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### RESPONSIBILITY OF DIRECTORS.

Some of the directors of the City of Glasgow Bank are said to have been ignorant of the fraudulent character of the accounts published under their names. But this ignorance, the presumed child of negligence, does not relieve them of their responsibility, which they must share with the most culpable of their colleagues. This disclosure opens up an extensive view of the obligations of directors of public companies. In most companies, there are directors whose chief function is to make up the requisite number, and who, if there were any inoffensive word for dummies, might be designated by it. In the management of a bank, there are but very few persons who can be cognisant of all the details of the business. If the manager or president and one other officer are required to spend all their time in managing the business, it is obvious that directors, who meet for an hour once a week to listen to statements put before them, must be content to take a great deal on trust. The real managers, with the best intentions in the world, are anxious to have carried out, with as little criticism as possible, the plans they have matured; and assent on the part of the rest of the directors is liable to degenerate into a mere formality. When things have gone on this way for some time, anything like searching criticism would be resented by those who have the real control. A piece of doubtful policy, of which little explanation was given in its inauguration, will be explained with a minimum of candour when its failure has become apparent to the select few who have the happiness or the misfortune to be in the inner circle. If good money has been thrown after bad, the original advance having been heavy, and it too is lost, the disclosure of the fact will probably be made in the most tardy manner. Assets which have some value, but which the directors best acquainted with the facts, are afraid to see realized, may be carried at fancy

figures long after they should have been disposed of. A thousand such things in the nature of partial concealment, or practical though not intended misrepresentation, are supposable, and in the aggregate they might constitute a very strong illusion on the one side and prove very misleading on the other.

The responsibilities which half-informed directors are unconsciously assuming, under such circumstances, are weighty and serious, and such as they cannot divest themselves of on the plea of ignorance; for ignorance, where the opportunities of knowledge can be assumed, is set down to the account of negligence, and negligence may lead to all the various degrees of conceivable criminality. The difficulty of that may be called outside directors—those who do not from their particular positions of President or managers belong to the inner circle—fully acquainting themselves with every thing for which as trustees they are responsible, is, in many cases, no doubt, really great, and in some instances it may amount almost to an impossibility. But this is no reason why every director should not make the attempt: he owes it to himself, his character and his reputation as a man of business, sometimes even as an honest man, to do so. It is, in fact, his only safety.

The few among the directors who really move the machine have full confidence in themselves; and they will often prefer, as colleagues, men who will give no trouble. Criticism may of course be merely obstructive, foolish and ill-founded, and then it can serve no good purpose. But well-founded criticism may serve the proposers of a particular measure from ultimate disaster, and, in extreme cases, disgrace, and should be rather invited than deprecated. But there can be no intelligent criticism of any measure, if any of the essential elements of which it is composed, or the facts on which it rests, be kept back. Every measure, especially of doubtful policy, should be fully and frankly put before the board, that it may be viewed by every one asked to share the responsibility, in all its bearings. When ample explanations are not volunteered, it is the duty of such directors as hear of the scheme for the first time when it comes in a matured shape, to ask for them, and to press the demand with a persistence that will take no denial. Such a course might, perhaps, sometimes be looked on as a display of unreasonable want of confidence in the originators, simply because it might be unusual; but no demand that may be made for information, necessary for the justification and protection of directors, is fairly open to this

objection. It may be that, in the direction of public companies, the trustees, as a rule, have much to learn, and that there are many old habits which it is desirable to exchange for better and safer. The reform should come from above; as a concession, not as a demand; but if concession be not freely offered, the demand ought to be made with candor and firmness, without necessarily implying anything of distrust.

Directorships run, perhaps, too much in a groove. Some persons, and these not always the best qualified, almost make a business of them. It is not given to any man to possess universal knowledge; and beyond doubt many public companies have suffered severely from mere want of adequate knowledge in the direction. A man may be thoroughly at home in the management of one company, and by no means so in another; and yet he may be equally ready to undertake both. Such a man may be useful if he possesses good business habits; for he would be likely to attempt to supply his deficiencies by enquiries into facts which appear to him obscure. We can hardly expect to see the dummy director disappear; but we shall have done our part in pointing out his responsibility and warning him of the danger which his supineness, which may become constructive or very real negligence, incurs.

There are, we think it safe to say, cases where ostensible managers, whether under the guise of presidents or otherwise, leave too much to subordinates, and are themselves as much led blindfold as the least informed of the directors. In proportion as their position is elevated, and their opportunities ample, is their moral responsibility. If the shareholders and the public think that these officers exercise a reasonable amount of control, and they do in fact not take the trouble adequately to inform themselves of the affairs they have in charge, they are guilty of implied deception, and their negligence takes a very aggravated form. They do not err for want of opportunity, and they have not the excuse that they are not paid to give considerable time to their duties. So far as there is reason for complaint under this head, the reform is even more imperatively required than in the case of dummy directors.

### ONTARIO MANUFACTURERS' ASSOCIATION.

The Ontario Manufacturers' Association has been looking in the direction of protection for some years; and it has now reason to believe that this object is on the point of being attained. This organization