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# Canada Set to Resume Growth Trend

By N. D. YOUNG*

Dominion Securities Corporation, Ltd., Toronto, Ont.
Retiring President, Investment Dealers' Association of Canada

**After listing significant factors in Canada's economic background during past year, Mr. Young gives favorable view of the outlook for 1955, and sees a resumption of the growth trend in Canadian economy. Covers in his report such matters as Canadian fiscal and monetary policies, interest rate trends, prospective financing, and Canadian bonded indebtedness. Concludes, basic problem of investment fraternity is to reconcile people to "that limited factor of risk essential to enlightened private enterprise."**

In retrospect 1954 turned out to be, on the average, a better year than was expected and despite the recessionary influences apparent in the first quarter and despite a disappointing crop in the Fall, the total of our Gross National Product was $24 billion, about 2% lower than the peak year of 1953 but still, in the aggregate, the second best year in our history.

N. D. Young

Such aggregate figures and measurements, however, masked many divergent trends within the economy itself. Activity in some areas was much reduced, in others relatively stable and in still others was expanding rapidly. Prosperity was selective in its application.

Among the significant factors in the year's results were:

(a) A continuing rise in population—the increase being about 3%.

(b) A decline of only 1% in the average of those employed and yet a significant rise in the amount of unemployment as the labor force continued to expand.

(c) A gain of about 2% in labor income, despite the smaller number of employed, and reflecting higher wage rates in many areas.

(d) A gain of more than 3% in consumer expenditures—the service industries reflecting significant gains while expenditures on durable goods were down.

(e) A reduction of almost 25% in farm output as a result of a virtual failure in our wheat crop. Grain shipments, too, were off.

(f) A decline in personal saving of the order of about 14% combined with some increase in credit outstanding.

(g) Capital investment was off about 6% but still totalled almost 23% of our Gross National Product. Within the total, expenditures for housing were significantly larger. Alternatively, expenditures by business on new construction and machinery and equipment were lower.

(h) Business inventories continued the decline begun late in 1953 until about mid-year. This was associated with some decline in defense expenditures and was one of the important reasons for the decline in output.

Slackness began to appear in the final quarter of 1953 and carried through the first half of 1954. Trends in the Summer were somewhat indecisive but seemed to indicate a firming in the non-agricultural sector. By the final quarter, non-farm output was rising rapidly and for the year as a whole was about even with 1953. Fortunately, confidence remained strong during the early part of the year and the pattern of slackness did not become cumulative.

### Outlook for 1955

For 1955, prospects seem to indicate a resumption of the growth trend in the Canadian economy. Consumer expenditures appear to continue at a high level. Capital investment is estimated to be $5.8 billion, some 4% higher than in 1954. Business inventories are again being accumulated. The trade outlook, although not all we could hope for, seems to be promising. The "official" view as contained in the budget speech of the Honorable, the Minister of Finance, suggests a Gross National Product for 1955 of about $25.2 billion. Starting from the levels of 1954 it is apparent that a rather steeply rising trend of business activity and output is expected in order to produce that average for the year.

### Fiscal Policy

Whether an output of this magnitude proves possible or not, Governmental fiscal and monetary policy is aligned to facilitate its accomplishment.

The Minister of Finance in his budget brought down on April 6, tabled the first post-war budget which contemplated a deficit. In so doing he announced a small modicum of tax cuts on both personal and corporate income which, during the current fiscal year, will total some $148 million ($207 million on a full year basis). These tax reductions and the estimated deficit (including the Old Age Security Fund) which totals about $160 million, are meant to facilitate the economic recovery now underway and to regain a higher level of employment. This is contra-cyclical budgeting in operation, and embraces the concept that although a balance of revenue and expenditures is desirable in the long run, a balance in any year is not necessarily "right," the objective in the short term being either a surplus or a deficit aimed at smoothing the rate of economic growth.

### Unemployment

During this past year and currently, unemployment is one of the major social and political problems. For much of the postwar period Canada was in a condition of virtual over-employment, that is, there was more work than workers and the net increase in our labor force resulting from our increased population was easily absorbed. The hesitation in our rate of expansion and the difficulties encountered in some specific areas and industries, as a result of increasing competition both within the country and from abroad, has slowed the creation of job opportunities and has increased the number of unemployed.

That we have been able to weather the recessionary influences of the last year with only an average reduction in those employed of about 1% is cause for satisfaction. It is little satisfaction, however, for those seeking work.

The peak unemployment of 401,000 seems to have occurred in March and was some 80,000 greater than the same month of the preceding year.

It would be unrealistic to expect that Canada's expansion could progress at an even rate indefinitely and not be subject to recurring spurts and periods of marking time. Similarly it would be unrealistic to expect that we could continually and always have enough jobs for all those wanting to work, particularly in a country where, as yet, the seasonal employment factor is high. This in no way alleviates our responsibility to continue to try to provide a high level of employment and income. Further, it is not purely a government problem but one that requires the best attention of business and of labor itself. Employment basically is a matter of production and its distribution and in Canada, where we can be so adversely affected by offshore developments, we lose sight of competitive costs at our peril. Flexibility should be one of the cardinal principles governing our actions. The unemployment problem and its relief is to be given an important place on the agenda of the forthcoming Federal-provincial conference.

### Monetary Policy

During 1954 and so far in 1955 monetary policy has been directed toward easier credit and an encouragement to enterprise. Cash reserves of the banking system have been more than ample to meet the demand for loans that was forthcoming and allowed a considerable expansion in the banks' security holdings. In addition, the effect of the government's deficit for the year ending March 31, 1955 was to add to the liquid holdings of the public.

The result of these developments was a substantial decline

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*Address of Mr. Young at the 39th Annual Convention of the Investment Dealers' Association of Canada, June 17, 1955.

# Atomic Power Needed to Meet Canada's Energy Needs

By O. B. FALLS, JR.*

Marketing Manager, Atomic Power Equipment Dept.
General Electric Company, Schenectady, N. Y.

**Mr. Falls, predicting a 250% increase in installed electrical generating capacity for Canada by 1975, says this is going to demand the aid of atomic power plants. Foresees rapidly growing rate in the use of nuclear power generating plants in both U. S. and Canada, and gradual reduction in costs of atomic power application. Looks for increase in Canadian uranium production.**

I would like to discuss with you the broad effects of peactime atomic power on the industry and economy of the United States and Canada. As you can well imagine, this is a large order. Any statement about coming events has to be speculation. In this instance it is speculation into which has been poured — and will continue to be poured — a great deal of time, money, and scientific research, but it is still speculation. However, it is accompanied by the most sincere and flattering form of relief — many people in both our countries are investing a great deal of money on the assumption that at least the general outlines of our speculations will come true.

O. B. Falls, Jr.

Naturally, I do not set myself up as an expert on Canadian economy. You people here probably number among the top experts in *that* field, making any analyses of mine even more superfluous. Most of my information is based on studies made by people in the United States about conditions in the United States.

However, since our economies have long paralleled each other to a certain extent, I feel that our findings will present, with certain modifications, the general outlook for Canada. Besides, you might be interested in hearing some of our plans just for comparison.

Before we get into the actual discussion of the future of atomic power, however, I would like to show you a motion picture to set the stage for my remarks. This film, "A is for Atom," is a very basic approach to the theory of nuclear fission and its various applications, including power generation and other peacetime uses. It is interesting to note that in this motion picture, which was released only two years ago, the mention of power generation was qualified very strongly. This will give you some idea of how rapidly progress has been made in the design of practical atomic power plants.

Incidentally, this film, produced by the General Electric Company, has won a Golden Reel Award at the Film Council of America film festival, among other honors. It has also been shown at commercial motion picture houses as an educational aid for the general public.

"Where does atomic energy fit into our economic structure as we know it today and as we project it into the next two decades?" This question is becoming more and more insistent whenever there is a discussion about power, industry, or investment. I feel, however, that the word "atomic" shifts the center of interest away from where it properly belongs. "Energy" is the key word. Atomic energy is important only because all energy is important, for upon abundant energy, I believe, rests the foundation of our tremendous productivity, and upon productivity is dependent our whole standard of living. In both the United States and Canada we have used energy to develop the highest standards of living in the world—furthermore they are standards of living which are regarded not as achieved levels, but as directional signals—always pointing upward. In our two countries, we have expanding, dynamic, economies, whose very basis is growth.

Now just where do we use energy? We use it in transportation, in process heat (such as furnace annealing), in comfort heat (home use) and in production of electricity. If we are to *continue* to improve our standard of living it is essential that we supply continually increasing quantities of energy.

How does one get a good perspective on our increasing rate of using energy? Let us return to our concept that energy is used for transportation, heat, and production of electrical power. A hundred years ago we did most of our work of transportation by foot, by sail, and by horse. These modes of travel were almost wholly dependent on the day-to-day supply of the sun's energy. Our heating was mostly by wood and by the sun's direct rays—again dependent on the current supply of sun's heat. Electricity was just a laboratory curiosity.

In the space of only a century we have literally completely freed ourselves from sole dependence on day to day or year to year supplies of energy, received from the sun. We have done this, though, by cutting deeply into resources of chemical energy—coal, oil and gas laid down over millions of years of the Earth's existence.

We have been living high off accumulated capital energy in the tremendous reserves of coal, oil and gas. Rates of extraction of these non-renewable fuels—fossil fuels—have been unbelievable.

### The Future Role of Atomic Energy

Of course, since I am actively engaged in the atomic field, I cannot help but feel that the dynamism and growth to which I have just referred will be accelerated by the use of atomic energy to supply the necessary power, but at this stage of the game, perhaps it is better to regard atomic energy as an answer to an existing or foreseeable need rather than as a key to unlocking further development of our economies, although it will also do that without a doubt.

What are some of the forces which will create a continuation of this seemingly insatiable demand for power? First of all, world population is growing at a tremendous rate. Available information suggest that estimates of a 6 to 8 billion world population in the year 2050 is a conservative figure. Six billion is almost two and one half times the present world population.

Secondly, the standard of living of all countries is on the rise. By that I mean not only the actual standards of living, but also the ideal or desired levels of living as projected goals is far above the mere subsistence or marginal-subsistence level which exists so prevalently today.

The West's answer to this situation is increased production, based on a wider utilization of energy —an expansion of goods and markets. Russia's answer, up to now, has been the enforcement of a socio-political system, which consists largely of rechanneling existing goods and services. We have seen this system lead to a contraction of economies, and the resultant dissatisfaction of subjucated peoples. However, there is every indication that Russia, too, is engaged in the application of atomic energy to power generation. One of our main goals now should be to see to it that communism *plus* atomic power do not convert the world where communism alone has failed.

Political considerations aside for a moment, what does the growth in population and the rise in living standards mean to the economies of countries like the United States and Canada? Let me give you a few figures from ten-year estimates for the United States, keeping in mind always the traditional parallel growth of our two countries.

**Gross National Product**—up 37%.

**Bureau of Census Estimate**—population up 14%.

**Federal Reserve Board Index of Industrial Production** — up 43%.

**Purchasing**—(disposable income) —up 42%.

Translated into energy-power terms this vast economic structure will be sustained by one trillion, forty billion kilowatthours of electricity—a 250% increase over the 1954 rate of electrical consumption! Lest you think that this is just Yankee exaggeration, Mr. W. J. Bennett, President of Atomic Energy of Canada, Limited, has released figures indicating a *250%* increase in Canadian installed electrical generating capacity by 1975—and we feel that this is a conservative estimate.

Where is all this power coming from? Naturally, for some time to come, much of it—in fact, most of it—will be supplied by conventional power generation sources, such as steam and hydro-electric installations. However, if we are to broaden continually the production base of our standard of living, we must take a hard look at our present sources of power. Palmer Putnam, author of the book "Energy in the Future," states that "the reserves of such 'low cost' capital energy as the fossil fuels (coal, oil, gas, etc.) are small by comparison with the maximum demands."

If "flow cost" energy is going to determine our very economic life, then in the next 25 years, conventional fuels will have to carry more load than reports indicate they are capable of carrying. The hypothetical power systems of the future, in the main, can be supported only by a dramatic new source of energy.

Although you in Canada have large reserves of fossil fuels, and much untapped water power, your great spaces put you in much the same situation as we are, since transportation and transmission problems tend to lower the eco-

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*An address by Mr. Falls at the 39th Annual Meeting of the Investment Dealers' Association of Canada, Murray Bay, Quebec, Can., June 17, 1955.

# Role of Debt Management in Canada's Economy

By HON. WALTER E. HARRIS*

Minister of Finance, Dominion of Canada

**Canada's Finance Minister praises accomplishments of the Investment Dealers' Association of Canada in support of the nation's war financing and in building up the Canadian economy. Approves the investment dealers' educational program, and urges continuation of efforts to meet Canada's capital demands. Calls attention to broadening the market for Canadian Treasury bills, and calls for a co-ordinated fiscal, monetary and debt management policy. Reveals changes in Canadian Federal Debt in last two decades, and concludes by reviewing general economic conditions in Canada.**

Hon. W. E. Harris

I recently had an opportunity to peruse the text of an address delivered to members of this Association several months ago by your President, Mr. Young. He reviewed in interesting fashion the history and accomplishments of the Association over a period of 40 years. I agree that you have good reason to be proud of your record. The efforts of our investment dealers in gathering up the supply of savings generated from the sensible thrift of our population and in directing these savings to places where they can be most usefully employed have been of great importance in the rapid development of our economy. The efficient employment of our capital resources has made a basic contribution to a rising standard of living. We are all too prone to take for granted the market mechanics and disciplines which underlie our material progress.

From the government's point of view, Mr. Young's review made almost too brief a reference to the oustanding efforts of members of your Association in support of the National War Finance Committee during the War. The widespread ownership of our debt achieved during the Victory Loan campaigns undoubtedly encouraged a sense of public responsibility toward public finance which has continued in evidence during the postwar period. The intelligent promotion of thrift during the war years and in our subsequent Canada Savings Bond campaigns has played an important part in stimulating the high rate of saving in the past decade and this has underwritten the great surge of capital development across Canada. While these results of your efforts are not susceptible of precise measurement, nevertheless they have had profound influence on Canadian character and enterprise.

### The Educational Program

I want to congratulate your President and the Association on your willingness to place major emphasis on an Educational Program designed to promote better understanding both within your own firms and among the investing public of the functions and importance of security markets. A well-conceived Educational Program can do a great deal to interpret and clarify the functions and objectives of your Association. It will encourage creative ability and also good constructive criticism, both of which are essential ingredients in building more efficient markets. Looking ahead, the rate of capital investment which will be required over the years to provide for Canada's growth is so great that we need to encourage the most efficient use of our domestic savings in every way we can. A progressive economy needs flexibility of capital and competition for capital. The key to both is a free and active market in outstanding securities and a free and active new issues market.

I said a moment ago that you can be justly proud of your record but none of us can afford to rest on his laurels. We must constantly prepare for new and growing demands. We are confronted with such substantial growth that it is difficult to become accustomed to the new magnitudes. I suspect that this is as true in the operation of trading markets and in the underwriting of new issues as it is elsewhere. We require sound judgment and the avoidance of unwarranted timidity. Bold, creative talents leavened by the mature judgment of the experienced will pave the way for accelerating progress in the development of our financial techniques.

