HOW PROFITABLE IS BIG BUSINESS

THE TWENTIETH CENTURY FUND

HOW PROFITABLE IS BIG BUSINESS?

:orporation Survey Committee of The Twentieth Century Fund

27736

HOW PROFITABLE IS BIG BUSINESS?

A TWENTIETH CENTURY FUND INVESTIGATION

The Trustees of the Fund approved the program of this survey, underwrote its expenses, and appointed the Special Committee which had charge of it. The Trustees, however, have not assumed responsibility for the findings included in this volume.

CORPORATION SURVEY COMMITTEE OF THE TWENTIETH CENTURY FUND, INC.

The following Special Committee of the Twentieth Century Fund, Inc. has been in charge of the investigation, the findings of which are summarized in this volume.

RALPH E. FLANDERS, *Chairman*
President, Jones and Lamson Machine Company

A. A. BERLE, JR.
Chamberlain of the City of New York; co-author of
The Modern Corporation and Private Property

WILLIAM J. DONOVAN
Lawyer; former Assistant to the Attorney-General
of the United States, in charge of anti-trust litigation

DEXTER M. KEEZER
President of Reed College; formerly Director of the
Consumers Advisory Board of the National Recovery Administration;
author of *The Public Control of Business*

HARRY W. LAIDLER
Director, League for Industrial Democracy;
Director, National Bureau of Economic Research; author of
Concentration of Control in American Industry

LAURENCE H. SLOAN
Vice-President, Standard Statistics Company;
author of *Corporation Profits* and
Two Cycles of Corporation Profits

HOW PROFITABLE IS BIG BUSINESS?

Prepared Under the Direction of the Corporation Survey Committee of the Twentieth Century Fund, Inc.

ALFRED L. BERNHEIM
Editor

ESTELLE SHRIFTE
Assistant Editor

RUFUS S. TUCKER
Director of the Survey

MARGARET GRANT SCHNEIDER
Associate Research Director

NEW YORK
TWENTIETH CENTURY FUND, INC.
1937

First published June 1937
Second printing March 1939

MANUFACTURED IN THE UNITED STATES OF AMERICA
UNDER THE DIRECTION OF RAYMOND RICH ASSOCIATES

FOREWORD

THIS VOLUME is the second of a series summarizing the results of a study of "big business." The first volume, *Big Business: Its Growth and Its Place,* traced the growth of the corporate form of business organization in the United States, outlined the development of large corporations, and presented a statistical analysis of the distribution of business wealth and income among corporations of various sizes and between corporations as a whole and unincorporated firms.

This book attempts to answer certain questions about the relation between size and profits, size and income and outgo, size and turnover of capital and size and dividends. It contains also an analysis of the profits of groups of specific large American corporations over various periods of time during the present century.

A third volume, now in preparation, will deal with the subject of the compensation paid to corporate officers.

These three books are summaries of certain chapters of a larger study which was made by a special research staff of the Twentieth Century Fund, working under the direction of Rufus S. Tucker. Its object was to find out, as far as the known facts can reveal them, the rôle of the giant corporation in American life. A Special Committee, under the chairmanship of Ralph E. Flanders, has had general charge of the undertaking. The Committee has been asked by the Trustees of the

Fund to make a report, or a series of reports, to the public, on the problems which the research has disclosed, with constructive suggestions for their solution.

The Committee has decided, however, that before it makes its own report, summaries should be prepared and published of the most important parts of the factual material contained in the research reports. Alfred L. Bernheim was asked by the Fund to undertake this task. Mr. Bernheim and his assistants have also revised the original material in the light of data not available when the study was made.

As the reader will see, this book is purely factual. While certain conclusions are drawn from the statistics they also are factual. Economic judgments and suggestions for action have been rigidly excluded. They are for the Special Committee to formulate, and at a later date.

Mr. Bernheim has been assisted by Estelle Shrifte, Assistant Editor, and Sara Lewin, and has had the benefit of the advice and counsel of Frederic Dewhurst, the Fund's economist.

Dr. Tucker was assisted in preparing the original research findings by Margaret Grant Schneider, Associate Research Director of the study. Important contributions were made by Vladimir D. Kazakevitch, and the chapters on banking were originally prepared by C. D. Bremer. Others who assisted in the study were: Clinton Collver, Edward P. Curl, L. V. Farra, M. J. Fields, Samuel E. Gill, Neil E. MacMillan, Betty Malakoff (Secretary), Carolyn H. Stetson, and William C. Willoughby.

