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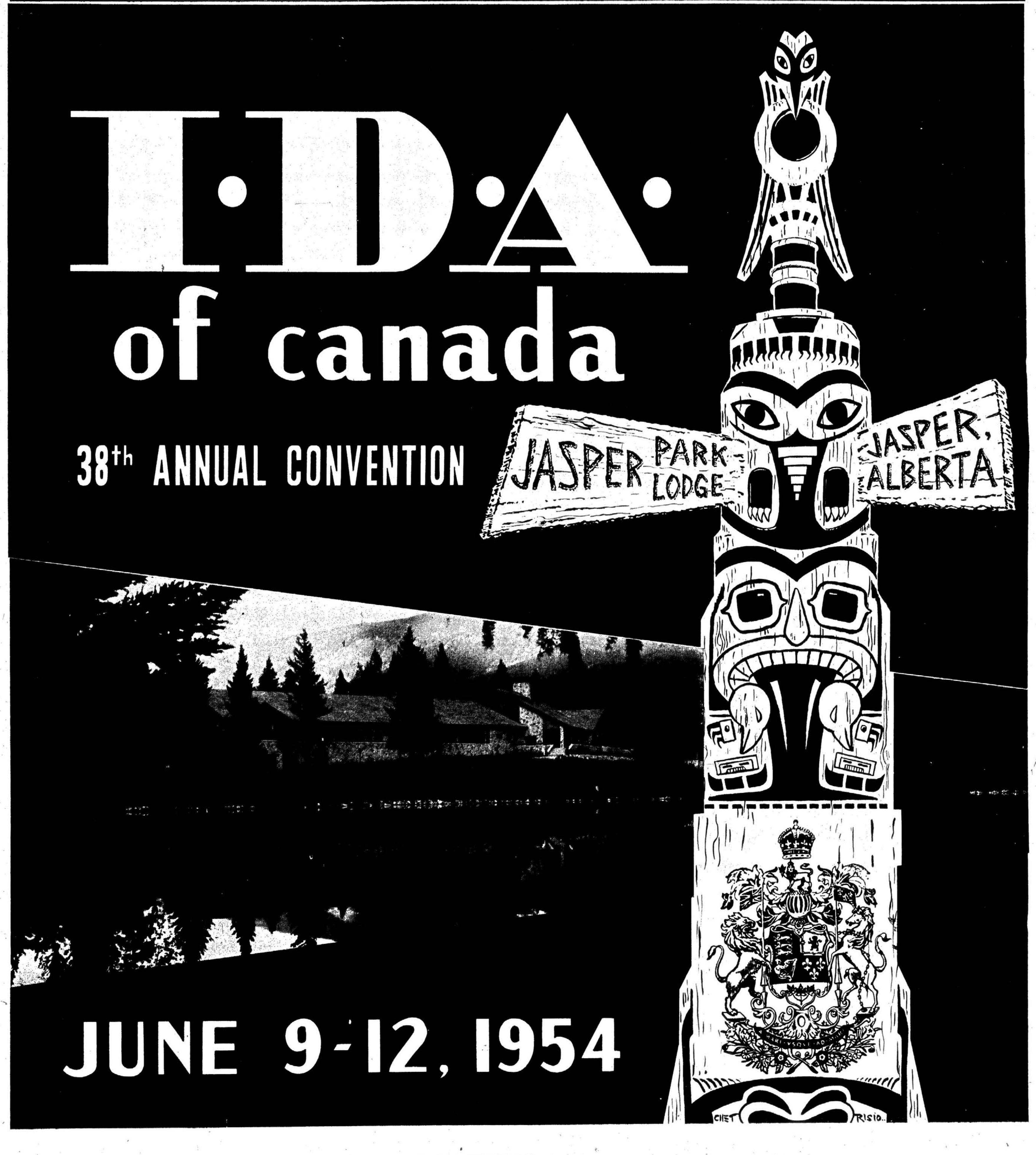

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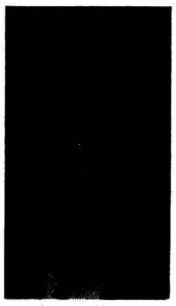

Alan S. Gordon
Royal Securities Corporation, Limited, Montreal

Economic Trends in Canada

By GERARD GINGRAS*

Retiring President, Investment Dealers' Association of Canada
Assistant President, Rene T. Leclerc, Inc., Montreal, Que.

Though picturing 1953 as the most successful in Canada's history, Mr. Gingras calls attention to a slackening of pace toward the end of the year. In the Canadian investment scene he notes the effect of the return to an easy money policy both in U. S. and Canada, and comments on the success of large financing operations by the Canadian Government and Canadian Pacific Railway. Discusses premium on the Canadian dollar as "a thing of pride and a thing of hardship." Holds, despite large foreign investment in Canada, the trend has been for Canadians to own an increasingly greater share in their own country. Lauds co-operation of Canadian banks with the investment industry.

The Canadian Atmosphere . . . 1953 and the Present

The year 1953 was the most successful in Canada's history. Employment, production and income were at all-time peaks, construction was still booming and though it has since posed a problem, the country was fortunate in having its third successive bumper grain harvest.

Gerard Gingras

While production in certain fields, notably textiles and coal dropped noticeably, steel, newsprint, aluminum, oil, cement and lumber, and such manufactured articles as automobiles, television sets and household appliances set all-time production records. Also during 1953, Canadians spent more, saved more, and invested more than ever before. Total capital expenditures for new construction and equipment were $5.7 billion or 5.1% more than 1952, and once again accounted for well over one-fifth of our entire national output. The year saw an end to many of the inflationary tendencies which had been active since the end of World War II and, without a doubt, 1953 was the best year of the postwar period.

Towards the end of the year, what could be termed a "slackening of pace" in the economy gradually became evident, and as 1953 drew to a close, many thinking Canadians were viewing the new year with searching appraisal and, in some cases, with a degree of apprehension. In the United States, new orders for steel and non-ferrous metals—an indicator of conditions in a great many industries—were sluggish. Inventory accumulation had ceased, and production started to gear itself to current requirements only. In short, supply was catching up with demand, and with demand diminishing, production naturally slackened, bringing about a consequent rise in unemployment.

For Canada, the statistical record as it came to light in late 1953 and early 1954 indicated that our economy was also experiencing some of the recessionary tendencies that had become apparent in the United States and elsewhere. Our exports, which were down in 1953, continued to be a cause of concern. In the final quarter of 1953, exports declined by approximately 9% over the same period in 1952 and in January of this year the trend sharpened, showing a decline of over 17% in value and 15% in volume. Although capital expenditures were high in 1953, it was noticeable that the rate of increase was falling. As in the United States, inventories in Canada were at a high level and unfilled orders on the books of Canadian companies were 27% lower than at the end of 1952. Our labor force numbered 4,962,000 in January, 1954 which was 1% smaller than the previous year, and the number of unemployed was 50% greater than in January, 1953.

This was the gloomy side; but there was a bright side. Many of the indicators of economic activity were well above the level of the year previous. Consumer demand was well up and savings were at the highest level in our history. Department store sales, private and public expenditures for new construction and equipment were still on the rise, and no downward adjustments were expected or anticipated due to scarcity of either materials or investment funds. Housing construction for 1954 is expected to be at the highest level in our history.

The Canadian Investment Scene

Looking at the year 1953 from an investment point of view, the most significant occurrence was the pronounced reversal in the trend of bond prices. This change in trend really began in June, 1953 in the United States. At that time, United States Treasury authorities decided to abandon the hard money policy which had been followed up until that time and to embark on a policy of easier money and credit terms. The two most effective weapons of a central banking authority, namely open market operations and adjustment of the rediscount rate, were put into use and the United States Treasury went into the open market and bought some $1 billion Treasury bonds and at the same time lowered the rediscount rate. As was expected and desired bond prices started up.

Traditionally the difference in yield between long-term U. S. Treasury bonds and long-term Canadian Government bonds has been about one-half of 1%. The effect of Federal Reserve action created an artificially large spread between the two, and during the first few months of this year, the spread had widened, though for a short time only, to almost 1%. By the middle of May, 1954, however, it had narrowed again about one-half of 1%.

The abnormally large yield spread, coupled with the Bank of Canada's decision also to adopt an easy money policy, gradually started Canadian bond prices up in the last few months of 1953.

The reversal of trend was significant, but the magnitude of the swing in bond prices was spectacular, and this can best be illustrated by examples. Last summer at about the weakest point in our market, Government of Canada 3¾% of 1978 were selling as low as 97½. By December, 1953 they were priced at 100⅞ but by the middle of May, the price of these bonds had risen to 107. Since only December of 1953 Canada 3% of 1966 have risen from 94⅛, to yield 3.58%, to 100¼ to yield 2.96%.

Table I showing the sales of new government, municipal and corporation bonds to the end of April, 1954 with comparative figures for 1953 and 1952.

The most obvious and notable fact disclosed by these figures is that thus far in 1954 each category of borrower has been to the market for funds to a much larger extent than in previous years and that to date new issues are almost double those of the comparable period for 1953.

These figures bring out two other very important facts. During my term of office, the Bank of Canada, acting for the Government and the C.N.R., conducted four major and highly successful public financing operations. In the fall of last year $840 million of Canada savings bonds were sold—quite an achievement when one remembers that they can be bought only by individuals, limited to $5,000 each. A "market" issue of $700 million of short-term bonds was also offered in October, 1953. Early in January the C.N.R. raised $200 million in 3¾% of 1974 which now command a substantial premium. And last month, $550 million of short-term Canada's and $300 million 3¼s of 1976 were subscribed in a few days. The call of $1,111,261,650 of Canada 3s of 1957 for redemption on Oct. 1, 1954 was also significant inasmuch as six months' notice was given when only 60 days were required, a quasi-assurance of stability for that period. The refunding of this issue will be the first refinancing operation of the Vic-

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*Text of Mr. Gingras' report at the 38th Annual Convention of the Investment Dealers' Association of Canada, Jasper, Alberta, June 11, 1954.

Let's Treat Securities as a Commodity

By WILFRID SANDERS*

President, Sanders Marketing Research
Director, Canadian Institute of Public Opinion, Toronto, Can.

Holding securities is a product manufactured by the imagination, resourcefulness and courage of business enterprise, and made ready for packaging and marketing by investment dealers, Canadian marketing analyst traces steps to be taken in marketing and applies these steps to the securities industry. Points out large number of potential investors in Canada have not been reached by investment dealers, and praises sales promotion efforts in industry.

The emphasis in the last decade has been on going out and studying the market (which is always **people**), because of the basic fact that all sales are made in the mind of the consumer. You can talk about the manufacturer, the wholesaler, the jobber, the retailer, as much as you like, but in the long run the consumer, activated by a mind, is KING. The consumer can make or break the manufacturer, the wholesaler, or the retailer.

Wilfrid Sanders

Case Histories: Table salt packaging; margarine wrapping; dated products—wasted dollars because failed to know what was in mind of consumer.

Reverse: Ball point pen.

The odds are that the majority of men in this room are thinking: "Our business is different. You can't apply these yardsticks to investments."

Gentlemen, in 14 years of marketing research, I have never yet had a client who didn't believe that his business was different. So, if you think your business is different, it's at least like other business in **that** respect! In any event, I am going today to treat securities as a commodity, a product, which is manufactured by the imagination, resourcefulness, and courage of business enterprise, out of the raw material with which God has provided this country, packaged and made ready for the market by Investment Dealers. You invited me to speak on investment markets, and this is the only approach I can make.

It is true that many of you feel that you are in effect wholesalers, and not interested in the retail market for securities. I suggest this could not be so. Ultimately, your product reaches the general public, whether in the form of insurance policies, bank loans, mortgage money, or salary checks. Whether or not you deal only with institutions, your final market is the general public.

Four Steps in a Marketing Study

Here then, are the four steps normally taken in any marketing study, and since they form the main skeleton around which I plan to hang the meat of my remarks, I would ask you to take note of them.

(1) Study the product. If you don't know fully what you are selling, you can't sell it. (Rex Dog Food.)

(2) After studying and clearly defining the product, you are in a position to define and locate the market. Who are the logical consumers?

(3) After defining and locating the market, we can study it. What kind of people are they? Where do they live? How do they live? What do they think about you? About your product? What are their prejudices, their ignorances, their needs? How do you get at them with your sales message?

(4) Fourth, and final step is to assess your current product, distribution, and sales effort against the information you have obtained. Have we really studied and discovered its full potentialities? Do we know our market? Is our sales effort hitting the target, or is a lot of it scattering around the target?

Step 1: "Knowing the Product": Here, you certainly are better informed than I am. I don't know how you describe your product, but to me, as an outsider, I would say that you are selling two things:

(1) You are selling participation in Canada's growth, an equity in this country's business and industrial development. You are selling protection of income, and income itself.

(2) In addition to the above, and as part of the above, you are selling a service. Yours is a business with professional characteristics, requiring skilled technical knowledge in its own field, just as important as technical knowledge in Law, Medicine, or Engineering.

So, when we come to talk about the market, and to assess what you are doing, we will have to bear in mind that you have two things to sell—a product, and a service, based on technical knowledge. In this respect, your business **is** different from **some** others, in the same way that the automobile business is different, in the retail field, from that of a grocer. A grocer is not expected to do much by way of servicing the prunes he sells you.

All this is very general, and it is so of necessity. Each issue, each certificate, is a product in itself, and the variety of your products is legion. I want to say a few things about what your product is not, but will save that until we get to point IV.

Step 2: "Defining and Locating the Market": In collecting data on your market, I frankly ran up against what to me was a surprising lack of reliable information. As far as I have been able to ascertain, no research has been done on a national scale in Canada aimed at defining the market for investment securities, comparable, say, to the study done in United States by the Brookings Institution a few years ago. Even though there is considerably more information about the securities market in United States than there is in Canada, the report of Stewart Dougall and Associates to the New York Stock Exchange (probably familiar to you) states:

"It must be recognized that in spite of the numerous investigations which have been made in the past, they by no means contain all the facts desirable about the public's experience with, and attitude toward stock market dealings. **There are exasperating vacuums in information essential for drawing direct conclusions from a merchandising viewpoint.**"

That comment, gentlemen, goes double in spades, for Canada.

In the face of this absence of data, I used the facilities of our organization to collect a few basic facts about the public's reaction to the securities market, for my talk this morning. This was done on a full-scale national basis, through the Gallup Poll. It has not yet been published, as I obtained the final figures from our statistical department on the day I left Toronto. Interviewing for this poll was done in all areas of Canada, from Newfoundland to Vancouver Island.

But before I give you the findings from this study, perhaps we'd better dispose of one thing. It may seem to you that the obvious way of arriving at the potential market for securities is to look at bank deposits. You might quote the fact that demand deposits in Canada have increased from $2.360 billion as of Sept. 30, 1948, to $3.149 billion at the same date last year. This is an increase in demand deposits in five years of 33%. The actual number of such deposits has increased in the same five-year period from 945,000, to 1,182,000, an increase of 25%. These are impressive figures, and undoubtedly give us an indication of **part** of the market. But I suggest this is not the whole story. Thousands and thousands of Canadians have, literally, no bank savings at all, and yet enjoy a high standard of living. Some of these most certainly have their values mixed, and are spending on consumer goods what properly belongs to building up an investment portfolio. From the other side of the coin, you will agree, I think, that many of the bank deposits have a legitimate reason for being there. If you try awfully hard, you may be able to agree to that last statement.

In any event, if you think about it at all, you will see why bank deposits are not the answer to the question: "How big is the untapped market for securities?" and why it is worth going further afield, as we did in this national study.

Securities Holders in Canada

The question our interviewers asked adult Canadians was worded like this: "I'd like to ask you some questions about investments. Have you **ever** bought any stocks or bonds?"

I don't want to throw a lot of statistics at you today, but here are a few highlights from the results:

55% of the total population had never bought any stocks or bonds.

82% of the population had never bought stocks.

64%—nearly two-thirds—had never bought any bonds.

We found the highest proportion of non-purchasers in the Maritimes, lowest on the Prairies—not, interestingly enough, Ontario.

Now some of you may be thinking that this 55% figure, representing those who have never bought either stocks or bonds, also represents the segment of the population which is financially unable to invest in securities, and can therefore be ignored. But wait a minute. Let's take these people who have never invested in their lives, as a group. Analysis shows that 59% of them were classified by our interviewers as in the lowest income group; 29% were in the middle income group, and 12%, more than one in 10, were in the upper. This means several things; among them, that some low income families can and do invest their savings in securities. If, to take entirely ar-

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*An address by Mr. Sanders before the 38th Annual Convention of the Investment Dealers' Association of Canada, June 10, 1954.

Investment Policies of Canadian Life Companies

By P. S. BOWER*

Assistant General Manager & Treasurer,
The Great-West Life Assurance Co., Winnipeg, Canada

Canadian insurance executive, after commenting on close relationship of insurance companies and investment dealers, reviews investment policies of Canadian life companies. Points out government policy will always exercise a major influence on investment operations of insurance companies, and the Bank of Canada, by its actions affecting interest rates, frequently influences how life companies' funds are employed. Discusses classes of securities held by Canadian life companies, and takes up question of common stock investments. Concludes, so long as companies are compelled to guard themselves against wide market fluctuations, there will be relatively little investment by them in stocks. Reviews situation of Canadian municipal issues.

Life insurance companies and investment dealers have an important part in the highly developed mechanisms of our modern economy. In Canada, over five million policyholders are contributing, through their thrift, to the protection of themselves and their families, but are also assisting in making available a vast pool of capital for the financing of homes, businesses, schools, local improvements, and the development of our natural resources.

P. S. Bower

I should like to talk about this with you this morning in a more general way than the subject originally suggested to me — my remarks being in the nature of observations on the development of investment policy by insurance companies, because much of our flow of investment funds is placed in bonds, debentures or stocks through the offices of your members. The balance is almost entirely placed in mortgages directly by the companies.

By the beginning of this year, Canadian assets of Canadian life insurance companies doing business in Canada amounted to $3,446 million, diversified as follows:

Bonds—Dominion Govts.	19%
Provincial Govts.	7%
Municipals	7%
Corporates	22%
Stocks	2%
Mortgages	32%
Real Estate	2%
Other	9%

Into this pool of $3,446 million, there is flowing a net addition, at the present time, of over $240 million a year. Not only do the companies have this net inflow for investment in Canada but, in addition, as much as another $130 million or so, representing the amortization on their Canadian mortgage portfolios and serial repayments on bonds and debentures.

With the sharp rise in security prices, two other sources of funds for reinvestment may be expected to expand this year. Sales of securities can be effected more advantageously—and therefore may be expected to increase the flow of investible funds—while refundings — dormant now for two or three years—will undoubtedly be undertaken by some borrowers who were moved to borrow within the last 18 months or so when interest rates were much higher than they are today.

Prospects of More Funds for Investment

How much will this all amount to? The two big unknown amounts are security sales by the industry and the volume of refundings to which portfolios will be exposed. Last year, the total volume of funds invested by all life insurance companies doing business in Canada was in the order of $500 million.

