

BANKS MUST KEEP CONTROL OF CREDIT SAYS THE HEAD OF THE BANKERS ASSOCIATION

Toronto, Nov. 14—"Fortunately the practice of lending to brokers by banks as agents for the lender has not as yet made much headway in this country, and it behooves the banks to see that it does not," said A. E. Phipps in the course of his presidential address at the annual general meeting of the Canadian Bankers' Association in Toronto yesterday. In addition to pointing out the dangers which arise to business from the banks losing control of credit, Mr. Phipps also deprecated the increasing tendency of the press to refer to Canadian banks as though they were in two categories—"large," and "small."

"The subject of bank mergers has been brought forcibly to the attention of the public in the last few months by the amalgamation of two of the banks," he said. "I have nothing to say against bank mergers if they are for the good of the banks and for the good of the community generally, as I believe all of the bank mergers that have taken place in Canada have been, but I consider that it is opportune to make some reference to the discriminative articles that have been appearing of late in a certain section of the Canadian press. The press is, of course, entitled to its opinion as to the advisability or otherwise of the mergers, but I cannot but deplore the increasing tendency to treat the public to their views regarding what they term large and small banks."

No Small Banks.

"There are no small banks in Canada (with the possible exception of the one which, by the way, because of the excellent quality of its management, has been notably successful); they are all big banks, and would be regarded as big banks in any other country in the world, the only difference being that some are larger than others and I think that any attempt on the part of the press to insinuate that there is any marked difference is most unfortunate."

"The unfortunate confusion of size and strength if persisted in, might easily work a hardship on some of the banks, and I hope that our sane newspapers at least will desist in the future from suggesting distinctions. It is a matter of great pride to me as president of the association to be able to say most positively that every one of the banks in Canada which forms a part of this association is, in the words of the financial experts, safe to do business with."

Canadian Call Loans.

The development of the call loan in Canada has attracted a good deal of attention of late. Ten years ago and earlier, some of our leading bankers declined to classify loans made in this country against securities as call loans for what seemed the sufficient reason that when a call was made there was not always prompt payment, but since the end of the War there has been with the increased wealth and greatly enlarged holding of excellent securities by the Canadian people, a steady growth in the making of call and short loans by the banks. At the end of January, 1923 the total of call and short loans in Canada was 90 million dollars; at the end of May last, the like total was over 269 million dollars, an approximate increase in a little over five years of 200 per cent. Current loans and discounts in Canada at the end of January, 1923, amounted to 1,038 million dollars; at the end of May, 1923, the figure stood at 1,207 million dollars, an increase of only 1628 per cent. in ordinary business loans against the approximate 200 per cent. in call and short loans. There is a very clear explanation of why the latter percentage has not increased more than it has. A marked change has taken place in recent years in the method employed by corporate enterprises in providing working capital. formerly business corporations had in nearly all cases large loans from banks to provide working capital with the periodic repayments. Latterly these corporations reply more and more on the proceeds of bond or stock issues or accumulated profits to furnish the capital needed from day to day, and in many instances these corporations, instead of being borrowers as formerly, are today for a substantial part of the year depositors. In passing, too, it should be emphasized that the increase in the expense of ordinary busi-

ness, Canadian banks have always given, and are always ready to give, industry and agriculture the preference.

Situation in New York

One phase of the call loan situation has recently attracted attention in New York, and a like situation in a much lesser degree began to develop in Canada. In order to obtain the profits procurable through high interest rates in the call loan market corporations and individuals have given up the preferred creditor position of depositor and have become lenders to brokers through banks as their agents. It has been pointed out that as a depositor in a bank a corporation or individual is sure of getting its or his funds when desired; in lending direct, with the bank as agent only, the corporation subjects itself to the vicissitudes of the broker and of the particular stocks he pledges. The allegation is now made (E. C. Harrison leading article, The Annalist, New York, Oct. 12), that whereas in January, 1926, New York banks were interested for their own account or that of correspondent banks to the extent of nearly 75 per cent. of call loans to brokers, at the present time New York banks and their correspondents now account for less than one-half of the total loans to brokers, and a new situation has arisen. The banks are consequently no longer in control of the call loan market. In case of a sudden decline in the price of securities, with prompt calling of outside lenders, the old banking solidarity would be gone, the lenders would have no responsibility for maintaining sound banking conditions and it would be a case of every lender for himself.