EVANS CLARK, *Executive Director*
Twentieth Century Fund, Inc.

CONTENTS

PART FOUR. SUMMARY AND CONCLUSIONS

APPENDICES

GLOSSARY

TABLES

CHARTS

APPENDICES

Appendix A

CONCLUSIONS OF OTHER STUDIES

Summers' Study of 1,130 Corporations[1]

H. B. Summers studied the reports of 1,130 American and Canadian companies from 1910 to 1929, inclusive, to learn the ratio of net income to total permanent investment. He compared the total of interest on bonds and dividends on stocks plus the annual increases in surplus, with the sum of capital stock, funded debt and surplus.

The companies were classified in nine industrial groups and in seven size classes within each group. The smallest class comprised corporations with invested capital of less than $2 million; the largest, with invested capital of more than $100 million.

For all industrial groups combined, the highest average earnings were in the smallest class; and this was true also of five of the nine industrial groups. In machinery and in textiles the $5 million-to-$10 million class was the most profitable. In hardware and in food-stuffs the $25 million-to-$50 million class was in the lead. In no group was the highest class the most profitable. Hardware was the only exception

1. H. B. Summers, "A Comparison of the Rates of Earning of Large-Scale and Small-Scale Industries," *The Quarterly Journal of Economics*, May 1932, pp. 465–479.

to the tendency of earning rates to decrease with increasing investment. Summers concluded that ". . . with certain exceptions, heavy investment is apparently a disadvantage, rather than an advantage, in securing high rates of earnings."[2]

Studies by Crum and Bowman Confirm Summers' Conclusion[3]

Crum has shown by an analysis of 1926 income statistics that the ratio of net income to total assets increased with the size of the net income up to about $100,000, but, except for construction and agriculture, not significantly thereafter.[4] It is impossible to say what amount of capital is typical of that size income.

Another study by Crum,[5] covering the depression year 1931, brings out the fact that of those corporations showing a profit, the highest ratios of net income to net worth[6] were in the class that had assets of less than $50,000 each. This was true of six of the seven major groups analyzed by Crum, the exception being trade where the $50 million-and-over class showed the highest profit ratio. It was true also of four of the sub-groups of manufacturing that were studied. Here the exception was the chemical industry in which the highest profit ratio was earned by the $5 million-to-$10 million assets class.

If, however, the profitable and unprofitable corporations

2. *Ibid.*, p. 479.

3. William Leonard Crum, *Corporate Earning Power;* Raymond T. Bowman, *A Statistical Study of Profits.*

4. Crum, *op. cit.*, pp. 310–311.

5. *The Effect of Size on Corporate Earnings and Condition.* See especially pp. 15–16.

6. Capital stock, surplus and undivided profits—less deficits—is known as net worth.

are considered together, the smallest assets class showed a loss in each industrial group. For the entire manufacturing division and for trade, the only assets class to show a net income was that composed of corporations each owning assets of $50 million and over. In the public utilities division, net incomes were reported for all corporations with assets of $250,000 and over, the most profitable corporations being in the $250,000-to-$500,000 class. Corporations with assets of $50 million and over were also the only ones to show a net income in two of the manufacturing sub-groups—metals and foods.

Bowman has concluded that for the years 1914 to 1925 "the highest size-group very seldom makes the highest earning rate" and that "on the whole, the higher earning rates seem to be associated more closely with small size than with large size, although this generalization does not hold true for all industries, or for the same industry in different years." The safest generalization that can be drawn, Bowman states, is that "size and earnings ratios are not correlated highly, either positively or negatively. . . ."[7]

Epstein's Analysis of Corporate Reports[8]

Epstein has analyzed the income-tax reports of 2,046 manufacturing corporations from 1919 to 1928, especially those for 1924 and 1928. In 1928 less than 2 per cent of these corporations had capital of under $250,000; less than 28 per cent had under $1 million. At the other extreme were 82 corporations

7. *Op. cit.*, p. 114. Cf. also pp. 102–122. Bowman's analysis, summarized above, is based on his study of eight businesses (seven manufacturing and one retail) for various years from 1914 to 1925, inclusive.

8. Ralph C. Epstein, *Industrial Profits in the United States.*

—about 4 per cent of the total number—each with capital of $50 million or over.[9]

As a group, these 2,046 manufacturing corporations earned at a higher rate than the more than 300,000 other corporations making income-tax returns. The most profitable class, however, was that composed of corporations with a capital of less than $500,000, and averaging $350,000. This was true whether the test was the ratio of net income to net worth or the ratio of total profit to total capitalization.

