

THE POWERS AND RESPONSIBILITIES OF DIRECTORS.

(From the N. Y. Financial Chronicle.)

RECENT events have not tended to strengthen public confidence in the good faith of the directors of our large corporations. The exposure of the internal workings of some of our prominent companies has revealed a condition of things which is a scandal to the business morals of the time. We have seen directors subordinating the interests of stockholders to their own temporary speculations in the most reckless manner. Indeed to such an extent has this evil grown that they appear to seek their position as much for private speculation as politicians seek office for the sake of bribes and spoils. The power afforded peculiar facilities for gaining information upon the affairs of a company which may be turned to great advantage in the ventures of Wall Street, it supplies the loaded dice of chance, which, in hands of ordinary skill generally carry off the stakes of the gullible "outside public," and in pursuing this object the duties and responsibilities of the position are, of course, lost sight of. When changes occur in the affairs of a company affecting the value of its stock, the matter is kept a strict secret by the directors until they have laid their plans for victimizing the stockholders by adroitly using these facts, which all were entitled to know at once. This use of the superior information of directors is in the nature of a fraud upon their constituents, a fraud of agents upon proprietors. Nor is this the only or most culpable form of abuse. Directors are permitted to effect loans in behalf of the company in such amounts and for such purposes as they may please. One case of this kind is notorious, in which the board of directors borrowed \$3,500,000 from one of its members, in a manner which enabled the lender to use the stock given as collateral for speculative purposes. The facilities for speculation afforded by this transaction are generally supposed to have been turned so shrewdly; that the accumulated profits amount to almost as much as the loan itself, the public having been misled of the money. This is an illustration of one of the ways in which our railroad capitalists become millionaires at the expense of the public. We have seen the directors of the same company, within the last few weeks, guarantee or engaging to guarantee the bonds of other companies to the extent of \$8,000,000, and indirectly issuing new stock to the extent of \$10,000,000, and this most secretly and without one word of consultation with the stockholders. Another company has issued, with the utmost secrecy, \$4,000,000 of new stock for purposes about which the stockholders were never consulted and without their authorization, and when the question of the legality of the issue was brought into the courts, the directors, in order to escape the consequences of an unlawful issue, placed themselves and the effects of the company beyond the reach of the courts, organized under the laws of another State, and secured from a foreign legislature, the legalization of their abuse of power. That the directors speculated themselves in connection with these transactions is admitted in their own evidence before the courts. These cases are but illustrations of what is going on upon a smaller scale continually.

Is it not high time it were understood whether this sort of abuse of the powers of directors is to be continued or placed under legal restraints? If it is to be continued, then stockholders ought to understand that the property in which they have invested is under a system of management which admits of systematic breach of trust; which keeps the shareholder ignorant of all he is interested in knowing, until the information is of no avail; which permits in the directors the carrying out of sinister purposes; which, by conferring large powers upon trustees, attracts into the direction the most unscrupulous of our capitalists, and tends to bring high positions of trust into contempt; which, in fine, constitutes chosen agents absolute masters, and makes the real proprietors tools and dupes. We think all must agree that this evil is becoming unbearable and should be placed under check, and the only question is, what are the best means of accomplishing that object?

There are two main essentials in any plan seeking this end—greater publicity respecting the affairs of companies, and a stringent limitation of the powers of directors or trustees. As to publicity, an annual report is now about the only information communicated by directors to stockholders, and even this is often made up in a partial manner and so as to conceal what is especially important should be known. A yearly exhibit is wholly inadequate for affording the information which a stockholder needs in order to judge of the position of his investment. A merchant who took no further interest in his business than to require from his clerks a yearly balance sheet would be deemed a singular and very unreliable man of business, and it is somewhat of a marvel that so many should be found willing to put their capital into enterprises the condition and prospects of which they have such meagre data for estimating. True, some of our railroads are accustomed to issue a weekly statement of their gross earnings, but even this meagre information is optional with the directors, and is frequently withheld for speculative reasons when there are any variations of revenue calculated to affect the value of the stock. The issuing of these statements should be made compulsory on every road and the scope extended so as to include the current expenses and the net earnings. This, of itself, would afford very important information and would tend to hold in check the speculative propensities of directors. Stockholders, however, have a right to expect an explicit statement of traffic and finances, made out according to a searching formula every quarter. Such an exhibit should especially include every branch of expenditure and a detailed statement of outstanding temporary obligations. This would remove the veil of secrecy under which so much official speculation is now carried on, and by revealing the condition of the corporations would enable the

