CHAPTER V

THE HOLDING COMPANY

NOTE

LONG before the attack on the trust form of combination had ceased, the problem of the type of combination which should succeed it had been solved. Until about 1870 the weight of English authority had been against the power of one corporation or company to become a shareholder in another, unless such power should have been expressly conferred. In this country the courts had inclined to the same view of the matter. In numerous cases, in the State courts, it had been repeatedly held that no corporation had the implied right to purchase the shares of another company for purposes of control, although it might come into possession of such stock as security for a debt or, in some cases, if the transaction could be regarded as one reasonable or necessary for effectuating the objects for which the company was incorporated. In the Federal courts, a similar attitude was taken.

No more than the implied right to hold the stock of another corporation existed did any statutory enactments prior to 1889 authorize such procedure. In that year, however, the State of New Jersey passed the noteworthy,—or notorious,—amendment to her corporation law permitting such action, a step in which she was subsequently followed by other states as well. The exhibits in this group have been designed to explain this development.—Ed.

GROUP I

POWER OF ONE CORPORATION TO HOLD STOCK IN ANOTHER

EXHIBIT I

DE LA VERGNE REFRIGERATING MACHINE COMPANY *v.* GERMAN SAVINGS INSTITUTION [1]

(Supreme Court of the United States, October 30, 1899.)

Statement by Mr. Justice BROWN:

[1] 175 U. S., 40.