"Beyond question," comments Epstein, "among manufacturing corporations of all sizes of capital from $250,000 to over $50,000,000, the smaller corporations earn profits at higher rates than the larger ones."[10] The class with capital of less than $500,000 showed a rate of return of more than 20 per cent; the class with capital of $50 million and over, of less than 10 per cent. The advantage of the smaller companies was especially great in the food and in the chemical industries.[11]

Epstein demonstrated also[12] that from 1924 to 1928 a group of 3,144 corporations, including the 2,046 manufacturing corporations—less than 2 per cent of which had a capital of under $250,000—earned at a higher rate than the more than 300,000 other corporations which filed tax returns, but at a lower rate than some 200,000 corporations that had net incomes. In other words, if small corporations made any money at all they tended to earn higher rates of net income on their stock capitalization, and higher rates of profit on their total

9. *Ibid.*, pp. 50–57, 131–138.
10. *Ibid.*, p. 132.
11. *Ibid.*, pp. 133–137.
12. *Ibid.*, pp. 50, 53, 58.

capitalization, than large corporations. The four industries found by Epstein to have been the most consistently profitable —scientific instruments, toilet preparations, miscellaneous printing and publishing, and retail automobiles—comprised small corporations. The one that was most consistently among the least profitable was meat packing, in which the average capital per concern was more than $50 million.

Paton's Analysis[13]

W. A. Paton has analyzed for the years 1927–1929 the audit reports of 714 small and medium-size corporations,[14] predominantly in manufacturing and trade, and has measured their profitability from two standards—average rate of earnings on net assets and average rate on stockholders' equity. Paton's figures indicate that for the 714 companies as a whole, as well as for manufacturing concerns as a group, corporations with assets between $50,000 and $200,000 earned on the average at a higher rate on their assets than either smaller or larger ones. In trading, however, the most profitable concerns fell in the two classes, $500,000–$1,500,000, and over $5 million. No consistent differences in earnings between large and small concerns were evidenced within the sub-groups of the industrial branches covered.[15]

Measured in terms of their average rate of earnings on

13. W. A. Paton, *Corporate Profits as Shown by Audit Reports.*

14. The average size of these corporations in terms of net book assets (total book assets less accrued depreciation and other valuation reserves) ranged from $306,692 for the construction industry to $3,450,385 for the extraction group. No very large corporations are included in this study.

15. Paton, *op. cit.*, pp. 4–5, 73–76.

stockholders' equity, the figures for all corporations indicated a slightly higher rate of profit for larger companies. For manufacturing, however, the smaller concerns tended to show the more favorable earnings.[16]

Taking the industrial groups separately, the ratio of earnings to both net book value of assets and to stockholders' equity was higher for the larger companies in construction, trading, real estate and finance, and service, but higher for the smaller companies in the extraction group and in manufacturing.[17] Further classification into 54 sub-groups showed that, when the ratio of earnings to net book value of assets was considered, the larger companies were more profitable in 28 industries, and the smaller ones in 26. Among the sub-groups in which larger companies had the most decided advantage were shoes; wholesale and retail auto supplies, electrical equipment, radios, sporting goods; advertising; printing, publishing, lithographing, etc. The sub-groups in which the smaller companies had the most decided advantage were oil and gas extraction; cotton and wool merchants; fruit, vegetables, dairy products, grain, etc.; laundering and dry cleaning.[18]

Results of National Industrial Conference Board's Study[19]

A study of more than four thousand trading and manufacturing corporations covering the years 1918–1925 was made

16. *Ibid.*, p. 57.
17. *Ibid.*, pp. 20–21, 42–43.
18. *Ibid.*, pp. 21–34.
19. *Shifting and Effects of Federal Corporation Income Tax*, I, 36–42, 222–224.

by the National Industrial Conference Board, Inc. All of these were corporations that survived from 1918 to 1925 and had net incomes of $100,000 or more in at least one of those years. Their capital ranged from $100,000 to more than $1 million. The analysis showed that the most profitable group in each year—the group that made more than 20 per cent on its capital—had a smaller average capital than the average of all corporations studied.

The Two Hundred Largest Corporations of Berle and Means[20]

One method of testing the efficiency of large corporations is to study their rate of growth and compare it with the growth of other corporations. Berle and Means have made a very extensive study of this nature. The authors conclude, as is shown by the quotation that follows, that the concentration of assets in the possession of the 200 largest non-financial corporations was at a much more rapid rate than the increase of corporate assets as a whole.

