allocated to either. The strategic decisions are acquisitions/sales of assets, borrowing against the firm's assets, equity issuance, firm liquidation and dividend payments.

Figure 2: **Control Allocation Across Decisions**



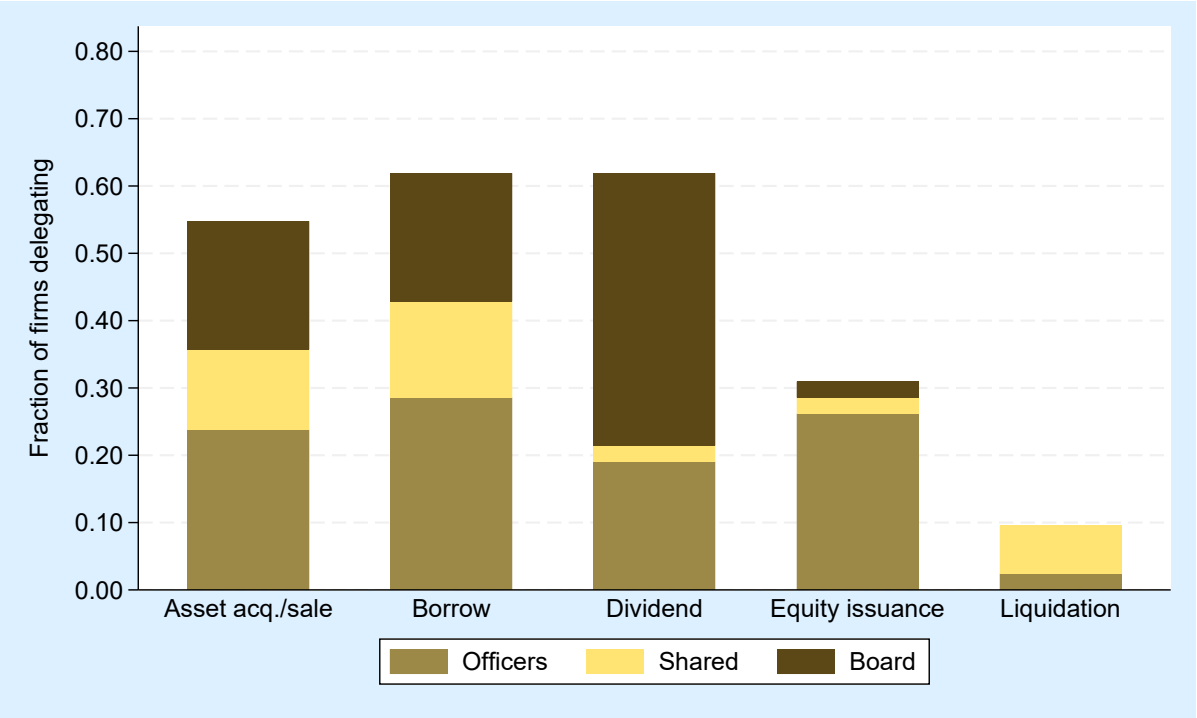
This figure shows the frequency with which each strategic decision is controlled by the GM, the management (officers and board) or not allocated to either. The strategic decisions are acquisitions/sales of assets, borrowing against the firm's assets, equity issuance, firm liquidation and dividend payments.

Figure 3: **Frequency Distribution of Decision Control**



This figure shows the frequency distribution of the number of strategic decisions controlled by the GM, by the management (officers and board) or not allocated to either. The strategic decisions are acquisitions/sales of assets, borrowing against the firm's assets, equity issuance, firm liquidation and dividend payments.

Figure 4: **Frequency of Delegation by Governance Body**



This figure shows the fraction of firms —among those that delegate at least one decision— that allocate the control of a strategic decision to the officers, the board or jointly to both (shared). The strategic decisions are acquisitions/sales of assets, borrowing against the firm's assets, equity issuance, firm liquidation and dividend payments.

