

WHY NOT ABOLISH "DIRECTORS."

The natural meaning of "director" is one who directs. But the legal signification of the word is quite different from the popular idea. This is not the only example of law not being quite in line with the ideas of the man in the street. Jurisprudence however takes notice of conditions which laymen fail to appreciate. Under modern business methods the "control" of any corporation is essential to its success. That means that the executive officers, and not the directors or the shareholders, run (to use an expressive metaphor) the company. It generally happens that the executive officers are directors. If so, then they, as directors, expect their fellow directors to agree with them. And the former generally do so, and the bigger the company the less can they do otherwise.

One cannot shut one's eyes to the fact that no one, other than those in constant touch with the details of the management, bookkeeping and financial methods of a company, can possibly understand what is going on, much less, effectively or usefully interfere. Hence directors as a rule do not and cannot direct, and in a business sense ought not to direct. Those who manage should be the "directors" and the rest of the Board should disappear or cease to bear this misleading and useless title.

Keeping in view then that the law looks at actualities and not popular impressions, and with due regret that they almost inevitably differ, it is easy to understand why Courts of justice hesitate to throw responsibilities for the millions that are lost by the executive officer or officers upon those who are designated by an inappropriate title, and who have fulfilled faithfully, at all events, the limited duties that are permitted to outside directors.

It is true that the shareholders of a limited or unlimited company correspond, in some senses, to the members of an ordinary partnership. But there were essential differences between the two classes (quite apart from those arising from the constitution of joint stock companies) even before the enactments which settled the formation and conduct of these cor-