With a substantial decrease in market values, a less responsive call loan market in Canada than in London or New York, and anything approaching an equal relative growth to that in New York in loans to brokers by corporations and individuals, all the elements to precipitate a crisis would be at hand. Fortunately the practise of lending to brokers by banks as agents for the lender has not as yet made much headway in this country, and it behooves the banks to see that it does not. The receipt of a paltry commission, or even a large commission, will not compensate the banks for the loss of control which such agency involves while their customers who have lent may find themselves in a difficult if not hazardous position. English banking observers have taken note of the situation in New York, and in the London Bankers' Magazine for September, after pointing out the dangers inherent in such practise, the opinion is advanced that it is rather surprising that it should ever have been allowed to obtain its present hold on the New York market.

Officers Elected.

There were present from Montreal Beaudry Leman, general manager of the Banque Canadienne Nationale; C. E. Neill, general manager of the Royal Bank of Canada, and C. H. Cronyn, representing the Bank of Montreal.

The following officers were appointed for the current year:

Honorary presidents—Sir Vincent Meredith, Montreal; Sir George Burn, Ottawa; E. L. Pease, Montreal; Sir John Aird, Toronto.

President—A. E. Phipps, Toronto.

Vice-presidents — Beaudry Leman, Montreal; J. A. McLeod, Toronto; S. H. Logan, Toronto.

GENEROSITY TO OTHERS LEAVES AL BROKE

Norfolk, Va., Nov. 14—Gov. Alfred E. Smith is "broke," according to J. F. Bresnahan, business manager of the New York World.

"Al Smith is 54 and broke," Bresnahan said. "He has always been a good fellow and has given money to his friends and to relieve the sufferings of many poor people."

This statement was made at Virginia Beach, where the annual convention of the American Newspaper Publishers' Association opens today. Gov. Byrd of Virginia will be one of the opening speakers at the convention.

RIGID WILLS NOT NECESSARY TO PRESERVE ACCUMULATED SUMS OF MONEY

(By Frederic J. Haskin in Boston Traveller.)

Washington.—Not more than one person in 10 makes a will disposing of his worldly goods. For one reason or another half of the wills made fail of probate, according to Daniel Remsen, eminent legal authority.

Rigid Wills Fail.

Many wills are so rigidly constructed that their provisions cannot be adjusted to meet the changing social and economic conditions that come with the passage of time and they therefore only partially achieve the benevolent purpose of their testators. Notable examples of this may be found in the bequests of Stephen Girard and Robert Richard Randall. The limitations and restrictions imposed by the terms of these two wills have resulted in the accumulation of vast sums of money that cannot be used either for Girard College or for Sallor's Snug Harbor. Franklin's generous plan to aid mechanics failed of usefulness because the system of apprenticeship was abolished.

Some years ago a railroad president left a fund to establish an orphanage for the daughters of railroad men, employees killed in the discharge of their duties. At the last accounting this endowment has reached the sum of \$2,000,000, but girls eligible to its benefits have been so few that the officials of the orphanage have had to advertise for them. At one time they could discover but 12 girls coming under the conditions of the will.

The court house files throughout the country hold many wills whose terms made with the best intentions of benevolence have failed of their purpose through their lack of foresight and their tendency to perpetuate the power of the dead hand far beyond the life period of their immediate heirs. This has resulted in legislation in most states creating a limit called "two lives in being." Thus property income can not be devised by will to a third generation of heirs, the purpose being to prevent money being tied up for purposes that in time become obsolete. This does not apply to trusts and charitable funds.

Records show many wills whose provisions make them curiosities in human documents for the vagaries of mind which they illustrate. Bequests have been left for every conceivable purpose. Shingles, chips of wood, window panes, wall paper, egg shells, bits of leather, cloth, cuffs, hat and shirt bands, a tree stump and a tombstone all have found place in legal record with their wills, while the art of tattooing brought into play with a man's will recorded on his wife's back brought forth a problem in the matter of a probate record.

Wills reflect the character of their makers more truly than any other work of their hands. A reading of Gen. Washington's will presents the best portrait of him as a man. In it he shows clearly a family strain of thought and even of expression that is found in the wills of all of his American ancestors.