This figure cannot be broken down very accurately, but it is possible to say that some $240 million came from new funds of Canadian companies, representing, in effect, the increase in their assets; a further $120 million came from mortgage repayments to the same companies; and the balance from other sources, principally repayments and sales of securities. This year, the total will be larger. Just how much, I am not tempted to hazard.

I suppose no greater measure of comfort could be accorded this group than for me to suggest that you will be called upon to find investments on our behalf for this vast sum. At the moment, however, the demand for mortgage funds is sufficiently great that the historical inclination of our industry to invest large amounts of our investible income in first mortgages will likely leave not more than 50% to 60% of these funds available for security investments. Even so, this will likely be a larger dollar amount than for 1953.

Mortgage Investments

The continuation of the investment of large amounts of funds by the life companies in mortgages is not a new departure in the investment history of our industry. Indeed, it has a firmly established precedent going back to the earliest days of our companies when the bulk of our government and corporate financing was placed in London where such flotations were far more readily absorbed than they could possibly have been in a scattered economy like early Canada's.

It was natural, however, for the local capital needs, which seldom warranted the cost of a London offering, to be sought from local lenders, of which the early life companies were an accessible source. What was more natural than for local mortgage needs to be met by the companies!

Not only have these investments proved satisfactory over the years, but by helping to provide adequate housing and services, they contribute to a healthy and happy atmosphere and environment. The great expansion in the mortgage portfolios of the companies since the war is, therefore, a natural reassertion of an investment characteristic which has long prevailed among our companies, accentuated for the time being by the delayed action caused by the building recession of the '30s and the retarding influences of the Second World War. There is no doubt that mortgages will continue to provide an investment medium for a substantial proportion of investible funds under normal circumstances.

The character of mortgages has, of course, changed radically in the last 15 years. The old conception of a mortgage was essentially that it was a non-liquid investment. This attribute was heightened by the fact that it was most uncommon for principal payments to be required at any time before maturity—with the result that the approach of this event was usually regarded by both parties with considerable misgiving. Frequently, the mortgage had to be refunded—out of necessity rather than desire by both parties — so that mistakes were only too often compounded, until the only solution was an application to foreclose with its attendant repercussions and losses.

The development of equal monthly payments over a period of years, with ultimately, complete amortization of the mortgage, has changed the character of the lowly mortgage—like the glass slipper changed Cinderella. It is now a beautiful thing. It glows with its accustomed superior return—it shines with liquidity—and its garments are hung with such trappings of grandeur as government guarantees such as used to be reserved almost entirely to more elegant instruments like C. N. R. bonds. Its liquidity is attested to by the fact that between 8% and 10% of Canadian life insurance companies' mortgage portfolios were repaid last year—during a period of high interest rates.

Insurance Portfolio Changes

From 1945 to 1953, the major insurance portfolio changes were these:

(1) Dominion government bonds declined from over 60% to 19% of Canadian assets.

(2) Canadian corporate bonds increased from approximately 10% to 22% of Canadian assets.

(3) Canadian mortgages increased from less than 15% to 32% of Canadian assets.

Important increases also occurred in municipal bonds and in investments in real estate, though smaller in the absolute amounts involved.

Can these changes be related to a calculated investment policy on the part of the insurance companies—or do they represent sim-

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*An address by Mr. Bower before the 38th Annual Convention of the Investment Dealers' Association of Canada, Jasper, Canada, June 10, 1954.

Investing in Canada

By W. T. MORAN*
Greenshields & Co.
Members, Montreal and Toronto Stock Exchanges

Pointing out potentials of background of Canadian investment as (1) its people; (2) their philosophy; and (3) the country's resources, Mr. Moran stresses favorable political climate in Canada, which appreciates necessity of attracting risk capital. Notes recent rapid industrialization of Canada and points out progress and potentials of specific industries in Canada, notably that of petroleum. Gives conditions affecting Canada's economic future, and concludes long range investment in Canada should prove profitable.

In the background of Canadian investment, I think that there are three principal potentials, namely, its people, their philosophy and the country's resources.


W. T. Moran

As for the people, they number about 15 million, which is less than 10% of your population. Probably that is one of our weaknesses now, but, at the same time, it is a factor of potential strength. The growth rate of our country of around 2½% a year exceeds that of the United States, and some of the commentators say that by 1980 the population will have increased by 65% to 25 million people.

The Political Atmosphere

The political atmosphere is important as, in relation to most countries, we have a stable government and a government that favors business and wants expansion. We tried to finance the past war by about 50% as we went along. We had heavy excess profits taxes but we took them off after the war and they stayed off. Since the war we have had a balanced budget every year, and at the same time reduced debt by nearly $2½ billion, or close to 15%.

We realize that we have to encourage business to start up in Canada and, in most cases, a new plant gets accelerated depreciation at a 20% rate. If you open a new mine you operate it for three years, plus a tuning-up period of six months, before you pay any taxes. In other words, you have an opportunity of getting your money back before the government takes anything.

The necessity of attracting risk capital is appreciated by the powers that be, so we have no capital gains tax. Then, for those companies which are tax paying Canadian Corporations, Canadian shareholders are allowed to deduct from the tax bill 20% of dividends received from preferred and common stocks. Using a theoretical case, you can actually have an income, if you are married, of about $10,000, all from stocks, and you won't pay any Federal income tax.

Canada's Industrialization

Prewar Canada's economy was primarily agriculture and forest products with important mines. Industry was not dominant. For example, in 1937-38 annual average auto production was 125,000 cars. The current rate is around 400,000. But now the economic frontiers are being pushed back to the north.

In the development of any country it is normal to have two broad steps or phases. The first step is the opening up of primary wealth, usually agricultural and mineral. The second, usually following the first, is the development of manufacturing industry. The second stage usually marks the end of the first stage, as by that time resources are normally quite well known and fairly utilized.

In Canada, however, particularly postwar, a very rapid industrial expansion in manufacturing coincided with new discoveries of raw resources. For example, oil was discovered on the plains of Alberta in 1947. New metal deposits greater than any we previously had were found. Tremendously new hydro-electric power was harnessed or plans were made to harness it. Thus, we had the unusual coincidence of two kinds of growth that worked together. So now, in addition to doubling up in that way, we have also had the ability of Canada to utilize the techniques in the new products which had been developed in your country, as well as our own, and to apply them against both kinds of growth.

Actually, therefore, we have had a three-fold growth factor in Canada:

(1) The industrial economic growth.

(2) The discovery and development growth.

(3) The new product and technology growth.

While agriculture and forestry are still great sources of wealth and are still expanding, you have had these other features so that you have a triple play in Canada. As a result, since the end of World War II, the Canadian gross national product has risen about 95% as against about 60% in the States.

Steady Rise in Capital Expenditure

What I think very significant is that since the end of the war new capital expenditures have in every year been greater than the year before with over $30 billion being the total of such expenditures in the past eight years. The annual so-called white paper on the outlook for capital expenditures for 1954 envisages a further small increase over the record of 1953 which, like in your country, was a bonanza 12 months.

Of greater significance, however, is that these additions to physical capital have represented nearly 21% of Canada's total national product in the postwar period as a whole and even higher percentages in recent years. In other words, we in Canada have been ploughing back into physical assets, rather than consuming immediately, between one-fifth and one-quarter of our national output. A higher proportion than in the States and much higher than in most other countries.

It is probably your impression that Canada's expansion as a whole has been financed mainly by external capital. It is true that our country's growth has proved attractive to outside investors. The foreign stake in Canada has increased in seven years by a little over $3 billion from $7 billion at the end of 1945 to over $10 billion at the end of 1952.

When we compare this increase of $3 billion in foreign investment in Canada during the seven postwar years with the figure of $30 billion of new Canadian capital expenditures as a whole in eight years, it becomes clear that less than 10%, actually about 8% of Canada's total postwar spending of a capital nature has been financed by outside investors. And I might add that the 92% underwritten by Canadian capital is a higher proportion than prevailed in earlier periods of rapid development.

Potentials of Specific Industries

Leaving the general background, let's consider some of the specific industries and resources with a view to assessing their potentials.

In the first place, agriculture is still our biggest industry and contributes to well over 10% of our gross national product. This segment of our economy, particularly the wheat portion, has been causing us some concern because of the extraordinarily large crops that we have been fortunate in having during the past few years and which have resulted in the accumulation of large wheat surpluses despite higher than average sales. If a period of surplus and falling prices should lie ahead, it is fortunate that the western wheat farmer is in a strong position. In the postwar years, an almost revolutionary improvement in the equipment of western wheat farms has occurred. It has been achieved, too, without a large net increase in debt. Thus, the Prairie wheat economy is physically more productive and efficient than ever before, and financially much stronger than, for example, in the late '20s.

Forestry is the second biggest industry with Canada being the world's largest newsprint producer and the second in pulp. The newsprint situation today is that production and sales are approximately in balance. This position, however, would change overnight to a shortage of supply were foreign buyers, ex North America, able to secure from their governments the additional necessary Canadian or U. S. dollars which are required for our products.

The States is our best customer in newsprint and it is estimated that your requirements will increase again this year with the bulk of the anticipated increase

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*An address by Mr. Moran before the New England Regional Meeting of the Financial Analysts Societies, Boston, Mass., June 1, 1954.

Canadian Money Market Enlarged

By T. H. ATKINSON*
Vice-President and General Manager, Royal Bank of Canada
President, The Canadian Bankers' Association

In reviewing recent revision of the Canadian Bank Act and the expansion of the short-term money market in Canada, Mr. Atkinson gives details of the new day-to-day loan market, the establishment of which marks another milestone in the economic maturity of Canada. Points out the day-to-day loan market will operate on a completely impersonal basis, and investment dealers can borrow where they can to the best advantage, since banks will be governed in making or calling such loans by the state of their cash reserves. Discusses, also, new power given Canadian banks to make housing and chattel mortgage loans and loans against "oil in the ground."

The last few months have been extremely important for Canadian banking. Parliament has authorized the chartered banks to make housing loans on the security of mortgages and the law is now in operation. Parliament has also practically concluded a revision of the Bank Act, a recasting of the basic banking law to bring it into line with today's economic conditions. Side-by-side with that, three-way discussions, among the chartered banks, the Bank of Canada and the investment dealers, have just been concluded for the establishment, for the first time in Canada, of a day-to-day loan market as part of an enlarged short-term money market.

T. H. Atkinson

In view of these developments, it is not my intention today to make a general survey of banking and economic factors but, rather, to emphasize some aspects of the new banking laws and to outline the size and scope of the new loan market.

Mortgage Lending

The National Housing Act, 1954, in force since March 22, enables banks to lend on mortgage or hypothec on new housing projects, a departure from a long-standing prohibition in Canadian banking laws. The banks did not seek this authority. However, as it resulted from government policy, I believe that a spirit of willingness on the part of the banks to give this new power a fair chance to work may reasonably be assumed. As with the exercise of all other banking powers, the extent of the operations in this new field, consonant with recognition of the prime obligation for the safeguarding of the confidence of depositors, will remain the responsibility of the management of each bank.

Parliament is in the process of completing the eighth decennial revision of the Bank Act which was passed originally in 1871. No other nation has this system of 10-year bank charters and decennial revision of the basic banking law. Most bankers will, I am confident, agree that it is a good system, good for banking as well as for the country.

Strong Banking System

The Canadian banking system enjoys the reputation of being one of the strongest and soundest in the world, yet flexible and adaptable to meet the changing, ever-expanding needs of a rapidly growing nation. This is due, in part, to the principle of periodic revision, so that every 10 years Parliament conducts a full inquiry into banking practices, takes a long, hard look at the banking law and finds where it can be improved, extended, strengthened and brought into line with new economic conditions.

The 1954 revision proceedings, conducted by the Banking and Commerce Committee of the House of Commons, were broad in scope and resulted in several basic changes in banking law. Of the many amendments, perhaps the most important was the introduction of the principle of variable cash reserves.

Cash Reserves

The new method of setting cash reserves, embedded in both the Bank Act and the Bank of Canada Act, represents a new principle. Heretofore, the chartered banks were required by law to maintain a cash reserve of 5% of Canadian deposit liabilities in deposits with or notes of the Bank of Canada but, in actual practice, they maintained this reserve at about 10%. The legal minimum now is set at 8% with important changes in the method of averaging the total of deposits. The Bank of Canada has the power to vary gradually and after due notice, the rate between the minimum of 8% and the maximum of 12% as part of its function of controlling the over-all volume of bank credit. This provision has been designed to assist the Bank of Canada in dealing with any sudden inflationary surge in the economy.

Loans Against Oil

As far as the Bank Act, itself, is concerned, several other important amendments have been included. One of the most important is a whole new section empowering the banks to lend against oil in the ground. This is a good illustration of the value of periodic examinations of the basic banking law. The banks have been impeded in financing the rapidly-growing oil industry because production had not reached important dimensions at the time of the 1944 revision and no provision was made for bank loans against the security of oil in the ground. In the 10 years between the two revisions, the banks have assisted materially in the development of the nation's oil resources by involved methods of taking security but now will be able to simplify the process by making loans on a special type of security on the oil.

Chattel Mortgages

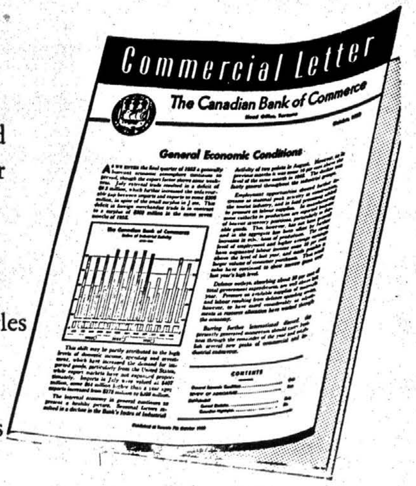
The Banking and Commerce Committee inserted a provision in the bill, which was accepted by the House of Commons, enabling banks to take a chattel mortgage or other security on household goods, including motor vehicles, in the case of loans to individuals. This, again, is a new principle in Canadian banking and it will be interesting to see how it works out. Every bank has been making small personal loans for years—the aggregate for all banks was $298,200,000 on Sept. 30, 1953—but this new provision will make it possible to enlarge this lending field and will simplify matters for borrowers.

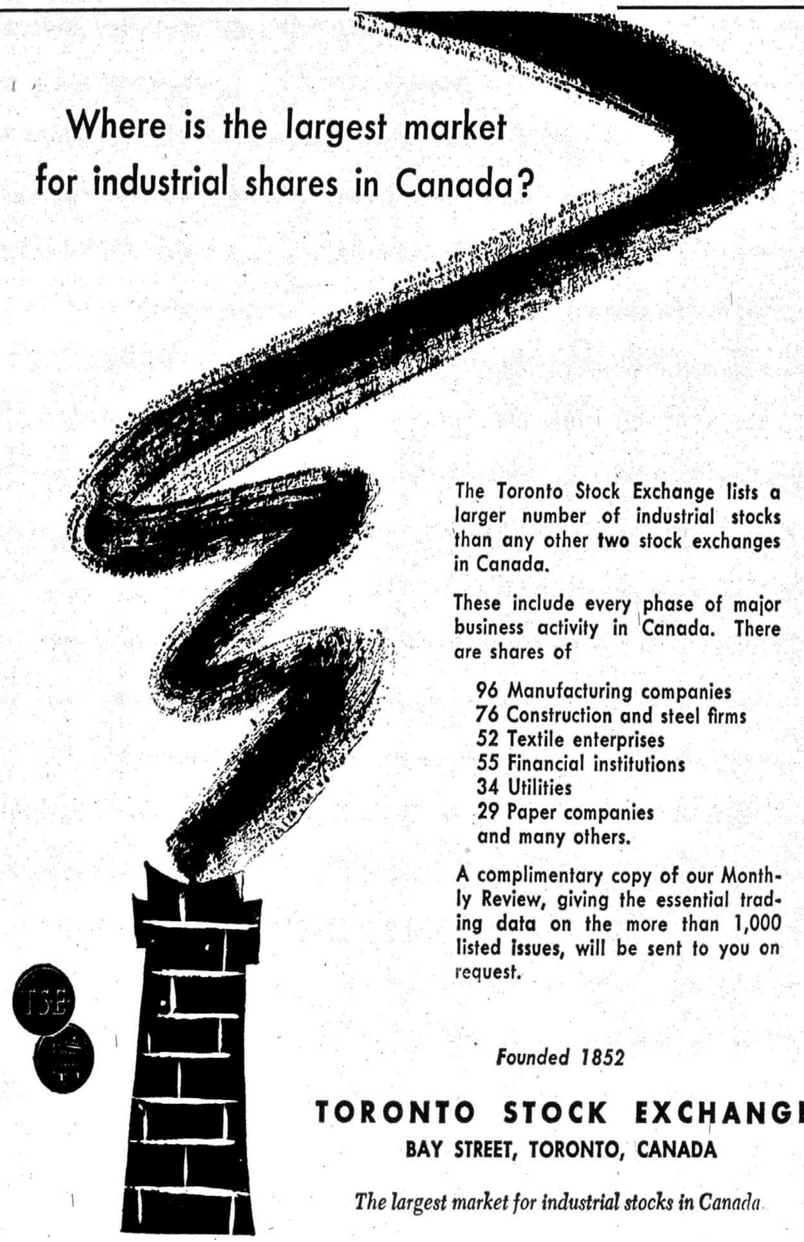
Other Changes

There were many changes of a technical nature made in the Bank Act. The note-issuing privileges of the banks, in process of progressive reduction since the Bank of Canada was set up in 1934, now are wiped out. The liability for the comparatively small outstanding foreign note issues in the British West Indies will, it is expected, be transferred to local governments along the lines of the transfer to the Bank of Canada of liability for Canadian bank notes in 1950. Changes were made, the first since 1890, in the capital re-

Continued on page 14

*An address by Mr. Atkinson at the Annual Meeting of the Canadian Bankers' Association, Montebello, Que., June 11, 1954.





Canada's Rank Among Industrial Nations

By F. CYRIL JAMES*

Principal and Vice-Chancellor
McGill University, Montreal, Canada

Canadian economist, formerly professor in the University of Pennsylvania, points out that Canada, despite its ties to U. S., has a separate and independent economy. Describes recent Canadian progress, and contends Canada has grown up in an economic sense, while both geography and tradition combine to make of Canada a nation different in many ways from the United States

"A nation spoke to a nation,
A Queen sent word to a throne;
'Daughter am I in my mother's house,
But mistress in my own.
The gates are mine to open,
As the gates are mine to close,
And I set my house in order,'
Said our Lady of the Snows."