### Canadian Treasury Financing

As Minister of Finance, I have an immediate interest in the continuing development of the market for government securities. Considerable progress has been made in recent years in broadening the market for short-term bonds. During the past year, very gratifying progress has been made in broadening the market for Treasury Bills and in the development of a money market which provides a short-term and highly liquid employment for surplus funds. The expanding market for Treasury Bills has enabled the government to increase substantially the total of Bills outstanding with important gains in terms of convenience and economy, but this is by no means the whole story. A broad and responsive market in government securities of all types and the existence of the machinery which makes such a market possible, helps to develop a better market for other securities and to channel funds where they are most needed. The Treasury Bill program provides a good illustration of the manner in which management of the public debt can make a constructive contribution in adding to market apparatus.

During the past decade there has been rapidly growing agreement among economists and market specialists that the most effect national program is one in which fiscal policy, monetary policy and debt management work in the same direction and re-enforce each other. Inappropriate policies in one field may nullify attempts to maintain appropriate policies in others; all three tools need to be coordinated. Canadian fiscal policy is placed in the spotlight by the annual presentation of the Budget to Parliament. Monetary developments are analyzed in the annual reports of Bank of Canada which are required reading for each of us, but there is surprisingly little attention devoted to the ramifications of debt management. As yet, there has not developed any generally accepted philosophy as to the role that debt management can and should perform in our economy. Our experience in living with a huge funded debt has been comparatively brief so that it is difficult to construct a series of principles. It is worth noting at this point that the burden of our national debt—that is, the relationship between the interest cost of servicing the debt and our gross national income — is now lower than at any time since the first World War.

There is general agreement that the major objective of debt management should be to contribute to the stability and growth of the economy. It is also agreed that consideration should be given to both the short run and the long range consequences of financing decisions. Nevertheless, the proper emphasis is worth finding.

### Changes in Canadian Federal Debt

In the past 20 years, important changes have occurred in the composition of the Federal debt. In 1935, 52% of the funded debt had a term to maturity over 15 years; in 1946 this long-term component had been reduced from 52% to 26% and, as of today, only 8% of the debt has a term to maturity over 15 years. This shift to a shorter average term may be attributed in part to an altered distribution of the ownership of the debt. Just prior to World War II, the banking system and government investment accounts held 25% of the outstanding debt whereas today these holders have approximately 45%.

Some may argue that the volume of bank-held debt is too large and that a substantial portion of it should be shifted to the portfolios of other investors. Others believe that the economy has now become adjusted to its enlarged money supply, that over a period of years our expanding economy will require an expanding money supply, and that it would be wrong to make any appreciable reduction in the bank-held debt because this would tend to cause a corresponding shrinkage in the money supply.

From the standpoint of the banking system itself, there are some obvious advantages in large holdings of government securities. The banks have need for substantial amounts of governments for liquidity purposes. The increase in bank holdings has

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*An address by Mr. Harris at the 39th Annual Meeting of the Investment Dealers' Association of Canada, Murray Bay, Quebec, Can., June 16, 1955.

# Major Trends in Canada's Economic Growth

By J. E. COYNE*

Governor of the Bank of Canada

**Mr. Coyne discusses as features of the economic growth and investment in Canada: (1) the size of the population; (2) the average productivity per man employed; and (3) the level of employment. Points out likelihood of adverse effects on Canada of recessions in large industrial countries, but holds view the effects will be diminished in future by less dependence of Canada on exports. Says financial growth will accompany physical growth of the Canadian economy, thus reducing the relative need for foreign capital. Looks to Canadian financial institutions to play large role in financing Canadian enterprises.**

As a central banker, I am more directly concerned with the securities of the national government than the other forms of investment in which institutions are interested. But central banks and investment institutions have a wider field of common interest. The objectives of monetary policy relate to the effective functioning of the economy as a whole. To carry out these objectives, it is necessary to study and keep in touch with the general level of activity in the economy, its structure and development, and particularly with aspects of economic growth and change. These same factors provide the environment in which your investment decisions have to be made. And besides such common interests, we have a reciprocal interest, for the activities of the central bank in the monetary sphere will directly or indirectly have a bearing on your investment activities, and these in turn will have an influence upon monetary policy, both in conception and in detailed operation.

J. E. Coyne

The title originally given to my remarks—"Investment in 1975"—may have been somewhat misleading. If it suggested that I know what your investment problems will be in 1975, it promised more than I can deliver. My subject could be better described as a review of some possible features of economic growth in Canada, with a speculative eye turned on potential growth over the next twenty years.

The Minister of Finance in his budget speech announced that the Government is going to appoint a Royal Commission to study the problems of the future economic development of Canada. The Commission will no doubt cover a very broad field, and look far into the future. I have no wish to trespass on their territory, and will do little more than touch on a few broad aspects in the course of this after-dinner speech. I come armed with more questions than answers, and am confident only of one thing, that the future, even the relatively near future of 1975, will turn out to be in many ways quite different from what we expect. Life would be very dull if it were otherwise.

*Address by Mr. Coyne, at the Annual Meeting of The Dominion Mortgage and Investment Association, Montreal, Can.

### Growth of Canadian Economy

In the field of economics and finance, we can see tremendous changes if we look back over past decades, and all the indications are that this will continue for many years to come. In building a picture of the growth of the Canadian economy, the first factor to consider is the size of the population. The population of the world is said to have doubled between the birth of Christ and the year 1750 A. D. It took only 140 years to double again, and only 70 years to double the next time, if we may project present trends to 1960. The population of Canada is rising at a faster rate than that. Even with an annual rate of increase somewhat lower than that of the last 10 years, it is not difficult to foresee a rise of 50% over the next 20 years. The increase will apparently be concentrated very largely in urban areas, if the proportion of the population living on farms continues the decline that has been apparent here for several decades, and even longer in the United States. Changes in the age distribution of the population and, within each age group, of the proportion entering the labor force will apparently balance off, so that the total Canadian labor force may also be projected as about 50% greater in 1975 than in 1955.

The second major factor in economic growth is the average productivity of the economy per man employed. Over the past quarter century in Canada this seems to have risen at about 2% per annum on the average, although individual years have shown marked departures from this, and the rate of increase of productivity has varied widely from one industry or occupation to another. From 1947 to 1953 the average rate of increase was 2.7% per man per year. The recent rapid progress in mechanization in agriculture, and the increase in overall productivity resulting from the shift in the proportions of the labor force engaged in agriculture compared with occupations with a higher product value per unit of labor input, have perhaps made recent figures of increases in productivity greater than can be expected in future. But advances in technology will continue, and in Canada we should also realize each year more of the economies of mass production for a growing domestic market. A straight projection of future increases in productivity per man employed at the rate of 2% per annum would produce a gross national product by 1975, at 1955 prices, of $55 billion, or more than double the amount indicated for 1955.

Such a projection contains an implicit assumption that hours of work will continue to decline at no more than the rate evident in recent years, about ½% per year. Clearly, there might be a major change in thinking on this subject. Already one hears talk of the possibility of a 30-hour week; perhaps a more attractive target would be a 1500-hour year, or something intermediate between that and the present 2000-hour year in many industries, with leisure time taken more in the way of longer vacations than shorter hours of work during the work-week. In any case, the benefits of increase productivity could, if desired, be taken partly in the form of more leisure rather than more annual pay. Gross National Product in material terms would to that extent fall short of the potential indicated.

### The Level of Employment

Another assumption for maximum economic progress is that a high level of employment will prevail more or less continuously over the period. You may consider this a tall order. Personally, I am confident that the great depression of the thirties will never be repeated. Under-employment of productive facilities on such a scale is inconceivable now that society has come to understand and is determined to use the instruments of fiscal and monetary policy to promote economic stability and expansion. That milestone along the road of social evolution has been passed.

The question remains whether fiscal and monetary policy will be used effectively not only to prevent a major depression, but to prevent unemployment rising beyond a moderate level if and when temporary recessions in activity occur. There seems to be little division of opinion in Canada over the principle involved. Naturally, there will always be differences of opinion over the timing of particular measures, and the magnitude of what should be done. But it is recognized that both monetary policy and fiscal policy should be responsive to changes in general economic conditions, and adapt themselves to serve a broad economic purpose, rather than narrow technical purposes.

The same can be said of most other western countries. In the United States we have seen over the past several years wide variations in monetary policy, to restrain a boom and limit the spread of a recession.

In considering our own position in Canada we must recognize the possibility, indeed the probability, that from time to time recessions will develop in large industrial countries and communicate their effects to Canada, particularly as affecting our export industries, and industries competing with imports in the domestic market, and also industries which as a result of foreign ownership or close contacts with their opposite numbers outside our borders, are subject to the same psychological influences as are associated with the recession abroad. The relative impact on Canada may be greater than in the country of origin of the recession. At such a time it is possible that, in the interests of domestic stability, fiscal and monetary policy here might have to go a bit farther than the action being taken, in, say, the United States. Such international differences in anti-recession policy might have the result of accelerating structural changes in the Canadian economy. The maintenance of a relatively higher rate of overall activity in Canada than in the outside world in such circumstances would mean that industries producing for domestic consumption would operate at a higher level than those producing for export.

In any case, it is reasonable to expect that exports, though continuing to be a major influence in our economy, will decline in importance relative to the whole. For example, if present trends continue, agricultural production will continue to rise in absolute terms, but not as fast as Gross National Product, and not as fast

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# Observations on Canadian Business Outlook

By A. C. ASHFORTH*

President, The Toronto-Dominion Bank, Toronto, Ont.

**In presenting his views on Canadian business, prominent Dominion bank executive stresses need to maintain and improve the level of Canada's exports. Admits Canada, because of increasing domestic consumption, is less dependent on exports than formerly, but decries complacency of export trend, and urges business men launch an aggressive sales drive abroad for Canadian goods and services. Predicts Canadian business outlook is favorable and notes upward trend in consumer spending and new capital investment.**

I doubt that there is much I can add to the business forecasts made over the past four months by economists, politicians, businessmen, the Minister of Trade and Commerce and the Minister of Finance. All of them have been optimistic. On every side, expectations are that 1955 will be a better year for Canada than 1954 and to that belief I subscribe. If I were to answer the question about the outlook for business in one word I would say "good," but perhaps that is too simple an answer. It looks as if the Canadian economy is headed for a new record in gross material production, but that does not mean we will have entirely smooth sailing.

A. C. Ashforth

The slackening in business activity evident throughout most of 1954 has been reversed. The economy is again expanding, but the rate of growth is slower than in earlier postwar years. The pattern of activity is uneven. Some industries are experiencing a more favorable climate than others.

Throughout the postwar period, there have been three major forces generating a high level of economic activity. These have been consumer spending, capital investment and exports. Let us take a brief look at these.

Last year, consumer spending more than anything else was responsible for sustaining a high level of activity in the Canadian economy. All the indications are that it will be important again this year. As a matter of fact, retail sales have been running ahead of a year ago. Despite increased unemployment, wage and salary income is up. This is due to three factors. There has been a small increase in the number of persons employed. Wage rates are higher in some industries and the number of hours worked has increased. Unless there are unforeseen developments or major stoppages due to strikes, the upward trend of wage and salary income should continue.

The income tax reductions announced in the Federal Budget will put some additional purchasing power into the hands of consumers during the second half of the year. When the consumer has more money in his pocket, he spends more. Thus, personal expenditures on goods and services this year should be even higher than in 1954.

*An address by Mr. Ashforth to the Rotary Club of Toronto, Toronto, Can.

Construction awards in the first three months were substantially higher. Also of major importance is the more optimistic outlook prevailing in business circles. Business confidence has a strong influence on business spending and especially on new capital projects. Thus, new capital investment is again functioning as an expansionary force. The annual survey of capital investment intentions earlier in the year indicated that capital spending would increase and now it would appear that the estimate may be exceeded.

Now we come to the question of exports. As you know, exports have shown an increase each month since last October. In the first three months of the current year, they were up 12%, reflecting increased demand for Canadian goods and materials. The business recovery in the United States and the prosperity of Western Europe would seem to suggest that the improved outlook for exports should continue. But I will have more to say about exports in a few minutes.

From this brief examination of the three major generating forces in the Canadian economy, you will rightly conclude that they bode well for the immediate future. When figures are available, it seems certain that the first quarter will have recorded gains in the gross national product, industrial production, personal income and consumer spending. The picture that emerges from consideration of these factors is favorable and expectations are that overall business will continue to show improvement over last year.

But let me remind you that there are uncertainties in the picture and that there are spotty areas in the economy. For instance, unemployment continues troublesome despite the rise in overall business activity. Additions to the labor force are not being absorbed. This poses one of the most difficult problems we have to face, namely, how to keep the Canadian economy expanding at a sufficiently high rate to provide jobs for our expanding labor force.

Increased unemployment in the face of the improved business outlook has confused many people. They overlook the fact that the number of persons with jobs is slightly higher than a year ago and that the rise in unemployment is a reflection of a larger labor force.

One reason why employment has not shown greater improvement is the spotty nature of the recovery. Earlier, I mentioned that industrial production is up. But the experience of different industries shows considerable variation. Mining has been responsible for a large part of the gain in industrial output. Total manufacturing production was up only slightly in the first two months of the year and this was largely attributable to non-durables.

In a business upswing, the general tendency is for the average hours worked per week to increase before employment rises. A tendency for the work-week to lengthen, as compared with a year ago, has been evident. This may be due, in part, to fewer workers being on short time as well as a cautious attitude by employers toward enlarging their labor force.

Other uncertainties are the wheat situation and the farm outlook in Western Canada. The progress made in disposing of our wheat surplus has been disappointing and our sales of wheat abroad have been adversely affected by the U. S. program for disposal of its wheat surplus. Last year, the smaller grain crop in Western Canada was largely responsible for the drop in the gross national product. It is too early to make any intelligent comment on the crop outlook in Western Canada for this year, but it has been impaired by the wet spring, but perhaps not damaged to the extent reported.

The ties between the Canadian and U. S. economies are such that it is almost impossible to discuss economic trends in Canada without referring to what is happening south of the border. Last year, we took comfort that our economy displayed somewhat more stability in that we did not experience quite as much of a relative drop in gross national product. But the recovery movement in U. S. business this year has been greater and more widespread than we have experienced in Canada. Historically, there is usually a lag between economic trends in the two countries. Perhaps this augurs well for the months ahead. If the present business momentum in the U. S. carries on throughout the remainder of the year, it will be reflected in Canada. For this reason, the business trend south of the border should be watched closely.

Let us turn to another question of current interest.

### Is Consumer Debt Too High?

The amount of consumer debt outstanding is high in absolute terms and on a historical basis. As at the end of 1954 the volume of consumer debt outstanding was in excess of $1.9 billion, up $103 millions from the previous year. However, the rise was not as great as in the previous year when consumer debt jumped a whopping $326 million.

But whether or not it is too high is a question which I cannot answer categorically with either yes or no. High is a relative term and whether or not debt is burdensome, or at a danger point, depends on the level of income. In terms of today's income the level of consumer debt does not appear too high, as there is no evidence of widespread default. In fact, payments are being met fairly promptly.

I said a moment ago that consumer debt outstanding is high in absolute terms. I am sure it was never as high before. I would hazard a guess that it is also at its highest point in relative terms. Data in respect to consumer debt do not go back very many years but the amount outstanding at the end of 1954 was equivalent to 11.7% of personal disposable income for the year as compared with 11% a year earlier.

Consumer debt is divided into a number of different categories —charge accounts, instalment debt owing to retail dealers, instalment credit of finance companies and cash personal loans of the banks, small loan companies and credit unions.

A significant feature of the 1954 trend was that instalment debt actually went down. Instalment paper held by retail dealers went up $29 million whereas that handled by the finance companies dropped $33 million. This is probably a reflection of lower car sales.

