**Joint-Stock Company:**

**What It Is, History, and Examples**

## What Is a Joint-Stock Company?

A joint-stock company is a business owned by its investors, with each investor owning a share of the company based on the amount that they've invested. It is a predecessor to the modern-day corporation and other types of registered companies in the U.S.

Joint-stock companies were created to finance endeavors that were too expensive for an individual or even a government to fund. The owners of a joint-stock company expected to share in its profits.

Today, U.S. companies are not organized as joint -stock companies. While one could describe a business with shareholders using the term "joint stock company," there is no such registration option. Instead, businesses are organized as, for example, a corporation, a partnership, or a [limited liability company (LLC)](https://www.investopedia.com/articles/investing/091014/basics-forming-limited-liability-company-llc.asp).

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| **Key takeaways** |
| * Joint-stock companies are the ancestors of the modern-day corporation, although there are legal differences. |
| * A joint-stock company is a business owned by its shareholders, who can buy and sell shares freely. |
| * Historically, the shareholders of a joint-stock company could bear unlimited liability for debts owed by the company. |
| * In the U.S., incorporation limits shareholder liability to the face value of their shares.1 |
| * An example of a joint-stock company was the English East India Company |

## Characteristics of a Joint-Stock Company

Shareholders of a joint-stock company had unlimited liability for company debts. In the U.S., the legal process of registering as a corporation or limited liability company reduces liability to the face value of stock owned by the shareholder or the contribution of the LLC member. In Great Britain, the term "limited" has a similar meaning.

The shares of a joint-stock company are transferable. If the joint-stock company is public, its shares are traded on registered stock exchanges. Shares of a private joint-stock company are transferable between parties, but the transfer process can be limited by agreement (for example, to family members).

**Historically, due to the nature of joint-stock company [unlimited liability](https://www.investopedia.com/terms/u/unlimited-liability.asp), a shareholder's personal property could be seized to pay off debts in the event of a company collapse**

## Types of Joint-Stock Companies

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| Registered Company | A company registers with state and local authorities to be legally allowed to conduct business in the organizational form it selects (e.g., corporation, S-corporation, limited liability partnership, limited liability company, etc.). |
| Chartered Company | This is a company that is incorporated under a nation's royal charter. Chartered companies may have certain privileges that relate to conducting their business operations |
| Statutory Company | A statutory company is one that is established by an act of a nation's legislature to provide public services that benefit the populace. The company's responsibilities and privileges are detailed by the act. |

## Benefits of a Joint-Stock Company

* A joint-stock company can access large amounts of money via numerous shareholders that can be used to build a business.
* Shareholders have a direct say in decisions relating to the management of the company. They also have the right to elect the board of directors.
* Shares of public companies can be bought and sold freely on stock exchanges. Shares of private companies may be traded as allowed or restricted by the company.
* Today's joint-stock companies provide shareholders [limited liability](https://www.investopedia.com/terms/l/limitedliability.asp) for debts that a company incurs.
* New shares and [debentures](https://www.investopedia.com/terms/d/debenture.asp) can be issued if the company requires additional capital.
* For public companies, there is no ceiling that limits the number of shareholders (a private company may set such limits).
* Investment risk is diversified among many shareholders, not borne by one or two individuals.
* Public joint-stock companies support good corporate governance and make their

.

## Joint-Stock Company vs. Public Company

While a joint-stock company is not a specific, legal form of a business entity in the U.S., the term could be used to describe a corporation, partnership, limited liability company, or public company—in fact, any company with more than one shareholder.

The joint-stock company has a historical association with unlimited liability and the potential for the seizure of personal assets to satisfy outstanding debt. A modern-day public company with shareholders is still a joint-stock company but its legal status limits shareholder liability to ownership/contribution amounts.

## A Short History of Joint-Stock Companies

There are records of joint-stock companies being formed in Europe as early as the 13th century. However, they appear to have multiplied beginning in the 16th century, when adventurous investors began speculating on opportunities to be found in the New World.

European exploration of the Americas was largely financed by joint-stock companies. Governments were eager for new territory but were reluctant to take on the enormous costs and risks associated with these ventures.

That led entrepreneurs to devise a [business plan](https://www.investopedia.com/terms/b/business-plan.asp). They would sell shares in their ventures to many investors to raise money to fund voyages to the New World. The potential for resources to be exploited and trade to be developed was attractive to many investors. Others wanted to claim real estate in the New World and establish new communities that would be free of religious persecution.

In American history, the Virginia Company of London is one of the earliest and most famous joint-stock companies. In 1606, King James I signed a royal charter permitting the company exclusive rights to establish a colony in what is now Virginia. The Virginia Company's business plan was ambitious, ranging from exploiting the region's gold resources (there weren't any) to finding a navigable route to China (there was none).

After many hardships, the company successfully established the Jamestown colony in Virginia and began to grow and export tobacco. However, in 1624, an English court ordered the company to dissolve and convert Virginia into a royal colony. The investors in the Virginia Company never saw a profit.

## Why Were Joint-Stock Companies Important in U.S. History?

Joint-stock companies played a major role in funding the settlement of the original colonies. These companies could raise money from many investors, without exposing any one investor to excessive risk. This allowed the companies to raise enough resources to launch successful settlements in the new world. One famous example was the Virginia Company of London, which funded the settlement at Jamestown.

**Homework**

## 1-Do Joint-Stock Companies Still Exist?

2**- What Was the Advantage of Joint-Stock Companies**

## 3- What Is Different About Today's Joint-Stock Companies?

## 4- What Is a Famous Joint-Stock Company?

**Anwsers**

## Do Joint-Stock Companies Still Exist?

Yes. Today's joint-stock companies in the U.S. are called corporations, partnerships, and limited liability companies. While there is no legal business registration form labeled as "joint-stock company," the term can be used to describe any business entity that issues stock and has shareholders.

## What Was the Advantage of Joint-Stock Companies?

Joint-stock companies (then and now) can raise a large amount of money by issuing shares to various individuals. This made them practical for U.S. colonial-era ventures that couldn't be financed by one person or entity alone. Of course, the shareholders all expected to receive a portion of any earnings, commensurate with their investments

## What Is Different About Today's Joint-Stock Companies?

The legal liability that shareholders must shoulder is different. In the past, any shareholder could be held totally liable for debts that a company owed and couldn't pay. Shareholders' personal property could be seized by creditors or the authorities as payment. Today, a shareholder's liability is generally limited to their investment in a company.

## What Is a Famous Joint-Stock Company?

A famous joint-stock company was the English East India Company, which was formed to trade with India and Asia. Over the course of its 250-year history, the EIC effectively controlled the colonization and exploitation of India and other overseas territories.5

## The Bottom Line

Joint-stock companies are collectively owned by shareholders. Such companies existed as early as the 13th century. Historically, they left shareholders open to unlimited liability, which did not encourage investment.

Happily, corporate law has limited liability for shareholders. In the U.S., it was limited to the face value of their shares.