Rudyard Kipling is out of fashion nowadays, but no man had greater ability to crystallize in words that come tripping to the tongue the mood of a moment. That verse was written nearly 60 years ago, in 1897, but, in the minds of many people, Canada is still "Our Lady of the Snows"—3,845,774 square miles of icy wastes, stretching 3,000 miles from the border of the United States to the Arctic seas and 4,500 miles from the Atlantic Ocean to the Pacific. The simplest antidote to that idea is to take a large scale map of North America and draw a line from east to west through Pelee Island, the southern tip of Canada. That line touches 23 of the states of this Union and ends up in sunny California!


Dr. F. Cyril James

It is not, however, the wastes of ice and snow that I want to emphasize. Kipling's poem enshrines the mood of Queen Victoria's Diamond Jubilee, and celebrates enthusiastically Canada's decision to institute a system of tariffs that granted preferential rates to goods coming from England or other parts of the British Empire. That will not make you like the poem any better, since Imperial Preference is not popular in the United States; but we can realize that what Kipling is celebrating is in fact Canada's declaration of economic independence from the United States.

That decision marked the beginning of an era that has not yet ended. Canada recognized itself as a separate and independent economy—and that decision coincided with the beginning of an upward surge in Canadian prosperity. In spite of the dismal prophecies of William Jennings Bryan, 1897 marks the beginning of an upswing of prices throughout North America, although it is well for us to remember that this happy trend was due to the scientists who applied the cyanide process to the ores of the Witwatersrand rather than to anything that we did in Canada or the United States. The last free land in your country was being occupied rapidly, and Western Canada was beginning to fill up with farmers, so that the dreams of those who had constructed the Canadian Pacific Railway were being justified.

Remembering all those undertones of the middle nineties, can we not find in Kipling the echoes of a mood?

"'I called my chiefs to council,
In the din of a troubled year;
For the sake of a sign ye would not see,
And a word ye would not hear.
This is our message and answer;
This is the path we chose:
For we be also a people,'
Said our Lady of the Snows."

Canadian Economic Progress

It is perhaps worth recalling for a moment the climate of opinion from which Canada was emerging during those years. At the census of 1891 there were only 4,833,239 people inhabiting the millions of square miles to which I have referred, and almost all of them were settled between Halifax and Toronto. No substantial communities existed west of the Great Lakes, and more than half of the men in Canada were employed in agriculture. In spite of that fact, the list of Canada's principal exports in 1890 does not indicate any great agricultural prosperity. Cheese, cattle, barley and meats were exported in moderate quantities, but the most important commodity that Canada was supplying to the rest of the world was timber, either in the form of squared logs or of planks and boards, these two amounting to more than the total value of all the agricultural exports. Wheat, together with sugar and fruits, was indeed among the ten most important *imports* of Canada, together with woolen goods, cotton goods and silk, to provide clothing for the struggling inhabitants of what was obviously a poor country.

Canada's 10 Most Important Imports in 1890

Woolen goods	$10,900,600
Coal	8,013,156
Sugar	6,452,654
Rolling mill products	5,645,704
Cotton goods	3,792,584
Raw cotton	3,539,249
Tea	3,073,643
Wheat & grain products	3,034,049
Silk goods	2,654,505
Fruits	2,400,000

Canada's 10 Most Important Exports in 1890

Planks and boards	$17,637,308
Cheese	9,372,212
Fish	8,099,674
Cattle	6,949,417
Barley	4,600,409
Square timber	4,353,870
Coal	2,447,936
Hair	1,068,554
Meats	895,767
Unmanufactd. leather	727,087

From that seemingly unpropitious moment, Canada has continued its upward march into our own generation, and the rate of acceleration has increased mightily during the past decade. The population of Canada, still less than 15 million persons, is not much larger than the population of the State of New York, but that group of Canadians (small by your standards) is today producing a national income of approximately $24 billion. Although the number of men engaged in agriculture — 791,931 — is not much greater than the 723,013 farmers recorded in 1891, the volume of agricultural production is fabulously greater, supplying not only the needs of Canada but those of many other parts of the world. I admit, with some discomfort, that we have a surplus of 700 million bushels of wheat that we can neither eat nor sell. At the present time, however, these farmers constitute less than 20% of the Canadian population and their number is greatly exceeded by the 1,085,911 men (25% of the male population) who are engaged in the manufacturing industry, especially if we add to this total the 101,520 men employed in mining and oil wells, together with the 127,488 men engaged in logging and forestry. Over and above this pattern of agricultural and industrial production, the number of men employed in trade (both wholesale and retail) has increased tenfold, from 78,000 in 1891 to a present total of 709,768, and now comprises almost one-fifth of the Canadian population. Under the heading of "services," which includes such diverse groups as barbers, university professors and soldiers, the number of individuals has grown from 87,533 to 576,805.

In a single sentence, Canada now ranks sixth among the industrial nations of the world, and the occupational distribution of its population has today assumed a pattern closely similar to that which exists in the United States.

Canada Has "Grown Up"

That similarity needs to be emphasized; it is simple evidence of the fact that Canada has "grown up" in an economic sense, that it is safely through a difficult period of national development which is comparable to that experienced by the United States during the 19th century. Canada has become a nation.

The full significance of that fact is not always recognized in the United States, although the declared intention of the Canadian Government to construct the St. Lawrence Seaway, even if the

*An address by Dr. James at the Luncheon Session of the 38th Annual Meeting of the National Industrial Conference Board, New York City, May 21, 1954.

United States decided not to co-operate, brought some appreciation of the changing pattern to many Americans. You may have noticed that the American-born Minister of Trade and Commerce in Canada, the Rt. Hon. C. D. Howe, has publicly stated his regret that the United States did finally decide to participate in the seaway project. The benefits that each country will obtain are already fixed by treaty, so that Mr. Howe was not thinking of any economic advantage. He wanted the unilateral completion of a spectacular project to signalize Canada's coming of age.

That coming of age makes it necessary for us to recognize that Canada has characteristics which mark it off from its great neighbor to the south. In terms of geography, Canada used to be a narrow fringe of population, not much more than a hundred miles across, which stretched from east to west along the northern border of the United States. The great geological structure of the Laurentian shield and the massive heights of the Rockies divided it into three weak parts, and each of these often looked longingly toward the south. In our generation, the exploitation of the incredible mineral resources of the Laurentian shield is drawing population northward. It is acting as a magnet to draw Canada into a newly recognized geographic unity, while pipelines and airplanes have reduced the significance of the Rockies. Canadians, more and more, look to the north when they are not looking eastward or westward. It is from the north that much of their new-found wealth is coming. It is in the north that they are maintaining garrisons to detect and intercept any invader who might threaten this continent. You must allow me a personal feeling of pride in the knowledge that, in the day of Armageddon, if it should come, the safety of millions of people in this City of New York is likely to depend on the efficiency of "the McGill fence" strung across those northern wastes!

This geographical unity, which was excellently discussed in the March issue of the "Canadian Geographic Journal," is paralleled by an increasingly conscious homogeneity of population. Canada has never subscribed to the theory of the melting pot. For two centuries, the British portion of its population has remembered the diversity of dialect and custom in the old country, so that it was natural to guarantee to the French-speaking population after Wolfe's victory the right to enjoy their own language, their own customs, and their own religion. You may remember that decision, embodied in the Quebec Act, as one of the factors that contributed to the American War of Independence—so that the difference of philosophy has a history that extends from the Battle of the Plains of Abraham to the most recent troubles with the Doukhobours in Alberta! But the British tradition concerns more than appreciation of another man's culture and ideals. It embodies a centralization of governmental responsibility with none of the separation of legislative, executive and judicial powers that so often produce friction and fireworks in Washington. The Parliament of Canada can discharge the Prime Minister and all his Cabinet whenever it loses confidence in them—and as a matter of fact, the decision rests solely with the Lower House. The Senate need not be consulted. The Parliament of Canada can also pass legislation designed to amend the law as stated by the courts, even of the Supreme Court of Canada, when it finds the law incompatible with public policy. I might even point out that the Parliament of Canada has the full power—which it is never likely to use—to declare war on either Great Britain or the United States, and all the subsidiary control over foreign power that is implied by this extreme statement.

Both of these traditions have, I think, helped to make the Parliament of Canada a more sober and less spectacular body than the Congress of the United States. Legislators cannot tilt with the Prime Minister unless they are ready to get rid of him and face a new election for themselves, at which the public will pass immediate judgment on their actions. They cannot lightly pass legislation in the hope that the courts will save them from the consequences of their folly. Each decision of Parliament must, therefore, be worked out in responsible discussion, giving all parties a chance to express their views in sober debate, because the ultimate decision of the majority is absolute and final.

Canada, in Many Ways, Different From U. S.

Geography and tradition, therefore, combine to make of Canada a nation that is, in many ways, different from the United States. It is not surprising that millions of Canadians resented the decision of a committee of the United States Senate to interrogate Ivor Gouzenko, a Canadian citizen resident in Canada. It is not surprising that resentment rose still higher when attack by innuendo was directed against the Canadian Minister for External Affairs from certain quarters in the United States. I might add, too, that indignation is simmering in many Canadian breasts in regard to the legislation in this country which provides that a Canadian student who comes to one of your great universities in search of knowledge may be for the rest of his life excluded from the United States if he is not willing to be drafted into the armed forces of this country.

These things are said in no unfriendly spirit of criticism. It was my privilege to live in this country for 16 happy years, and to be actively associated with the National Industrial Conference Board for more than a third of that period. My links with this country are strong and my friendships deep, so that my purpose in mentioning these divergences is simply to underline the fact that Americans who desire friendship with Canada must recognize them. Men who are not identical twins can still be close friends, because friendship permits of wide differences of habit and behavior so long as it rests firmly on mutual admiration of character.

U. S. Investments Not Solely Cause of Canadian Development

Canada and the United States are, each of them, independent and proud nations. They share this North American continent between them, and so much oratory has been spilled on the subject of the undefended frontier that I shall not elaborate the point. What I do want to emphasize is that each country is contributing to the economic progress of the whole continent, that each is contributing to the military defense of the other and that only by way of intelligent mutual friendship can either Canada or the United States expect to achieve its destiny.

That theme is capable of infinite elaboration, but I shall cite only two examples—foreign investment and foreign trade. It is often assumed, in both Canada and the United States, that the great industrial development of Canada stems entirely from American investment. There is no questioning the fact that our friends in the United States, who can recognize a profitable investment when they see it, have helped greatly. Nearly $5 billion of American capital is now invested in Canada, and American investments have been increasing at the rate of approximately $500 million a year since 1950. Indeed, the total American investments in Canada at this moment represent approximately one-third of the total investments of the United States in all parts of the world outside your national frontiers.

Canada is deeply appreciative of this assistance, but I should like to point out that this is only a small part of the total investment that has been necessary to develop Canada's resources. Foreign ownership of Canadian industry amounts to only 30% of the total at the present time, as compared to 38% at the opening of the Second World War and although the amount of foreign investment in terms of dollars is much higher than it was 20 years ago, Canadians themselves are supplying 85% of all the investment funds that Canada needs and, indeed, are themselves saving a higher proportion of their national income than any other country in the world at the present moment. Last year the total saving amounted to 23% of the national income.

Canada is financing most of its own industrial development. But the heavy investment of the United States calls attention to the balance of international payments and the importance of foreign trade to the Canadian economy. Since the end of the war, Canada has ranked third among the nations of the world in foreign trade. But this simple statement does not reveal the tremendous importance of international trade to the Canadian economy. In the case of the United States, which ranks first, the total commodity exports amount to no more than 5.2% of the national income; while in the case of the United Kingdom, which ranks second, commodity exports represent 21.9% of the national income. This contrast expresses the fact, familiar to all of us, that the international trade of Great Britain plays a vitally important part in its economic life, and it is because of this importance that all of the world has watched so carefully during the past five years the annual figures of Britain's balance of payments. In the case of Canada, the value of commodity exports amounts to 24% of the national income, a figure even higher than that for Great Britain, so that on a per capita basis foreign trade is more important to Canadian than to any other people in the world.

A second major point that should be emphasized is the fact that the pattern of Canadian trade has changed substantially during the past two decades. Canada has always liked American goods and has for many years been the most important foreign customer of the United States. Last year we took $3 billion of imports from you, out of total American exports of approximately $15 billion; no other country in the world offered to American producers anything like so large a market. Canadian interest in American goods is traditional, but our methods of paying for them have changed substantially. Prior to World War II, most of the Canadian exports went to Great Britain or Europe, and our bills to the United States were paid in terms of the British and European goods that we obtained in exchange for Canadian exports. Because of the economic disorganization of Western Europe and the lack of convertibility of many European currencies into dollars, that is no longer possible. Canada has therefore undertaken the task of selling its products directly in the American market; and today substantially more than half of Canada's products are sold in the United States, which is easily our most important customer. Last year this direct sale of Canadian goods in the American market amounted to $2.3 billion, a figure not very much below the $3 billion worth of goods that we purchased from you.

The Honorable Robert Winters, the Canadian Minister of Public Works, recently pointed out to the American Society of Newspaper Editors that "four newspapers out of every five printed in the United States were originally part of a Canadian tree . . . nine out of ten of your cars coming off factory assembly lines . . . are likely to have used Canadian nickel; our exports to the United

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1953—A Year of Progress for Canada

By W. A. MATHER*

President, Canadian Pacific Railway

Leading Canadian railway executive though stating there is some uncertainty in the business outlook, reveals economic progress in Canada during 1953. Sees a perplexing problem in the marketing of the immense grain crop as well as in distribution in some Canadian manufacturing industries. Stresses importance of foreign trade to Canada, and notes growing competition to Canadian products. However, expresses optimism regarding Canada's future, because of her rapidly growing population and abundant and diversified natural resources.

We are meeting at a time of some uncertainty in business outlook. We are hopeful, however, that, before the year has progressed much further, the steady expansion of the Canadian economy, which has been so manifest in recent years, will be resumed.

William A. Mather

1953 was for Canada another year of progress—one in which the productive capacity of the nation was again expanded and in which it produced a record volume of goods and services. Official figures show, however, that while the increase in the national output amounted to about 4%, there was an increase of 8% in labor income. The comparable figures for 1952 showed rises in that year of 6% in the national output and 12% in labor income. Thus, for the second successive year the rise in national output has lagged behind the increase in wages and salaries. This trend towards an increasingly high cost economy poses serious problems for all of us. Unless halted, it could aggravate still further the deterioration in market conditions reflected in the worsening trade balances of recent months.

Perhaps the most significant and perplexing problem on the trade front is the marketing of the 1953 grain crop. Export sales in the first part of the year were satisfactory but subsequently declined drastically. As a result, stocks of grain available for export are taxing all available storage facilities, although the crop in 1953 was not as large as in 1952. The reduction in the volume of grain moving to foreign markets was reflected in a decrease of 3.6% in the grain traffic of your railway in 1953.

Marketing problems were also manifest in some manufacturing industries. Export sales have declined, while imports from other countries have increased. There is reason to believe that the difficulties experienced by Canadian manufacturers are not unrelated to the fact that labor costs have continued to outstrip the increase in productivity.

With the post-war backlog of demand now largely filled, competition for the consumer's dollar has increased. In short, we have returned to the condition of a buyers' market—one in which the normal interplay of costs and prices should, over a period of time, strengthen and invigorate our economy in relation to the rest of the world.

Effect on Foreign Sales

Increasing competition, while affecting many domestic markets, has been particularly noticeable in its effect on our foreign sales. Canada ranks third among the trading nations of the world. Hence, it is most important to the maintenance of a high level of employment in Canada and of a steady volume of traffic for your railway and steamships that our international trade remain at a high level. When Canadian labor costs, and therefore Canadian prices, tend to be high, our competitive position in world markets deteriorates and our prosperity suffers. Only by constant scrutiny of our prices can we ensure that the standard of living which we seek will not be so high as to prove self-defeating by pricing Canadian goods out of world markets.

Experience has shown that inasmuch as competition promotes economical and efficient production, it is healthy for both consumer and producer. Competition, however, presents a challenge to both management and labor to strive together for low cost by increasing output, improving the quality of product, and examining closely price and wage levels. Non-productive, make-work projects and similar devices offer no substitute for efficient and economical production in bringing about a high level of employment and economic well-being. Canadian industry, as a result of the large capital investments made in the post-war years, is well equipped with modern tools and machinery to meet and to take advantage of the challenge of competition. I am confident that with a realization of the nature of the problem, the inherent good sense of Canadians will ensure that this challenge will be met vigorously and effectively.

Great Potentialities

The potentialities of Canada cannot fail to impress even the most timorous. Throughout the length and breadth of this vast country there is abundant evidence of the strength of our economy — sound and impressive strength that justifies optimism on the part of all Canadians as to the future.

Possibly the greatest strength lies in the growth of our population. Last year, the number of people in Canada increased by 381,000, bringing the total to over 15 million — each an individual with needs and desires, who must be fed and clothed and for whom the goods and services required for modern living must be produced. The resulting expansion in our domestic market and in our productive capacity are major factors in maintaining the buoyancy of our economy.

One of the best known of our basic strengths is the wealth of our natural resources. As has been frequently said, this country is witnessing a great surge of mineral development not only of the basic and familiar metals but also of the new materials of the jet and the atomic age. Among the more spectacular of the present and proposed developments are iron ore in Labrador; nickel, lead and zinc in the Yukon, the Northwest Territories and the Maritimes; copper and titanium in Quebec; uranium in Ontario and Saskatchewan; and asbestos and tungsten in British Columbia.

Much of the productive forest area, which accounts for about one-third of the total land area of the 10 provinces, is yet untouched. Recent progress in forest management encourages the hope that these lands will prove capable of a far greater productivity than was once thought probable.

New Energy Sources

These developments broaden the foundation of our industrial potential — a potential that is becoming all the more impressive since it is accompanied by the discovery and development of various additional sources of energy. Not many years ago there were some who, looking only at the traditional source of industrial power—coal—considered that the industrial potential of Canada was limited by the geographic location of its vast coal reserves. Today, with a growing realization of our reserves of water power, improved transmission methods, oil and natural gas and, for eventual development, nuclear energy, our sources of power are considered not as a limiting factor to our industrial potential but rather as one of the major forces in the expansion of the economy.

Reserves of oil are now estimated at 3 billion barrels, establishing Western Canada as one of the important oil-bearing regions of the world. The rich potential of new and expanding fields leads us confidently to expect a considerable increase in proven reserves as exploration and discovery move northward and eastward across the Prairies. Since the discovery of the Leduc field early in 1947, $1 billion has been spent on oil exploration and development. Additional large sums have been invested in refinery and pipeline facilities. As new facilities come into operation, the flow of oil from established fields will steadily increase. Average daily production of crude oil rose to 222,000 barrels per day in 1953. This amounts to one-third more than in 1952, and almost 10 times more than in 1946. The availability of oil and its products is transforming the economy of parts of our Western provinces. Chemical and other industries have already been established there and are stimulating the general industrial expansion of areas previously predominantly agricultural. Moreover, the export of natural gas from Western Canada will bring a new source of energy to Central Canada.