Table 1: **Statutory Control Allocation in US and UK**

Decision	Allocation	Description	Source
Liquidation	US: Board+GM / GM	The dissolution must be initiated by the board and then approved by the GM. Nevertheless owners' unanimous resolution can bypass board proposal.	DGCL §275.
	UK: GM	The board makes a statement of solvency but the decision is allocated to the GM: At least 75% of the votes for it.	Insolvency Act 1986 §84, §89.
Asset sale	US: Board + GM	The sale needs to be initiated by the board. Then approved by GM.	DGCL §271.
	UK: Contractible	Board must notify sale. Board power can be limited by the articles of association.	FCA UKLR 7.3.
Equity issuance	US: Board+GM	Board can issue equity, within charter limits. If there is a requirement to increase the number of shares that can be issued, then charter amendment rules apply.	DGCL §152, §242.
	UK: Contractible	The board needs a resolution from GM to issue additional shares. But this authority can be also enshrined in the articles of association.	Companies Act 2006 §551.
Dividend	US: Contractible	The board retains the ultimate authority on dividend declaration, but it can be limited by the charter.	DGCL §170, DGCL §141(a).
	UK: Contractible	The Companies Act does not provide any indication of who can declare the dividend.	Companies Act 2006 §830, §836 and Companies Model Articles 2008
Statute amendment	US: Board+GM	The amendment needs to be initiated by the board. Then approved by GM.	DGCL §242
	UK: GM	The resolutions to amend can be proposed by either directors or shareholders, but must be approved by GM.	Companies Act 2006 §21, §283

This table presents the allocation of control rights over 5 decisions (liquidation of the firm, sale of a large portion of the firm's assets, equity issuance, dividends and statute amendments) between the board and the GM, in the United States of America and the United Kingdom. The table reports a concise description of the statutory provisions (Description) and the legal sources (Source). The legal sources reported are the Delaware General Corporation Law (DGCL) for the US, the Companies Act of 2006, the Insolvency Act, the FCA UK Listing Rules (UKLR) and Companies Model Articles 2008 for the UK.

Table 2: **Strategic Decision Allocation in Small and Non-Small Denomination Firms**

	Small Denomination Firms	Other Firms	Difference in Means	p-Value
Number of strategic decisions				
allocated to GM	2.58	3.29	-0.71**	0.02
	(0.23)	(0.18)		
allocated to Management	1.68	0.56	1.12***	0.00
	(0.23)	(0.14)		
not allocated	0.68	0.96	-0.28	0.22
	(0.16)	(0.19)		
Obs.	40	45		

The table compares the average number of strategic decisions allocated to the GM, allocated to management and not allocated to either, between small-denomination firms —firms whose share denominations are smaller than or equal to 500 NOK— and non-small-denomination firms. Standard errors are reported in parentheses for the group averages. p-Values are reported for a two-sided t-test of the difference in means with unequal variances. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Table 3: **Control Delegation to Management**

	Number of Decisions Delegated to Management			
Small-Denomination Dummy	1.509***	1.006***		
	(0.000)	(0.003)		
Denomination (log)			-0.691***	-0.395***
			(0.000)	(0.006)
Board		1.430***		1.501***
		(0.000)		(0.000)
Size (log)	0.513***	0.308***	0.550***	0.307***
	(0.000)	(0.007)	(0.000)	(0.008)
Firm Age in 1900	-0.00929*	-0.00531	-0.00907+	-0.00554
	(0.082)	(0.328)	(0.114)	(0.308)
Fixed Assets Ratio	-0.923	-1.489**	-1.067+	-1.464**
	(0.167)	(0.025)	(0.137)	(0.026)
Constant	1.388***	1.290***	6.774***	4.360***
	(0.000)	(0.000)	(0.000)	(0.001)
Obs.	85	85	85	85
R-squared	0.33	0.49	0.28	0.45

This table presents coefficients of OLS regressions of the number of strategic decisions allocated to management (officers and board) on the following variables: a dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK, the share denomination (log), a dummy variable for the existence of a board, firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. The p-Values, based on robust standard errors, are reported in parentheses. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Table 4: **Control Delegation to Management in Firms Without a Board**

	Number of Decisions Delegated to Management			
Small-Denomination Dummy	0.839**	0.822**		
	(0.013)	(0.020)		
Denomination (log)			-0.345**	-0.351*
			(0.022)	(0.050)
Vote Capping at 5%		0.152		-0.0333
		(0.625)		(0.930)
Size (log)	0.322***	0.346***	0.333***	0.330***
	(0.008)	(0.007)	(0.006)	(0.008)
Firm Age in 1900	-0.00847*	-0.00898*	-0.00819+	-0.00805+
	(0.093)	(0.072)	(0.110)	(0.125)
Fixed Assets Ratio	-0.481	-0.511	-0.524	-0.528
	(0.455)	(0.430)	(0.425)	(0.432)
Constant	0.984***	0.998***	3.675***	3.721**
	(0.001)	(0.001)	(0.006)	(0.016)
Obs.	63	63	63	63
R-squared	0.19	0.20	0.15	0.15

