

the District of Columbia and Missouri, one-half; in France and Vermont, one-fourth; in Alabama, Connecticut and South Carolina, 20 per cent.; in California, Delaware, Florida, Georgia, Pennsylvania and West Virginia, 10 per cent.; in New York, \$500; in Indiana nothing.

The purpose of requiring the stock subscribed to be fully paid in before proceeding to do business is to secure creditors, as the money due the corporation from them should be in the treasury instead of the pockets of the promoters, whence it may never come. Also, full payment is required to put the business squarely on its feet at the outset, and thus protect the stockholders. Experience has shown that the rock upon which most corporations have foundered was lack of sufficient working capital at the beginning. It is as absurd to permit a \$1,000,000 corporation to begin business with \$100 as the reverse. It indicates fraud and too feverish a speculative spirit, both of which should be prevented by our corporation laws. The faith of the promoter should be tested by requiring him to pay up in full in advance, proper allowance being made for his services as promoter. As it is, promoting is largely the art of a defrauder. It is a fine art, and has all the elements of the gold brick fraud. The promoter usually contributes to the corporation nothing but glowing plausibility, and after it is launched often scuttles the ship.

In paying for stock the full face value thereof should in all cases be required to be paid in cash or its full equivalent in property or labor done. The statutes of many states already have this provision, but provide no effectual mode of enforcing it. The word of the promoters or officers is taken, but their doctrine is that the stock is paid up when the management is satisfied. All business men know that a large part of corporate stock is transferred for a song, and most of the remainder for ten to

twenty per cent. of the face value. A patent of doubtful validity and value, or an oil well, or equally dangerous asset, is put in at a fabulous sum. All this child's play should be prevented, and the letter of the law enforced. The problem, however, is a most difficult one.

In France, when anything besides cash is offered in payment of stock, its value must be determined by a special meeting of all the stockholders. The persons interested cannot vote. At such meeting a committee must be appointed to determine the value and report to the stockholders at another special meeting, where the value is fixed by a vote. The resolutions at all these meetings must be signed by all the stockholders.

In Massachusetts a statement that the valuation of the property offered is fair and reasonable must be made, signed and sworn to by the president, treasurer, and a majority of the directors, and endorsed by the State Commissioner of Corporations, and filed with the Secretary of State. Of these two methods the latter is the better. The French method is clumsy, and if all the stockholders at the time are promoters, as is often the case, it would be no safeguard. Under the Massachusetts rule the only reliable check is the Commissioner of Corporations. It is deemed advisable, therefore, for the law to forbid any stock to be issued until the Commissioner of Corporations, if there be one, or the County Auditor, or some other proper official, has examined the payment or property offered, and has certified on the back of the certificate that the stock has been fully paid up at par in cash or its actual equivalent. And an officer of the corporation violating this provision should be imprisoned, not fined.

Such a provision would also prevent the watering of stock after the corporation has begun business. It is needless to point out the harm of this habit of corporation managers.