The potential of our hydro-electric power has recently been estimated at 65 million horse-power. Over one-fifth of this is at present developed—equivalent to approximately one horse-power per head of population. The many hydro-electric projects under construction or being planned assure a substantial increase in installed capacity. Those along the St. Lawrence alone will provide Canada with an increase of some 3 million horse-power.

Population Growth

Our growing population, the development of our natural wealth, and our industrial expansion are transforming our economy from one dependent on a few basic commodities to one of broad diversification. Today the number of people employed in agriculture is about the same as it was 50 years ago, while the number of those employed in other occupations has roughly tripled. Today, the industrial la-

*From an address of Mr. Mather at the Annual Meeting of Shareholders of the Canadian Pacific Railway, Montreal, Can.

Mr. & Mrs. A. Allan Kirk, *Equitable Securities of Canada, Ltd.*, Toronto; Gerard Gingras, *Rene T. Leclerc, Inc.*, Montreal, President of I. D. A. C.; Mrs. Gerard Gingras

N. D. (Jack) Young, *Dominion Securities Corpn. Ltd.*, Toronto, newly elected President of I. D. A. C.; Perry S. Bower, *Great West Life Assurance Co.*, Winnipeg, Man., guest speaker at the Jasper meeting

bor force accounts for almost 84% of the working population of Canada—a truly impressive proportion when compared with that of 89% for the United States. Particularly impressive in this respect is the change that has occurred in the Prairie provinces where, in the seven years since World War II, the industrial labor force has risen from 50% to 62%.

Equally important for the continuing progress of the economy are sound and adequate financial institutions and transportation facilities. Canada is renowned for the strength of its banking system and soundness of its fiscal and monetary policies — factors which favorably impress investors and encourage them to make long-term investments in Canadian enterprises.

Continuing and widespread confidence in the future strength, soundness and growth of Canada is clearly reflected in the all-time high capital investment planned for 1954. The latest official appraisal indicates probable capital expenditure amounting to $5.8 billion, about 3% more than last year and equivalent to about 23½% of estimated gross national product.

In Attendance at I.D.A.C. Convention

ANDERSON, A. L.*
Anderson & Company Limited, Toronto

AITKENS, O. ST. P.
Okanagan Investments Limited, Kelowna

ALEXANDER, N. J.
James Richardson & Sons, Vancouver

ARMOUR, A. D.*
Brawley, Cathers & Company, Toronto

ARMSTRONG, A. E.
"Toronto Daily Star," Toronto

ARMSTRONG, C.*
Gairdner & Co. Limited, Toronto

ADAMS, GEO.
C. C. Fields & Co., Toronto

BACKUS, H. S.
McLeod, Young, Weir & Company, Toronto

BALLENTINE, G. V.
Yorkshire Securities Limited, Vancouver

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Thomas B. Read Company Ltd., Vancouver

BEALE, ROY
Wood, Gundy & Company Limited, Regina

BEATTY, D. S.*
Burns Bros, & Denton Limited, Toronto

BEAUBIEN, ANDREW S.
L. G. Beaubien & Co. Limited, Montreal

BELSHAW, J. A. M.*
Brawley, Cathers & Company, Toronto

BENNET, GORDON
Okanagan Investments Limited, Kelowna

BERTRAND, PAUL*
Rene T. Leclerc Inc., Montreal

BIRD, HENRY JAMES
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BLACKMORE, RALPH
"Globe & Mail," Toronto

BORRIE, W. J.*
Pemberton Securities Limited, Vancouver

BOWER, PERRY S.
Great-West Life Assurance Co., Winnipeg

BRETTINGHAM, S. J. A.
Financial Counsel, Montreal

BROOKES, R. B.
Royal Securities Corpn. Ltd., Edmonton

BROOKS, L. W.*
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BROWN, W. T.
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Harrison & Co. Ltd., Toronto

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Casgrain & Company Limited, Montreal

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Cassels, Blaikie & Co., Toronto

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COLVEY, DOUGLAS
Canadian Dow Jones, Montreal

COPITHORNE, C. J.
James, Copithorne & Birch Ltd., Vancouver

COYNE, BENSON L.
Deacon Findley Coyne Limited, Toronto

CRAWLEY, DAVID*
James Richardson & Sons, Winnipeg

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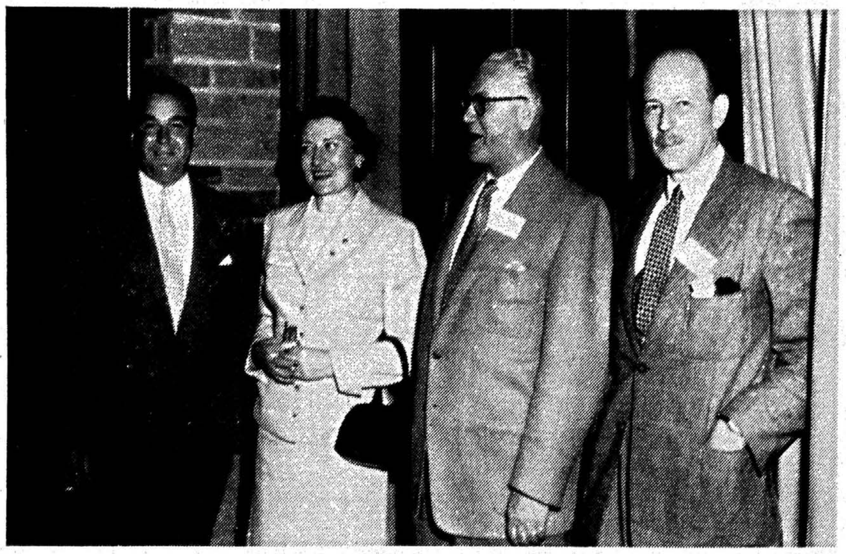
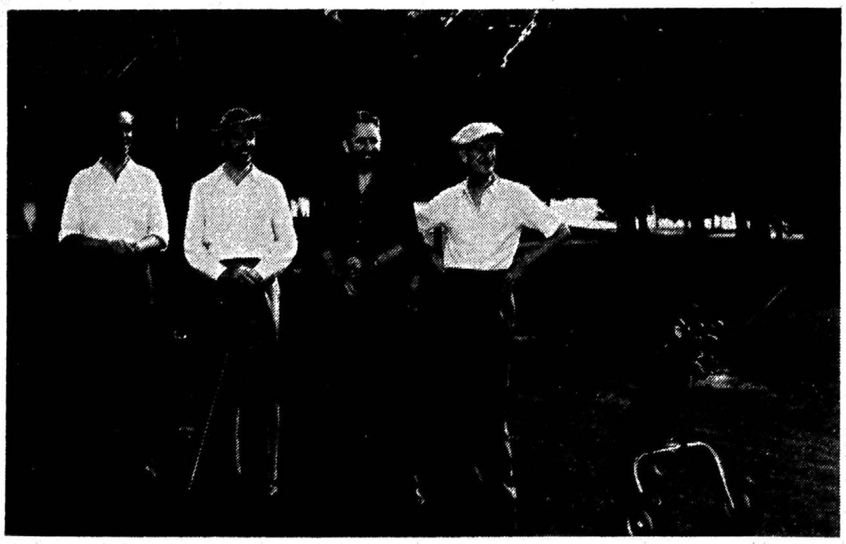
*Denotes Mr. and Mrs.



Telfer R. Hanson, *Burns Bros. & Denton, Ltd.*, Toronto; Mr. & Mrs. Alan Chippindale, *Calvin Bullock, Ltd.*, Montreal; R. W. Kuhner, *Dominick Corporation of Canada;* Montreal



Norman J. Alexander, *James Richardson & Sons*, Vancouver, B. C.; James Richardson, *James Richardson & Sons*, Winnipeg, Man.; Nigel H. Gunn, *Bell, Gouinlock & Company, Ltd.*, Toronto; Arthur Milner, *Mills, Spence & Co., Ltd.*, Toronto

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Investing in Canada

being supplied by Canadian sources.

In view of the insatiable demand for newsprint from the U.S.A. which has made for capacity operations in Canada during the entire postwar period, one might wonder why current operations are up less than 30% from 1947 levels. The reason is that the Canadian industry is making sure that it doesn't become the victim of over-expansion. In fact, only one new newsprint mill (Elk Falls, B. C.) has been built in the country since the end of the war. The increased capacity came from rehabilitation and speeding up of existing machines. Further steady growth is looked for but no spectacular overnight expansion. In general, the investment status of the industry has undergone a material improvement.

The Mining Industry

Mining is the third biggest industry in Canada. We have there not only growth of the established mines, particularly base metals, but the development of the new ones. New finds of major importance have been made in the last couple of years such as in New Brunswick and the Manitouwadge district of Ontario which, while still subject to development, have given early indications of being major producing areas as further exploration and development work is carried out.

If you take iron, last year Canada had to import a portion of its ores but in about two years' time we will be shipping iron ore in expanding volume from the Quebec-Labrador and Lake Superior deposits with your producers as the principal customers.

There has been a lot of press in the recent year about uranium, findings of which have been made in widely scattered spots ranging from Saskatchewan to Quebec. As time goes on the promising ore indications in such major areas as Beaverlodge Lake in Saskatchewan will be more clearly defined and production achieved. Another metal, titanium, almost unknown until recently, gives hopeful promise of being produced on a commercially profitable basis.

Petroleum Developments

The industry that gets the most attention from the newspapers and probably from you too is oil. Quite justifiably so as in the seven-year period Canadian oil reserves have increased from approximately 100 million barrels to an estimated 3 billion barrels.

From a geographic or economic point of view, these Canadian oil reserves are located at great distance from available markets. Two major crude pipe lines have been constructed, however, to connect the fields with the markets. The Interprovincial Pipe Line, which is the world's longest, runs from Redwater, Alberta, to Sarnia, Ontario, a distance of 1,700 miles. The Trans Mountain Pipe Line crosses the Rocky Mountains from Edmonton to Vancouver and is being extended to connect refineries now under construction on Puget Sound. For the moment, these lines are only operating at approximately one-third of their capacity of over 700,000 barrels of oil per day, but it is expected that markets for the full amount will be built up over the course of the next several years.

While natural gas reserves in Canada have been proven up at a very substantial rate, increasing by about 4,000 billion cubic feet annually, no major transmission systems have been completed to connect this supply with the available markets. However, plans are rapidly being formulated for the construction of a line to Eastern Canada with possibly an off-shoot into the Minneapolis area. Such a line would be the largest in the world, would cost $300 million to construct, would take two years to complete but would provide a major outlet for Canadian natural gas.

Plans for construction of a gas pipe line from the Peace River area of Northern Alberta and Northern British Columbia into the Pacific Northwest States has yet to receive approval from the Federal Power Commission in Washington. Should approval be given to this project, it also would provide a major outlet for Canadian natural gas.

Beyond a doubt, major reserves of natural gas and crude oil exist in Western Canada. They are being enlarged steadily and, if not cheap, at least their cost is moderate. The major problems from an economic standpoint continues to be one of markets, a problem compounded by the fact that the closest markets lie across the international boundary. However, there exists every confidence that this marketing problem will be solved in due time and that large profits will result from astute investments made in the Canadian industry.

Other Industries

Now to turn from some of the raw material producers to some of our other industries.

Starting with automobiles, Canada has one passenger car for about each five people. In the United States you have one car for each 3½ people. Canada certainly has room to parallel your growth and develop the car use up to something near your own.

Going hand in hand with the automobile industry the instalment finance business offers some interesting comparisons. While you consider it a growing business in the United States, it would seem that the growth potential is higher in Canada. For example, at present about 40% of the new passenger cars in our country are financed, while you are financing around 65%-70%. Another point, Canadian banks don't write instalment business whereas the United States banks do about half the volume.

Another big industry where comparison shows some possible relative on safety is steel. The

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Bruce Kippen, *Kippen & Company, Inc.*, Montreal; Mr. & Mrs. G. N. Nation, *Dominion Securities Corpn. Ltd.*, Victoria, B. C.

main point is capacity vs. peak demand. Canadian capacity of around four million tons is about two-thirds of peak demand, the excess steel is imported. Now if demand drops, it might be logical to think the imports will get the first cut. The United States in contracts has capacity in excess of domestic peak demand plus some exports. It would thus seem fair to say that Canadian steels will not be as fully cyclical.

Turning to the utilities field, Canada has something over 14 million h.p. installed. Present plans of utility companies and others put that up to about 18 million in 1955, over 92% of which is hydro-electric. The Canadian potential is 66 million h.p. of hyydro, thus pinpointing one of Canada's big advantages, namely cheap hydro-electric power in large quantities.

Before passing on, a few words on the building and construction industry might be in order as this has been an excellent sustaining force in our economy. Prices continue to rise bringing new high values to the business done although the net result after three years from the peak is a decline of about 28% in real activity. Much of this decline has been in the major type of contract work and relatively little in residential building. While some decline in general building activity might be expected, our public works have been largely deferred through the blueprint stage and could be stepped up quite rapidly. We also have the St. Lawrence Seaway project coming along which should be a further sustaining factor for this industry.

In addition of course the Trans-Canada highway, aside from any other road building, will continue to be an important contribution.

Long Range Estimates of Canadian Investment

In retrospect, I guess I turned out to be another drum beater despite my avowed intention not to be one. It does sound rather glowing, but there is this one important qualification to make. My terms of reference are all based on the long-term potential. I have attempted to point out certain attractive areas for investment and the next job for you analysts is to sift the wheat from the chaff within the various areas of investment covered. Initially you must have enthusiasm but also a critical approach is essential.

To a considerable degree long range estimates of Canada are based on a continuing growth in population. As far as one can see now only two developments would be likely to retard this expansion seriously. The first is a long continued weakness in world demand for basic products. But if the picture of world and particularly U. S. demand for raw materials depicted in the Paley Report is at all valid, the long-term outlook for Canada's basic exports is a strong one, whatever short-term ups and downs may occur.

The second condition that would seriously retard growth is a long and severe depression like that of the 1930's. However, the fiscal and monetary mechanisms that have been developed to combat depressions and the extent to which governments are committed to policies of full employment would seem to rule out a prolonged slump of major proportions. This does not say there will not be recessions from time to time but if the underlying economic trend is satisfactory the 65% increase in population by 1980 which was referred to doesn't seem unduly optimistic.

The prospects of such an increase in Canadian population has its important implications. But the population increase and the parallel growth it implies in the size of the economy are only part of the picture. The experience of the past leaves no doubt that rising productivity and higher standards of living will be part and parcel of the expansion of the population and of the economy.

Over the past quarter century real output per head in Canada has increased at a rate of about 1¾% per annum, a factor which has contributed fully as much as population growth to more than doubling the national production. It is estimated that annual growth at this rate in real output per head, combined with the population increase, could bring the total production of the country to well over 2½ times the present level. Broadly speaking, sometime around 1980 Canada could achieve a population of 25 million, and a gross national product of about $65 billion as compared with 15 million people and a gross national product of $24 billion at the present time.

Summary

To sum up, we should look at the fundamentals. The raw material is there. The political and business climate is favorable. The growth potential in the population is large. Resources are developing. The normal growth of business is highly promising. All of these things are not going to happen overnight and you should approach the analysis of Canadian situations from that angle. It is going to take time just as in any basic investment but the progress should be both solid and sure. In turn the investment reward should be substantial.

Mr. & Mrs. John C. Samis, *Samis & Co., Ltd.*, Vancouver, B. C.; Mr. & Mrs. John Jarvis, *Bankers Bond Corporation, Ltd.*, Toronto; Mr. & Mrs. Bruce C. Samis, *Samis & Co., Ltd.*, Vancouver, B. C.

Mr. & Mrs. Howard W. Hunter, *Equitable Securities of Canada Ltd.*, Toronto; Mr. & Mrs. H. G. Herman, *A. E. Ames & Co., Limited*, Calgary, Alta.; R. A. Daly, Jr., *R. A. Daly Co., Ltd.*, Toronto

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Canadian Money Market Enlarged

quirements for a new bank. The minimum subscribed capital was increased from $500,000 to $1,000,000 and the minimum paid-up capital from $250,000 to $500,000. Amendments were made in the method of offering stock, designed to make it more feasible for banks to obtain new capital, a desirable step for some banks in view of the rapid and substantial increase in bank assets in recent years. In addition each bank, if it wishes, may make its shares more easily transferable than the present book stock, a step made possible by the termination of the system of additional liability attached to bank shares that was in force when banks had note-issuing rights.

I have not attempted to enumerate all the changes made in the banking laws. But I would like to add a word of appreciation to the Chairmen and members of the Banking and Commerce Committees of the House and Senate for the courtesy shown to me and the other bank witnesses that appeared before them. There was a spirit of fair play and cooperation present at all times and a sincere effort, by all who took part, to give this country the finest possible banking legislation.

Money Market

I would like to turn now to the establishment of a day-to-day loan market in Canada, as an extension of the short-term money market that has been in operation for some years. This has occupied the attention of the chartered banks, the Bank of Canada and investment dealers for some months.

The expansion of the short-term money market will fill one of the very few remaining gaps in the Canadian financial system. With its establishment, Canada reaches another economic milestone because it should be borne in mind that an active money market operates in all countries that have attained any substantial degree of economic maturity. Such a market might appear to be a highly technical affair relating only to the banking system but, actually, it is a matter of much greater importance. It should have a direct bearing on the efficient channeling of funds for development purposes and capital investment. It should increase the mobility of short-term capital, thereby helping to reduce the cost of doing business, a highly desirable factor in a nation such as Canada that is so dependent on world markets.

May Be Expanded

In the discussions now concluded, the chartered banks have had the active cooperation of the Bank of Canada and members of the Investment Dealers' Association of Canada. It was not expected that a full-fledged money market, such as those operating in New York or London, could be created overnight but a practical start has been made and in time it may be expanded.

The banks will make available to jobbers in Government of Canada securities who have been granted rediscount facilities with the Bank of Canada a new category of call loans to be known as day-to-day loans which will be secured by Treasury Bills or Government of Canada bonds maturing within three years. These loans will be granted on a strictly day-to-day basis at the convenience of the individual banks when they have surplus cash available to employ in this manner.

Rates Will Vary

The rates on these loans will, it is expected, tend to fluctuate within fairly narrow limits not far from the yield at any time on 90-day Government of Canada treasury bills. This will apply to all loans coming within the day-to-day category regardless of the collateral but will be flexible and set by competition among the banks, varying as the underlying money market conditions vary.

Through this new medium the banks will have a very liquid form of investment which might be considered as coming in between cash and treasury bills and one which can be utilized at a lower overall cost than dealing directly in treasury bills every time it is necessary to adjust cash reserves. Investment dealers will also have a new facility for carrying inventories of short-term government securities at low rates of interest and on special and very low margins which should enable them to broaden considerably the scope of their operations in this field.