public to judge of the true value of stocks, bespeak confidence in them, and arrest that wild street speculation in securities which is now productive of such manifold mischief. It is true that the law gives to the stockholder the right of examining the books of the company at will. But of what avail is right in ordinary cases? When the information sought is especially important, the directors or their agents usually so hamper the enquirer that he has to resort to legal process to get at the secret. Few are qualified to make an intelligent search of the books of the company, and fewer care to take the trouble. Besides, the stockholders have a right to expect, for the sake of their own convenience and interest, that their agents shall furnish them at frequent and regular periods a full statement of affairs, and this right should be duly required by legal enactment.

The chief remedy, however, is to be sought in the limitation of the powers of directors. The present theory of the railroad law of this State is that the directors are not agents at will, and subject to consultation and instruction from their principals the stockholders, but that, for the period of their office, they are with but slight qualification, absolute masters of affairs. Without the consent of the stockholders they can buy property or roads, lease other lines, guarantee the loans of other companies, extend the road, make what they may deem improvements at discretion, contract loans upon their own terms, and increase the capital stock through the issue of convertible bonds. What more absolute powers could be conferred upon them? That such prerogatives are dangerous to the interests of corporation and of stockholders is too evident from the recent doings of directors in cases which have attracted much public attention. It would seem that the case would be fully met by an amendment to the general railroad act providing, among other things, as follows:—1. That no new issues of stock or of bonds shall be made, except with the consent of two-thirds in interest of the stockholders; 2. That all issues of stocks or bonds shall be made by open tender, and to the highest bidder; 3. That no purchases of land or of other roads, and no leasing of other roads shall be made without such consent; 4. That directors shall not guarantee the stock, bonds or coupons of other companies, nor extend their track, nor make improvements involving more than a limited outlay without such consent; and 5. That directors shall not borrow money, upon temporary loan beyond a certain limited amount, except with such consent.

Under some such limitation of the powers of directors as this, we should have a speedy end to the abuses which now create so much scandal, and are sapping the very foundations of judicial honor and profit. We trust that some of the many influential citizens, who are daily protesting against this venality in high places, will take the matter up with spirit and carry it to the legislature. Such action on the part of the Chamber of Commerce would be a proper sequel to its late doings in connection with the Erie struggle.

THE LABOR MARKET IN THE U. S.

(From the Commercial Bulletin.)

It is to be regretted that the partial return of business activity consequent upon the opening of the spring weather should be impeded by disturbances in the labor market which are calculated to inflict equal injuries upon both employers and employees, and delay still longer the period of sound business prosperity. At the present time there are serious difficulties in many trades in this city in relation to the vexed question of wages, with a prospect of an extension rather than an abatement of the movement. The agitation originates in efforts on the part of the workmen to effect a return to the rates of wages in operation before the reductions of last fall and winter, and in some cases there are demands for an increase on the maximum of former or existing rates. There are now not less than ten thousand workmen of various callings engaged in the movement. Of these some are "on strike;" others are engaged in negotiations with employers that may lead to a strike, and some trades have already obtained their demands. The whole body of workmen and capitalists anticipate the issue with eager interest on account of the influence it will exercise upon the general labor market.

In the various manufacturing centres throughout the country a similar agitation prevails. In this State, New Jersey, Pennsylvania and New England, the resumption of business has been attended with a demand for an increase of wages. These demands have for the most part resulted in compromises, by which the workmen obtained an advance on the winter rates, though not a return to the rates that prevailed a year ago.

The workmen attempt to justify their demands for increased wages on the ground of high rents and the cost of living which has not been reduced to the extent anticipated. There is some force in this view. But it involves even the workmen themselves in a vicious circle. The success of their demands for an increase of pay keeps up the higher prices of commodities, to an extent that deprives them of the anticipated advantage of high wages. The workmen have yet to learn that it is not the amount of their wages, but its purchasing capacity that is important to them. As for employers their position is difficult. They are obliged to continue their operations although confronted with a stagnant market made so by the high prices of commodities, which it is impossible for them to reduce, and which demands of the workmen render still higher. Under such circumstances it is no wonder that manufacturing should be unremunerative, or that workmen should be discontented notwithstanding their nominal high wages. In fine, in this whole labor question we can trace the causes of the Hard Times that press so heavily upon the community.

