

Accounts," summarizes selected balance sheet data reported to the Federal Reserve System in connection with its responsibilities under the Securities Exchange Act of 1934. In addition to data on net debit balances, net free credit balances, and money borrowed, this table presents considerably more detailed information on money balances as shown in the debit and credit entries on the ledgers of these firms as of the end of the specified month. Corresponding items are identical conceptually with those presented in Tables 20 and 22 but differ somewhat because of minor differences in reporting, statistical discrepancies, and for

"money borrowed" after May 1955 a difference in reporting date, that is, the last Wednesday versus the end of the month.

It should be noted, however, that these summary figures do not disclose the "financial condition" of reporting firms. (1) They do not show either the values of securities carried by the reporting firms for customers or the current market values of securities owned by the firms themselves. (2) The amount reported against the item "net balance in capital and profit and loss accounts and partner's drawing accounts" does not represent actual net capital. (3) They do not include such assets as exchange seats.

SECURITIES ISSUES

Governmental units, corporations, and other organizations obtain new external funds from several sources. They may issue debt securities with either long- or short-term maturities. They may borrow from banks. In still other instances they may sell mortgages, or they may increase their equity base through sale of stocks.

Sales of new issues in capital markets are one of their major sources of funds. The tables in this section show the amounts of long-term debt and equity financing. Although they omit sales of short-term bonds and notes, the data are a measure of specific types of demands for funds in the capital markets.

Governments sell only debt instruments (bonds, notes, debentures, and so forth)—with a fixed rate of return and a specified date for redemption. Corporations, on the other hand, may sell either debt instruments or stocks. A preferred stock—like a debt instrument—has a fixed rate of return (dividend), but it is junior to debt, and it does not have a specified maturity. Common stock has neither a fixed rate of return nor a specified maturity.

Security financing may be measured in terms of gross proceeds, net proceeds, or net changes in outstanding securities. Gross pro-

ceeds are derived by multiplying the offering price by the number of units (except for State and local government issues for which principal amounts are used). Net proceeds represent gross proceeds less estimated costs of flotation—that is, underwriting compensation, legal expenses, and so forth.

For certain purposes—for example, for analyzing the immediate impact of new offerings on security markets—the gross and net proceeds figures may be more useful. For other purposes—for example, for analyzing longer-run relationships between saving and investment—the figures for net change in securities outstanding may be more appropriate. Data on proceeds (whether gross or net) measure the amount of funds raised by sales of securities in a particular period without taking into consideration redemptions during the same period of securities sold earlier by the same or other corporations or governmental units. Data on net changes in outstanding securities, calculated by deducting from gross new issues the total of all securities redeemed during the same period, are a measure of the net volume of funds raised. The series on issues for new capital provides something more in the nature of an

intermediate measure, since it is composed of issues sold to obtain new capital (excluding the proceeds of refunding issues) but has not been adjusted to take account of securities redeemed with funds made available in other ways.

Tables 23 and 24 present data on gross sales of new securities by governmental units, corporations, and other organizations. Table 25 presents data on net changes in securities outstanding for corporations only.

TOTAL NEW SECURITIES ISSUES BY TYPE OF ISSUER

The estimates shown in Table 23-A, which are for the period 1934-63, were prepared by the SEC. They cover almost all new security issues offered for cash for the account of the issuer in the United States in amounts over \$100,000 and with maturities of over 1 year. They represent offerings, not actual sales. However, the proportion of the total that is not sold is believed to be quite small.

The estimates exclude several types of offerings: continuous offerings of employee-purchase plans; issues of open-end and closed-end investment companies; and intercorporate transactions where control is involved; sales of issues that the U.S. Government makes directly to Federal agencies and trust accounts; corporate notes issued exclusively to Federal agencies and trust accounts; corporate notes issued exclusively to commercial banks; and portions of issues known to have been sold outside the United States.

Publicly offered issues are included as of the offering date; privately placed securities are included as of the takedown date—when securities are actually issued—regardless of when purchase contracts were made. Privately placed securities are defined as issues sold to a restricted number of investors without being offered to the public and without being required to meet SEC registration formalities.