One aspect of the new day-to-day loans, which is common to all established money markets but is new to Canadian banking practice, is that they will be granted on a completely impersonal basis and the traditional customer-bank relationships will not necessarily exist in this form of lending. Investment dealers will borrow where they can to their best advantage and banks will be governed in granting or calling loans entirely by the surplus or deficiency in their cash reserves, always, of course, providing that the borrower has access to the Bank of Canada as a lender of last resort and that the collateral consists of securities acceptable to the Bank of Canada for rediscount. In these circumstances, it is apparent that pledged securities may move from one bank to another or from the banks to ultimate purchasers fairly frequently and to avoid penalizing the jobbers in their efforts to develop a broad and fluid market the banks will reduce their charges for daylight overdrafts to 40% of the former tariff.

A market of this sort is essentially one where quick assets of financial institutions or commercial and industrial corporations can be put to work for short periods of time. It will serve to fill a long-felt need in the Canadian financial system and in time, when its usefulness is demonstrated and its scope widened, may become an integral part of the commerical life of the nation.

Grahame Johnson, *Credit Interprovincial, Ltee.*, Montreal; J. M. Dillon, *Carlile & McCarthy, Ltd.*, Vancouver, B. C.; Maitland D. McCarthy, *Carlile & McCarthy, Ltd.*, Vancouver, B. C.

Mr. & Mrs. James Mackee, *Victoria Securities, Ltd.*, Vancouver, B. C.; Mr. & Mrs. J. L. Mackee, *Nesbitt, Thomson and Company, Ltd.*, Vancouver, B. C.

Continued from page 5

Investment Policies of Canadian Life Companies

ply a submission to whatever market and other forces may have happened to be in play as funds became available for investment?

I think we must concede that while insurance companies can programme their operations in an important degree, they cannot always exercise nicely balanced selection in their purchases. A number of factors influence the development of their investment portfolios, some of which stem from the character of the life insurance business itself and some of which arise from external sources.

Internally, first, it is a fact that life companies, unlike fire and casualty insurers, are vitally concerned with interest rates. The wide benefits which a life insurance contract is able to offer to the public are based upon the magic multiplication possibilities of compound interest applied over long periods of years. Insurance premiums are calculated on the assumption that certain minimum rates of interest will be earned on the policyholders' funds, and the insurance company's contract obligates it to earn a stated rate so long as that contract is in force.

Other policy considerations also arise from the nature of the life insurance business. A company's prime objective must be to provide insurance to the policyholder at the lowest possible net cost. This calls for a proper balance of emphasis between security of principal and interest return. Investments must be diversified for safety and adequate liquidity must be maintained to meet reasonable contingencies. These are the copy-book maxims of the business and I am sure they are quite familiar to you. They will always be given great weight in investment policy decisions, no matter what other considerations are brought to bear.

External Influences on Investment Policy

Turning next to the external influences upon investment policy, we readily name two—economic forces and governmental forces. The two are not always easily distinguished from each other. To illustrate these, let us look again at the portfolio changes which have occurred since 1945.

As we have seen, the close of the war found insurance companies heavily invested in government bonds, which had been purchased in support of the war effort. There was, indeed, little alternative demand for the funds at the time. Was 60% of assets too great a proportion to have invested in that form? The companies thought it was, in the light of the alternatives then beginning to be available to them. They were not unduly concerned to maintain any theoretical portfolio balance —except in the sense that the ideal portfolio should be so composed as to produce the best net-end result to the investor under circumstances as they are able to be foreseen at the moment. It rather reminds one of a famous golfer's answer to someone who asked him what shot he considered most important in golf. His reply was, "the next one."

As a practical matter, a large holding of government bonds yielding only 3% was too rich for the digestion of the industry at a time when most of its contracts were written with a relatively high assumed rate of interest. The end of 1945 found the average gross rate earned by insurance companies on their investments at the low figure of 3.89%, with a downward momentum which was not to be checked for a further two years. Meanwhile, the economy required new capital for postwar conversion and expansion in order to meet a long-restrained backlog of consumer demand. A residential building boom, under strong government sponsorship, also required to be financed. These projects offered interest rates more in keeping with the contractual needs and historical inclination of the insurance industry. Here, then, as in the United States, the companies found their government bonds a natural source of funds to augment their normal investible income to meet the demands and the investment opportunities of the postwar years.

Criticism was sometimes directed at the insurance companies, at the time, because of the ultimate inflationary effect of these sales of governments. No objection was raised, however, by the central banking authority which, as the only purchaser capable of absorbing so large a volume of bonds, needed only to withdraw its support of the market to check the whole operation. Eventually, exactly this was done. In the meantime, however, the central bank, by tacitly maintaining the market, actively facilitated the flow of insurance funds into industry and the construction field, apparently feeling that the long-term answer to inflation was likely to be best found in expanding national production.

Government Influence

It must be recognized that government policy will always exercise a major influence on the investment operations of our companies. This has been increasingly the case since the emergence, 15 years ago, of the Bank of Canada as an effective instrument of government in directing the level of interest rates. The Bank's action not only affects business conditions generally, but frequently influences the manner in which life insurance companies' funds are to be employed.

If one seeks to trace investment policy through these postwar transactions, he may conclude that the companies were, in effect,

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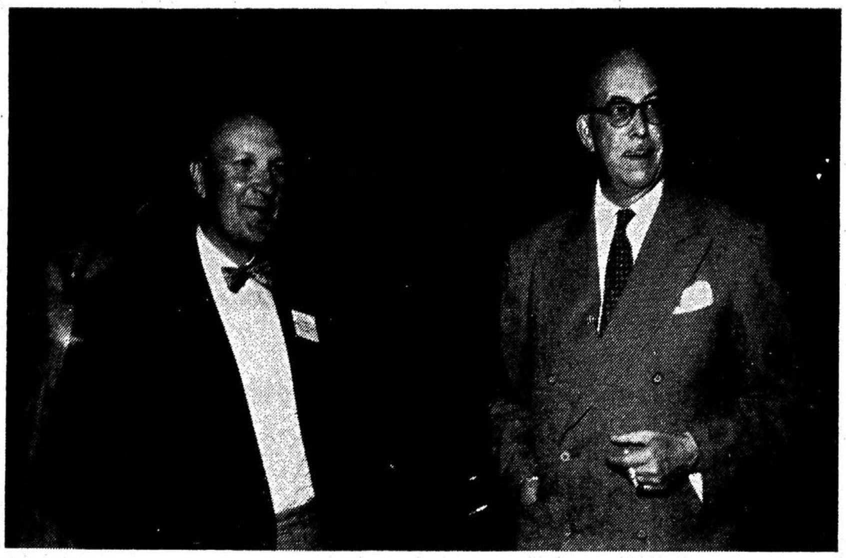
A. G. Lang, *Merrill Lynch, Pierce, Fenner & Beane;* Toronto; James C. Edwards, *Matthews & Company,* Toronto; Mrs. David Crowley, Winnipeg, Man.



Harold S. Backus, *McLeod, Young, Weir & Company, Limited,* Toronto; Jack Kingsmill, *Investment Dealers' Association of Canada,* Toronto

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Investment Policies of Canadian Life Companies

running before the economic winds rather than following their own pre-designed programmes. They bought great quantities of government-subsidized mortgages and accepted large blocks of securities underwritten by our good friends, the investment dealers. At the same time, however, they were methodically changing the character of their portfolios along lines more suited to the requirements of the insurance business. They were also bringing their investing machinery to a level of efficiency probably not enjoyed by the industry previously. The mortgage field forces, which had declined in importance during the depression years, were rebuilt, and security analysis techniques were intensified.

The most generally recognized aspect of the government's influence on investment policy takes the form of direct statutory regulation. The Canadian and British Insurance Companies Act dictates the types of investments permitted to insurers. It provides for the inspection of their business, prescribes the form of their Annual Statement, and directs how their assets shall be valued for statement purposes. It prescribes penalties for failure to comply with its terms. The legal framework thus provided for Canadian insurance operations is less restrictive, perhaps, than that of some American states, but is considerably more restrictive than that of the United Kingdom. It is, however, a natural development of the conditions under which the insurance business has grown up in Canada. It is a singular testimonial to the general acceptance of this Act, and to the sound administration it has received from the Dominion Department of Insurance, that the companies cheerfully conform to its provisions although they are aware that it is probably unconstitutional.

One may, perhaps, express a personal view, however, that the Act would benefit, at least in its investment terms, from more frequent amendments in order to keep it abreast of the changing needs of the economy. After the late war, an industry committee undertook a study of the Act with a view to having it brought up to date. There had been relatively few major changes since the depression years and the companies accumulated a number of suggestions for amendments. With two or three important exceptions, their recommendations proved acceptable to the Department of Insurance and became law in 1948.

You will no doubt recall that the 1948 amendments provided new standards of eligibility for debentures and stocks, and created the so-called "basket" or "leeway" provision under which companies were given a quite wide discretion in investing up to 3% of their assets. It is under this "basket" provision that companies have been able to make some entry into the field of direct ownership of real estate for the production of income and, also, to employ that useful medium — the purchase lease-back.

By a further amendment in 1950, the Act accorded recognition to real estate investment, apart from the "basket," as a proper use for a limited part of company assets up to 5%. The industry has already made good use of its new powers.

Responsibilities For Use of Funds

A further external influence upon the course of life insurance investments lies in the companies' awareness of their responsibility to use their funds so as to make the greatest possible contribution to the advancement of the Canadian economy. The life companies now marshall a very important part of the national savings and they recognize that their placement may be quite significant to the general economic welfare. It is pointed out with increasing frequency that anything which contributes to the general economic welfare must also contribute, in the long-run, to the welfare of insurance policyholders. Let us consider this for a moment.

Is there some public obligation on insurance companies to hold government bonds in volume? We have already noted the inadequacy of the yield on governments in recent years in relation to the contractual obligation contained in most insurance contracts. A recent American study sums up the historic role of the government bond—as an investment medium for life insurance funds only in emergencies or when no other form of outlet is available, except to the degree that it is held for purposes of providing liquidity. So far as the liquidity factor is concerned, it has lost some of the significance it once possessed. The record of the industry shows that over a long period of years (including the depression thirties) the current income of life companies has always been greater than the outgo. Moreover, there is some reason to question whether government bonds, except of very short-term, could ever properly be considered to be entirely liquid investments.

The market for governments is, perhaps, somewhat more protected than it used to be, since we now have the paternal influences of the Bank of Canada. Nevertheless, the Bank is free to limit or withdraw its bids at its pleasure. The ordinary market is always unlikely to be able to absorb the sizable offerings which might appear in an emergency.

Expression has recently been given to the opposite view by Mr. O. Kelly Anderson, President of New England Mutual Life Insurance Company. Mr. Anderson is able to see a practical benefit to policyholders in the purchase of certain types of government bonds. As you know, the U. S. Treasury has indicated a desire to

George Adams, *C. C. Fields & Co.*, Toronto; P. K. Hanley, *C. C. Fields & Co.*, Toronto

Mr. & Mrs. W. Arthur Woodcock, *Chas. H. Burgess & Company*, Toronto

place a greater proportion of national debt in long-term securities but has not been able to do so. New and refunding Treasury issues have had to be placed in the short-term market where the commercial banks are the principal purchasers, and the resulting enlargement of bank reserves has been highly inflationary. Mr. Anderson reflects the concern of the industry about the injury which inflation can work upon the future beneficiaries of its policyholders. We have seen the purchasing power of the 1940 dollar decline to 53c and he points out that a continuation of that trend would be much more serious to the future recipient of insurance dollars than any small loss in interest yield now sustained by insurance companies through buying government bonds instead of higher-yielding securities. He suggests, therefore, that life companies should stand ready to buy substantial amounts of long-term government bonds in order to keep government financing on a non-inflationary basis so far as they are able.

In Canada, where government policy in this respect has been more successful — financing has been able to be carried out largely in the long-term market. The need, therefore, for life company support is not at the moment so great — but investment officers would no doubt agree with Mr. Anderson that it is in the policyholders' long-term interest to do their part to support non-inflationary types of financing when other purchasers are not equal to the task.

Such influences on investment policy, external and internal, as I have referred to, are only a sampling of those which have left their mark on postwar insurance portfolios.

If we choose now to look forward rather than back, it is already possible to see the emergence of new forces which will create new policy problems for the companies. For some time, we have been moving into a period of lower interest rates and we must still make some further adjustments if we are to continue to live with these. We must also recognize that, at least in some cases, these rates contain a concealed hazard from the fact that they are partly artificial—rather than the full product of free market interplay of supply and demand. If we believe that there is always a true price for the hiring of money and that that price is set by the balancing of supply and demand, it follows that insofar as artificial factors enable borrowers to obtain money at some other price, there is created a differential which has to be absorbed in another segment of the economy.

Greater Field for Investments Needed

In recent years, there has been serious concern among insurance companies about the narrowing field of investments legally available to them. There is general confidence that our dynamic economy will develop new investment demands for the accumulated savings of life policyholders—in fact, it already appears that the financing which the future may require will not always be of the traditional types in which life companies are expected to invest —and our present powers of investment may not be wide enough to encompass them.

Research conducted in recent years within our industry confirms that the growth of funds in the hands of institutions is proceeding at a more rapid pace than the supply of securities eligible for investment by them. The competition among investors for this relatively diminishing supply has a tendency to over-price such securities when they appear. As one authority describes the situation—institutional investors who are confined largely to the field of debt obligations are, in such circumstances, paying something for legality as distinguished from investment quality.

What are the new areas of investment capable of being opened to life insurance funds? Many are suggested but the only ones which seem likely to provide the volume required are in the equity or ownership field. The conception of an insurance company as an owner rather than a creditor in the field of finance is, of course, not new. For many years, the Canadian and British Insurance Companies Act has permitted the acquisition of preferred and common stocks and, since 1948, as we have seen, the ownership of real estate has also been allowed. The Act in its present form limits, however, directly as well as, perhaps, indirectly, the full use of these instruments.

In the case of real estate, we have the direct restriction to 5% of assets which must cover purchases under the specific real estate section, as well as the real estate in the "basket." In setting this limit, the Insurance Authorities were understandably cautious—but perhaps we may hope that when we have had time to demonstrate the worthwhile character of such investments, the limit will be raised to substantially higher levels.

It is recognized that in acquiring equities the investor loses the benefit of the cushion which would protect him if he were only a creditor—but the insurance industry, as a whole, has always brought to bear that same degree of conservatism in the equity field that it has in the other classes of investment available to it.

The Question of Investment in Stocks

With respect to stocks, it may appear at first glance that the Canadian and British Insurance Companies Act gives plenty of room for activity. No limit is placed on the volume of preferred stocks which may be acquired and, in the field of common stocks, the limitation to 15% of ledger assets appears quite reasonable at the moment. However, the limit to 15% might be more fully exploited if some practical way could be found to cushion the effect of the wide market value fluctuations which a large holding of common stocks exercises on the portfolio. At the present time, industry holdings of common stocks comprise only about 2% of assets.

This is part of a valuation problem confronting insurance companies in both United States and Canada today — a solution of which might radically change the

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Andrew S. Beaubien, *L. G. Beaubien & Co., Ltd.*, Montreal; J. Ross Oborne, *Nesbitt, Thomson and Company, Ltd.*, Toronto

Mr. & Mrs. D. R. Wiley, *Harrison & Company, Ltd.*, Calgary, Alta.; Mr. & Mrs. J. M. McConnell, *Nesbitt, Thomson and Company, Ltd.*, Montreal

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whole course of insurance investment. It involves not only stocks, but also a major part of the bonds and debentures which our companies hold. Each year-end, life companies are required to value their portfolios for purposes of their Annual Statements. A substantial portion of their investments, other than mortgages, is required to be taken into account at market values on that date. In fact, one of the attractive characteristics of a mortgage portfolio is that it may be carried into the balance sheet at book value. Evaluation based on market prices is a very unsatisfactory method from the companies' point of view, because market values are subject to wide swings, often unrelated to the true worth of the securities concerned.

It is hardly necessary for me to point out to this audience that the market quotation on a blue-chip stock, or even a high-grade bond, may rise or fall noticeably in a single day for reasons entirely unrelated to the business operations of the company concerned—its earnings record—or its ability to pay dividends. On the other hand, market fluctuations of bonds or stocks are of little immediate importance to life companies as we are, by our nature, long-term investors. On bonds, we look for the regular payment of interest and the ultimate payment of principal at maturity. On stocks, our primary concern is income.

We are not exposed to pressures to liquidate assets to raise funds. Our normal current income is, in practice, more than sufficient for all requirements and this is now augmented by the increasing volume of repayments on serial issues and the heavy monthly rate of repayment on mortgages.

It is evident, therefore, that the use of market values may, under unduly exaggerated or depressed market conditions, present an unfair picture of a company's financial position. A step was taken in the right direction in the latest amendment to the Insurance Act in permitting the use of amortized values instead of market values on direct and guaranteed Dominion, United States and United Kingdom federal bonds and Canadian provincial bonds—an amortized value being one determined by reference to the yield at which a security was originally purchased. This, of course, insulates the favored classification against portfolio market declines—but other important segments of our securities still remain fully exposed to the uncertainties of the market, including the whole field of corporate bonds and stocks. A much greater measure of freedom has been granted insurance companies in the United States for many years, where practically all corporate bonds and debentures are now amortizable.

The fact that market values play such an important part in the considerations involved in the construction of company statements naturally has the effect of compelling unduly a company's attention to the likely market action of classes of securities from time to time as a matter of investment policy. Such considerations can frequently prejudice the pure investment merits of a situation. The use of amortized values for statement purposes, which has been so generally accepted as desirable in theory and has found such practical application in the insurance experience of the United States—would do much to correct this difficulty. The development of a systematic method of valuing common and preferred stocks for statement purposes—which would cushion the effect of wide fluctuations—has been under study for some time by an industry committee in the United States. It could do much to extend the attractiveness of the field of common and preferred stocks for life insurance investment in that country.

So long as companies are compelled to guard themselves against the possibility of wide market fluctuation on any considerable part of their assets, they will have little room to invest in preferred and common stocks—where market variation is seen in its most exaggerated form. Until this situation is corrected, even the present legal amount allowed to be held in common stocks is of little practical significance.

Municipal Securities

Mr. Gingras, in inviting me to be your guest today, suggested that I might contain in my remarks some observations on municipal securities and finance from the point of view of the institutional investor, such as life insurance companies. There is, of course, a fine distinction, which you will at once have recognized, between municipal securities and municipal finance which may be better demonstrated by allusion to the bride, who explained to her mother that she and John had come to a satisfactory operating arrangement in connection with the household budget—he would look after the finance and she would look after the money!

It is quite possible for a municipality to enjoy a strong financial position and a long history of integrity but if it offers securities for sale which are not tailored to meet the investment needs of the life insurance industry, then they cannot expect to be readily sold there. Naturally, this is not an error of which any large municipality is likely to be guilty. Investment dealers are known for their ability to interpret wisely to the borrowing community the terms which will provide the closest possible bal-

J. A. M. Belshaw, *Brawley, Cathers & Company,* Toronto; Nigel H. Gunn, *Bell, Gouinlock & Company, Limited,* Toronto; Mrs. G. M. Wilson, Toronto

George Heywood, *James Richardson & Sons,* Vancouver, B. C.; David Crawley, *James Richardson & Sons,* Winnipeg, Man.; L. W. Virtue, *James Richardson & Sons,* Toronto

ance between the respective needs of borrower and lender.