This table presents coefficients of OLS regressions of the number of strategic decisions allocated to management (in this case officers only), in firms without a board, on the following variables: a dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK, the share denomination (log), a dummy variable for firms capping shareholders' vote at 5% or less, firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. The p-Values, based on robust standard errors, are reported in parentheses. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Table 5: **Allocation of Residual Control**

	Residual Control Allocated to Management	
Small-Denomination Dummy	0.261*	
	(0.068)	
Denomination (log)		-0.108*
		(0.087)
Board	-0.164	-0.150
	(0.199)	(0.260)
Size (log)	0.100**	0.102**
	(0.030)	(0.036)
Firm Age in 1900	-0.00262	-0.00264
	(0.312)	(0.316)
Fixed Assets Ratio	-0.0834	-0.0881
	(0.820)	(0.804)
Constant	0.359**	1.198**
	(0.013)	(0.032)
Obs.	85	85
R-squared	0.08	0.06

This table presents coefficients of OLS regressions of a dummy variable of whether residual control is allocated to management (officers and board), on the following variables: a dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK, the share denomination (log), a dummy variable for the existence of a board, firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. The p-Values, based on robust standard errors, are reported in parentheses. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Table 6: **Financial Leverage and Control Delegation**

	Number of Decisions Delegated to Management		Borrowing Decision Delegated to Management	
Small-Denomination Dummy	0.777*		0.212	
	(0.083)		(0.190)	
Denomination (log)		-0.335		-0.154*
		(0.163)		(0.082)
Board	1.661***	1.614***	0.432***	0.366**
	(0.000)	(0.001)	(0.005)	(0.028)
Financial leverage	0.467	0.341	0.232	0.179
	(0.568)	(0.675)	(0.483)	(0.582)
Size (log)	0.291*	0.342*	0.0751	0.117+
	(0.074)	(0.082)	(0.263)	(0.144)
Firm Age in 1900	-0.00683	-0.00734	-0.00566*	-0.00520*
	(0.430)	(0.400)	(0.095)	(0.096)
Fixed Assets Ratio	-2.918***	-2.892***	-0.989**	-1.059***
	(0.002)	(0.004)	(0.011)	(0.007)
Constant	2.012***	4.720**	0.702**	1.913**
	(0.006)	(0.027)	(0.013)	(0.016)
Obs.	54	54	54	54
R-squared	0.49	0.47	0.38	0.39

This table presents coefficients of OLS regressions of the number of strategic decisions allocated to management (officers and board) and a dummy variable of whether the borrowing decision is delegated to management, on the following variables: a dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK, the share denomination (log), a dummy variable for the existence of a board, the firm-level average debt-to-total-assets ratio between 1896 and 1920, firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. The p-Values, based on robust standard errors, are reported in parentheses. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Table 7: **Delegation of Individual Decision Control to Management**

	Dividend	Asset Acq./Sale	Borrow	Equity Issuance	Liquidation
Small-Denomination Dummy	0.111	0.243**	0.270**	0.296**	0.0861
	(0.294)	(0.036)	(0.025)	(0.014)	(0.309)
Board	0.669***	0.354***	0.379***	-0.0893	0.117
	(0.000)	(0.010)	(0.006)	(0.344)	(0.178)
Size (log)	0.0253	0.146***	0.0797	0.0305	0.0265
	(0.419)	(0.004)	(0.156)	(0.304)	(0.155)
Firm Age in 1900	0.0000878	-0.00403**	-0.00433**	0.000483	0.00248+
	(0.963)	(0.045)	(0.045)	(0.810)	(0.117)
Fixed Assets Ratio	0.171	-0.423*	-0.442+	-0.586***	-0.209*
	(0.454)	(0.081)	(0.106)	(0.006)	(0.090)
Constant	0.0160	0.458***	0.440***	0.330***	0.0456
	(0.850)	(0.000)	(0.001)	(0.002)	(0.268)
Obs.	85	85	85	85	85
R-squared	0.53	0.38	0.34	0.13	0.15

This table presents coefficients of five OLS regressions of dummy variables indicating whether management controls the dividend decision, asset acquisition/sale, the borrowing decision, equity issuance and liquidation on the following variables: a dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK, a dummy variable for the existence of a board, firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. The p-Values, based on robust standard errors, are reported in parentheses. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Table 8: **Shareholder Empowerment and Information**