Shortest Will.

The shortest will on record is that of Leonard Calvert, first governor of Maryland, who with his 20 gentlemen and 200 adventurers from the Ark and Dove founded St. Mary's. When Calvert was stricken with his last illness he made a noncupative will that has found place in the annals of history for its brevity and clarity. By this will he made his sister-in-law, Margaret Brent his executrix, saying in the presence of his official family, so that all might hear: "I make you my executrix! Take all! Pay all!"

Through wills may be traced the progress of our development as they reflect more vividly than anything else the manners, customs and trend of thought of each generation.

From the wills of the Pilgrims we learn of the great value placed upon the few possessions which they were able to bring to America and the care with which these were treasured and handed down. Gov. Bradford's 12 chairs, 79 napkins, 17 sheets, six case knives, and 90 pounds of pewter, like the great cloaks and quilted petticoats, served several generations. His entire estate valued at 1005 pounds and two shillings, while lacking china, horses, carriage, watch or mirror, meant affluence for 1657.

These early wills also show the value placed upon the first cattle in Plymouth, most of which was owned in shares. Many wills devised a third or fourth share of a pig or sheep.

Prior to 1800, few wills were made by women, infants and idiots were all in the same class in being considered incompetent to execute wills. The survival of the law of primogeniture is shown since the mansion house and plantation were usually left to the eldest son, instead of to the wife. Many of these old documents held instructions as to the conduct of the widow. One dated April 10, 1773, reads: "Have writ how my wife has to behave herself in case I should die and she is not to keep too much from the children of what is their due at the proper time." Sometimes careful husbands provided by will that their wives might have their own belongings as shown by a will dated July 14, 1734, in which the testator gives and bequeaths "to my dear and loving wife Mary, all and singular the money and goods that were her own, when or before I took her to be my lawful wife."

Fairbanks's Charity.

The late Charles Warren Fairbanks made one odd provision in his will, which reads: "I bequeath the city of Indianapolis, Marion county, Ind., the sum of fifty thousand (\$50,000) to be securely invested and kept invested by the said city, at compound interest, for the period of five hundred years. The sum with the interest thereon shall be known as 'The Cornelia Cole Fairbanks Memorial,' to commemorate the life and virtues of a great woman who was an inspiration to better living and doing and whose holy influence I gracefully acknowledge."

"At the end of each 50 years during said period the increase of said principal sum shall be used by the said city as follows: 1st for erecting and maintaining buildings for the purpose of promoting the intellectual, moral and physical well being of the worthy poor of the community." Other provisions

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ions were made for public buildings for labor, art, science, and public charity, parks and playgrounds, in this tribute to the virtues of his wife, which he extols at length. The will was probated June 19, 1918, and disposed of an estate of about \$8,000,000.

Worcester county, Maryland, possesses in its files some curious wills, among which is one that furnished George Alfred Townsend the theme for his "Entailed Hat" story. In the old style wording of 1800 is the following: "I give and bequeath to my son John Milbourne, 77½ acres of land, where Ephraim Matthews now lives and all that land I have a right to joining thereto, with the houses and orchards, all said lands I give to John Milbourne and his heirs and assigns forever and one large chest and no more of my estate than above mentioned. I give and bequeath to my son Ralph Milbourne my best hat to him his heirs and his assigns forever and no more of my estate. I give to my son Thomas Milbourne, a small iron kettle and no more of my estate. I give and bequeath to my daughter Pitt Evans an iron kettle to her, her

heirs and assigns forever and no more of my estate etc, etc."

The building of railroads ended the era of the covered wagon trains as the principal means of emigrant transportation and also the purpose of the will of Mayor Mullanphy of St. Louis, made in 1849, leaving a third of his fortune to the city for the relief of wagon train emigrants seeking homes in the West. The bequest accumulated to the amount of \$955,475.47 when by legal action it was made available to the Travelers Aid.

A study of the wills of the last few years shows a marked tendency to abandon the old style of voluminous expression and the influence of the great foundations and endowments by which education, arts, and sciences have been developed in our country, is being shown by loosening of the clutch of the dead hand on the control of money after death, in the rigid and restricted terms found so frequently in those of the past.

There are still a few of the old time iron hitching posts around in case of having smaller dirigibles.

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