

May 2014

# Cases and Material on the Law of Private Corporations (Book Review)

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### Recommended Citation

Heilbron, Seymour M. (2014) "Cases and Material on the Law of Private Corporations (Book Review)," *St. John's Law Review*: Vol. 12: Iss. 2, Article 26.

Available at: <http://scholarship.law.stjohns.edu/lawreview/vol12/iss2/26>

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## BOOK REVIEWS

CASES AND MATERIAL ON THE LAW OF PRIVATE CORPORATIONS. By Louis Prashker. New York, 1937. In two parts. Part I, pp. 484. Part II, pp. 485-1233.\*

This convenient two-volume work by Professor Prashker gives to the student a simple and straightforward presentation of the law of private corporations. It offers to the active practitioner as well, welcome relief from the more cumbersome and voluminous text-books on the subject which have gone before. In the past, reference has been made to the "Corporation Lawyer" only with bated breath, and not without a deep sense of awe. He has been regarded as somewhat of a superior sort of an individual elevated to a high priesthood holding sway over corporate mysteries. Today this no longer obtains. The development of our industrial and economic system through the distribution of securities, the desire of increasing numbers of business persons to protect themselves against complete disaster in the event of failure, the difficulties encountered in carrying on business enterprises through partnerships and sole proprietorships—all of these factors have wrought a change. Corporation law is no longer a matter of "big business" alone. It is everybody's business. The scattered few big corporations no longer dominate the field. For example, United States Steel Corporation, which was organized in 1901, and at that time controlled approximately ninety percent of the steel business, today controls only thirty-three percent. Its assets of two billion dollars are matched by two billion dollars of assets of nine competing steel companies.<sup>1</sup> In short, the corporate entity has come to be a prevalent and commonplace thing in our business and social life. This being so, no lawyer at present is equal to his professional requisites unless he is trained to be a "Corporation Lawyer".

The author has embodied the spirit of this in his work. It deals with basic matters and avoids detours into any confusing collateral considerations. By reason of its simplicity the book has a real and usable value as a hand-book for quick, practical reference, aside from being "inviting" for study purposes.

The first part is devoted to the external phases of corporations, comprising six short chapters dealing with (1) the nature; (2) the formation; (3) the effect of irregular incorporation; (4) the relations between the corporation and the state; (5) corporate authority, and (6) *ultra vires* transactions—torts and crimes. Picking up Part One, we are pleased to discover that it is actually not much larger in size than a pocket magazine. There is a brief preface followed by an introductory note on the various types of corporations. These are set forth in tabular form supplemented by succinct references to the General Corporation Law of New York. Next follows a brief quotation from the opinion of Chief Justice Taney in the leading case of *Bank of Augusta v. Earle*.<sup>2</sup> So, in four lines, the scene is set for a clear view of the corporate entity theory. The cases follow and with them there is a case analysis stating problems to be

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\* Part I and Part II will shortly appear as one volume.

<sup>1</sup> J. E. BOYLE, NATION'S BUSINESS, June, 1937, pp. 30, 160.

<sup>2</sup> 13 Pet. 519, 587 (U. S. 1839).

answered, based on the decisions recited before. This procedure is followed throughout the other chapters, the effect being that of a spotlight focused on the essentials, leaving in the shadow the whole maze of superfluous detail and leaving the reader, whether student or lawyer, with an unconfused understanding and a clear-cut impression. It would be beneficial to the active practitioner to read that part of Chapter II dealing with foreign corporations,<sup>3</sup> particularly the cases which deal with the distinction between intrastate and interstate business. In the light of increased zeal on the part of some of the states recently to compel qualification of foreign corporations "doing business",<sup>4</sup> this presents a matter of timely interest.

The first part of Professor Prashker's work presents the fundamentals. The second part goes on to some more advanced fields of study. Nevertheless, the second volume carries on in the same vein of understandable and effective simplicity. Its seven chapters deal respectively with: (1) promoters; (2) subscriptions—marketing of securities; (3) the rights of shareholders; (4) management—directors and officers; (5) shareholders' actions; (6) rights of creditors, and (7) dissolution and combination of corporations.

Prominent place is given in Chapter Eight of Part Two to the growing importance of regulatory legislation in the distribution of securities. The author has included an adequate but concise digest of the highlights of the *Federal Securities Act of 1933*<sup>5</sup> and the amendments of 1934.<sup>6</sup> This definitely is in keeping with the author's successful attempt to give a panorama of the current field of corporation law rather than merely to offer an antedated historical survey. The foundation of the law, however, is not omitted or neglected, and proper consideration is given to all of the leading cases. However, the reflection of such cases on present-day conditions is emphasized. For example, side by side, as it were, with the opinion of Chief Justice Marshall in the *Dartmouth College* case,<sup>7</sup> we have the Supreme Court's whole review of the law relating to a charter as a contract in the well-selected excerpts from the opinion of Chief Justice Hughes in the *Minnesota Mortgage Moratorium* case.<sup>8</sup> In such fashion, a quick view of the problem is accessible in the light of contemporary circumstances. Thus, that which recommends this book above all else is this: it is practical.

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NEUTRALITY FOR THE UNITED STATES. By Edwin Borchard and W. P. Lage. New Haven: Yale University Press, 1937, pp. xi, 380.

This volume, by the outstanding advocate in this country of a return to traditional neutrality principles as the basis of American foreign policy in time

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<sup>3</sup> Vol. I, p. 179.

<sup>4</sup> Vol. I, p. 211.

<sup>5</sup> Act of May 27, 1933, c. 38, 48 STAT. 74, 15 U. S. C. A. § 77A, *et seq.*

<sup>6</sup> Act of June 6, 1934, c. 404, § 201, *et seq.* 48 STAT. 905.

<sup>7</sup> Trustees of Dartmouth College v. Woodward, 4 Wheat. 518 (U. S. 1819).

<sup>8</sup> Home Building & Loan Ass'n v. Blaisdell, 290 U. S. 398, 54 Sup. Ct. 231 (1934).

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