Some of my friends, especially those who sell on credit, would probably argue that consumer debt is not high and that there is no cause for concern. As a lender I suggest to you that cau-

*Continued on page 18*

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Waterloo Bond Corporation, Limited, Kitchener

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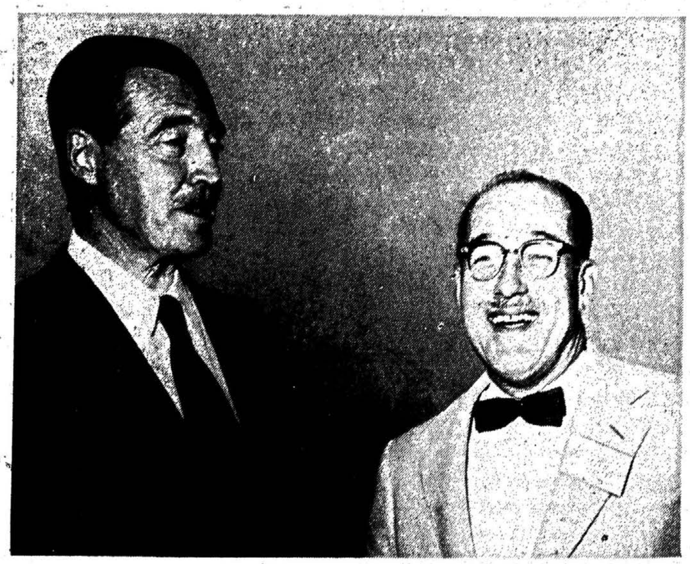

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# Major Trends in Canada's Economic Growth

as the rise in the consumption of agricultural products in Canada. The exportable surplus may therefore be expected to decline, and before many years have passed we may have ceased to export any foodstuffs except wheat.

The value of all exports of goods and services in recent years has been equivalent to about 24% of Gross National Product, as compared with 30% in the late 'twenties, and a projection of the trend suggests a ratio of about 20% by 1975. This would be consistent with a rise in exports of goods by as much as 65% (against a rise of 100% or more in Gross National Product), so that I am not suggesting that exports and export industries will cease to be important, or that we will lose interest in efforts to keep open and if possible widen the channels of international trade.

We must recognize, however, that there are limits to our natural resources, and to the growth in production of raw and semi-finished materials which are the chief items in our export trade, and so to the amounts available for export after greatly increased domestic requirements have been met. On the other side of the trade picture, with increasing economic maturity we will be able to produce efficiently more of the finished goods hitherto imported, so that imports, rising by perhaps 50%, will nevertheless grow less rapidly than total consumption of such goods.

The overall effect of such developments should be that the Canadian economy would be more stable, because more dependent on production for domestic use and less exposed to the leverage effects on a small country's trade and unemployment of even moderate fluctuations in other much larger economic units.

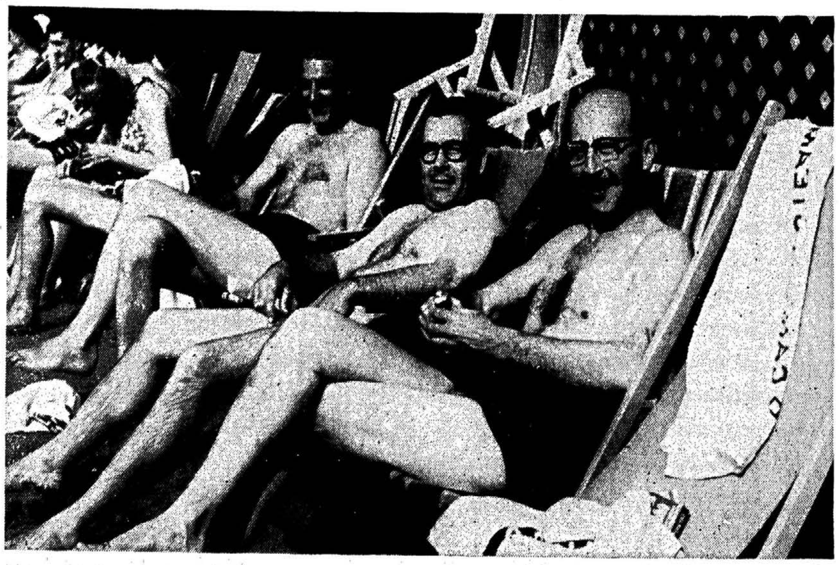
This picture would be somewhat changed, at least in degree, if strong foreign demand for raw materials, and rising prices, coincided with large new mineral discoveries in Canada. Over the next 20 years, while the population of Canada rises by 7 or 8 million, the population of the United States is expected to increase by 50 million or more, and while our gross national production, and so consumption, may increase by $30 billion worth of goods and services per annum, the United States economy will be capable of chewing up an extra $300 billion worth, or more, in 1975 as compared with 1955. A very large increase may also take place in the rest of the world. At present it looks as though the United States will become increasingly dependent on foreign sources of raw materials. Perhaps the necessary supplies will be developed at moderate cost from the virtually untouched resources of Africa, Asia and South America. If not, the rate of development and exhaustion of Canadian resources, particularly of minerals, will be greatly accelerated. Agricultural settlement, at least of a familiar kind, has not much farther to go, and our forest resources are also within sight of maximum annual cropping. Minerals once taken are not replaced. One can see the possibility of major questions of conservation policy and of the best utilization of natural resources arising for consideration in the years ahead.

Financial growth will accompany physical growth of the economy, though the annual increase in the rate of investment in capital assets may not be as great as the rate of increase in total output. There are some signs that the proportion of Gross National Product devoted to annual capital formation may decline from recent levels, which have been unusually high. One would certainly expect that the net inflow of capital from abroad evident in the last three or four years would disappear with growing maturity, and with it the corresponding deficit in the current account of the balance of payments, or excess of imports of goods and services over exports. Perhaps the rate of capital formation will decline by more than the change in our international balance, the difference being matched by a decline in the percentage of income saved in Canada from the very high levels of recent years. This might take the form of an increase in personal consumption expenditures as a percentage of personal incomes, or an increase in the percentage of corporate profits distributed to shareholders, or both.

These are questions of degree. There seems little doubt that both saving and investment will continue to grow on a sufficient scale to provide financial institutions as a group with the pleasant prospect of continuous and substantial increases in their total assets.

A marked feature of the present century is the development of financial institutions to handle and invest sums saved out of income by a very large number of individuals. Accumulation of bank deposits and accumulation of savings in the form of insurance reserves of life insurance companies have been the two chief channels of these funds. Pension funds seem likely to develop into a third major channel in the years ahead.

An expansion of bank deposits is sometimes regarded as a symptom of inflation; indeed, some



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people would define inflation as simply meaning an increase in the money supply as represented by bank deposits. This seems to me to rob the word of any real meaning. Inflation in any significant sense means a rise in the general price level and while this can, it is true, be brought about by an excessive increase in the money supply, it is clear that a growing economy requires more money for the transaction of business and that an increase in the active money supply which is reasonable in relation to such requirements need not have any inflationary effect on prices. Similarly, it is to be expected that savings deposits as well as current account balances with our banks will continue to increase over the next twenty years and that monetary policy must be such as to facilitate such an expansion.

One can see the possibility of changes in the outlets for investment funds. It seems likely that residential mortgage financing, at least of new residences, will decline in relative importance. For several years recently the net increase in the supply of housing—new houses built, plus additions by conversion of existing premises, less the number of housing units demolished—has exceeded the rate of net family formation. This catching-up process will come to a natural end. The population statistics I have been using indicate a rate of net family formation by 1975 of about 120,000, compared with about 90,000 in recent years.

So far in our history, the estimated rate of scrappage of houses has not exceeded 10,000 per annum. Admittedly that figure should grow, but unless and until it does, the required volume of housing starts per annum will not increase over the actual rate of last year by more than a moderate percentage. It is possible, of course, that the cost of building houses will rise in relation to the general price level, and also that part of the higher standard of living will take the form of a higher standard of housing, both of which developments would add to the amount of funds required for investment in that field.

The capital requirements of governments and public enterprises may increase relative to total investment. Very large sums will be required for investment in social capital, by way of highways, schools, universities, hospitals and various urban facilities, together with great expansion in transportation and public utility enterprises under public ownership. Under conditions of growth it would be unrealistic to expect governments to pay for capital expenditures out of ordinary current revenue. One might expect therefore a substantial rise in borrowings by or guaranteed by various levels of government to finance the creation of capital assets, and so long as growth continues the amount of new borrowing will exceed the amount of annual repayments of government direct or guaranteed debt. This outlet for investment funds will therefore continue to bulk large in the total.

No doubt there will be a continuation of a substantial volume of investment in resource development, although perhaps not increasing as rapidly as total investment. The remaining categories of new investment, such as heavy industry, secondary industry and services, may well increase relatively to the total.

Canadian have not been very enthusiastic investors in the equity or common stock of productive enterprise in Canada. Preference for debt instruments rather than equities seems to have been very strong both amongst individuals and amongst institutional investors, as a glance at the portfolio distribution of your members will emphasize.

A further illustration may be seen in the fact that every year for the past thirty years, the value of dividends paid by Canadian corporations to non-residents, plus the profits of Canadian branches of parent companies abroad, has been greater than the total amount paid by Canadian corporations to Canadian residents, excluding dividends paid by one Canadian corporation to another.

One must expect that as time goes by greater interest will be shown by Canadian individuals and institutions in acquiring a share in the ownership of businesses operating in Canada. In the past, a large part has neces-

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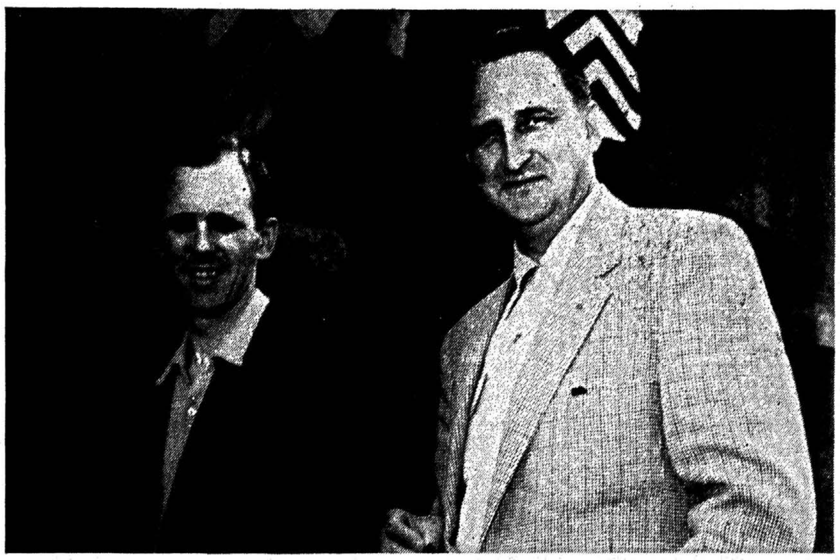

Les White, *Osler, Hammond & Nanton,* Winnipeg; Arch Little, *Osler, Hammond & Nanton,* Regina

Mr. & Mrs. Andrew Armstrong, *Royal Securities Corporation, Limited,* Montreal

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# Major Trends in Canada's Economic Growth

sarily been played in our development by large foreign corporations able to provide both capital and know-how and to develop businesses in Canada as offshoots of much larger operations in the United States and other foreign countries. It is logical to expect that over a period many of these branch plants and subsidiaries will develop into independent enterprises conducting their operations in Canada in much the same manner as our domestic Canadian businesses.

I mentioned earlier the possibility that the need for capital funds might decline somewhat relative to total product and to savings, at least to the extent that we would cease to be a net importer of capital. We might become a net exporter of capital, and find this might become another major outlet for the investment of domestic savings.

It is a normal evolution, exemplified in the history of the United States, among others, for a country which was dependent on foreign capitla for its early development, to reach a stage where it begins to pay off foreign debt and repatriate foreign-held investments, not by compulsion but by the the voluntary decisions of persons free to buy and sell securities as they chose. Canada has, in fact, largely paid off or bought back foreign holdings of Canadian government securities. The next stage will be the repatriation of corporate securities, foreign holdings of which are mainly in equities.

This requires, of course, not only a desire on the part of Canadians to buy, but a willingness on the part of foreign investors to sell. So far as securities have been publicly distributed, they are free to move across the frontier in either direction, according to the views taken by Canadian and foreign investors as to relative values. But this is not the typical case. There are still many cases where it is next to impossible for a Canadian to buy stock in a Canadian industry, because all or nearly all of the various companies in that industry are wholly owned by foreign corporations. With growing maturity, part or all of the stock ownership of such Canadian subsidiaries may be made available to the public in Canada either by way of a direct public distribution, or by the indirect process by which stock in the Canadian company is in the first place distributed among the shareholders of the foreign parent company instead of being held by the parent company itself. Once so distributed the stock is available for repatriation to Canada. Several important instances of this sort have occurred and it seems reasonable to expect many more in the future.

I believe that Canadian financial institutions will have increasing opportunities over the next twenty years to assist in the financing of Canadian enterprises, and to make substantial profits in so doing for the benefit of the millions of individuals who entrust their savings to such institutions. I should not be at all surprised therefore to see life insurance companies, for example, increase the proportion of common stocks in their portfolios to the extent authorized by their statutes. Only in this way can they and their beneficiaries participate in the real growth of the Canadian economy. Certainly there should be opportunities in the years ahead for all investment institutions to assist in the repatriation to Canada of some of the Canadian enterprises now in foreign ownership, as well as to participate in the future development of Canadian industry by providing a reasonable supply of equity funds as well as funds for fixed interest obligations.

Another field in which further growth within Canada can be expected is that of technological research. There are still broad industrial fields in which the Canadian firms do no research but pay a service charge for the results of research conducted by American parent plants. This may appear economical on a short run view of dollar costs but it has a stultifying effect on national development in such fields and makes it necessary for Canadian scientists and technical workers to leave their homes and go to the United States not in order to obtain the higher saalries there available but simply to find an outlet for their talents and an opportunity for constructive work in the field in which they are interested.

If I may summarize what I regard as a probable major trend in our future economic development, I would say that what might be called a tendency towards Canadianization of our economy, as opposed to Continentalization, will manifest itself in a number of ways as our economy grows more mature and greater pools of savings surplus to immediate requirements accumulate in the hands of the Canadian people. The decrease in percentage of Gross National Product represented by exports and imports, the growing consumption within Canada of our agricultural and other natural products, the greater development of secondary industry and the more balanced national development resulting therefrom, the repatriation of at least some share in foreign-owned Canadian enterprises, a greater measure of autonomy and independence on the part of Canadian management, the continued development of communications in Canada, the knitting together of our widely separated centres of population by trade as well as by railroads, highways and national radio and television networks and other cultural movements are all features of this development, and of growing national strength.

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*Continued from page 3*

# Canada Set to Resume Growth Trend

in interest rates in Canada. For example, the Government of Canada theoretical 15 year bond moved from a yield of 3.55 at the start of 1954 to 3.09 in January 1955 and to its current level of 2.95% (April 30, 1955). A similar reduction occurred in both 3 month and 9 month Treasury bills—from 1.86% and 2.58% respectively in January 1954 to a low of .78% and 1.10% in February 1955 and to their current level of 1.25% and 1.52% (April 30, 1955). In terms of the longer bonds, most of the change occurred in the first half of 1954 and more recently in the first quarter of 1955. On the other hand, the level of Treasury Bills declined almost continually to February 1955 although it has stiffened somewhat since then.