Since the market for such securities is generously favored by the insurance companies, it is natural that the financing needs of municipalities should, in turn, be tailored, to a considerable extent, for this market. While experience over many years has demonstrated that the securities of well-administered municipal authorities, both large and small, are a sound location for policyholders' funds — municipal securities present the elements of a social challenge of the type that insurance companies are not inclined to ignore. If, on the one hand, we, as an industry, are to continue to assist susbtantially in providing housing and like facilities through our mortgage operations—we cannot ignore the need which this operation in itself will create for local improvements, schools, fire protection and so forth.

If our expanding mortgage operations, which inevitably must be in the newer and fringe areas of our expanding communities, are to enjoy the essential characteristics of soundness—then the mortgaged premises must have accessibility to roads, to public transportation, adequate schooling facilities, fire and police protection, and essential water and sewage facilities. Unless these can be provided by our municipalities on the one hand, our mortgages will lack essential elements of adequate security on the other.

Successful municipal financing cannot, of course, hope to rely solely upon the assurances of this essential relationship. Somewhere, the equating and equalizing ingredient of the rate of interest must assert itself and the needs of the municipal borrower be brought into a measure of realistic competition with the financial needs of industry and others.

In subjecting any municipal situation to analytical scrutiny, the first and natural approach is to its general financial position—the size of its debt, the rate and incidence which its repayment will impose upon the municipal resources, the rate, resilience and stability of its tax and other revenues. Against these factors, we naturally scan the terms of the proposed financing and the facilities to be provided and burdens which they, in turn, will impose. Lastly—and most difficult of all to assess—is the willingness of the borrowing authority to meet its obligations—in other words, the character of municipal management.

In corporate finance, willingness to pay is bolstered by the realization of the drastic consequences which can occur upon default. To the municipal or other government borrower, the consequences are hardly as horrendous. While the business man may lose control of his company, the city father is not unknown to have pictured himself as a hero for having stood off the money barons and the capitalists of St. James and Bay Streets. In reality, he is in a fair way to undermining the credit of his community, and increasing the cost of insurance protection for policyholders of life insurance companies everywhere.

At the municipal level, defaults in Canada were, of course, numerous during the depression of the '30s. Courage, patience, and determination by local governments, provincial authorities, and debenture-holders have brought most of these to settlement on bases which have preserved the credit of the borrower, with justice and equity to debenture-holders. In many instances, such as the municipalities surrounding Toronto, financial difficulties were due almost entirely to unwise spacing of maturities or a too heavy rate of required repayment for rapidly expanding municipalities. In others, closing of one or two major industries, with attendant unemployment and tax delinquency, precipitated serious strains on municipal finance. Fortunately, in only a very small number of instances was default premeditated in an effort simply to exact more favorable terms from debenture-holders. In some instances, political considerations either accelerated an already hopeless situation or created the crisis in a marginal one.

In practically every instance, adjustments were possible to lessen the immediate pressures, without involving either a loss of face to the debtor or a grave financial one to debenture-holders. In a few instances, where the bondholders concluded that their confidence and judgment had been seriously in error, some losses had to be absorbed. Looking back, the maze of problems which have been so amicably and reasonably settled in the last 20 years bears a striking testimony to the sincerity of Provincial regulatory bodies, the integrity of our municipal administrations and, I must in fairness add, to the confidence and patience of debenture-holders, among whom ranked very largely the insurance and trust companies of Canada.

Such a period is, of course, not all sweetness and light. In fact, there is often more heat than the latter—but where a genuine and honest desire on the part of municipal authorities existed to meet their liabilities, some arrangement almost invariably eventuated. Some aftermath of the problems of that era we inherit today. A few of the defaults persisted for protracted periods, largely because no solution of a practical nature could be found to be mutually acceptable. In these instances, the very delay was, of course, a matter of financial relief to the municipality. As one authority has observed—no debt is a burden if it is not repaid and never bears interest.

If creditors have long memories, how is it that so many municipalities which defaulted can now finance on relatively favorable terms? The answer lies, I believe, essentially in the understanding

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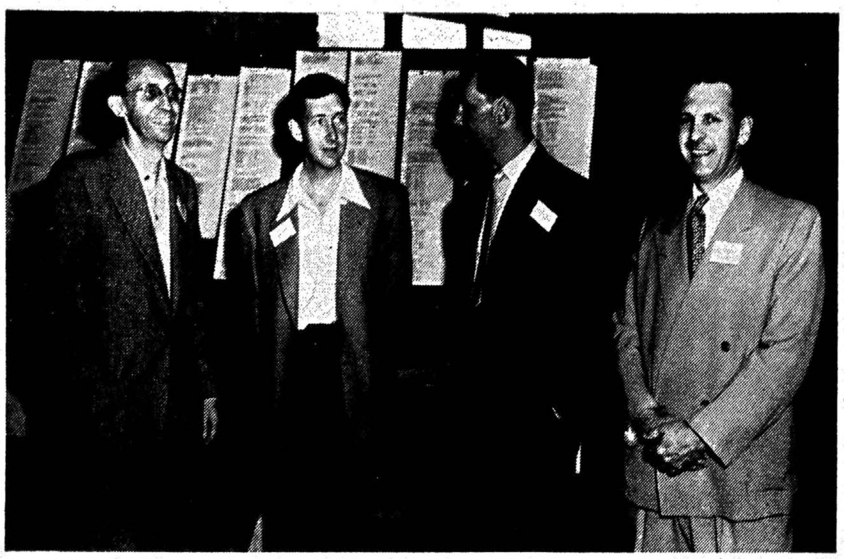

Albert J. Cartan, *Harrison & Company, Ltd.*, Toronto; E. G. Percival, *Harrison & Company, Ltd.*, Toronto; L. R. Learn, *Nesbitt, Thomson and Company, Ltd.*, London, Ont.; "Dutch" Fisher, *Walwyn, Fisher & Co.*, Toronto

Mr. & Mrs. H. H. Dingle, *Wood, Gundy & Company, Ltd.*, Vancouver, B. C.; M. F. Newman, *Cochrane, Murray & Co., Ltd.*, Toronto; Mrs. D. N. Knight, Winnipeg, Man.; J. Ross Murray, *A. E. Ames & Co., Ltd.*, Winnipeg, Man.

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Investment Policies of Canadian Life Companies

which the institutional creditor, like life insurance companies, has of the underlying causes which precipitated default in individual cases. Where such causes were valid, there is little reason for recriminations today. But effective willingness to pay must lie with the municipal officers. They may be overwhelmed, of course, at times by local political pressures but—in the final analysis—their attitude must inevitably come to the fore. If they have sufficiently evidenced this integrity, they are reaping the dividends from it now.

Summary of Canadian Municipal Securities Situation

How do our institutions regard Canadian municipal securities at the present time? I believe—generally with approval. Nevertheless, I would be less than frank if I omitted reference to some of the uncertainties on the horizon.

There will, of course, always be clouds of some kind on the horizon —and they always appear larger or smaller in fact than they eventually turn out to be—at least to this observer. If concern becomes more widely accentuated on some of these aspects of our municipal financial situation — it would find eventual reflection in the relative acceptability of municipal securities amongst our investors. At the moment, from the rates which municipalities, as a class, command, these uncertainties do not weigh heavily upon the consciousness of the investor group.

What are these clouds? First, there is the inability of municipalities to secure a broader share of the total tax dollar. In fact, this concern goes so far as to recognize that the municipal share is, in fact, rapidly becoming less. Further, municipalities are still dependent essentially upon the real estate tax, while their obligations require them to meet modern methods of transportation, water supply, sewage disposal, schooling and extensive social services, which increase yearly with rising costs of labor and material. Many municipalities have preserved the appearance of a balanced budget in the face of these conditions only by the simple expedient of not keeping up normal maintenances. Sooner or later, this accumulated shock will have to be met.

Secondly, I believe that our school set-up invites some reconsideration. Those who are responsible for our school policy might also be made more responsible to the councils which provide their budgets. Our present system condones extravagance, avoids financial responsibility, and duplicates political and administrative machinery. It is a luxury which our municipal budgets may not be able to continue to afford.

Thirdly, a general reassessment and realignment of responsibilities, as among the municipal, provincial, and Federal taxing authorities. Modern transportation methods, interdependence of all levels of government for health, safety and defense reasons, have antiquated our old conceptions of the responsible field which each should occupy. Probably no other greater problem exists to test the ingenuity and the foresight of our municipal, provincial, and Federal representatives in the years that are immediately before us. For financial considerations — while eminently important and always pressing for some new solution—must be set against the underlying necessity of preserving the principles of essential checks and balances in order to assure the continuity of our democratic Canadian way of life. This requirement is not likely to be overlooked, but it greatly increases and complicates the difficulties of an already oversized problem. We will probably never solve it but, like the hyperbolic curve, perhaps we can hope only to approach continually the axis of our ideals though never expecting to reach them.

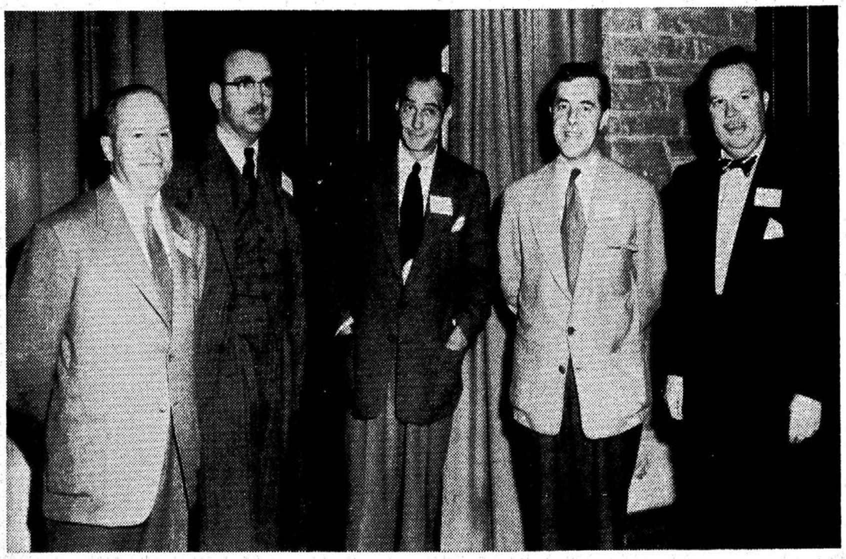
I regret, Mr. Chairman, that circumstances prevent me from experiencing the full stay of your Convention. I would have enjoyed the longer association, drawn conviction and assurance from your meetings, delighted in a wider renewal of acquaintance with so many good friends, and enjoyed meeting your young cousins, sisters and secretaries with which you seem amply supplied.

I doubt if I have told you much that in your own experience and knowledge you do not already know. Our industry and your profession exist to provide service to the public. Fortunately, our relationship is mutually compatible —for your abilities as salesmen are too well known, from personal experience, not to be regarded as — shall I say — a close second to our own.

Our mutual existence is justified only on the basis of our character and capacity to serve better and cheaper than any alternative.

I am sure there are many light moments throughout your Convention. It would not be a convention, and it would not be human, if this were not so. But it provides, I sense—as I have seen so often on other occasions—the opportunity for the affirmation of principles, for a reappraisal of responsibility, for encouragement and comradeship.

G. Lyall Fraser, *Western City Company, Ltd.*, Vancouver, B. C.; Benson L. Coyne, *Deacon Findley Coyne, Ltd.*, Toronto; C. W. McBride, *Midland Securities Corpn., Ltd.*, Toronto; G. A. Henley, *Western City Company, Ltd.*, Vancouver, B. C.



J. N. E. Grenier, *Grenier, Ruel & Cie., Inc.*, Quebec, Que.; D. S. Beatty, *Burns Bros. & Denton, Limited*, Toronto; C. J. Dill, *Royal Securities Corp., Ltd.*; Vancouver, B. C.; Jean T. Gendron, *J. T. Gendron, Inc.*, Quebec, Que.; Joseph C. Cabble, *Burns Bros. & Denton, Inc.*, New York City

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Economic Trends in Canada

tory bond maturities which exceed $1 billion each.

Another important fact is that a relatively large portion of governmental and corporate financing has been carried on in the United States market—the lower borrowing costs and the facility to place large amounts which exist there being considered sufficient to compensate the risk to the borrowers of a premium on U. S. funds in the future when interest and principal are due.

The Canadian Dollar . . . a Thing of Pride, a Thing of Hardship

Parity with the United States dollar was reached and passed in March of 1952. Since that time the premium has ranged from a high of 4.3% in August, 1952, to a low of 0.2% in May, 1953. Recently our dollar in terms of United States funds was quoted at a premium of 1½%. It is not an unusual occurrence for our dollar to sell at a premium over United States funds. What is unusual, however, is the recent persistence of this premium rate.

Essentially there are two factors which determine the exchange rate of the Canadian dollar. Firstly our trade balance, and secondly, the inflow of investment money from abroad. It is this second feature which in the past two years or so has maintained our dollar at a premium in terms of United States dollars. Attracted by our abundance of natural resources and by the growth potential of our country, investment dollars, particularly from the United States, have been flowing into Canada at a rate that has given us a sizable net balance on the capital account of our balance of international payments. Another factor: because of the difference in yield rates between Canada and the United States, Canadian borrowers have been going to the United States market for funds. The proceeds of issues floated there are payable in Canadian dollars and this again creates a demand for them, tending to force up the price of the Canadian dollar in terms of U. S. funds.

TABLE I
(In millions of dollars)

	1954 To May 17	1953 To May 18	1953 12 Months	1952 12 Months
Government of Canada	$2,360.0	$1,995.0	$5,625.0	$4,662.8
Govt. of Canada Guaranteed	200.0	----	----	----
Provincial	132.0	123.0	258.5	216.1
Provincial Guaranteed	96.8	44.7	178.1	212.7
Municipal	78.9	58.3	222.0	216.1
Corporation	330.4	224.6	336.3	548.4
	$3,198.1	$2,445.6	$6,619.9	$5,856.1
Less: *Short-term financing	1,510.0	1,595.0	3,665.0	3,875.0
	$1,688.1	$850.6	$2,954.9	$1,981.1

*Less than one year.

Of the above the following amounts have been sold in New York:

	1954 To May 17	1953 To May 18	1953 12 Months	1952 12 Months
Provincial	$62.8	$77.5	$127.5	$97.0
Provincial Guaranteed	----	----	60.0	1.8
Muncipal	25.7	----	41.1	47.7
Corporation	78.0	78.0	78.0	130.9
	$166.5	$155.5	$306.6	$277.4

When our dollar reached and passed parity, I think that almost all Canadians were proud, at least inwardly. However, after a deeper and more realistic look at the situation, it became clear that because of this premium, Canadian companies who export their goods suffer in competition with other countries producing the same goods. This premium, coupled with our high standard of living and high wage scales, makes our basic costs higher than those of our competitors. After more than two years of a premium dollar, many Caandians now feel that we would be better off with our dollar nearer parity. Some go so far as to say our economy would benefit more if the dollar were at a slight dis-

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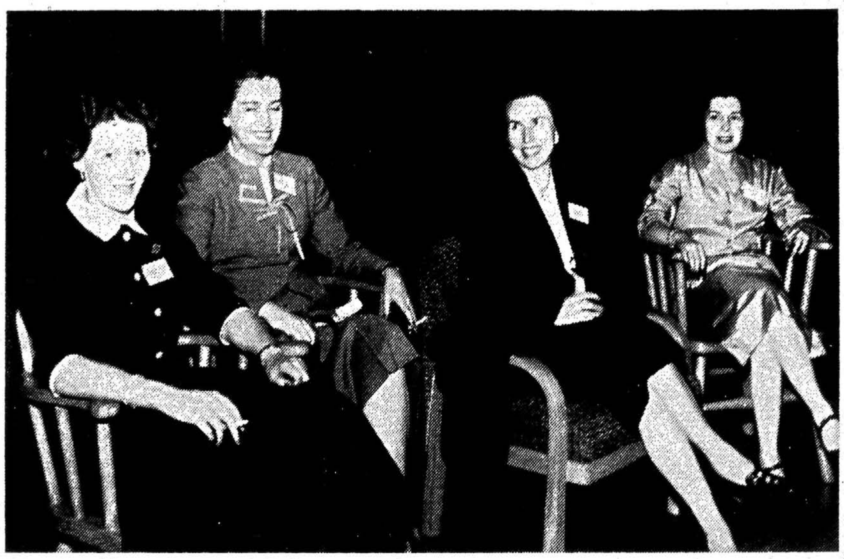

Mrs. Robert Ouimet, Montreal; Mrs. R. B. Casgrain, Montreal; Mrs. A. Lang, Toronto; Mrs. W. M. Tafts, Toronto

Mrs. Telfer Hanson, Toronto; Mrs. David Howes, Toronto; Mrs. Joseph Cabble, New York City; Mrs. D. S. Beatty, Toronto

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Economic Trends in Canada

count—even though our pride might suffer a little.

Foreign Investment in Canada

Table II shows for selected years the investments in Canada owned by investors in the United States, United Kingdom and other countries, and what percentage these totals represent of our gross national product on a net basis.

From time to time we hear people alleging that each year more and more of Canada is owned by non-Canadians. However, as may be seen from the table, the trend since 1930 has been towards Canadians owning an increasingly greater share in their own country.

The accumulated value of all foreign capital invested in Canada is now a smaller proportion of the country's total capital investment than in earlier years. Although no comprehensive or current data are available, an official publication gives some indication of the extent of the changes in ownership for two specific areas of investment.

In Canadian industry, between the end of 1939 and the end of 1950, total non-resident ownership declined from 38% to 31% of the total, though the United States portion increased slightly from 22% to 23%. In the distribution of ownership of Canadian bonds, non-resident holdings represented over one-third of the total Canadian bonds in 1939, whereas at the end of 1952 they represented less than 16%.

In any event, we have no cause to be alarmed about people outside of Canada investing in our country. There is much to be done, and much money is needed to do it. The fact of the matter is we do not have enough money to do all that should be done. This situation is improving from year to year and the 20% tax credit on dividends allowed to Canadian shareholders is proving to be an important factor in this trend.

Our Relations With Other Financial Institutions

As mentioned at the outset, 1953 was a record year for many branches of Canadian industry, and so it was for the Canadian chartered banks. Their growth during the past 10 years has been phenomenal. From 1944 to 1953, current deposits increased from $2.1 billion to $3.1 billion, a 47% increase, and savings deposits from $2.5 billion to $5.2 billion, a 108% increase. Loans increased from $1.05 billion to $3.88 billion for a 270% rise. However, during this same period the combined Paid-up Capital of the banks rose from $145.5 million to $152.5 million or only 4.8%. During this same period, the Reserve Fund, also belonging to shareholders, increased from $136.8 million to $230.4 million or 90%. In other words, the shareholders' investment has not kept pace with banking operations and there has been speculation that the banks will possibly be doing some new financing to remedy this situation. Recent strength in bank shares, other than strength caused by such things as increased earnings, is in part due to this possibility.