Table 23-A shows totals for 1934-63 of all securities offerings (gross) with a breakdown showing amounts by major groups and amounts

of corporate offerings by type of issue—bonds (both publicly offered and privately placed) and stocks (preferred and common). Privately placed corporate bond issues, which constitute the bulk of privately placed securities, are shown annually for the whole period and monthly beginning with 1952.

Definitions of major types of issues follow:

U.S. Government: Direct and guaranteed issues only (excluded, as noted above, are interagency issues and short-term issues such as Treasury bills).

U.S. Government agency: Federal agency issues not guaranteed by the U.S. Government (currently, issues of the Federal land banks, Federal intermediate credit banks, banks for cooperatives, Federal home loan banks, Federal National Mortgage Association, and the Tennessee Valley Authority).

U.S. State and local government: Issues of all States, territories, and possessions, and their subdivisions. Through 1951, data are as compiled by the *Commercial and Financial Chronicle*; thereafter, by the *Bond Buyer*.

Other: Issues of foreign governments and their instrumentalities, of international organizations (for example, International Bank for Reconstruction and Development), and of nonprofit institutions.

Corporate: Issues of both foreign and domestic corporations sold in the United States.

Corporate issues for new capital include net proceeds of all issues except those used for the retirement of securities. Issues for new money represent funds to be used for both purchase of plant and equipment and additions to working capital (these are shown separately in the SEC publications); funds used to repay short-term bank loans that were originally utilized for these purposes are included. Proceeds for other purposes are used to repay term loans from banks, to purchase securities, and for miscellaneous uses.

CORPORATE ISSUES

Net proceeds of corporate security issues are shown for four major industry groups for the period 1934-47 in Table 23-B. Beginning with 1948 a new classification based on the Standard Industrial Classification was adopted. In this classification, shown in Table 24-C, each issuer is included in the industry from which it derives the bulk of its revenue. As a result of the new classification there were some shifts of industries among major groups, and several new major groups were added. Because only the real estate and financial group was unchanged, exact comparison of the new and old

groups are not possible. The accompanying tabulation shows the difference in the two methods of classification.

INDUSTRY CLASSIFICATION

<i>Before 1948</i>	<i>1948 and after</i>
Industrial & miscellaneous	{ Manufacturing Commercial & other Extractive ¹
Public utilities	{ Electric, gas and water Transportation, other than railroads ² Communications ³
Railroads	Railroads
Financial & real estate	Financial & real estate

¹ Included with commercial and miscellaneous between 1948 and 1952.

² Includes aviation, previously included with industrial and miscellaneous.

³ Includes radio, previously included with industrial and miscellaneous.

NEW STATE AND LOCAL GOVERNMENT ISSUES

Table 24 presents data on gross sales of long-term State and local government bonds by type of issue and type of issuer and shows issues for new capital classified by use of proceeds for the period 1946-63.¹⁸ Data for 1946-56 were compiled by the Federal Reserve from information published in the *Bond Buyer*; beginning with 1957, the figures are compilations of the Investment Bankers Association of America.¹⁹

Data represent principal (par) amount of bonds, warrants, and certificates sold by States, territories, and insular possessions of the United States and by their subdivisions. In addition to offerings to the general public, securities sold to other State and local government units and to the U.S. Government are included when reported. Coverage is the same for the

¹⁸ Long-term securities are those with an original maturity of more than 1 year except that revenue anticipation notes with maturities of more than 1 year are excluded.

¹⁹ Total new issues (new capital and refunding) shown in Table 24 for the period 1952-56 are identical, except for rounding, with the total for U.S. State and local issues shown in Table 23. For other periods, these totals differ slightly primarily because of statistical discrepancies in series compiled by different organizations.

“total (new capital and refunding)” and “total amount delivered,” except that the latter excludes U.S. Government loans. Issues are included as of the date of sale, except that for “total amount delivered” the date of inclusion is the one on which the issuer receives the proceeds.

Figures on classification by type of issue are available only on an annual basis before 1957, but are monthly thereafter. Classifications by type of issuer and by use of proceeds before 1957 relate only to issues of \$500,000 or more. For each of these categories, issues of less than that amount are shown in the “other” category. Hence many classifications in earlier years are understated relative to those for later years.

Definitions of the groupings follow:

General obligations: Bonds secured by the full faith, credit, and taxing power of the issuer.