One of the important factors contributing to credit ease in 1954 was the revision of The Bank Act. The revision had the effect of increasing the amount of cash reserves which the chartered banks felt free to employ in expanding their earning assets. Prior to the revision, which took effect in July, the banks had been required to maintain a daily cash ratio of not less than 5%, only they had in practice worked to a figure of about 10%. The revised Act set the new minimum reserve ratio at a monthly average of 8%. The chartered banks immediately began to work towards lower ratios with the result that they were in a position to add substantially to their assets during the second half of 1954.

Another development was the introduction of "day-to-day" loans. Mechanics of the practice will be familiar to members of this Association. These loans have provided a source of funds to finance jobber inventories of short term money market securities and a means whereby the chartered banks may adjust easily and quickly their surplus or inadequate cash positions. Day-to day loans have now become an accepted part of financial practice and as the market has developed, rates have varied within a range of ½% to 1½%. The result has been that the amount of Treasury Bills held outside the banking system has increased markedly, and additional issues of Treasury Bills have been facilitated. For example, in May of 1954, the Treasury Bills totaled $650 million of which $74 million or 12% were held outside the Banking system. As of April 6, 1955, the total of Treasury Bills was $900 million and about $306 million or ⅓ were held outside the banking system. Of the $306 million, approximately $70 million were held by dealers although some part of this will be represented by "money market" bonds instead of Treasury Bills.

The Bank Act Revision, the increase in demand for short term securities from dealers through the introduction of day-to-day loans, together with a reduction in the outstanding supply of short term securities, were all factors in the decline in medium and short term interest rates.

Further action on the side of monetary ease was taken by the Bank of Canada in February 1955 when the discount rate was reduced to 1½% from the rate of 2% which had prevailed for some years. Although no actual borrowing has been contemplated or even seems likely, the official move must be interpreted to mean that the policy of ease is more than of momentary importance.

### Interest Rates

These changes have had an important effect not only in terms of government securities but throughout the whole interest rate structure. Yields on provincial, municipal and corporate securities have declined and this Spring, the maximum interest rate on National Housing Act insured loans has been moved downward to 5¼%.

The level of interest rates in Canada for longer term securities is closer to that prevailing in United States than it has been for some years, the current spread being of the order of .20%. In the case of Treasury Bills and some other short term securities, Canadian yields are lower than

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L. E. Barlow, *McLeod, Young, Weir & Company, Ltd.*, Toronto; Mr. & Mrs. Don Deacon, *Deacon Findley Coyne Ltd.*, Toronto

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# Canada Set to Resume Growth Trend

the comparable rate in United States. This narrowing spread has had an important effect on the exchange rate of the Canadian dollar in terms of the United States dollar and the policy of active ease has undoubtedly had this wider purpose in view. A cheaper Canadian dollar over the last few years would have had much to commend it in the wider area of our trading relationship and import competition. Whether an exact corollary or not, the premium on the Canadian dollar has lessened within recent months.

### Financing

The year 1954 was an active one in terms of debt financing. The funded debt of the Government of Canada showed a decline of $171 million—the net result of new issues of $3.4 billion, retirements of $3.7 billion, Treasury bill increases of $130 million and an increase in matured and outstanding debt of $55 million.

Since June 1, 1954, the major new Government of Canada issues, excluding Treasury bills, were:

June 1: $300 million Government of Canada 3¼s June 1, 1976.

June 1: $550 million Government of Canada 2¼s Dec. 15, 1956. To refund about $847 million of Third Victory loan 3s Nov. 1, 1953-1956.

July 23: $200 million Government of Canada. Sold to chartered banks and the Bank of Canada (retired Nov. 15).

Oct. 1: $400 million Government of Canada 3¼ Oct. 1, 1979.

Oct. 1: $700 million Government of Canada 2s Oct. 1, 1957. To refund about $1,100 million Fourth Victory loan 3s May 1, 1954-1957.

Nov. 1: $765 million Canada Savings Bonds 3¼ Nov. 1, 1966.

Dec. 15: $250 million Canadian National Railways (Can. Guar.) 2¾ Feb. 1, 1963.

Treasury bills outstanding increased by $130 million to a total of $780 million at Dec. 31, 1954. As of May 1, 1955 there had been a further increase of $150 million to a total of $930 million.

Provincial governments, municipalities and corporations all raised increased amounts of money during 1954—net new issues being estimated at $849 million—$291 million by provincial governments, $248 million by municipalities and $409 million by corporations.

New corporate stock issues totaled $184 million during the year, some $52 million less than in 1953.

### Prospective Financing

For 1955 every indication is that although new financing is not likely to reach the levels of 1954, it will continue heavy and active. New offerings of direct and guaranteed Government of Canada bonds may well take the form of some new short-term securities to replace the $600 million of bonds maturing in July, another series of Canadian Savings Bonds in the fall as well as some long-term guaranteed CNR bonds. To further develop the short-term money market, it is probable that Treasury bills will continue to increase in volume. It might be, too, that some steps could be taken to refund the $1,200 million of the Fifth Victory loan which is callable Jan. 1, 1956. New issues by provincial government and municipalities may well exceed the 1954 levels. Corporate borrowing in total is difficult to gauge but unless the gas pipe line financing proves feasible it may well be that the total will be somewhat lower. These trends are borne out to some extent by the record of new financing for the first four months of 1955, as compared to the first four months of 1954, as follows:

| | 1955 | 1954 |
|---|---|---|
| | (000's) | |
| Govt. of Canada | *Nil | †$200,000 |
| Provincial Governments | $195,099 | 223,052 |
| Municipal Governments | 122,195 | 70,946 |
| Corporations | 241,580 | 274,815 |
| | $558,874 | $768,813 |

*Exclusive of increases in Treasury bills and short-term Treasury notes.

†G. N. R.—Guaranteed by Government of Canada.

One of the more recent significant developments has been the raising by corporations of additional equity capital through the offerings of rights to existing shareholders. For the last half of 1954, some $68 million was raised this way. So far in 1955, however, offerings of rights have totaled some $132 million, and more may well be in prospect. This may be a partial answer to the concern which has been expressed from time to time regarding the preponderance of financing by way of debt issuance rather than through increased equity interest.

### Canadian Bonded Indebtedness

Since 1948, the total of bonds outstanding has increased from $21.9 billion to $25.2 billion at the close of 1954. There have, however, been very substantial changes in classification of the debtor.

| Millions of Dollars | 1948 | 1954 | Change |
|---|---|---|---|
| Government of Canada: | | | |
| Direct & guaranteed & CNR ungtd. | $16,590.0 | $15,465.4 | —1,124.6 |
| Provincial—Direct & guaranteed | 2,233.1 | 3,853.6 | +1,620.5 |
| Municipal—Direct & guaranteed | 983.7 | 2,060.6 | +1,076.9 |
| Corporate | 2,106.7 | 3,842.3 | +1,735.6 |
| Total | $21,913.5 | $25,221.9 | +3,308.4 |

The net decrease in Government of Canada bonds outstanding is a reflection of the substantial budgetary surpluses of the Federal Government throughout the postwar period and until

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Mr. & Mrs. G. D. Sherwood, *Thomas B. Read Company Ltd.,* Vancouver; R. C. Wittstock, *Watt & Watt,* Toronto; E. M. Saunders, *E. M. Saunders, Limited,* Toronto

the fiscal year ending this month. The increase of $1.6 billion in Provincial debt, $1.0 billion in Municipal debt, and $1.7 billion in Corporate debt results from the tremendous capital investment program of these years.

**Other Capital Sources**

Capital markets in Canada, of course, provide only a part of the funds required to finance new capital outlays. A significant proportion of outlays for construction, particularly housing, has been financed by an increase in mortgage indebtedness. For instance, holdings of Canadian mortgages by the life insurance, trust and loan company members of the Dominion Mortgage and Investment Association, now amount to $1.9 billion and have increased by $1.0 billion since 1948. Other capital investment needs are met directly from individual or corporate savings. A portion comes from capital imports particularly from United States. Although, on balance, new domestic savings in Canada throughout most of the postwar period have been sufficient to finance Canadian expansion, these imports have been of prime importance in specialized fields of manufacturing and resource development where Canadian capital is not easily mobilized in the amount required or is hesitant in taking the initiative and assuming the risk inherent in large new enterprise.

Note should be taken too of the inflow of capital, directed toward acquisition of our more seasoned stocks from the many newly formed United States investment funds. Activities of these funds have been a powerful support, if not an actual expansionary influence in our stock markets. It may be hoped that these funds have come for long-term investment, since any attempt at rapid withdrawal would place an unbearable burden on the support which could be mustered from Canadian sources.

**Outlook for Interest Rates**

Although there is a plentiful supply of money in the hands of the public and a larger volume of new savings continues to be generated, the large prospective demands for investment funds in 1955, together with a possible greater use of bank cerdit by business corporations in the last half of 1955, might suggest that economic pressures are working toward a tightening of credit conditions. "Official" monetary and credit policies, however, are not likely to allow market forces to have their full effect. Consequently, unless inflationary pressures become evident in the Canadian economy, or interest rates in the United States experience an unexpected and sustained upward trend, it seems likely that official policies in Canada will be directed toward a maintenance of credit ease with basic interest rates around present levels.

**Royal Commission on Econmic Affairs**

The government has announced its intention to set up a Royal Commission to examine our economic prospects in the years ahead. No doubts exist that Canada's future is a bright one but many basic changes have occurred during this postwar period of almost unparalleled growth in population, expansion in output, and improvement in technology. More changes will be witnessed in the years ahead. A wise and thoughtful stock-taking now will not only serve to reintroduce us to ourselves but also should provide the factual base upon which our policies can be fashioned and from which our sights can be intelligently set. On behalf of this Association, may I wish the Commission well and tender our sincere cooperation.

**Benefits of Our Free System**

May I now turn your attention to a statement I made when accepting the Presidency of the Association in Jasper last June. At that time, I referred briefly to what I considered to be some of the benefits of our free system; and as a five-minute prologue to my term in office, I would like to close on the same theme. When speaking of the benefits of the free system I said that "the greatest benefits result from the fact that it stands for the essential dignity of man which is implicit in equality of opportunity. All over the World mankind is today being told we must choose between revolution and reaction. We are told that Communism represents revolution and that our system—called Capitalism — represents reaction. But this statement of the issue is an explicit reversal of the Truth. The fact is that Communism like Totalitarianism in any form—represents the blackest of reaction. The fact is that the free system of which Capitalism is only a small and modified part, represents the authentic revolution—not a subversive revolution —but a revolution that sets men free."

All of us in the Western World stand in human history as the greatest revolutionaries of all time—We have come a long way —We have a long way to go—

Let's remember that some per-

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Mr. & Mrs. O. B. Falls, *General Electric Company,* Schenectady, N. Y.; Mr. & Mrs. Maurice Desy, Q. C., Chairman Quebec Securities Commission

Mr. & Mrs. A. P. Fisher, *Walwyn, Fisher & Co.,* Toronto; Mr. & Mrs. A. S. Gordon, *Royal Securities Corporation, Limited,* Montreal; Mrs. Dudley Dawson, Montreal

*Continued from page 15*

# Canada Set to Resume Growth Trend

sonal risk and uncertainty is the price all of us must pay for the rich benefits of our free system. We are all risk-takers, but let's remember too that the cards are all in our favor — that even a losing hand here can beat a winning hand in any other places in the World.

In the last analysis, it seems to me that our basic problem is to reconcile people to that limited factor of risk, to build a strong core of support for the enlightened private enterprise way of life, and to substitute rugged and reasoned optimism for idle and irresponsible fantasies of a world without struggle or uncertainty.

I think too that we need to find a new vocabulary of private enterprise. Our economic thinking is generally pretty badly cluttered up with shopworn phrases and slogans, dead theories and easy generalizations. We use terms which have been distorted beyond recall by our critics and which are heavy-laden with unpleasant, unpopular, and totally misleading connotations.

Actually, in our economy we have evolved a new kind of human institution—one that is as much political and social as it is economic. It is marvelously intricate and delicately balanced, and yet it has ruggedness and considerable basic stability. It has great self-generated momentum. As we learn more about how it works, we can shape it into a more and more efficient tool for advancing our economic, social and political goals.

Most important of all, it is a system which is not—and must not be—dominated by any particular group or interest. It operates for the greater benefit of all of the people. That, I think, is the basic point we need to get across—the best and most convincing argument of all.

I submit—in spite of occasional publicity to the contrary — that the tycoon-type capitalist just doesn't exist any more in any significant sense. Ownership of the tools of production has become increasingly diffused. More and more, the owners of industry are pretty average Canadians, including thousands and thousands of workers whose direct and indirect savings may include substantial share-holding in Canadian business.

Actual control of business operations has largely passed into the hands of a group of hired workers — the professional managers. Corporate power and influence is subject to legal restrictions, to the pressures of public opinion, and to the promptings of what might be called the "corporate conscience."

Indeed, it can be said that the business corporation is in fact a creature of the whole community, subject to moral, social, political, and economic pressures to which it must ultimately conform.

Our business system actually has only one real boss today. That boss is the people — every citizen who buys the products of industry and agriculture; who dictates what and how much the manufacturer shall produce, and who shall produce it; how, by conferring or withholding his favor, holds the power of life or death over owner, manager and worker alike.

While I'm not much for "isms," it seems to me there's a lot of sense in the idea that we could use a new term which would describe our economy more accurately than any terms we now employ. The term "Consumerism," for example, would pin the tag where it actually belongs—on Mr. Consumer, the real boss and beneficiary of the free system. It might serve several other useful purposes.

First of all, it would pull the rug right out from under our unfriendly critics who have blasted away so long and loud at Capitalism. A change like that might keep those fellows busy for years rewriting their textbooks and finding new slogans to jam the gears of progress. Somehow, I just can't picture them shouting "Down with the Consumers!"

Consumerism should suggest to each of us the idea that he is working in the most effective way ever devised by man not to enrich the few—but to enhance his own material security and comfort. For in our free system, industrial progress has always brought the greatest gains to those who had most to gain.

A realization of that fact should, and I believe is, working to develop a reluctance to tamper casually with the source of our present and future wellbeing.

It should help to create a

John Graham, *John Graham & Company, Limited*, Ottawa; R. B. McKibbin, *Bank of Canada*, Ottawa; Gerard Gingras, *Rene T. Leclerc, Inc.*, Montreal

Mr. & Mrs. Albert C. Lang, *Merrill Lynch, Pierce, Fenner & Beane*, Toronto; Mr. & Mrs. K. C. Bell, *Chase Manhattan Bank*, New York City

broader public understanding of the function *of capital*—not as an end in itself, a mere source of power and influence for the few—but an essential and useful tool for creating new wealth and new goods for the benefit of Mr. Consumer.

It should in turn engender a better understanding of the function of *profits* as an incentive to work and progress, as the spur to capital investment and the means of creating more wealth for everybody. We will eventually discover that, in practice, the abolition of poverty can only come from development and thrift—not from redistribution—not by taking from the rich and giving to the poor — but by making everybody richer.

The collectivists operate on the theory that the profit motive and free market competition are social evils. In an effort to find a theoretically higher kind of substitute for material incentives, they have often resorted to everything from bludgeons and firing squads to forced labor camps. So far as I can tell, these methods have produced neither the improved human beings nor the fuller, richer life which the disciples of Marx anticipated.