The regulations of the Securities Exchange Commission in the United States and the Bank Act in Canada have made it difficult to get any increases in capital through on terms which would be satisfactory to our chartered banks. One of the main objections has been that the Bank Act of 1944 required new offerings of shares to be made to all shareholders. December 1953 figures indicate that somewhere in the neighborhood of 6% of the shares of the Canadian chartered banks were held by investors in the United States. SEC regulations made offering of new shares to them a difficult task. Recent changes in the Bank Act will provide that chartered banks will not have to offer new shares to shareholders in countries whose requirements exceed those of Canada; this will facilitate new share offerings by our banks.

This year has seen the entrance of the chartered banks into the mortgage field. Canada needs

TABLE II

The Canadian Balance of International Indebtedness*

	—Billions of Dollars at End of—				
	1926	1930	1939	1945	1952
Investments in Canada Owned in:					
United States	$3.2	$4.6	$4.2	$5.0	$8.0
United Kingdom	2.6	2.8	2.5	1.7	1.8
Elsewhere	0.2	0.2	0.3	0.4	0.4
	$6.0	$7.6	$7.0	$7.1	$10.2
Total Canada's Foreign Assets	1.3	1.4	1.9	3.7	6.0
Net Investment Debt	$4.7	$6.2	$5.1	$3.4	$4.2
Net Sundry Claims	0.3	0.4	0.5	0.4	0.6
Net International Debt	$5.0	$6.6	$5.6	$3.8	$4.8
% Gross National Product	94	119	98	32	21

*SOURCE: Dominion Bureau of Statistics.

(While no figures are as yet available for 1953, the Dominion Bureau of Statistics has estimated that Canada's transactions with other countries in that year contributed to a further growth in her international indebtedness and that it is approaching the level of $5.6 billion recorded in 1939.)

Ralph Blackmore, *Globe & Mail*, Toronto; Ray Trigger, *Investment Dealers Digest*, New York City; Mr. & Mrs. Harry Gassard, *Investment Dealers' Association of Canada*, Toronto; Frank Rose, *Dow Jones & Co.*, New York City; Doug Colvey, *Dow Jones & Co.*, N. Y. C.; Sid Brettingham, Montreal

J. Ross Oborne, *Nesbitt, Thomson and Company, Ltd.*, Toronto; Mrs. Eric M. Duggan; Mr. & Mrs. Edward M. Saunders, *E. M. Saunders Limited*, Toronto; Eric M. Duggan, *D. M. Duggan Investments, Ltd.*, Edmonton, Alta.

housing, and needs it on terms which will make it possible for those in the lower income groups to afford their own home. In each of the past few years the demand for home mortgages has been increasingly heavy. The insurance companies, despite their policy of diverting larger proportions of funds to home mortgages, had sometimes been criticized in recent years for failing to make even more money available. Under the new Bank Act, the chartered banks, heretofore prohibited from loaning money on mortgages, will be permitted to carry mortgage loans. It will be several months or a year at least before it will be possible to assess what the effect of their entrance into this field will be.

In late 1953 and early 1954, the Canadian insurance companies once again became active in the bond market after what could be termed a "partial eclipse" covering quite a period of months. There would appear to be at last two chief reasons for their decision to once again emphasize bond investment. Firstly, they are doing business at a rate unprecedented in their history and they have additional funds available for investment over and above the still substantial sums of monies placed in mortgages And secondly, I would say that they became aware of the fact that interest rates were getting away from them. Missing many of the attractive investments of a year or so ago and looking for favorable yield rates, the insurance companies began to buy long term bonds. The spectacular rise in such issues as C.N.R. 3¾% of 1974 and Government of Canada 3¾% of 1978 and their purchases of the recent Canada issues illustrates, to a degree, the result of this new interest in bond investments by the insurance companies.

The Development of a Canadian Money Market

There are presently only two major money markets—New York and London. Before too many more years pass by, however, Canadian authorities are hoping for, and working towards, the creation of at least one more—a Canadian money market. The concept of a "money market" simply means a central area into which surplus short-term funds will gravitate, and one writer on the subject has described it by saying that what a bank balance is to an individual, the money market is to a nation's credit system. The first essential of any money market is the existence, or the creation of a broad short-term money market and the creation of a real "call-money" market. Steps have been taken by the Bank of Canada with these ends in view. For instance, in January, 1953, a new policy in handling short-term Treasury bills was announced. Instead of issuing the Bills every two weeks for an invariable maturity of three months, the Government began to make a weekly issue of $35 million 91-day bills and $5 million 273-day bills, more recently modified to $30 million and $10 million respectively. The reason for the change in method of issue was to provide greater variety in maturities, to attract a wider range of investors and to provide yield more nearly comparable to the yield on short-term bonds without their fluctuation in price. To develop fully our money market, the market for short term funds such as that represented by Treasury Bills must be much broader. Corporations and other holders of important amounts of liquid funds must become a vital part—both as buyers and/or sellers—of "commercial paper," no matter what it be named.

In addition, the Bank of Canada, to facilitate trade in Treasury Bills, has agreed to make delivery in City "A" even though the transaction might have been consummated in City "B." Also Bank of Canada officials have extended credit facilities to investment dealers to enable them to carry additional inventories for short periods of time. In all these things, the idea paramount in the central banking authority's mind is to indicate to corporate and other purchasers that their holdings of short term bills and bonds have a very high degree of liquidity.

The co-operation and participation of the chartered banks and all other financial institutions is, of course, essential to the development of a Canadian money market. The industrial and economic growth of Canada in recent years has captured the imagination of the world and I feel sure that those of us engaged in the industry of finance will do our part in this contribution towards complete economic maturity.

Outlook for the Balance of the Year

The beginning of 1954 could not be characterized by any one trend, either gloomy or bright. Now, at about the halfway point, economists and forecasters still are wary in predicting what the prospects will be for the full year 1954, although some of the finest economic thinkers in both Canada and the U. S. are predicting an up-turn in the second half of the year. Whatever the result, however, we should keep in mind that in a dynamic economy such as ours, there are bound to be ups and downs, and even if 1954 is not as good a year as 1953, it will still be one of the best years in our country's history.

The Challenge of Our Business

The theme of our annual convention this year is Marketing and Market Research, in other words "where are our markets and how can we reach them?" The display that will be exhibited will serve to indicate what many of our members have done and are doing to educate the public toward

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E. R. Pope, *Ross, Knowles & Co., Ltd.*, Toronto; Louis Williams, *Hagar Investments Ltd.*, Victoria, B. C.;

At the annual meeting on June 11th

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Economic Trends in Canada

better investment habits and equally important, what certain members are doing to broaden the basis of their business by building up a much greater following of individual retail accounts.

As I mentioned earlier, Canadians are at the present time saving more—and investing more than they ever have before. Our imaginative development of primary industries—oil, lumber, iron, waterpower — and our meteoric rise as an industrial nation have made our own people and people in other countries anxious, even eager, to participate by direct ownership in these enterprises. Many are not sure how to go about this; it is up to us to show them.

The Investment Dealers' Association of Canada

I believe that our Association has just completed a very successful year of operation. I refer to the activities of our many committees and of our permanent staff. In my visit across Canada —which included—Newfoundland for the first time—I realized the vast number of individuals and firms who are contributing their knowledge, experience, time and energy for the benefit of the membership at large. Be it at the level of Federal and provincial authorities in matters which are of immediate concern to investment dealers, such as Securities Acts and transfer taxes, or with the preparation and presentation to the public of our educational program, and in many other fields of common interest, they achieved outstanding results. Let me mention only one in particular: our booklet "To Help You Share In Canada's Growth." The material in the booklet itself brought very favorable comment from high officials in government and financial institutions and from the public for whom it is intended. 80,000 copies—70,000 in English and 10,000 in French—are making it easier for the layman to understand more about investments and the investment dealer.

Our industry has made great strides in the last decade and has contributed substantially to the development of Canada. As the investment industry has grown it has become more complex and the work of The Investment Dealers' Association of Canada in promoting the general welfare of those who own or deal in securities is becoming more important — and more evident—each year. As investment dealers we will continue to play our part in the development of Canada as one of the economic and financial bulwarks of the Free World.

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Let's Treat Securities As a Commodity

bitrary, but conservative figures, you grant me that only 80% of the upper income families are financially able to invest; that 50% of middle income and only 10% of lower income families are able to invest, it would give us a figure of 1,288,224 family purchasing units financially able to invest.

Are you covering this market? The answer seems to be you haven't penetrated half of it. I say this on the authority of some other findings of the poll. We rather sneaked up on the sample, by asking those who had at one time bought stocks or bonds whether they would invest again. If they now had investments, we found they were only too anxious to tell us so. On this basis, we have 16% of adult Canadians who now own stocks or bonds. Projecting this figure indicates that only 545,280 households have investments, against our potential of 1,288,224. This would mean that you have tapped the potential market to the extent of only 43%!

I frankly don't know how good this figure is. It is based on very rough calculating and projections. Of one thing, I am certain, and that is that it is a conservative figure.

Based on the Brookings Institution study to which I have referred, Stewart Dougall & Associates, using entirely different techniques from those I used, estimate that 42% of the families in United States are financially able to invest, and I assume this figure would include the subsistance populations in the South. Using the process I did, we arrived at a comparable figure of 38% for Canada, so, if anything, I feel we are on the low side.

So there is a large potential of new customers. But going out and getting new customers is only one way of expanding a market. To continue our analogy from mercantile fields, there are two other ways.

One such additional way is to increase the quantities of the product used by present customers. In your terms, this would mean enlarging the portfolios of present investors where you felt such a step would be in the best interests, and within the capabilities of that customer.

Increasing Investment Turnover

A third way of expanding the market, beside finding new customers, and increasing quantities used by present customers, is to increase the number of uses to which a product can be put. In your terms, again, this would mean increasing turnover by reviewing the portfolios of customers, and revolving or amending them when such changes would be in their interests. I don't, of course, advocate switching for the sake of switching. But it would

Fred Griffin, *Greenshields & Co. Inc.*, Montreal; Harry Gassard, *Investment Dealers' Association of Canada*, Toronto; R. G. McCulloch, *Osler, Hammond & Nanton*, Winnipeg, Man.; D. J. McDonald, *Osler, Hammond & Nanton*, Winnipeg, Man.; Charles N. Mawer, *McLeod, Young, Weir & Company, Ltd.*, Calgary, Alta.

Gordon H. Powis, *James Richardson & Sons*, Saskatoon, Sask.; N. F. Elsey, *Wood, Gundy & Company, Ltd.*, Calgary, Alta.; Roy Beale, *Wood, Gundy & Company, Ltd.*; Regina, Sask.; W. V. Warner, *James Richardson & Sons*, Edmonton, Alta.; W. D. Ebbels, *Houston, Willoughby & Co., Ltd.*, Regina, Sask.; A. G. Thompson, *James Richardson and Sons*, Winnipeg, Man.

be interesting to know, (and here is a simple bit of research you could quickly do yourselves) what percentage of your customers have held portfolios static during the last, say, five or 10 years. During this time, think of what has happened to Canadian development, in the fields of aluminum, iron, oil, uranium, construction, manufacturing, the Seaway itself, and all the branching, corollary activities such major developments stimulate.

Step 3: Analyzing the Market: To recap, quickly, you will recall that organization of my remarks was under four consecutive headings, first of which was studying the product, second, locating and defining the market and third (where we are now), studying it to find out attitudes of people constituting this market. Just a couple of points under this heading. A few minutes ago, I told you that our National Poll found that some 45% of the adult population had **ever** invested in stocks or bonds. We asked this group: "Were you satisfied to the point that you would invest again?"

Results indicate a fairly healthy situation. Taking these investors as 100%, we find that:

70% say "Yes," they would invest again.

16%, as mentioned, told us they were still investors.

3% weren't sure and only 11% gave a categorical "No."

Not only are seven in 10 of the investing public satisfied with the experience they had, but we find that people are anxious for reliable, objective information as to how to handle their money. This doesn't surprise me. Usually, when we ask people: "What is the greatest problem facing you or your family today?" the largest single group of answers falls under the general heading of money troubles. Moreover, recently we asked Canadians what they felt was the chief cause of quarreling between husband and wife, and again, we got the answer "money." So, in this special Poll, it was not surprising that we got a big "Yes" answer when we asked: **"Although the Polls show that financial worries are named as top problem by many people, the schools don't teach young people how to handle their money better. Do you think high schools should add this to their course of teaching or not?"** Approval ran all the way from 68% in the Prairies to 80% in Quebec, for a national total of 78%. Only 15% were definitely opposed to the idea.

Step 4: "How Does Our Present Sales and Promotional Effort Stack Up Against the Facts We Have Learned from the Preceding Three Steps?"

One obvious answer lies in the vast untapped market to which I have referred—the fact that your sales efforts have left 57% of the potential market untouched.

I was sincerely and tremendously impressed by the sales promotion display which I glimpsed in Toronto, and studied more fully here yesterday. Frankly, five years ago, I wouldn't have believed that investment dealers would have achieved what they have, or what some houses have, by way of direct mail literature.

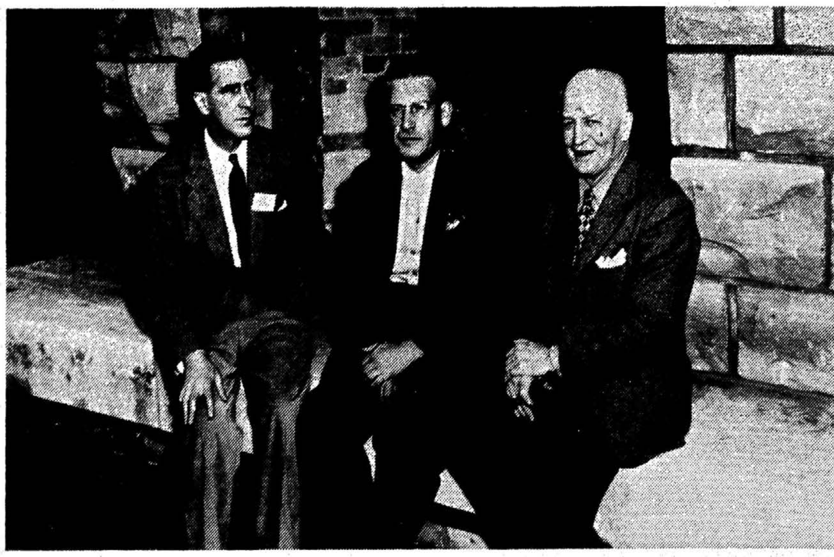
All this is excellent. You have established a pattern. But there is work to do. Just to see how many rank-and-file people were aware of the existence of your various firms, we had our interviewers put this question to people in communities of 10,000 population or more: "Do you happen to know the names of any investment dealers in this city?"

I hope the results don't shock you. The fact is that 70% of the people in these communities, know of no investment dealer as such. Another 4% said they did, but were unable to give us the names. Only 26% could give us the names of any investment dealers in their community. I haven't had an opportunity of seeing how many of these names are properly definable as investment dealers, so the 26% figure is the maximum.

I said there was work to do. We asked our sample: "Has anyone ever tried to sell you stocks or bonds by personal call or telephone?" Two-thirds (67%) said "No," they had never been asked to buy stocks or bonds. Less than one quarter (24%) said they had been approached. Maybe there is nothing you can do about this on the narrow margin on which, I know, you operate, but certainly insurance companies could not keep in business with this kind of sales record.

To summarize: In the past 20 minutes here is what I have tried to do. I have taken the four elementary steps usually used in mercantile merchandising, and applied them to the investment business, treating securities as a commodity. I have indicated that the potential is a vast one, and that you have so far penetrated it to the extent of only 43% which I believe to be a maximum figure. I have tried to convince you that, although the work this association, and you as individual houses, have done in the past five years is very impressive and worthwhile, the fact is that you have, as individual firms, made yourself known even by name, to only about one-quarter of the people in your communities. This ties in with the fact that only about one-quarter of these people recall ever being asked to buy securities.

Mr. & Mrs. Roy Meredith, *Ringland, Meredith & Co., Ltd.*, Lethbridge, Alta.; Mrs. Grahame Johnson, Montreal; A. J. Barker, *Thomas B. Read Company, Ltd.*, Vancouver, B. C.; Mr. & Mrs. J. E. MacDonald, *Pemberton Securities, Ltd.*, Vancouver, B. C.



A. I. Matheson, *Dominion Securities Corpn. Ltd.*, Montreal; C. E. Jolly, *Dominion Securities Corpn. Ltd.*, Toronto; J. M. Duff Wood, *Fry & Company*, Toronto

Continued from page 9

Canada's Rank Among Industrial Nations

States of iron ore may [soon] . . . meet one-quarter of the requirements of the American steel industry working at full capacity." These are facts that we must keep in mind. They indicate the extent to which the economies of Canada and the United States are complementary. They must not, however, blind us to the fact that, as Canada develops, the proportion of manufactured goods to raw materials will grow steadily, and that many of these manufactured goods will be competitive with those of the United States rather than complementary. Canada, like the United States, is therefore vitally interested in the development of multilateral trade and looks on its mutual trade with this country as the central core of a widely spreading network.

This core which is the material embodiment of the mutual friendship and economic interdependence of our two countries, is of tremendous importance. I have already mentioned that the Imperial Preference of 1897 was, in a sense, Canada's declaration of independence from the United States; and, in 1931, by the Statute of Westminster, Canada declared its independence of Great Britain. Canada is an independent nation, visibly on the march, as I have suggested to you. But we must never lose sight of the fact that it shares this continent with the United States. The recent Paley Report, which emphasized the inadequacy of American supplies of certain basic raw materials, should have had a more extended appendix, indicating the extent to which Canada could fill that gap. If we look at our physical resources in continental, rather than national pattern, there are very few things that North America lacks, but we share more than physical resources. We share something that, with not too much stretch of the imagination, can be called the same language; we inherit the same literary traditions, so far as English-speaking Canadians are concerned; and all Canadians and Americans, no matter what their national ancestry, share the same ideals of individual freedom and of human dignity.

In partnership, Canada and the United States constitute the last great bulwark of human freedom and opportunity in a world that is growing steadily more restricted and troubled. I might quote from another poem that Rudyard Kipling wrote during that same Diamond Jubilee period:

"For my house and thy house
no help shall we find
Save thy house and my house—
kin cleaving to kind;
If my house be taken,
thine tumbleth anon.
If thy house be forfeit,
mine followeth soon."

