CZECH LEGISLATION CONCERNING STOCK COMPANIES, 1945–1989

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Nationalization of the Czech economy, which had begun as early as 1945, reached medium and small firms three years later. The Communist takeover of 1948 put an end to decades of successful industrial development in the Bohemian lands, which had become an established partner on a global scale. Subsequently, the existing laws governing public companies, which followed the German model, were superseded by a skeleton law, which in all its brevity (20 sections) and simplicity was a reflection of the small significance of the stock company in the socialist economy. The necessity to obtain a licence, which was obligatory even for existing stock companies from the day the new law came into force in 1949, led to almost all of them being liquidated. Those that kept trading were reorganized in accordance with a standard statute. Typically, the post of director-general was created in addition to the existing organs, the incumbent not being elected by the general meeting of shareholders or some other organ of the company, but appointed by the Minister of external trade to oversee business activity. According to western criteria, these firms do not qualify as stock companies.