The private or free enterprise system, powered by the profit motive, meanwhile has channeled the normal human aggressive drives into a great common constructive effort. It has provided the means for promoting the broadest social and humanitarian advances in man's history. It offers man the opportunity if he will only seize it, to end wars, poverty, hunger and to pursue in comfort and security whatever spiritual, moral and cultural goals he aspires to.

The one thing it cannot offer him is the illusory security of the controlled and planned economy, of stagnation, of locking things in place as they now are. The one thing we can be certain of is change. Remember, when we are through changing, we are through. The one thing we must continue to have is freedom to make changes as conditions make them necessary.

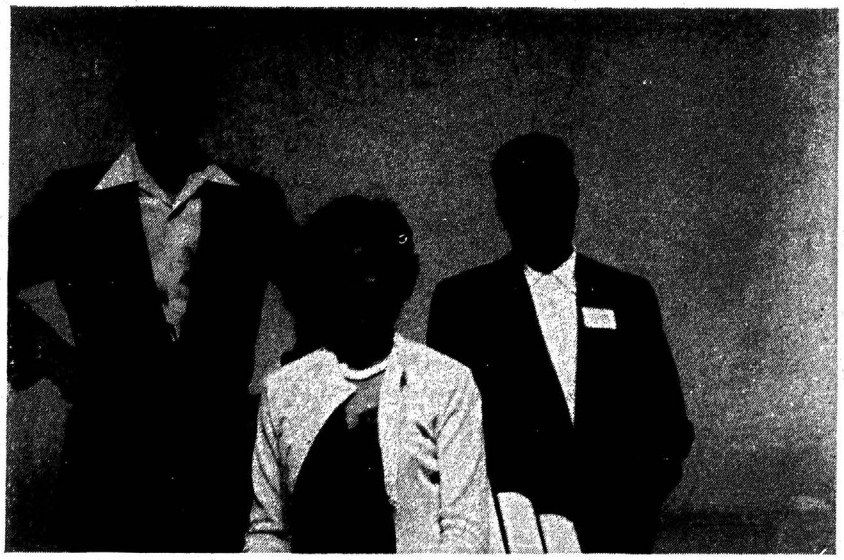
Most significant to this politically divided world is this: of all the great industrial nations the one than clings most tenaciously to private capitalism has come closest to the socialist goal of providing abundance for all in a classless society.

It is not in the Communist Soviet Union but in capitalist U. S. and Canada that upper and lower income-groups today use the same vacuum cleaners, drink the same frozen orange juice and listen to the same radio and TV shows. We can insist that economic democratization is the inevitable outcome of a progressive technology applied to production.

Surely there's every reason to believe that the free system can continue to provide dynamic growth, to raise our living standards and generate the excess of wealth needed to meet our still great unfilled social needs. Whether it is free to do all these things depends, ultimately, on the man who calls the shots — Mr. Consumer—who is also Mr. Worker, Mr. Farmer, Mr. Manager, Mr. Union Leader and, of course, Mr. Voter.

I am sure that if he is in possession of the facts, he will act according to the dictates of his common sense, and incidentally, his enlightened self-interest. He will insist that this economic system continue to operate in the climate of economic freedom and incentive and venture which has produced for his use so rich a harvest.

Jack Kingsmill, *Investment Dealers' Association of Canada*, Toronto; W. T. K. Collier, *Collier, Norris & Quinlan, Ltd.*, Montreal; J. C. De Pencier, *Collier, Norris & Quinlan, Ltd.*, Toronto



Mr. & Mrs. Rodolphe Casgrain, *Casgrain & Co., Ltd.*, Montreal; J. A. Senecal, *L. G. Beaubien & Co., Ltd.*, Montreal

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# Observations on Canadian Business Outlook

tion is desirable and that credit terms can be made too easy. No down payment is ridiculous and basically unsound.

You may ask why worry as long as debt payments are being met. My reply is that now is the time to worry. Let us avoid the possibility of debt becoming burdensome.

The extension of credit is a good thing. It has done much for people in all walks of life and business. It has made a major contribution to social and economic progress. But too much credit is a bad thing. It results in too much debt and debts have to be paid.

Consumer credit can be both inflationary and deflationary. In times of inflationary pressures it will put more upward pressure on prices. In times of declining business and income, on the other hand, heavy debt payments add to deflationary pressures. Consumers find themselves with a big chunk of their pay checks committed for articles bought in the past. If payments are kept up, consumers have less money to spend for other purchases that would give business a lift.

Sometimes I am asked how the consumer ever got so far in debt, especially in view of the fact that he has had so much more cash in recent years. A phenomenon of our times is that people make greater use of credit. Of course, they have been encouraged to do so by the development of instalment credit and credit selling has made a real contribution to our economy. It also seems that with more money coming in people tend to spend more. They feel that their greater income enables them to carry more debt safely, and it does. But there is always the danger that the consumer in his optimism will get over extended.

Earlier I pointed out that consumer debt is equivalent to 11.7% of personal disposable income. To some people this may not appear to be out of line. However, consumers owe debts not classified under that heading. I refer especially to mortgage debts and the amount of mortgage debt outstanding has been rising very rapidly. This reflects the large amount of new housing construction and the increase in home ownership. No reliable data is available but I suspect that a large number of the people who have instalment debts have mortgages on their homes.

Information in respect to total mortgage debt in Canada is lacking as are any statistics in respect to mortgage debt, owing by home owners on single family dwellings. However, certain conclusions can be drawn from published data in respect to the mortgage investments of lending institutions, more especially the life insurance, trust and loan companies. In 1939 these companies held $676 millions of mortgage in Canada; in 1947, $729 millions; in 1949, $1,081 millions; in 1953 $1,933 millions. The figure as at the end of 1954 has not been published as yet but it is likely to exceed $2,250 millions. Thus mortgage holdings of these institutions have more than tripled since 1947. Since 1949 they have doubled.

The amount of these mortgage holdings represented by loans on single family dwellings which are owner-occupied is not known. But an intelligent guess based on statistics of mortgage loan approvals in recent years would be 65%.

It would seem reasonable to conclude that mortgage debt owing by individual Canadians on homes they occupy has more than doubled in the past five years.

Here also there is no evidence that there has been an over-extension of credit. Mortgage payments are for the most part being met promptly. There is little or no problem of arrears. But one cannot help but wonder whether many individuals have mortgaged their future to the limit; many families who have taken on a large mortgage in order to purchase a new home also have instalment debts. In the event of a drop in income these families can be faced with a difficult problem. Thus, any proposal to further liberalize credit terms—on mortgages or instalment credit—should receive most careful scrutiny. People can be encouraged to borrow too much.

The next question is related to the business outlook.

### Is the Canadian Economy Less Dependent on Export Trade Than Formerly?

Canada's dependence on exports has always been regarded a weakness in our economy and business structure. It has made us especially vulnerable to economic developments abroad. For this reason our rapidly expanding domestic market of recent years has been a matter of considerable satisfaction. But let us get back to the question.

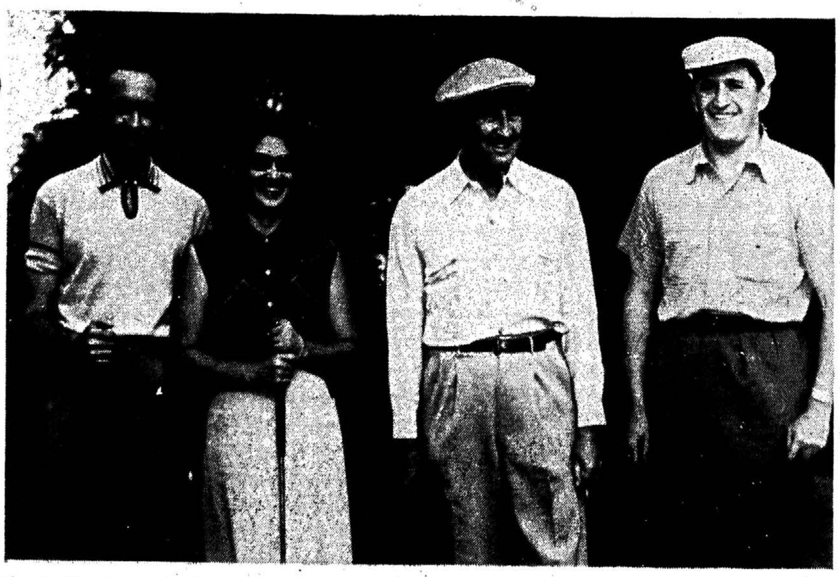
The answer to the question as I have posed it is—yes, Canada is less dependent on export trade than formerly. On the other hand, if you were to ask me whether or not Canada is still dependent on exports for prosperity I would also answer yes. No, I am not contradicting myself. Both answers are true.

Let us look at the facts.

Canadian exports of goods and services in recent years has been equivalent to about 23% of the gross national product as compared with 26% in the years 1946-49 and 30% in the late nineteen-twenties. Thus, the proportion of the gross national product consumed at home has been increasing and this trend is likely to continue.

From these figures it should be obvious that Canada is less dependent on export trade than formerly, or perhaps I should say relatively less dependent. Today a 5% drop in exports has less effect on the Canadian economy than a similar percentage drop in say the 1920's.

However, exports remain a major influence on the level of business activity. We are still dependent on exports for prosperity. In this connection the events of the past 18 months are especially significant. Exports of Canadian goods and services turned downward in the last half of 1953 and a lower level of exports prevailed throughout the first 10 months of 1954. In November last, they recorded a gain over the corresponding month of the previous year and an increase has been chalked up in each month since. As I mentioned earlier, there was a jump of 12% in the value of



Mr. & Mrs. H. E. Neville, *Gairdner & Company, Limited*, Montreal; George S. Bray, *Gairdner & Company, Limited*, Quebec; John S. Gairdner, *Gairdner & Company, Limited*, Toronto

William Moran, *Greenshields & Co. Inc.*, Montreal; George Gardiner, *Gardiner, Annett Limited*, Toronto; Fred Griffin, *Greenshields & Co. Inc.*, Montreal; James Annett, *Gardner, Annett, Limited*, Toronto

export shipments in the first quarter of the current year.

Now let us examine for a moment the trend of business in Canada in the same period. Business activity turned downward in the latter part of 1953 and remained below the level of 1953 until late in 1954. Since then the business tone has improved, as have export shipments. In other words, during the past 18 months there has been a definite correlation between the level of business in Canada and the value of export shipments. This is one of the reasons for stating we are still dependent on exports for prosperity.

I started this discussion of export trade with the statement that Canada is less dependent on export trade than formerly, and again I should like to emphasize that I am speaking in relative terms. In absolute terms, that is, in terms of the actual value and volume of export shipments, further increases will be necessary if we are to have a high level of employment and if we are to regain the rate of economic growth achieved in earlier postwar years. We are becoming far too complacent about our export position—probably lulled into this condition by the growing importance of the domestic market. There is real need for aggressive sales drive abroad for Canadian goods and services.

**Is the Stock Market Too High?**

You would be surprised at the number of times we bankers are asked that question and I sometimes wonder why. You would almost think we were stock market experts, which we are not, and even if we were we would not be able to answer the question. We do not have a crystal ball in our offices. We may have a personal opinion, but so will you.

Recently, this question has been popping up rather frequently. I suppose there are three reasons for this:

(1) The investigation of the Senate Banking Committee in the U. S. into the stock market.

(2) The action of the Federal Reserve Authorities in the U. S. in increasing margin requirements in order to curb stock market speculation.

(3) The fact that the Toronto Stock Exchange index of industrial stocks is at or near the highest level in history.

The investigation of the U. S. Senate Committee failed to find out whether or not the market is too high. Why? Because no one knows the answer to the question.

The level of the market at any time is a reflection of the composite opinion of thousands upon thousands of investors. Some people will think the market as a whole is too high. Others will be of the opinion it will go even higher. This is true to an even greater extent of individual stocks. The present level of the stock market merely means that there are more people who believe that the business outlook is favorable than there are people who look for a decline in business.

**Should We Fear Automation?**

We hear a great deal these days about automation. Some people fear the trend toward automatic machines—a trend which has been speeded up by developments in the field of electronics. The fear of automation is given as one of the reasons why labor is seeking a guaranteed annual wage.

Automation is nothing new. The growth of automatic processes in a wide variety of fields has been going on for years. Automatic control of machines has long been familiar to engineers. The petroleum industry has had a high degree of automation for years, especially in refineries. Yet employees in that industry have not suffered. Not only has a high standard of remuneration been maintained, but there are more workers employed in oil refining today than ever before. One reason for this is the contribution automation has made in keeping the price of petroleum products at a reasonable level, thereby expanding the available market. The petroleum people claim that automation will upgrade workers and give greater opportunities.

The fear of automation, or should I say automatic processes, is a denial of all economic history. In earlier times, there were those who opposed the substitution of machines for hand labor. Stop and think for a moment of the contribution of machines to social and economic progress. Automation should mean further progress. It should perform service for mankind. Man will be the master, not the victim or slave.

**What Changes Have There Been In Canadian Banking Practice As A Result of the Revision Of the Bank Act Last Year?**

The most important development in the Canadian banking field for many years was the entry of the chartered banks into the mortgage lending field.

I hardly need to tell you that mortgage lending represented a major change in Canadian banking practice. From their inception, the chartered banks had

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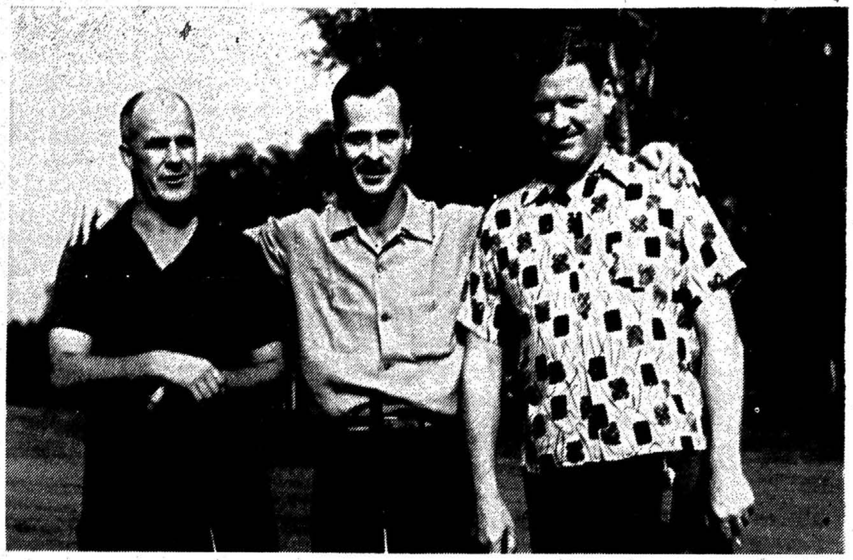
Mr. & Mrs. George E. A. McCain, *G. E. Leslie & Co.*, Montreal; Mrs. A. S. Price, Quebec; E. H. McAteer, *Graham & Co.*, Montreal



Ed Peet, *Burns Bros. & Denton, Inc.*, New York City; Ray Hicks, *Harrison & Company, Ltd.*, Toronto; Bill Price, *Price, Evans & Co., Ltd.*, Toronto

*Continued from page 19*

# Observations on Canadian Business Outlook

been barred from making loans on the security of mortgages.

The underlying reason for authorizing the banks to make NHA loans was to enlarge the available supply of mortgage funds and to make NHA loans more readily available in smaller and more remote communities. The banks lost no time in taking up the challenge. A little more than a year has elapsed since the National Housing Act, 1954, was proclaimed and the banks, as a group, have already more than $111 million invested in mortgages. In addition, they have outstanding commitments for further millions which will be paid during the course of the current year. Considering that they are newcomers to the field, it is surprising to find about 40% of new NHA commitments being made by the banks. In this way, the banks are playing a major role in the provision of adequate housing for the Canadian people.