	Number of Decisions Allocated to GM			
Book Availability	0.0914***			
	(0.009)			
GM Shortest Notice		0.0302***		
		(0.001)		
Newspapers			-0.0308	
			(0.867)	
GM Appoints Auditor				0.996***
				(0.004)
Size (log)	-0.457*	-0.221	-0.0842	-0.0591
	(0.051)	(0.200)	(0.616)	(0.693)
Firm Age in 1900	0.00416	0.000144	0.0160+	-0.00224
	(0.679)	(0.985)	(0.133)	(0.776)
Fixed Assets Ratio	0.789	-0.617	-0.723	-0.154
	(0.442)	(0.452)	(0.467)	(0.853)
Constant	0.935	2.655***	3.063***	2.348***
	(0.260)	(0.000)	(0.000)	(0.000)
Obs.	57	82	57	85
R-squared	0.14	0.05	0.05	0.12

This table presents coefficients of OLS regressions of the number of strategic decisions allocated to the GM on the following variables: the number of days the accounting books need to be available to shareholders before the GM (Book Availability), the minimum number of days between GM call and meeting date (GM Shortest Notice), the number of newspapers on which the call for the GM should be published (Newspapers), a dummy variable of whether the GM controls the appointment of the auditor (GM Appoints Auditor), firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. Sample sizes differ across columns because book availability, GM shortest notice, and the number of newspapers are not specified in the statutes for all firms in the sample. The p-Values, based on robust standard errors, are reported in parentheses. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Table 9: **Empowerment and Alignment**

	Panel A: All Firms			Panel B: Firms without Boards		
	Decisions allocated to management	Decisions allocated to GM	Decisions not allocated	Decisions allocated to management	Decisions allocated to GM	Decisions not allocated
Small-Denomination Dummy	0.991***	-0.503	-0.428+	0.840**	-0.0593	-0.742**
	(0.003)	(0.171)	(0.111)	(0.014)	(0.874)	(0.011)
Officers Must be Shareholders	-0.209	-0.546+	0.794***	0.0122	-0.746**	0.779***
	(0.472)	(0.106)	(0.000)	(0.968)	(0.030)	(0.000)
Board	1.476***	-1.403***	-0.0247			
	(0.000)	(0.000)	(0.925)			
Size (log)	0.291***	-0.0717	-0.278**	0.323***	-0.0629	-0.330**
	(0.009)	(0.639)	(0.022)	(0.009)	(0.712)	(0.021)
Firm Age in 1900	-0.00475	-0.00733	0.0146**	-0.00850+	-0.00210	0.0143*
	(0.397)	(0.337)	(0.038)	(0.121)	(0.798)	(0.059)
Fixed Assets Ratio	-1.526**	1.055	0.664	-0.479	-0.106	0.792
	(0.022)	(0.216)	(0.243)	(0.464)	(0.904)	(0.216)
Constant	1.451***	3.593***	-0.446+	0.974***	4.003***	-0.418
	(0.000)	(0.000)	(0.132)	(0.005)	(0.000)	(0.153)
Obs.	85	85	85	63	63	63
R-squared	0.49	0.30	0.23	0.19	0.07	0.29

This table presents coefficients of two sets of OLS regressions with robust standard errors reported in Panel A and Panel B, respectively. Panel A reports the regressions of the number of strategic decisions allocated to the management (officers and board), those allocated to the GM, and those not allocated to either, on the following variables: a dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK, a dummy variable for firms requiring officers to be shareholders (Officers Must be Shareholders), a dummy variable for the existence of a board, firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. Panel B reports the regressions of the number of strategic decisions allocated to the management, those allocated to the GM, and those not allocated to either, for the firms without a board, on the following variables: a dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK, a dummy variable for firms requiring officers to be shareholders, firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. The p-Values are reported in parentheses. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Table 10: **GM Access to Control**

	Minimum Equity Percentage to Call for an Extraordinary GM		
Decisions to GM	0.0165*		
	(0.089)		
Decisions to Management		-0.0268***	
		(0.006)	
Unallocated Decisions			0.0118+
			(0.147)
Board	-0.0307	-0.0149	-0.0485
	(0.393)	(0.677)	(0.167)
Size (log)	-0.00549	0.00117	0.000608
	(0.735)	(0.947)	(0.973)
Firm Age in 1900	0.000930*	0.000543	0.000336
	(0.077)	(0.226)	(0.533)
Fixed Assets Ratio	0.0366	0.0289	0.0228
	(0.683)	(0.740)	(0.801)
Constant	0.152***	0.239***	0.218***
	(0.005)	(0.000)	(0.000)
Obs.	60	60	60
R-squared	0.12	0.18	0.09

