

# README

This archive contains descriptions of data files and variables from project ES/S016686/1 for research article “Why Do Boards Exist? Governance Design in the Absence of Corporate Law”.

## Data Files

### **main.dta**

The file contains hand-collected firm-level governance and accounting variables from historical archives. Governance variables include the share denomination of the firm’s ordinary shares, voting caps, and indices of the number of decisions controlled by the board, the general assembly, and management respectively. Accounting variables are measured as the average of available firm-level observations over the period 1896-1910 due to missing observations. In addition, the file contains regional-level variables: firm location by region as well as population, aggregate wealth, the number of tax payers, and the number of civil servants in each region.

### **ownership.dta**

The file contains hand-collected shareholder-level data on individuals’ stock holdings in a subgroup of the sample firms. It contains the following variables: Firm-ID number (firm), the year for which ownership is recorded (yearownership), share denomination (denom), shareholder-ID number (shareholderid), the number of shares held by a shareholder (numberofshares), an indicator variable of whether the shareholder is a manager (insiderind), the number of votes a shareholder can exercise (numnberofvotes), the total number of shares outstanding in a firm (totshares), and the total number of exercisable votes in a firm (totvotes).

## List of variables

Variable	Description
Authority index	Index that counts the number of strategic corporate decisions over which a corporate body may be granted authority. Decisions include (1) purchases/sales of company assets, (2) borrowing secured by company assets or real estate, (3) distribution of dividends, (4) equity issuance, and (5) liquidation. The index values range from zero to five.
Board existence	Dummy variable taking the value of one if statutes stipulate that a board must be established.
Board size	The number of board members, excluding deputy members unless otherwise indicated. For boards where managers can vote in meetings, the members include the managers.
Civil servants per capita	The number of individuals above 15 years of age in a region employed as state officials or public servants relative to the total population in that region.
Debt-equity ratio	Firm-level ratio of total loans to paid-in equity computed as the average of all observations of the ratio available for a firm over the 1896-1910 period.
Founder in management	Dummy variable taking the value of one if the founder of a firm is a member of the management group.
Firm age in 1900 (found.)	The firm's age in 1900 measured relative to the year a firm was founded.
Firm age in 1900 (incorp.)	The firm's age in 1900 measured relative to the year a firm was incorporated.
Firm size	The nominal value of paid-in equity (in millions of NOK) in the year a firm's statute was adopted.
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.
Large-denomination dummy	Dummy variable taking the value of one if the share denomination is larger or equal to 1,000 NOK.
Leverage ratio	Firm-level ratio of total loans to total assets computed as the average of all observations of the ratio available for the firm over the 1896-1910 period.
Number of shares	The number of shares constructed as the value of paid-in equity divided by the nominal share value.
Occasional authority index	Index that counts the number of firm-specific decisions over which boards in some statutes are given authority. Decisions include: (1) determining managers' authority over certain decisions, (2) setting the maximum amount for which managers can bind a firm ( <i>procura</i> ), (3) resolving disputes between managers, (4) firing of managers, (5) selecting managers from amongst the board, (6) setting managers' salaries, (7) deciding or approving minor business decisions (e.g. product prices), (8) giving directions to the superintendent, (9) hiring the auditor, (10) writing the instructions for the auditor, (11) hiring the bookkeeper, (12) hiring the treasurer, (12) determining amount of collateral to be posted by the treasurer.
Ownership (equity stake in percent)	Share of paid-in equity owned by a given shareholder. Can be computed for the subsample of firms for which shareholder lists are available.
Paid-in equity	The nominal value of paid-in (common and preferential) equity in (1,000,000 NOK).
Ratio between votes and ownership (V/O)	Ratio of the voting rights to cash-flow rights for a given shareholder. Can be computed for the subsample of firms for which shareholder lists are available.
ROA (return on assets)	Firm-level annual surplus over total assets computed as the average of all observations of the ratio available for a firm over the 1896-1910 period. Annual surplus is net of interest payments, which are not available for many firms, hence the variable only proxies for ROA.
Size	Firm-level paid-in equity. The variable is logged in the regressions.
Share denomination	The nominal value of a common share (in NOK).
Small-denomination dummy	Dummy variable taking the value of one if the share denomination is smaller than or equal to 500 NOK.
Tax payers per capita	The number of individuals in a region that pay income, wealth, or property taxes relative to the total population in that region.
Total assets	Total assets computed as the average of all observations available for a firm over the 1896-1910 period.
Vote capping at $\alpha\%$	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 $\alpha\%$ of paid-in equity or less.
Votes per share overall	The ratio of the votes attained over the total number of shares if one shareholder held all shares. When this ratio is closer to zero, the deviation from the one vote per share principle is larger.
Wealth per capita	Private wealth of individuals in a region relative to that of the total population in that region.