This is not the only way that the banks are helping people with their housing problems. They are again making home improvement and home extension loans under the National Housing Act. You will note that I say again, for such loans were made by the banks prior to World War II.

There were, of course, numerous technical amendments relating to government supervision of banks and internal management matters, but it is not my purpose to deal with these. However, there were three other changes to which I will refer briefly.

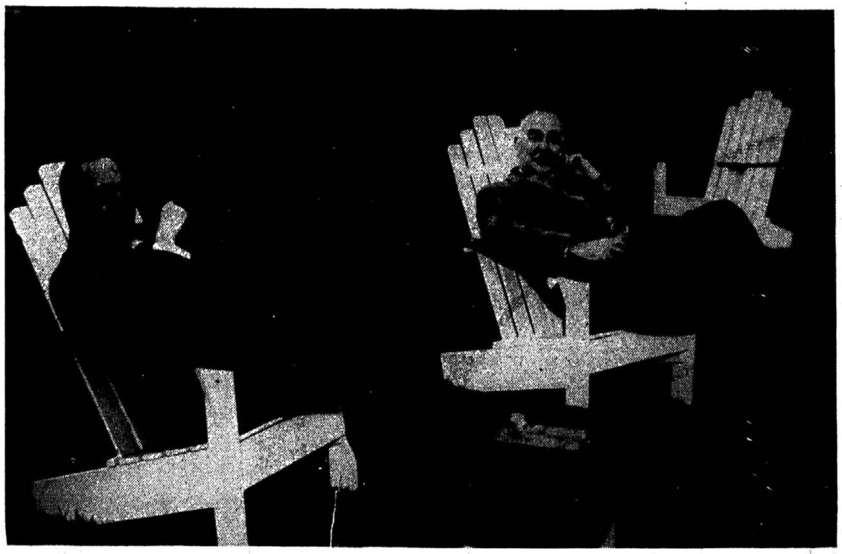
There was another change in respect to cash reserve requirements. The Bank of Canada was authorized to vary the ratio from time to time within a range of 8 to 12%. This gives the Bank of Canada greater control over the volume of bank credit. When it desires to reduce the flow of credit, it can raise the cash reserve ratio.

Canada became an important producer of oil and natural gas following the decennial revision of the Bank Act in 1944. This was recognized in last year's revision when provision was made for the lending of money to the oil and gas industry upon oil and gas under or upon the ground and upon the security of permits, licenses or rights of any person to obtain or remove gas from specified locations. This provision for lending on the security of hydrocarbons illustrates the advantages of the 10-year revision of the Bank Act, since it affords an opportunity to bring banking legislation in line with changing conditions.

Another new section empowers the banks to make loans on the security of motor cars, household appliances and furniture. The underlying purpose of this change was to enable the banks to enlarge their personal loan activities, but it is doubtful if it will achieve its purpose. Lack of authority to take chattel mortgages was only one of the reasons why the chartered banks in Canada had not entered the consumer financing field, as had banks in the United States. A more important factor has been the limitation on the rate of discount or interest than may be charged to 6% per annum. This is a ridiculously low rate for small loans of this type repayable on a monthly basis. Frankly, it is an unprofitable rate and no reasonable person would expect a bank to make loans on which it knew beforehand it would make no profit. Stop for a moment and compare this 6% per annum rate with the 2% per month which can be charged by finance and small loan companies on similar loans. One bank did suggest to the Banking and Commerce Committee that we be permitted to charge a maximum of 1% per month—half the rate that small loan companies can now charge—but no action was taken. As long as the maximum rate for banks remains at 6%, you are not likely to see them very active in the consumer lending field.

Don't go away with the idea that we are not interested in making personal loans. That would be a mistake. Our personal loan business is increasing steadily, but you will appreciate that we have to exercise care in selecting our risks. Proof of our increasing interest in this field is the fact that the proportion of consumer debt held by the banks has been rising.

You will probably expect me to refer to another major development in the Canadian banking field, namely, the creation of the Toronto-Dominion Bank through an amalgamation of the Bank of



George P. Rutherford, *Dominion Securities Corporation*, New York; G. E. Phipps, *Dominion Securities Corpn., Ltd.*, Toronto

J. A. Pequegnat, *Cochran, Murray & Co., Limited*, Toronto; Mrs. Nigel H. Gunn, Toronto; J. B. Cronyn, *Cochran, Murray & Co., Limited*, Toronto; Walter Downes, *Kipper & Company, Inc.*, Montreal

Toronto and the Dominion Bank. The amalgamation cannot be ascribed directly to revision of the Bank Act, but it was a change in the Act relating to the two banks joining forces that made the amalgamation possible.

As you might expect, I have been asked on numerous occasions why the two strong banks with long and honorable records of service to the Canadian people should decide to amalgamate. If I had to give my answer in one word, I would say "ambition." Both banks were particularly desirous of enlarging their usefulness to Canadians and this could not be achieved without a major expansion in their network of branches. At the same time, there were both physical and financial limitations on the rate at which new branches could be opened by either bank. A study revealed that not only did the branch networks of the two banks complement each other admirably, but also the type of business which they did. Thus, a marriage was a natural development.

Gentlemen, I could raise a great many more questions for discussion but I have no desire to impose on either your good nature or your time. In closing let me reiterate that the short-term business outlook is favorable, that any proposal to further liberalize credit terms should receive careful scrutiny, that expanding exports are essential to continuance of the postwar rate of growth and that we have nothing to fear from automation.

*Continued from page 4*

# Atomic Power Needed to Meet Canada's Energy Needs

nomic attractiveness of what are seemingly vast supplies of conventional fuels. One of the reasons for the establishing of your first atomic power plant in Southern Ontario, as put forth by Mr. Bennett, is that there are no conventional fuels in the region, and after 1959, with the completion of the St. Lawrence development, all hydro-electric sources in the area will have been utilized, leaving a five million kilowatt shortage.

Therefore, while your conventional fuel situation on a nationwide basis is brighter than ours, in many areas your problems are similar to ours.

**Projected Plans of Atomic Power Development**

Since the problems are similar, perhaps the solutions will not look too different. I would like to give you some figures from our projected plans for meeting the power challenge with atomic electric generating plants.

First, our forecast on the percent of new plants added to utility systems in the United States which will be nuclear fueled. This starts out with a low figure of around 2% in 1965, but we estimate that there will be substantial activity after that—resulting in 14% of the plants going in service in 1970 being nuclear. Our anaylsis indicates that once nuclear plants become competitive, they will expand rather rapidly—increasing to 44% by 1975 and 65% by 1980.

In comparison with this, let us consider the new generating capacity added per year for the entire industry and the fraction of that which will be nuclear fueled. Basis for the forecast of gross generating capacity is essentially the same as the average of the Edison Electric Institute upper and lower limit forecasts. We have used an increase of 6½% per year. This means that total generating capacity additions will rise to 23 million kilowatts per year by 1975, and 31 million kilowatts per year by 1980.

Our forecast of nuclear plants results in an increase of 10 million kilowatts per year by 1975, and 20 million kilowatts per year by 1980. This predicted size of the atomic power plant business is very impressive, being about equal by 1975 in millions of kilowatts to the total generating capacity additions of all kinds in 1954. In the short five years thereafter, if our predictions hold true, it would rise to a business double that size.

**The Impact on Conventional Power Plants**

What would happen to the construction of conventional plants in the meantime? This forecast would indicate that the quantity of conventional generating capacity manufactured each year would increase for the 15 years to 1970 and, even in 1980, the business would still amount to 11 million kilowatts capacity per year, which is the same as the present level. Thus there is certainly ample incentive for industry to continue to improve the economy of conventional plants. Furthermore, manufacturers of conventional plant equipment can look forward to a substantial business for a long time.

Many people are concerned with aspects related to the total installed capacity as distinct from the annual additions. These are people interested in such things as fuel consumption, investment in electric utilities, and the operation and integration of various kinds of generating capacity in utility systems.

An understanding of these things can best be achieved by examining the effect of the rapid rise of nuclear plants upon the total generating capability of the country. The total generating capability as of the first of January, 1955, is 102 million kilowatts. This forecast shows a rise

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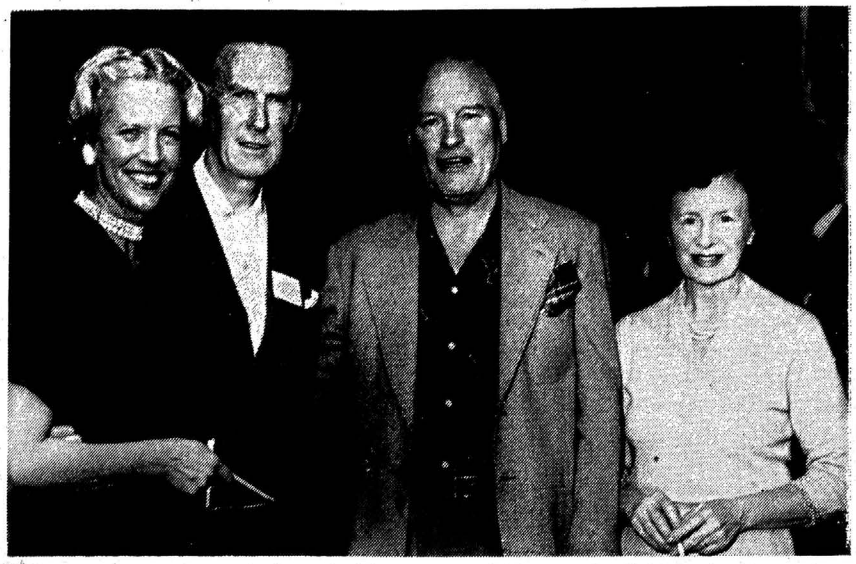
Mr. & Mrs. Ralph M. Jones, *Eastern Securities Co., Ltd.*, Charlottetown; Mr. & Mrs. W. G. Pepall, *Bell, Gouinlock & Company, Limited*, Montreal



Mr. & Mrs. H. J. Bird, *H. J. Bird & Company, Ltd.*, Vancouver; Mr. & Mrs. Guy Major, *Major & Company*, Montreal

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# Atomic Power Needed to Meet Canada's Energy Needs

to 375 million kilowatts by 1975, and 514 million kilowatts by 1980.

The integrated capability of nuclear fuel plants forecast from the previous data adds up to 40 million kilowatts by 1975, and 120 million kw. by 1980. What then about people who are concerned about the investment in conventional generating capacity? As of today there are about 80 million kilowatts of capacity using conventional fuels. Even with the rapid rise in nuclear capacity which I have predicted, installed capacity in conventional thermal plants will increase to 300 million kilowatts by 1975, and 350 million kilowatts by 1980.

One of the factors which will affect this rate of growth will be the cost of the nuclear plant in relation to the conventional plant. At the present time, and probably until 1960, the cost of building an atomic power generating plant of the boiling reactor type is estimated at \$200-\$270/kw, while the cost of building a conventional fueled steam plant of the same size would be \$175/kw. Many costs of individual items in each plant are almost the same since the apparatus is constant no matter what energy source is used. Some of the components of the nuclear plant are still very expensive compared with their equivalent in a conventional plant. For example, the reactor costs \$45/kw while the steam boiler costs \$28/kw. The piping and feedwater system is twice as expensive for a nuclear plant as it is for a steam plant.

### Factors in Reducing Cost of Atomic Power

However, there are several things which could reduce these great differences and produce a downward cost trend. Among these are: (1) Scaling up the size of reactors by factors of 5 to 50 may achieve unit economies and greatly reduce overhead costs. (2) Unit development costs will be reduced and distributed over a larger number of reactor projects. (3) Quantity production will reduce the cost of components. (4) Testing procedures will probably be simplified. Other improvements in fuel technology, waste handling, and safeguards, plus the wider use of standard equipment will also help to bring the initially higher costs within competitive range of conventional plants shortly. Ultimately, of course, it is expected that these costs will be even lower than those of conventional plants. It is expected by 1980 that the cost of a nuclear plant will decrease to about \$145 to \$165 per kilowatt.

However, this cost differential in favor of existing conventional power plants is not expected to greatly hinder the beginning of our atomic power program because of two advantages which will accrue to people who are willing to pioneer in the field: (1) Nuclear plants offer a greater *potential* for cost reduction *after* start-up than any conventionally fueled plant, and (2) Working to develop plants now will give companies the inside track in the years ahead when the rush to convert to nuclear power really gets underway.

### The Race for Use of Atomic Energy Is On

The race is on already and there are many entrants. I have already mentioned your Southern Ontario plant which is supposed to be operating by 1958. Great Britain has committed herself to build 12 nuclear powered stations. Ten years from now, according to her plan, new nuclear stations will constitute a fourth of all the growth factor demanded annually by Britain's expanding industry and population, and 20 years from now they may be building no

Mr. & Mrs. G. S. Swindell, *Wood, Gundy & Company, Limited,* Winnipeg; Mr. & Mrs. H. M. Cunningham, *Wood, Gundy & Company, Limited,* Quebec

Mr. & Mrs. V. S. Castledine, *V. S. Castledine & Co., Ltd.,* Ottawa; Mr. & Mrs. Carman Kin *Gairdner & Company, Inc.,* New York City; David Dattels, *Dattels & Company, Limited,* Kitchen

new generating equipment other than nuclear.

Less is known about Russia's atomic power development except that she has one plant running of a 5,000-kw rating. And we do know that the Soviet plans to triple the output of its electrical power system in the next decade. To do this she will probably have to rely heavily on atomic installations.

In addition, 12 other European nations have already formed a pool for atomic research and are building a laboratory in Switzerland.

In the United States, several projects are under way, one of the latest being a proposed 180,000-kw plant which the General Electric Company is tentatively slated to build in Illinois.

The cost of this plant is being financed entirely by private funds and in a manner which should be of interest particularly to you as investment dealers. The total price of the plant—$45 million—is about 50% more than it would have cost to build a modern conventional plant of the same size.

Hence, the Commonwealth Edison Company, who will own the plant, is going to write $30 million in their capital account for rate structure purposes, and the balance of $15 million will be contributed by other associated utilities as research and development grants over a period of five years.

In addition to this plant, which is the largest all-nuclear plant announced to date, there are four other installations planned by the utility industry in sizes ranging from 75,000-kw to 140,000-kw.

The outlook is bright for the increased installation of nuclear power plants over the next 20 years, and if this seems like a long period of time, remember that we are dealing with large, long-range solutions to sweeping, long-range problems. And the full benefits to be derived from the utilization of this new source of energy will be tremendous enough to affect many facets of our lives.

**Various Uses of Atomic Power**

First, and most important, perhaps, atomic energy will help to supply that great inexhaustible source of energy which we can already foresee as being necessary to the continuing growth of our economies. Without this rich new source of energy, our goals—even within the next few years—will be much more difficult of attainment, and for the long pull would be nearly impossible.

Coupled with the direct power application, a great deal of consideration should be given to the subsidiary benefits of the atom. These are mainly in the field of industry, research, agriculture and medicine. The uses divide themselves into radiations that alter things, and into radioisotopes.

I am not a research scientist, so I cannot supply you with a comprehensive evalution of the things that are happening in this area. However, let me enumerate just a few. I think their significance will become obvious to you.

