

DIRECTORS AND THEIR RESPONSIBILITIES.

The auditing of a bank or of an insurance company's affairs by its directors is frequently a mere perfunctory looking over of securities and ticking off of amounts, and a routine certifying that the figures are correct according to the books of the company. Auditing should be left to those who have been educated to the business. The manager of a bank or of an insurance company, resting sure in the conscientious and complete fulfilment of his duty, welcomes investigation by competent accountants or auditors, as such an investigation can only discover and reveal his practical merit and worth. Directors may be responsible to the shareholders they represent to the extent of being bound to exercise a vigilant care over the interests of the corporation. But we think it will be admitted that it is better that they should rely absolutely upon the accuracy and honesty of executive officers, than that they should by unwise interference spoil the work of the officials who are paid for the competent performance thereof.

DIRECTORS' ILLUSIONS.

An English reviewer some years ago said that after a somewhat wide and lengthened observation he was convinced that, if it were possible to submit the question to the vote, and the voting were by ballot, at least nine-tenths of the insurance officials would vote directors, if not a nuisance, at all events an incumbrance at once costly and useless. This was an extreme view. There may be occasions and circumstances in which directors are able to take a more or less serviceable part in the control of an insurance company. However, these are quite exceptional, and, indeed, few and far between. There is something at once ludicrous and pathetic in the spectacle of a dozen of middle-aged or elderly gentlemen, sitting down once a week at the board-room table, to make believe they are "discussing" questions, of which, as a general rule, they are most profoundly ignorant. They are prone to imagine that they are performing valuable services on these occasions, and to pocket their fees with an unruffled conscience; and, if the manager be a good tactician, it is his policy rather to foster than to discourage the illusion. As a matter of fact, however, he invites them to decisions which are already cut and dried. He, and he alone, understands what the circumstances demand; and his purposes cannot be thwarted without detriment to the business. But, all the same, he suffers them to maunder over matters at their own sweet will. Directors may shuffle and deal until the pack is exhausted; it is the manager who, during the entire game, holds the winning card.

THE CRANK.

The majority are perhaps unconscious of the real state of the case; and a genuinely "good" director is he who, whether unconscious or not, acquiesces

in the inevitable. They are not all good, however, and the director who has a pet crotchet, and pretends to a knowledge which he does not possess, is—to put it mildly—a nuisance to the company that owns him. He is a similar nuisance as the crank questioner among shareholders at their annual meetings. Even when he cannot alter or prevent the realization of the matured conclusions formulated by the management, his function is to tamper with or delay.

THE MANAGER'S RESPONSIBILITIES.

It follows from this that the real power in shaping the bank or insurance company's operations is, or ought to be, centered in the manager. He alone possesses the knowledge and capacity to guide to success; and while he must sadly own that a board is a necessary evil, to submit his ripe views to the ordeal of ignorant and carping criticism on the part of others, demands the exercise of no small amount of patience. Directors are simply the chosen representatives of the shareholders. It is with his Board that the manager consults regarding the general policy of the institution, and their intervention is seldom sought, save when he desires to relieve himself of responsibility. The entire power of the executive is centered in the manager, and everything takes its complexion from his mental individuality. He must be to all intents and purposes, the bank or insurance company in his own person.

Practically, the duty of directors is limited to outlining the general policy of the institution with which they are connected, and looking after the proper investment of its funds.

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