

Abstract:

Bylaws and Finance: Corporate Statutes, Shareholder Rights, and Ownership Concentration in Brazil, 1890-1950

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This article examines some of the institutional conditions that facilitated the development of equity markets in Brazil. The paper examines the investor protections included in corporate bylaws that enabled relatively large corporations in Brazil to attract investors in large numbers, thus generating a relatively low concentration of ownership before 1910. Archival evidence such as company statutes and shareholder lists document that in many Brazilian corporations voting rights provisions, in particular, maximum vote provisions, and graduated voting scales (that provided for less than proportional votes as shareholdings increase), balanced the relative voting power of small and large investors. In companies with such provisions the concentration of ownership and control was significantly lower than in the average company. Overall, from the sample of Brazilian companies studied it seems like the concentration of control was significantly lower before 1910 than what it is today.