**In Food Preservation:** Within the past year, much has been done in the irradiation of meats and fruits and other foods with gamma rays, and it has been found possible to store some foods for months, after treatment, at

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Mr. & Mrs. Stanley Cox, *Bankers Bond Corporation, Limited,* Toronto; Mr. & Mrs. Telfer Hanson, *Burns Bros. & Denton, Limited,* Toronto

Andrew Beaubien, *L. G. Beaubien & Co. Ltd.,* Montreal; Dudley Dawson, *Dawson, Hannaford Limited,* Montreal

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# Atomic Power Needed to Meet Canada's Energy Needs

room temperature without spoilage.

**In Medicine:** Much work is being done here in the use of radioactive tracers. These tracers, introduced into a patient's system, can be tracked with scintillation counters—instruments something like a Gieger counter—as they are absorbed or passed off by the system.

Another highly important application of atomic energy in medicine is in the fight against cancer. Here, one of man's weapons is a therapy unit which bombards cancerous tissues with radioactive cobalt 60.

**In Chemistry:** Fascinating work is being done these days in the irradiation of plastics. It has been found that certain plastics materials, when exposed to gamma radiation, can be subjected to considerable heat without melting or losing their shape. This is good news to pharmaceutical houses, among others, because it means that specific drugs can be packaged and sterilized right in their plastics containers.

**In Agriculture:** Here, plant growth is being studied through the use of radioactive tracers which, added to fertilizer or soil, can be tracked by instruments as they proceed up plant stalks and stems and into the leaves.

It would take hours just to scratch the surface of the potential uses of radioactive isotopes. Speaking recently, Dr. Willard F. Libby, a member of the U. S. Atomic Energy Commission, remarked, "If radioisotopes can be utilized with complete safety in process control techniques in which the material or product itself is made mildly radioactive, the present estimated savings of $100 million per year could be increased by several fold."

Even more important, however, is the fact that there is now an immense variety of materials and methods of producing and using radiation, represented by the new isotopes and new instruments. These are leading us to new knowledge, particularly in the fields of biology and medicine and greatly extending the power of the research men to unlock nature's secrets in many fields. I believe it is folly to predict the uses of such new knowledge. We may not even recognize what knowledge comes from these techniques and what from older methods, but it is certain that in the aggregate this new knowledge will have an unknown but a great effect on our material progress.

An added benefit which will accrue to Canada particularly with the coming use of atomic energy is reflected, of course, in your being one of the main sources of natural uranium. Your vast resources of this material will not only tend to lower your own fuel costs, but also will give you an important item in world trade. In a survey of the atomic industry the Atomic Industrial Forum, Incorporated, of New York, has estimated that the amount of uranium needed to supply the U. S. projected atomic power program would reach 1,500 to 8,000 metric tons annually by 1964. Mr. Bennett, of Atomic Energy of Canada, estimates that in 1957 uranium production will be valued at approximately $100 million, ranking uranium in fourth place in the gross dollar value of metal production in Canada.

Another area in this industry which is occasionally overlooked is the huge market for components which will result from the building of atomic installations. The same survey I quoted a little while ago estimates that by 1963 the annual volume of components of large stationary nuclear plants will add to the American economy $710 million worth of business in building and shielding reactor units, coolant systems, instrumentation, and fuel handling and auxiliary systems.

One of the biggest benefits for all of us will come when the atomic plant is fully installed and power costs begin to feel the effects of long-range, low-fuel and high-efficiency operation. Ultimately, atomic-generated power is expected to be cheaper than present conventional power, in spite of the initial period when nuclear costs are higher.

**What Is Going to Happen to Conventional Fuels**

A great many of you are probably wondering what is going to happen to conventional fuels—and equipment designed to use conventional fuels — after the swing to atomic energy really gets going. In the first place, we will go right on building conventional fuel plants for many years at the same, or almost the same rate as we are at present. We envision atomic plants being added to total generating capacity at first as that capacity grows to meet new demands.

When the experimental phase is passed and atomic installations are truly competitive with conventional plants, those old plants will be replaced by atomic plants *as they wear out.*

Many people do not realize that the power generation business has long been operating on a planned

Mr. & Mrs. Yvon Phenix, *Geoffrion, Robert & Gelinas, Inc.*, Montreal

Mr. & Mrs. Robert McConnell, *McConnell & Company, Ltd.*, Toronto

replacement basis. Conventional plants themselves have gone through a continuing cycle of progressive obsolescence, with better designs replacing old steam plants as they paid for themselves and wore out. The coming of atomic power will not change that system, it will merely substitute nuclear plants for a newer conventional plant when the old ones are ready for their normal replacement. No conventional plant will ever be scrapped in favor of an atomic plant unless money is going to be saved by doing so.

As a matter of fact, we see a paradox in the idea that the widespread use of atomic power will actually conserve conventional fuels for uses where they will be more practical than nuclear drives.

For example, in the field of transportation, the start of an atomic navy has been made, and it is practically certain that atomic powered military aircraft can be produced and will have possibilities well worth their cost. Frankly, however, I see few other transportation possibilities — except of course, atomic electric applications. Atomic powered merchant vessels may come, but I believe they must be based on some new concept or need in ocean transportation. I doubt if I will ever see practical, economically useful, locomotives, automobiles, trucks, or commercial aircraft using atomic energy of the type we know today. Hence, if this is true (with the exception of naval ships and some military aircraft) chemical fuels must continue to supply our ever-increasing needs for transportation.

Thus the present reserves of fossil fuels, far from becoming obsolete overnight, will increase in value as the growing development of atomic power gradually points out the natural limitations of nuclear energy, and underlines those areas which will be competing for the remaining stocks of chemical fuels.

What does all this mean to you as investment dealers? It is difficult to break down figures on a burgeoning industry such as the atomic power field. We have gathered together estimates on some of the many potential phases of this business and we have tried to get some idea of the total dollar volume traceable to some aspects of the peacetime application of atomic energy. Translating our figures into Canadian terms—we did this roughly by comparing installed kilowatts of generating capacity — you should have an atomic business in 1975 of approximately $1½ billion. This would be the probable total effect of all phases of nuclear power upon your gross national product.

Perhaps most significant for you people in this hall is the growing feeling as expressed by the President of Atomic Energy of Canada that utilities and industry should be given an opportunity to enter this field and help develop it.

I have only been able to trace the broad outlines of the atomic power field for you this morning, partly because of time limitations, and partly because in this field about all we have are broad outlines to work to. This does not mean that we are pushing ahead into a completely unknown area, it merely means that we recognize that we must think in broad terms and implement large plans if we are to realize the full potentialities of this new force. I am convinced that applications of atomic energy in our future are almost limitless. "Limitless" is, of course, a word that gets kicked around a lot these days so I've indicated an almost limitless future for the applications end of atomic energy.

**Countless Applications**

The opportunities offered by our atomic future certainly appear to be limitless. Aside from the power field, where the atom will supply a conventional end product, vast strides will be taken in nuclear applications in medicine, agriculture, chemistry, transportation, food technology, manufacturing, industrial research, and many other areas. An era of great opportunity, of great progress, lies before us. And there will be many people and many businesses, running in this race to harness the atom.

You, as investment experts, will know what must sustain this headlong rush of private enterprise to stake out claims in our new atomic age. Capital—good, hard, plentiful dollars—is a prime staple riding in the *atom age's chuck wagon*. Of course, there are many *who will reach in over the tailgate for a handout—some riding experienced dependable horses — and some riding horses that may never make the grade.*

My analogy smacks a bit of the days of the '49ers, and with reason. For there *is* a pot of gold at the end of the atomic rainbow for those that ride the right horse—those who *invest their dollars wisely*—or, if you prefer, who put their money on the experienced nag.

We stand now at about the same stage where the whole electrical industry stood about 75 years ago. One thing has become obvious since then—it takes big plans to get big results. We feel that we have measured our plans to fit what is needed and what is possible.

However, the realization of such goals as I have outlined to you—by the United States, by Canada, or by *any* nation—will entail surmounting numerous technological and industrial problems. Ahead lies a rough road, but a road which leads to inestimable rewards. Successful passage of it is a great challenge to industry, to business, to government, and to all of us collectively.

Mr. & Mrs. G. G. Johnson, *Credit Interprovincial Ltee.*, Montreal

Mr. & Mrs. N. D. Young, *Dominion Securities Corpn. Limited*, Toronto





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# Role of Debt Management In Canada's Economy

greatly strengthened both the liquidity and the quality of bank assets and has made bank deposits less vulnerable to a decline in bank loans. These points are, however, less important than the main issue as to whether the economy needs, or could stand, the deflationary effects of an appreciable reduction in bank holdings. It seems clear that this question should be answered in the light of economic conditions existing at a particular time.

Another interesting trend in the distribution of the debt is the reduction in the proportion owned by non-residents. In the late '30s, approximately one-third of the funded government debt was held by non-residents; today, they own less than 5%.

During the post-war decade there has been a steady increase in the proportion of our debt in non-marketable form — currently 13%. It has been clearly demonstrated that the Canada Savings Bond provides a practical method of maintaining a widespread distribution of government bonds with the substantial social benefits that accrue therefrom. My predecessor used to say that he had not received a single objection to the Canada Savings Bond program and that is indeed a tribute to its popularity as a convenient savings medium. There is a rather striking contrast between the total of 1,200,000 buyers of $800 million of the Ninth Series of Canada Savings Bonds last Fall and the 18,000 buyers who acquired the $850 million market issue a year ago and the 14,000 buyers who took up the $1,100 million market issue last September. You will recall that both market issues included long-term bonds.

This audience will quickly agree that decisions taken in managing our debt must take into account a constantly shifting market situation. When there is an ample supply of funds seeking investment, there is also considerable latitude with respect to the types of securities government can sell; when there is a relative shortage of investment funds, it has much less latitude. It is also apparent that whatever decisions are taken will in themselves influence market conditions.

### Considerations in Debt Management

Debt management in the final analysis entails striking a balance among a variety of considerations foremost among which are convenience and economy for government on the one hand and the desires and needs of investors on the other. Since the decisions taken do have significant effects upon credit and economic conditions, they deserve continuous study and discussion by interested groups such as yours. The huge maturities which will have to be largely refunded over the next five or 10 years provide us with the opportunity to establish and maintain sensible patterns in our debt that will make a worthwhile contribution to the stability of our economy. I urge each member of this Association to take a lively interest not only in the timing of new government issues, but in the details of the necessary financing decisions as well. Intelligent and objective analysis of the underlying factors will promote the well-being of Canada.

### General Economic Conditions

So much for matters which are of almost daily consideration by the investment dealer fraternity and the Ministry of Finance and its advisers. May I turn now to more general matters which are also of interest to all of us.

There is no doubt that the Canadian economy is rapidly pulling out of the rather mild recession which we have been experiencing over the past 18 months or so.

I do not like making forecasts —it is too apt to give hostage to one's critics. The traditions of my office require me to do so once a year, at Budget time—and a wise man would do no more than he has to in this respect.

In my Budget speech 10 weeks ago, I based my projections of revenue and expenditures on a progressive recovery of the slack-

(standing) Mrs. L. W. Scott, Toronto; Mr. & Mrs. W. H. Robertson, *Mills, Spence & Co., Limited*, Toronto; (seated) Mr. & Mrs. E. A. Rogerson, *Mills, Spence & Co., Limited*, Toronto; L. L. Bell, *James Richardson & Sons*, Toronto

G. C. Andrews, *Nesbitt, Thomson and Company, Limited*, Fredericton; A. J. Raymond, *Nesbitt, Thomson and Company, Inc.*, New York City; Mrs. D. E. M. Schaefer, Kitchener; Mrs. J. R. Ferguson, Montreal; W. M. Dietrich, *Nesbitt, Thomson and Company, Limited*, Montreal

ness which had developed in late 1953 and on an early resumption of a healthy normal rate of growth. I said that if we had normal crops and if no unforeseen setbacks occurred, the Gross National Product should total $25½ billion for the calendar year 1955, or about 5 to 6% above 1954. I also pointed out that if we picked up all the slack and added to it our normal rate of growth, the Gross National Product would be running at an annual rate of about $26 billion by the end of the year. I went on to say that I though it was desirable to adopt a fiscal policy that would produce a flow of revenue and expenditure that would be in balance when the economy was operating at a $26 billion level. Since I did not expect it to reach this rate of activity until toward the end of the year, and since I expected it to average $25¼ billion for the actual 12 months of 1955, I forecast a moderate deficit for this fiscal year.

How close my forecasts may turn out to be I shall leave for events to determine. All I want to say now is that our rate of recovery and our resumption of normal growth has so far proved encouraging, and I can see no good reason in the events of the past 10 weeks to alter my expectations. As you may have noticed, the Dominion Bureau of Statistics issued its report on the Gross National Product for the first quarter of 1955. It records an annual rate of $25 billion, an increase from $24.4 billion in the last quarter of 1954, and an average of $24.0 billion for the year 1954 as a whole.

The level of industrial production has been maving up steadily for the past six months, and in the last full month for which records are available, it was 6% above the same month a year ago. Agricultural production for 1955 must, as always at this season of the year, be uncertain, but current prospects in almost all parts of the country are "good to excellent."

Our export trade, in spite of some of the problems we hear a good deal about, is moving up steadily and quite rapidly. Exports in the past six months have been 10% greater than the same six months a year ago—and if this keeps up, our 1955 performance could come very close to establishing a new record. Our increased exports are well distributed; the recovery of our trade with the United Kingdom and Western Europe and other overseas areas is especially encouraging.

So far this year, our exports to the United States are up 8%, our exports to the Continent of Europe are up 25%, and our exports to the United Kingdom have increased by 45%. On the other hand, our sales to South America and Asia have declined by some 20%.

As between commodities, there has been a small increase in the exports of the products of our farms, an increase of 15% in the products of our forests, and the very large increase of 30%, or nearly $100 million, in our exports of metals, minerals and chemicals. This last figure is a gratifying reflection of the heavy capital investments and greatly improved technological skills that we have developed in the past few years.

As a result of rising production and improving trade, the employment situation has greatly improved. The latest official figures on unemployment do not carry us beyond the middle of April, but when the May and June figures become available, I am sure they will show a very considerable and rapid decline from the late winter peak and I would expect that they will show a substantial reduction below the figures of the same date a year ago.

As Minister of Finance and especially as Receiver General of Canada, I am one of the beneficiaries of all these rising trends. Tax revenues are flowing in at a satisfactory rate, but, of course, I should not let you think that "satisfactory" means more than that.

#### Long-Range Economic Prospects

May I, in conclusion direct your attention and invite your continued thinking about our longer range economic prospects. You will recall that in my budget speech I announced our decision to appoint a Royal Commission to examine and report upon these matters.

Among the many useful things this Royal Commission will do, through its public hearings and through its Report, will be to promote and stimulate more general and detailed thinking about the kind of country Canada can and should be 25 or 30 years hence. I am hoping that the Report, when it comes down, will mark not the conclusion of a special study, but the beginning of a new cycle of thinking and planning for the future.

So many of us are so immersed in our daily problems and duties that we find it difficult to find time to reflect imaginatively about our longer term development. Investment dealers are more fortunate than many others in this regard, because the nature of your regular duties requires you to keep looking 10 or 20 or more years ahead.

I hope many of you individually or collectively will take an active interest in the work of the Commission and its follow-through. Perhaps your Associations will have considered views to put before the Commissioners. I hope so.