This table presents coefficients of OLS regressions of the minimum percentage of equity necessary to call for an extraordinary GM, on the following variables: the number of strategic decisions allocated to GM, the number of strategic decisions allocated to management (officers and board), the number of strategic decisions left unallocated, a dummy variable for the existence of a board, firm size (log), firm age in 1900 by founding year, and the industry average ratio of fixed-to-total assets. The p-Values, based on robust standard errors, are reported in parentheses. Statistical significance is reported at the 15% ($^{+}$), 10% (*), 5% (**), and 1% (***) levels.

Appendix A Variable List and Summary Statistics

Table A.1: **List of variables**

Variable	Description
Asset acquisition-/sale	Decisions concerning the acquisition of new assets and/or the sale of a company's existing assets.
Board	Dummy variable taking the value of one if statutes stipulate that a board must be established.
Book availability	The time period in advance of the General Meeting that a company's financial accounts should be on display for shareholders (measured in days).
Borrow	Decision concerning borrowing with recourse in the company's real estate.
Decisions allocated to GM	The number of the five strategic decisions (asset acquisition/sale, borrow, equity issuance, liquidation, and dividend) over which the statutes allocate control to the General Meeting. The variable takes values between zero and five.
Decisions allocated to management	The number of the five strategic decisions over which the statutes allocate control to management, that is, to the officers, the board, or both jointly. The variable takes values between zero and five.
Decisions not allocated	The number of the five strategic decisions whose control the statutes leave unassigned to any governance body. The variable takes values between zero and five.
Denomination	The nominal value of a common share in NOK. The variable is logged in the regressions.
Dividend	Decision concerning the distribution of dividends to ordinary shareholders.
Equity issuance	Decision concerning the issuance of seasoned equity offerings.
Financial leverage	Firm-level ratio of total loans to total assets computed as the average of all observations of the ratio available for a firm over the 1896–1920 period.
Firm age in 1900	The firm's age in 1900 measured relative to the year a firm was founded.

The table continues on the next page.

Table A.1: **(Continued) List of variables**

Variable	Description
Fixed assets ratio	Ratio of industry-level tangible assets to total assets computed as the average of all observations of the ratio available for firms in an industry over the 1896–1910 period. For two industries, tangible assets are not available for any firm before 1910. We therefore employ accounting data up to 1920 for these two industries.
GM appoints auditor	A dummy variable taking the value of one if the General Meeting appoints the auditor of a company's accounts.
GM shortest notice	The minimum notice period for the announcement of a General Meeting (measured in days).
Liquidation	Decision concerning the liquidation of the firm.
Minimum equity to call an extraordinary GM	The minimum percentage of a company's equity that shareholders must hold in order to request an extraordinary General Meeting.
Newspapers	The minimum number of newspapers in which a General Meeting must be announced.
Number of shares	Number of shares issued by a firm.
Officers Must be Shareholders	Dummy variable taking the value of one if the statute requires officers to be shareholders.
Paid-in equity	The nominal value of paid-in (common and preferential) equity in (1,000,000 NOK).
Residual control to management	Dummy variable taking the value of one if the statutes confer on management control over any decision that is not explicitly allocated to another governance body.
Size	Firm-level paid-in equity. The variable is logged in the regressions.
Small-denomination dummy	Dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK.
Total assets	Total assets computed as the average of all observations available for a firm over the 1896–1910 period.
Vote capping at 5%	Dummy variable taking the value of one if a voting cap is in effect (the maximum number of votes) for shareholders with share ownership corresponding to 5% of paid-in equity or less.

Table A.2: **Summary Statistics**

	Obs.	Mean	Median	Std Dev.	Min	Max
Share denomination (NOK)	85	1,445	800	1,784	100	10,000
Number of shares	85	1,058	600	1,373	27	10,000
Paid-in equity ('000,000 NOK)	85	0.704	0.557	0.634	0.008	4
Paid-in equity ('000,000 USD)*	85	0.188	0.149	0.170	0.002	1.070
Total assets ('000,000 NOK)	44	1.707	1.225	1.608	0.034	8.28
Financial leverage	54	0.361	0.383	0.186	0.023	0.772
Fixed assets ratio	85	0.501	0.469	0.181	0.130	0.818
Firm age in 1900 (estbl.)	85	20.4	12	19.5	1	85
Board existence dummy	85	0.26	0	0.44	0	1

The table presents summary statistics for the sample firms. Paid-in equity in 1900 Norwegian kroner (NOK) is translated into 1900 US dollars using an average 1900 exchange rate of 3.74 NOK per US dollar, obtained from Norges Bank's historical monetary statistics (www.norges-bank.no).