Revenue bonds: Obligations secured solely by some specific revenue source of the issuer, such as revenue from utilities, from tolls collected by toll authorities, from rental payments of public building authorities, or from all or part of the revenue from a specified tax or taxes.

Public Housing Authority bonds: Bonds sold by local housing authorities pursuant to the Housing Act of 1949, secured by contracts with the Federal Public Housing Administration for annual contributions.

U.S. Government loans: Bonds sold to the Housing and Home Finance Agency and loans made under miscellaneous programs.²⁰

Special district and statutory authority: Securities of all special purpose units including some, such as State toll road authorities, which are included under “States” in some governmental classifications.

Other (under type of issuer): Securities of municipalities, counties, townships, towns, and school districts, and before 1957, all small offerings regardless of type of issuer.

Education: Issues for higher educational facilities as well as for construction of primary and secondary schools.

Road and bridges: Issues sold for both toll and free facilities.

Utilities: Issues for electric light and power systems, sewer and sewage disposal systems, transit systems, and port and airport facilities.

²⁰ Federal loan data are not available separately before 1952, although small amounts are probably included in other categories. Beginning with 1957, the coverage of such loans is considerably broader, although still incomplete.

Housing: Issues for construction of residential housing units and for urban redevelopment.

Veterans' aid: Issues for payment of bonuses for loan programs for veterans.

Other: Issues for health and welfare, recreation, flood control, administrative and office buildings, industrial buildings for lease to private corporations, and so forth, as well as multipurpose issues, and, before 1957, small unclassified issues.

Except for veterans' aid and refunding issues, proceeds of most of the issues are used primarily to finance construction, including land acquisition, of facilities to provide the type service indicated by the classification.²¹

NET CHANGE IN CORPORATE SECURITIES OUTSTANDING

Table 25 presents SEC estimates of the net change in domestic corporate securities outstanding annually for 1934-63 and quarterly for 1948-63.

Type of issue or issuer. The net change is broken down by type of security (that is, debt and stock—common and preferred) in Table 25-A and by industry of issuer in Table 25-B for the years 1948 on. Definitions of these classifications are the same as those described in connection with Table 23 except as noted below.

Method of derivation. Figures for net changes are derived by deducting estimated repayments by corporations for securities redeemed (retired) from estimated gross proceeds (as shown in Table 23) received by corporations from sales of securities in the same period, after making certain adjustments. Deductions are made for retirement of securities of the type covered regardless of the source of funds used for this purpose—that is, whether from sale of new securities, from bank loans, from internal funds, and so forth. Adjustments are made between stocks and bonds outstanding when one type of security is exchanged for the other as a result of conversion, recapitalization, mergers, and so forth.

²¹ The Investment Bankers Association publishes additional detail for some of these categories.

Additional adjustments are made in the series on gross proceeds from new offerings as follows:

Amounts added: (1) Sales to the general public of securities held by affiliated companies or by U.S. Government agencies. (2) Private sales of securities to foreigners. (3) Sales to employees.

Deductions: (1) Security sales of foreign companies. The net change series is for domestic companies only, while the new issue series is for issues sold in the United States, whether domestic or foreign. (2) Estimates of securities offered but not sold. (3) Any additional cash received in connection with conversions. (4) Sales of securities to other corporations.

Other: Proceeds are converted to a delivery-date basis (that is, the date the issuer receives the funds) from an offering-date basis for all public offerings (private placements are already included on a delivery-date basis).

Beginning with 1948, data are shown for net changes in outstanding securities of investment companies. In the table showing net change by type of issue, these data are shown separately as well as in the total for all securities and in the breakdown by type of issuer they are included with the real estate and financial group. These statistics on investment companies represent all types of companies including open-end mutual funds, closed-end companies, face-amount-certificate companies, and certain unit plans. Excluded are certificates issued under contractual plans for investment in shares of open-end mutual funds on an instalment basis, because the amounts of such underlying shares issued are covered in the statistics of open-end mutual fund sales. Initial issuance of shares by "tax free exchange" funds are excluded from the figures. Sales of issues include estimated sales load and distributions of capital gains that are reinvested.

The SEC indicates that these data are not all inclusive, but it believes that omissions of new issues and retirements are small in relation to total volume covered, particularly in the postwar period.