Canada has reached its present level of development, influence and high standards of living be-

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E. Douglas Huycke, *Bache & Co.*, Toronto; Lawson Glasgow, *Royal Securities Corporation, Limited*, Montreal; Paul Flemming, *Flemming & Co.*, Toronto; Mrs. Geoffrey Phipps, Toronto; Mrs. George P. Rutherford, New York City

Jean Gendron, *J. T. Gendron, Inc.*, Quebec; J. N. E. Grenier, *Grenier, Ruel & Cie., Inc.*, Quebec; H. H. Hills, *Royal Securities Corporation, Ltd.*, Halifax; Frank Poutney, *Houston, Willoughby & Co., Ltd.*, Regina; A. F. Francis, *A. F. Francis & Company, Limited*, Toronto

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# Role of Debt Management In Canada's Economy

cause of our reliance on the skill and determination of our people. But the full harvest of the future will be ours only to the extent that we exercise the same high qualities of vision, courage and industry that our predecessors possessed, and which have marked the progress of your Association.

I am glad to have been with you and to have met and seen so many of this group who spend a not inconsiderable part of their time working for me in my capacity as Canada's biggest borrower.

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

**GRAHAM, JOHN**
John Graham & Company Limited, Ottawa

**GRAY, R. A.**
James Richardson & Sons, Winnipeg

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

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

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

**HANNAFORD, D. C.**
Dawson, Hannaford Limited, Montreal

**HANSON, MURRAY**
The Investment Bankers Association, Washington

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

**HARRIS, HON. WALTER E.**
Minister of Finance, Ottawa

**HAYMAN, J. L.***
Goulding, Rose & Company Limited, Toronto

**HEATH, S. B.**
Walwyn, Fisher & Co., Toronto

**HEGGIE, I. C.***
W. C. Pitfield & Company Limited, Toronto

**HENDERSON, HAROLD**
A. E. Ames & Co. Limited, Victoria

**HERGOTT, A. E.**
James Richardson & Sons, Kitchener

**HERRNDORF, H. H.**
Herrndorf Securities Ltd., Winnipeg

**HICKS, R. C.**
Harrison & Company Limited, Toronto

**HILLS, H. H.***
Royal Securities Corporation Limited, Halifax

**HITCHON, A. G.***
Bunnell, Hitchon, Limited, Brantford

**HOLLEBONE, B. C.***
F. J. Brennan & Co. (N. S.), Halifax

**HOVEY, W. N.***
Equitable Securities Canada Limited, Toronto

**HUGHES, J. R.***
Royal Securities Corporation Limited, Montreal

**HUGMAN, V. W.***
Belanger Inc., Montreal

**HUYCKE, E. D.**
Bache & Co., Toronto

**JEWITT, D. A.***
Deacon Findley Coyne Limited, Toronto

**JOHNSON, G. G.***
Credit Interprovincial Limitee, Montreal

**JOHNSTON, H. L.**
J. L. Graham & Company Limited, Toronto

**JOLLY, C. E.***
Dominion Securities Corpn. Limited, Toronto

**JONES, R. M.**
Eastern Securities Company Limited, Charlottetown

*Denotes Mr. and Mrs.

Mr. & Mrs. N. A. Mitchell, *Harrison & Company, Ltd.*, Toronto; Mr. & Mrs. C. T. Smith, *Harrison & Company, Ltd.*, Toronto; Mrs. George Stewart, Toronto; Mr. & Mrs. J. D. Gilmore, *Royal Securities Corporation Limited, Toronto*

Mr. & Mrs. Nigel H. Gunn, *Bell, Gouinlock & Company, Limited*, Toronto; Mr. & Mrs. E. M. Duggan, *D. M. Duggan Investments*, Edmonton; Mr. & Mrs. R. W. Wadds, *McLeod, Young, Weir & Company, Limited*, Toronto

**KEELEY, C. P.***
McLeod, Young, Weir & Company Limited, Montreal

**KENNEDY, E. M.***
Midland Securities Corpn Limited, London

**KERNAGHAN, E. B.**
Kernaghan & Co. Limited, Toronto

*Denotes Mr. and Mrs.

**KING, C. G.***
Gairdner & Company Inc., New York

**KINGSMILL, J. A.**
The Investment Dealers' Association, Toronto

**KINNEAR, E. F. C.***
W. C. Pitfield & Company Limited, Montreal

**KIPPEN, E. D. B.**
Kippen & Company Inc., Montreal

**KIPPEN, W. BRUCE**
Kippen & Company Inc., Montreal

**KNIGHT, H. J.**
Walwyn, Fisher & Co., Toronto

**LANG, ALBERT C.***
Merrill Lynch, Pierce, Fenner & Beane, Toronto

**LEDDY, J. A.***
MacTier & Co. Limited, Montreal

**LEDOUX, J. F.**
James Richardson & Sons, Montreal

**LeMESURIER, J. R.***
Dominion Securities Corpn. Limited, Toronto

**LEVESQUE, J. L.**
Credit Interprovincial Limitee, Montreal

**LITTLE, A. T.**
Osler, Hammond & Nanton Limited, Regina

**MACDONALD, W. D.**
A. E. Ames & Co. Limited, Toronto

**MACKENZIE, P.***
Dominion Securities Corpn. Limited, Montreal

**MACKENZIE, W. S.***
Nesbitt, Thomson and Company, Limited, Ottawa

**MacNAMES, G. P.***
N. L. MacNames & Company Limited, Toronto

**McALPINE, W. D.***
Brawley, Cathers & Company, Toronto

**McATEER, E. H.***
Graham & Co., Montreal

**McCAIN, G. E. A.***
G. E. Leslie & Co., Montreal

**McCLELLAN, L. A.***
Bankers Bond Corporation Limited, Toronto

**McCONNELL, R. K.***
McConnell & Company Limited, Toronto

**McDONALD, D. J.**
Osler, Hammond & Nanton Limited, Winnipeg

**McKIBBIN, R. B.**
Bank of Canada, Ottawa

**McLAUGLIN, J. L.***
McLeod, Young, Weir & Company Limited, Montreal

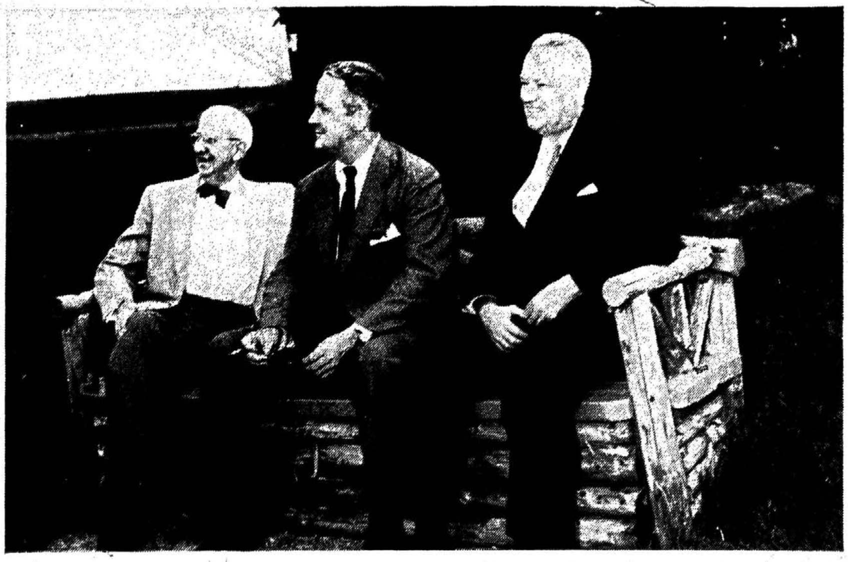
**MAJOR, G. C.***
Canadian Alliance Corporation Limited, Montreal

**MALOUIN, I.***
Oscar Dube & Cie Inc., Quebec

**MARTIN, I. A.***
Royal Securities Corporation Limited, Montreal

*Continued on page 30*

R. C. Hicks, *Harrison & Company, Ltd.*, Toronto; Stanley Cox, *Bankers Bond Corporation Limited*, Toronto; Bill McAlpine, *Brawley, Cathers & Company*, Toronto; Mr. & Mrs. C. T. Graham, *Waterloo Bond Corp.*, Kitchener, Ont.; Thomas E. Rogers, *R. A. Daly & Co.*, Toronto; Mrs. G. K. Anderson, Toronto; Mrs. J. A. Senecal, Montreal



Erwin W. Boehmler, Educational Director of Investment Bankers Association of America, Washington, D. C.; Murray Hanson, Executive Director of Investment Bankers Association of America, Washington, D. C.; Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia, President of Investment Bankers Association of America

*Continued from page 29*

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

**MAYHEW, L. E.***
Harris & Partners Limited, Toronto

**MEDLAND, C. E.***
Wood, Gundy & Company Limited, Toronto







**MEYER, RICHARD**
Dow Jones Ltd., New York

**MITCHELL, A. W.**
A. E. Ames & Co. Limited, Ottawa

**MITCHELL, N. A.***
Harrison & Company Limited, Toronto

**MORAN, W. T.**
Greenshields & Co. Inc., Montreal

**MURDOCH, GEORGE**
Belanger Inc., Montreal

**MURPHY, HAL***
"Commercial & Financial Chronicle," New York

**NEVILLE, H. E.***
Gairdner & Company Limited, Montreal

**NIXON, S. E.***
Dominion Securities Corpn. Limited, Montreal

**NORNABELL, L. C.***
Charles H. Burgess & Company, Toronto

**NORRIS, J. H.**
Collier, Norris & Quinlan Limited, Montreal

**NOXON, W. J.***
Charles H. Burgess & Company, Toronto

**OSBURN, A. G.**
Pemberton Securities Limited, Vancouver

**OSTIGUY, J. P.***
Casgrain & Company, Limited, Montreal

**PARKER, R. E.***
W. C. Pitfield & Company Limited, Ottawa

**PATTEE, J. G.***
Dawson, Hannaford Limited, Montreal

**PAQUET, ROGER***
Credit Interprovincial Limitee, Quebec

**PEET, E. F.**
Burns Bros. & Denton Inc., New York

**PEPALL, W. G.***
Bell, Gouinlock & Company, Limited, Montreal

**PEQUEGNAT, J. A.***
Cochran, Murray & Co. Limited, Toronto

**PETERS, C. L.**
F. J. Brennan & Company Limited, Saint John

**PHENIX, YVON***
Geoffrion, Robert & Gelinas Inc., Montreal

**PHIPPS, G. E.***
Dominion Securities Corpn. Limited, Toronto

**PIPER, JOHN***
A. E. Ames & Co. Limited, Montreal

*Denotes Mr. and Mrs.

**PLUMPTON, K. E.**
Nesbitt, Thomson and Company, Limited, Montreal

**POUTNEY, F. B.**
Houston, Willoughby & Company Ltd., Regina

**POWER, WALTER F.**
Macleod, Riddell & Co., Montreal

**PRICE, A. S.***
Royal Securities Corporation Limited, Quebec

**PRICE, W. H.**
Price, Evans & Company Limited, Toronto

**RAYMOND, A. J.**
Nesbitt, Thomson and Company, Inc., New York

**REEVE, MISS FERN**
Court Reporter, Montreal

**ROBB, R. F.***
R. A. Daly Co. Limited, Toronto

**ROBERTSON, F.***
The "Telegram," Toronto

**ROBERTSON, W. H.***
Mills, Spence & Co. Limited, Toronto

**ROBITAILLE, S. H.***
Lajoie, Robitaille & Cie. Limitee, Montreal

**ROGERS, J. C.***
H. C. Flood & Co. Limited, Montreal

**ROGERS, THOMAS E.***
R. A. Daly Co. Limited, Toronto

John Norris, *Collier, Norris & Quinlan*, Montreal; Bruce Kippen, *Kippen & Company, Inc.*, Montreal; Terry Flood, *Flood & Co.*, Montreal; Judy Thomas

Mr. & Mrs. Walter Sullivan, *Equitable Securities Canada Limited*, Toronto; Mr. & Mrs. Nev Adams, *Intercity Securities Corporation Limited*, Toronto

**ROGERSON, E. A.***
Mills, Spence & Co. Limited, Montreal

**ROSE, FRANCIS M.**
Dow Jones Ltd., New York

**ROSS, G. A.**
Collier, Norris & Quinlan Limited, Montreal

**ROWAN-LEGG, E. STEWART**
Stanbury & Company Limited, Halifax

**RUTHERFORD, G. P.***
Dominion Securities Corpn., New York

**SAMIS, B. C.**
Samis & Company Ltd., Vancouver

**SAUNDERS, E. M.***
... M. Saunders Limited, Toronto

*Denotes Mr. and Mrs.

**SAVARD, A.**
Savard & Hart Inc., Montreal

**SCHAEFER, D. E. M.***
Nesbitt, Thomson and Company, Limited, Kitchener

**SCHMIDT, W. A.***
Investment Bankers Association, Washington

**SCOTT, L. W.***
Ross, Knowles & Co. Limited, Toronto

**SENECAL, J. A.***
L. G. Beaubien & Co. Limited, Montreal

**SENNETT, D. M.***
Harris & Partners Limited, Toronto

**SHAW, H. V.***
Gairdner & Company Limited, Toronto

**SHERWOOD, G. D.**
Thomas B. Read Company Ltd., Vancouver

**SIMONS, R.**
Dominion Securities Corpn. Limited, Quebec

**SLIPP, C. R.**
Wills, Bickle & Company, Toronto

**SMITH, C. T.***
Harrison & Company Limited, Toronto

**SMITH, V. B.***
Hart Smith & Company, Limited, Montreal

**SPRAGGE, W. P.***
A. E. Ames & Co. Limited, Toronto

**STEWART, G. C.***
Royal Securities Corporation Limited, Toronto

**STEWART, W. A.***
Midland Securities Limited, Montreal

**ST. PIERRE, JEAN**
A. E. Ames & Co. Limited, Montreal

**SULLIVAN, W.***
Equitable Securities Canada Limited, Toronto

**SWINDELL, G. S.***
Wood, Gundy & Company Limited, Winnipeg

**TAPRELL, W. R.**
Carlile & McCarthy Limited, Calgary

**TATTON, L. A.**
James Richardson & Sons, Chatham

**THOMPSON, J. T.***
Molson Securities Limited, Montreal

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

**TURGEON, H.**
Greenshields & Co. Inc., Montreal

**VAN DUZER, J. F.***
Mills, Spence & Co. Limited, Toronto

**VANDEWATER, H. J.***
Wood, Gundy & Company Limited, Toronto

**VERMETTE, D. H.**
Savard & Hart Inc., Montreal

**VIDRICAIRE, H. J.**
James Richardson & Sons, Montreal

**WADDS, R. W.***
McLeod, Young, Weir & Company Limited, Toronto

**WARD, D. H.***
Dominion Securities Corpn. Limited, Toronto

**WATSON, W. H.***
Anderson & Company Limited, Toronto

**WHITE, LESLIE E.**
Osler, Hammond & Nanton Limited, Winnipeg

**WHITTAL, F. R.**
C. J. Hodgson & Co. Ltd., Montreal

**WIGHTMAN, L. M.**
Isard, Robertson & Co. Limited, Toronto

**WILKINS, G. C.**
Mead & Co. Limited, Montreal

**WILSON, ROSS**
A. E. Ames & Co. Limited, Vancouver

**WITTSTOCK, R. C.**
Watt & Watt, Toronto

**WOOD, J. D.***
J. C. Mackintosh & Co. Limited, Halifax

**WRIGHT, A. FRASER**
Pemberton Securities Limited, Vancouver

**YOUNG, N. D.***
Dominion Securities Corpn. Limited, Toronto