Appendix B Statute Excerpts

Table B.1: **Examples of provisions pertaining to the allocation of decision control**

The Ankerske Marble Company:

§5 The company's business is managed by a board of 6 members [officers] (...). Chr. Anker is a member of the board for as long as he wishes, its other members are elected from the general meeting (...).
§7 The board must (...) 5) supervise the overall management of the company and its business, especially: a) upon suggestion from the operation directors prepare plans and regulations for works and business management, including new buildings and acquisition of costly machines; b) decide the purchases of real estate or the right of use of such, as well as ships (...); c) when necessary arrange for the provision of working capital through the use of the company's credit or through mortgaging of its real estate (...). The board is not authorized to sell the company's real estate or the right of use of such without the general meeting's approval.
§10 Of every year's net surplus 5 percent is first distributed to shareholders. The rest of the amount is distributed as follows: (...).
§14 (...) A valid decision to increase the share capital and to liquidate the company requires that at least two thirds of the share capital is present and two-thirds plurality of the present votes.

Bergens Mechanical Workshop:

§2 The general meeting can decide to increase the company's equity capital, although this requires 2/3s of the votes in the general meeting, of which 2/3 must in addition represent more than half of the total number of shares in the company.
§16 The board of representatives together with the board of directors must: (...) b) make decisions about potential expansion into new or current lines of business through the acquisition of new machines, the construction of new buildings, the purchase, sale or borrowing against real estate (...) d) decide on the use of each year's surplus in accordance with the laws [in §23] (...).
§18 The company's business is managed by a board of directors consisting of an administrative director and two members elected among the shareholders, from these two the board of representatives elect the chairman. The administrative director must have technical competence and is employed with 6 months mutual termination.
§25 In the eventuality that the company has lost 350,000 kr of its share capital, the board of representatives may call a general meeting for the purpose of deciding whether the business shall continue or whether it should be liquidated.

Christiania Sailcloth Factory:

§4 From the factory's annual surplus is first distributed, according to the decision by the board of directors, up to 5—five— percent of the share capital to the shareholders; from any remaining surplus at least half shall be allocated to the operations fund; the other half may be (...) distributed to shareholders upon decision by the board of directors. When the operations funds have reached an amount of 700,000 kr., it will be the decision of the general meeting to decide [the allocation of the part of the annual surplus that exceeds 5 percent].
§5 The factory's capital stock cannot be increased beyond the amount in the previous year's financial statement without the consent of the general assembly. Thus, necessary acquisitions and repairs must be financed out of the annual surplus.
§11 (...) For the purchase and sale of real estate or the mortgaging of such, the board of directors must obtain the general meeting's approval.
§18 Closure and realization of the factory and liquidation of the company must be decided in the same manner as stipulated in §17 [can only be decided in the general meeting].

Table B.2: **Examples of provisions pertaining to the GM's information**

The Ankerske Marble Company:

§11 The ordinary general meeting (...), is called by the board, and announced 3 times in "Morgenbladet" and 3 times in the Danish "Berlingske Tidende" with 14 days notice, counting from the last announcement. (...) The announcement of any general meeting should always list the issues to be discussed. The documents are put on display for shareholders in the company's office and in Copenhagen at least 8 days before the meeting. (...).
§13 In the ordinary general meeting (...) 7) 2 or more auditors are elected and their salary is determined.

Bergens Mechanical Workshop:

§7 Any general meeting—ordinary or extraordinary—must be called by the chairman of the board of representatives (...) usually with at least 14 days notice, although the meetings in §10 and §§24-26 must be called with 4 weeks notice.
§14 The board of representatives must: (...) b) elect accountants and approve the annual report (...).

Christiania Sailcloth Factory:

§6 The annual financial statement ends 31st of December and must be completed before the end of next year's month of March. Upon completion the general meeting is to be held after 14—fourteen—days notice in 2 of Kristiania town's daily periodicals as well by letter to every single shareholder, as long as said person has supplied an address in Kristiania to which mail can be sent. The completed revised financial statements must be presented in the factory's office simultaneously with the call for the general meeting.

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