No man in North America dare gainsay the truth of those words. But we do not always act in that spirit. A few months ago, speaking before the International Municipal Congress that was meeting in Montreal, the Prime Minister of Canada pointed out: "We as an exporting nation do not relish being regarded as marginal supplier, cut off, whenever the going is tough for those with whom we happen to be competing; indeed, we want to be as sure as we can of a continued access to the markets we have established over so many years; we don't want to build up an industry to supply a particular need, and then have the market suddenly cut off without warning. And we don't want either to see the kind of ill will develop which that kind of action inevitably creates. . . . We Canadians ask for as free a trade with the United States as can reasonably be achieved without upsetting your or our economy: we ask for no special favors that you would not grant to the rest of the free nations, but we would like to feel that we know where we stand in our commercial relations with each other, as in every other aspect of our relations, and we would like to be sure we are not standing on sands that are apt to shift between one season and another."

Canada and U. S. Trade Policy

In a similar context, the Canadian Manufacturers Association, after carefully studying the problem, last autumn placed its finger on several aspects of the policy of the United States in the field of foreign trade that cause disquiet to Canadian exporters, and I should like to put before you their five recommendations:

"(1) Further simplification of the U. S. Tariff Act of 1930, which could be accomplished by—

"(a) Elimination of Section 402 (i.e., foreign value provision).

"(b) Relaxation of marking requirements on goods which are difficult or expensive to stamp with country of origin.

"(c) Establishment of simple but realistic basis for conversion of foreign currencies into U. S. dollars.

"(d) Elimination of consular invoices.

"(2) Elimination of U. S. import quotas.

"(3) Reduction of U. S. tariff rates on manufactured goods to the extent needed to give a small share of U. S. domestic market to foreign producers.

"(4) Cancellation of 'Buy America Act.'

"(5) Cancellation of legislation dealing with Cargo Preferences."

These critical remarks have already found an echo among thinking businessmen in the United States, and the Report of the Commission on Foreign Economic Policy under the chairmanship of Mr. Clarence B. Randall has already taken cognizance of them. Indeed, President Eisenhower in his recent recommendations to the Congress has stated that the program of the Government of the United States "consists of four major parts: *Aid*—which we wish to curtail; *Investment*—which we wish to encourage; *Convertibility*—which we wish to facilitate; *Trade*—which we wish to expand."

With every part of this program Canadians are in heartfelt accord, and the collaborations of our two countries in creating "The Joint United States-Canadian Committee on Trade and Economic Affairs" is evidence of that harmony of opinion. This is, I think, the first time in our history that Canada and the United States have set up a joint committee to deal with economic matters and appointed as their representative members, senior members of the Cabinet from Ottawa and Washington, but the tradition of collaboration and discussion is an ancient one. Boundary disputes have long been referred to the Standing International Boundary Commission; while an International Joint Commission settles problems arising in conection with the waterways along our common frontier. Early in the recent war we created a Permanent Joint Board on Defense, and more recently a Joint Industrial Mobilization Committee.

I emphasize this tradition and the collaborative attack on our present problems because the fundamental solution of problems that create friction between Canada and the United States does not depend upon the detailed phrasing of an Act of Parliament or the clauses of an Act of Con-

Maitland D. McCarthy, *Carlile & McCarthy, Ltd.*, Vancouver, B. C.; S. G. Stamford, *Guildhall Securities, Ltd.*, Montreal; Allan Turney, *Locke, Gray & Co.*, Calgary, Alta.; D. B. Creighton, *Nesbitt, Thomson and Company, Ltd.*, Montreal

Mrs. G. E. Wootten; H. J. Bird, *H. J. Bird & Company, Ltd.*, Vancouver, B. C., Canada; Andrew L. Anderson, *Anderson & Company, Ltd.*, Toronto; Mr. & Mrs. Paul Flemming, *Flemming & Co.*, Toronto; G. E. Wootten, *Western City Company, Ltd.*, Vancouver, B. C.

gress. These can be changed easily if we wish to do so. The fundamental thing, the important thing, is our attitude of heart and mind. As I have tried to point out, our trade with the United States is vital to the prosperity and welfare of Canada. We want to maintain it on a stable basis for that reason. We want to maintain it on a stable basis because we feel that close kinship with the United States that we feel with our fellow nations of the British Commonwealth. We enjoy our friendly partnership with you.

Does the United States share that conviction? Does the average citizen of this great country recognize that the events of the 20th century make the United States just as dependent on Canada as Canada is dependent upon the United States? Does it recognize that Canadian imports to it are as significant in the pattern of its economy as are the American exports to Canadian life? Or, as we who are north of the border sometimes fear, does the American climate of opinion regard Canadian trade as a luxury that may be reduced or cut off if it seems to interfere in any way whatsoever with the prosperity of any American producer, no matter where his costs may stand in relationship to his competitors?

This is not primarily a political question to be debated in legislative halls. We are concerned here with the fundamental ideals and prejudices of every thinking individual. Only in the hearts and minds of men, Americans and Canadians alike, can that partnership, on which so much the fate of the world depends, be cemented. Only in that kind of whole-hearted and enduring partnership can we both augment our strength to invincibility, and yet preserve in each of our houses that individuality which characterizes our separate inheritances. Only in that kind of whole-hearted and enduring partnership can each of us say to the other that, as long as the world endures:

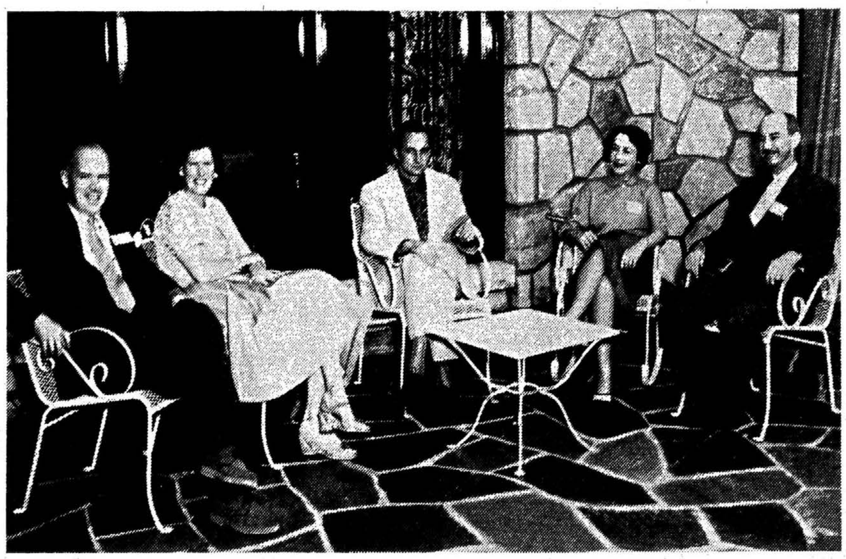
"I shall know that your good is mine: ye shall feel that my strength is yours:
In the day of Armageddon, at the last great fight of all,
That our houses stand together and the pillars do not fall. . . .
Go to your work and be strong, halting not in your ways,
Baulking the end half-won for an instant dole of praise.
Stand to your work and be wise—certain of sword and pen,
Who are neither children nor Gods, but men in a world of men."

Display of Public Relations Material At the Convention

The following firms contributed to the display of advertisements, booklets, folders and other mailing pieces on view during the Convention:

A. E. Ames & Co. Limited
Bankers Bond Corporation Limited
Burns Bros. & Denton Limited
Cochran, Murray & Co. Limited
R. A. Daly Co. Limited
Deacon Findley Coyne Limited
Dominion Securities Corpn. Limited
Equitable Securities of Canada Limited
Gairdner & Company Limited
John Graham & Company Limited
Greenshields & Co. Inc.
Harrison & Company Limited
L. S. Jackson & Company Limited
A. M. Kidder & Co.
Kippen & Company Inc.
Rene-T. Leclerc, Inc.
Mackellar Securities Limited
McLeod, Young, Weir & Company Limited
Merrill Lynch, Pierce, Fenner & Beane
Midland Securities Corpn. Limited
Nesbitt, Thomson and Company, Limited
Osler, Hammond & Nanton Limited
W. C. Pitfield & Company Limited
Playfair & Company
James Richardson & Sons
Ross, Knowles & Co. Limited
Royal Securities Corporation Limited
Walwyn, Fisher & Co.
Wood, Gundy & Company Limited

Mr. & Mrs. Jack Plewman, *Gairdner and Company, Ltd.*, Calgary, Alta.; Mr. & Mrs. Philip A. Wootten, *The Western City Company, Ltd.*, Vancouver; Andre La Flamme, *J. E. La Flamme, Ltee.*, Quebec, Que.



Mr. & Mrs. Doug Armour, *Brawley, Cathers & Company*, Toronto; George C. Stewart, *Royal Securities Corporation, Ltd.*, Toronto; Mr. & Mrs. T. Gordon Crotty, *Merrill Lynch, Pierce, Fenner & Beane*, Toronto

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CREIGHTON, D. B.
Nesbitt, Thomson and Company, Ltd., Montreal

CROTTY, GORDON*
Merrill Lynch, Pierce, Fenner & Beane, Toronto

CUNLIFFE, GUY S.
"The Gazette," Montreal

DAKIN, Jr., W. A.
Osler, Hammond & Nanton Limited, Regina

DALY, Jr., R. A.
R. A. Daly Co. Limited, Toronto

DEACON, F. C.*
Deacon, Findley Coyne Limited, Toronto

DILL, C. J.*
Royal Securities Corpn. Limited, Vancouver

DILLON, J. M.
Carlile & McCarthy Limited Calgary

*Denotes Mr. and Mrs.

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Wood, Gundy & Company Limited, Vancouver

DUGGAN, ERIC M.*
D. M. Duggan Investments Limited, Edmonton

EBBELS, W. D.
Houston, Willoughby & Company Ltd, Regina

EDGE, W. A.
Investment Dealers' Association, Montreal

EDWARDS, J. C.*
Matthews and Company, Toronto

ELSEY, N. F.
Wood, Gundy & Company Limited, Calgary

ERTL, E. C.*
"Financial Times," Montreal

EVANS, F. O.*
McLeod, Young, Weir & Company Ltd., Toronto

EVANS, W. J. S.
Guildhall Securities Limited, Montreal

FARNSWORTH, H. R.
Royal Securities Corpn. Limited, Calgary

FERGUSON, J. R.*
Nesbitt, Thomson and Company, Ltd., Montreal

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Walwyn, Fisher & Co., Toronto

FISHER, P. M.*
A. E. Ames & Co. Limited Montreal

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Flemming & Company, Toronto

FRASER, G. LYALL*
Western City Company Limited Vancouver

GARDNER, G. R.
Osler, Hammond & Nanton Limited, Calgary

GASSARD, H. L.*
Investment Dealers' Association, Toronto

GENDRON, JEAN
J. T. Gendron Inc., Quebec

GINGRAS, GERARD*
Rene T. Leclerc Inc., Montreal

GORDON, A. S.
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GRAHAM, C. T.*
Waterloo Bond Corporation Limited, Kitchener

GRENIER, Brig. J. N. E.
Grenier, Ruel & Cie Inc., Quebec

GRIFFIN, F. E.
Greenshields & Co. Inc., Montreal

GUNN, N. H.
Bell, Gouinlock & Company, Toronto

HALL, CARL I.*
Hall Securities Limited, Vancouver

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Royal Securities Corpn. Limited, Calgary

HANLEY, P. K.*
C. C. Fields & Co., Toronto

HANSON, T. R.*
Burns Bros. & Denton Limited Toronto

HENDERSON, JAMES*
Dominion Securities Corpn. Limited, Montreal

HENLEY, G. A.*
Western City Company Limited Vancouver

HERMAN, H. G.*
A. E. Ames & Co. Limited, Calgary

HERRNDORF, H. H.
Herrndorf Securities Limited, Winnipeg

HEYWOOD, GEO.
James Richardson & Sons, Vancouver

George M. Wilson, *Equitable Securities of Canada Ltd.*, Toronto; Yvon Phenix, *Geoffrion, Robert & Gelinas*, Montreal; H. R. Farnsworth, *Royal Securities Corp., Ltd.*, Calgary, Alta.

Louis Robert, *Geoffrion, Robert & Gelinas*, Montreal; Mrs. Clark C. Kinnear, Montreal; Mr. & Mrs. David Howes, *Harris & Partners, Ltd.*, Toronto

HILL, J. E.*
Royal Securities Corpn. Limited, Winnipeg
HOWARD, R. P.*
Gairdner & Co. Limited, Toronto
HOWES, DAVID L.*
Harris & Partners Limited, Toronto
HUDSON, W. F.
Brink-Hudson Securities Ltd., Vancouver
HUGHES, F. N.
James Richardson & Sons, Toronto
HUNTER, HOWARD W.*
Equitable Securities Canada Ltd., Toronto
JARVIS, JOHN*
Bankers Bond Corporation Limited, Toronto
JARVIS, R. A.*
McLeod, Young, Weir & Co. Limited, Toronto

*Denotes Mr. and Mrs.

JOHNSON, GRAHAME*
Credit Interprovincial Limitee, Montreal
JOLLY, C. E.*
Dominion Securities Corpn. Limited, Toronto
KERNAGHAN, E. B.
Kernaghan & Co. Limited, Toronto
KILBURN, Peter*
Greenshields & Co. Inc., Montreal
KINGSMILL, J. A.
Investment Dealers' Association, Toronto
KINNEAR, E. F. C.*
W. C. Pitfield & Company Limited, Montreal
KIPPEN, BRUCE
Kippen & Company Inc., Montreal
KIRK, A. Allan*
Equitable Securities Canada Ltd., Toronto

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Wood, Gundy & Company Limited, Winnipeg
KUHNER, R. W.
Dominick Corporation of Canada, Montreal
LAFLAMME, ANDRE
J. E. Laflamme Limitee, Quebec
LAMB, J. G.
A. E. Ames & Co. Limited, Vancouver
LANG, A.*
Merrill Lynch, Pierce, Fenner & Beane, Toronto
LANGFELDT, K. S.*
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MacTier & Co. Limited, Montreal
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Gairdner & Co. Limited, Vancouver
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Dominion Securities Corpn., Limited, Toronto
MacDONALD, J. E.*
Pemberton Securities Limited, Vancouver
MacKEE, JAMES*
Victoria Securities Limited, Vancouver
MacKEE, J. L.*
Nesbitt, Thomson and Company, Ltd., Vancouver
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Toole Peet Investments Limited, Calgary
MacKNIGHT, J. A.
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Eastern Securities Limited, Saint John
McATEER, E. H.
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"The Financial Post," Toronto
MADDIN, C. A.*
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MALLON, F. P.
Harrison & Co. Ltd., Toronto
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Dominion Securities Corpn. Limited, Montreal
MAWER, C. N.
McLeod, Young, Weir & Company Limited, Calgary

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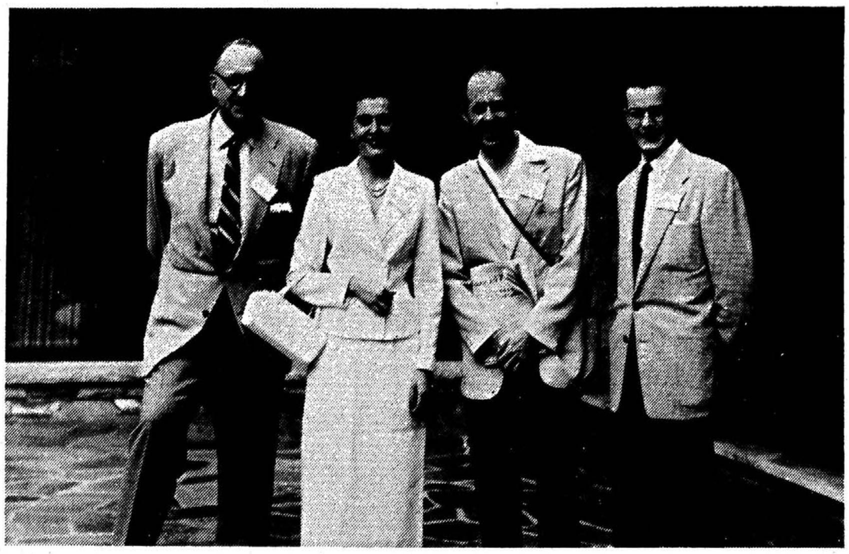
N. D. (Jack) Young, *Dominion Securities Corpn. Ltd.*, Toronto, newly elected President of the Investment Dealers' Association of Canada; Mrs. N. D. Young



Andrew S. Beaubien, *L. G. Beaubien & Co. Ltd.*, Montreal; Mr. & Mrs. Rodolphe B. Casgrain, *Casgrain & Co., Ltd.*, Montreal; C. E. Wiltshire, *Greenshields & Co. Inc.*, Montreal

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MILNER, A. J.
Mills, Spence & Company, Toronto

MOORHOUSE, J. C.
Deacon, Findley, Coyne Limited, Toronto

MUDGE, LOUIS
International Bank, New York

MURPHY, H. E.
"Commercial & Financial Chronicle," New York

MURRAY, J. R.*
A. E. Ames & Co. Limited, Winnipeg

NARES, G. P.
James Richardson & Sons, Victoria

NATION, G. H.*
Dominion Securities Corpn. Limited, Victoria

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Geoffrion, Robert & Gelinas Inc., Montreal

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POWIS, G. H.
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F. J. Brennan & Company Limited, Moncton

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"Court Reporter," Montreal

REID, A. K. G.*
Western City Company Limited, Vancouver

RHUDE, FORBES
"The Canadian Press," Toronto

ROBERT, LOUIS
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*Denotes Mr. and Mrs.

Hal Murphy, *Financial Chronicle*, New York City; Edward B. Kernaghan, *Kernaghan & Co., Ltd.*, Toronto; Rex Stevenson, *Nesbitt, Thomson and Company, Ltd.*, Edmonton, Alta.

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SAMIS, J. C.*
Samis & Co. Limited, Vancouver

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E. M. Saunders Limited, Toronto

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SHAW, D. B.
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Wood, Gundy & Company Limited, Toronto

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Nesbitt, Thomson and Company, Ltd., Edmonton

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Royal Securities Corpn. Limited, Toronto

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A. E. Ames & Co. Limited, Toronto

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Burns Bros. & Denton Limited, Winnipeg

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Guildhall Securities Ltd., Montreal

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Carlile & McCarthy Limited, Calgary

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James Richardson & Sons, Winnipeg

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THOMSON, WM. E.*
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Collier, Norris & Quinlan Limited, Toronto

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Wood, Gundy & Company Limited, Vancouver

TRIGGER, RAYMOND
"Investment Dealers' Digest," New York

TURNEY, A. H.
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James Richardson & Sons, Toronto

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Walwyn, Fisher & Company, Toronto

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Nesbitt, Thomson and Company, Ltd., Regina

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Fry & Company, Toronto

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Charles H. Burgess & Company, Toronto

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Western City Company Limited, Vancouver

WOOTTEN, G. E.*
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WRIGHT, R. K.*
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