YIELD OF WHEAT PER ACRE IN 1867.

In his last report the Commissioner of Agriculture gives a table showing the average yield per acre of the principal crops of the United States, (excepting California, Oregon and Nevada,) for 1867. These figures show that there must be more attention given to scientific agriculture in the West if we intend to preserve our wheat field. The skimming of the soil year after year, taking crops from the field and returning nothing in compost to supply nutriment to plants, is fast reducing good farm lands to barrenness. New England, with all its sterile soil, is far ahead of the West in the acreage of wheat, and this is due to enlightened cultivation. The best wheat producing States last year were Vermont, Massachusetts and Connecticut. In only fourteen States did the yield to the acre exceed twelve bushels. In regard to barley, two-thirds of the States report an average yield of twenty bushels and upward to the acre. Iowa returned the largest yield—twenty-nine bushels.

The following shows the acreage of Wheat and Barley for 1867:—

	Wheat.	Barley.
Maine	10 6	18 3
New Hampshire	12 1	24 5
Vermont	15 8	23 4
Massachusetts	16 0	21 6
Rhode Island	00 0	25 0
Connecticut	17 5	23 2
New York	14 5	29 0
New Jersey	13 0	21 5
Pennsylvania	12 6	20 0
Delaware	9 3	60 0
Maryland	11 0	28 0
Virginia	8 0	12 3
North Carolina	6 9	00 0
South Carolina	6 4	6 0
Georgia	8 0	14 3
Florida	0 0	00 0
Alabama	7 8	14 4
Mississippi	9 5	8 0
Louisiana	8 1	0 0
Texas	9 6	24 8
Arkansas	9 2	15 0
Tennessee	8 5	19 5
West Virginia	10 5	20 8
Kentucky	12 4	21 1
Missouri	14 4	22 3
Illinois	15 6	21 1
Indiana	11 0	24 0
Ohio	12 4	29 0
Michigan	12 3	28 8
Wisconsin	12 3	25 5
Minnesota	12 7	25 0
Iowa	14 0	26 7
Kansas	15 9	27 0
Nebraska	15 9	27 0

THE FINANCIAL CRISIS OF 1867.

THE following are the answers of Mr. E. H. King, to the Senate Committee, furnished after publication of their first report:—

No. 1. What was the condition of trade generally in Ontario, between the 1st of September and 15th of October last?

I was absent from the country during the period, but I have reason to believe that trade was moderately prosperous.

No. 2. What was the condition of the same during the remainder of October, and down to the middle of November?

From the middle of October to the middle of November, those branches of trade depending upon Bank advances were considerably depressed.

No. 3. What were the causes which combined to produce the general monetary derangement and the great depression in business which has existed during the period referred to in the query No. 2, and were they aggravated or allayed by any, and what special causes?

The monetary derangement was a consequence of the suspension of the Commercial Bank, and was felt more severely, owing to the season of the year at which it occurred. This monetary derangement was aggravated by a severe run upon several of the Banks in Ontario, and was allayed when the public became assured that the Government and its Agents would continue to receive their Notes.

No. 4. Did any of the agents of the Bank of Montreal, during the period above referred to, refuse to receive, except on collection, the notes of any of the specie paying Banks in Ontario?

I am not aware that any of the agents of the Bank refused to receive the notes of any of the Ontario Banks (except those that had suspended) where they were paying specie, or where they had agencies, with the exception of our Kingston Manager, who acted under a misapprehension, and was immediately corrected by a telegram from the head office. Two or three of the agents of the bank did decline to receive, except on collection, the notes of the Royal Canadian Bank at places where that bank had no office.

No. 5. Furnish the Committee with the copies of all communications, instructing agents or officers of the Bank of Montreal, or which were understood by them, or any one of them, as instructing them to refuse the notes of other specie-paying banks, except on collection.

These communications contained the impressions felt from day to day relative to the strength or weakness of different banks, the probability of their suspension, the assistance they obtained, and the degree of confidence to be placed in their good or bad management, &c. I may be permitted to say that these communications had reference to the exercise of a discretion which this bank possesses, in common with the whole community, in discriminating between the