When the rates of growth of the wealth of all non-financial corporations and of the assets of the 200 largest corporations are thus compared, they show the large corporations as a group to be growing very much more rapidly than all corporations. For the period from 1909 to 1928 their annual rate of growth has been 5.4 per cent, while that of all corporations (assuming the estimates are reliable) has amounted to only 3.6 per cent, and for corporations other than the largest 200 only 2.0 per cent. The large corporations would thus appear to be increasing in wealth over 50 per cent faster than all corporations or over two and one-half times as fast as smaller corpora-

20. A. A. Berle, Jr. and Gardiner C. Means, *The Modern Corporation and Private Property.*

tions. From 1921 to 1928 the annual rate of growth of the large corporations has been 6.1 per cent compared with 4.4 per cent for all corporations or 3.1 per cent for the smaller companies. From 1924 to 1928, a period of most rapid growth, the annual rates were respectively 7.7 per cent for the large, 4.9 per cent for all, and only 2.6 per cent for corporations other than the largest 200, indicating that the large corporations were growing more than half again as fast as all corporations and three times as fast as smaller corporations.

This very much more rapid rate of growth of the big companies in comparison to other companies is equally evident when we examine the proportion of the income of all non-banking corporations which has been reported each year by the 200 companies reporting the largest incomes.[21]

It should be pointed out that some students question the validity of these conclusions because of the statistical methods that were used by Berle and Means.[22] They also call attention to the fact that the 200 largest non-financial corporations are not the same from year to year, and that the roster has changed greatly since 1909, only 83 of the 200 giants of 1909 still remaining on the list in 1934.

21. *Ibid.*, pp. 35, 37.

22. See, for example, Rufus S. Tucker, "Increasing Concentration of Business Not Supported by Statistical Evidence," *The Annalist*, July 31, 1936, pp. 149–150; also W. L. Crum, "On the Alleged Concentration of Economic Power," *The American Economic Review*, March 1934, pp. 69–83. The same issue of *The American Economic Review* contains "A Reply by Gardiner C. Means" on pp. 84–87, and "A Rejoinder by W. L. Crum" on pp. 87–88.

Appendix B

TABLE 37

NUMERICAL DATA FOR TABLE 9[a]

(*All Figures in Thousands of Dollars*)

Total Assets Classes	Year	All Returns		Returns Showing Net Income		Returns Showing No Net Income	
		Net Worth	Net Income[b]	Net Worth	Net Income	Net Worth	Net Income[b]
	1931	1,909,806	- 415,247	909,192	105,294	1,000,614	- 520,540
Under 50	1932	1,857,591	- 613,435	452,485	39,460	1,405,107	- 652,895
	1933	1,825,483	- 385,923	655,634	56,185	1,169,848	- 442,108
	1931	2,403,734	- 218,309	1,087,025	85,712	1,316,708	- 304,021
50–100	1932	2,266,602	- 316,959	566,624	35,712	1,699,979	- 352,671
	1933	2,151,998	- 121,794	802,770	55,707	1,349,229	- 177,501
	1931	5,393,995	- 352,921	2,379,901	166,508	3,014,094	- 519,429
100–250	1932	4,997,878	- 494,531	1,294,585	78,488	3,703,293	- 573,019
	1933	4,722,099	- 208,808	1,833,995	127,070	2,888,103	- 335,878
	1931	5,756,104	- 267,548	2,461,529	168,201	3,294,573	- 435,749
250–500	1932	5,311,368	- 390,540	1,468,639	88,777	3,842,728	- 479,316
	1933	4,954,775	- 151,410	1,990,024	141,479	2,964,751	- 292,890
	1931	7,032,788	- 271,664	2,837,485	186,790	4,195,302	- 458,454
500–1,000	1932	6,447,920	- 409,125	1,807,385	106,957	4,640,535	- 516,082
	1933	6,086,910	- 128,467	2,495,318	176,876	3,591,593	- 305,343

TABLE 37 (Continued)

Total Assets Classes	Year	All Returns		Returns Showing Net Income		Returns Showing No Net Income	
		Net Worth	Net Income[b]	Net Worth	Net Income	Net Worth	Net Income[b]
1,000–5,000	1931	19,742,973	– 591,129	7,533,326	487,702	12,209,649	–1,078,831
	1932	18,302,785	– 869,195	5,023,323	279,483	13,279,462	–1,148,678
	1933	17,204,857	– 325,565	6,803,592	456,501	10,401,265	– 782,066
5,000–10,000	1931	9,275,379	– 166,124	3,679,518	258,963	5,595,862	– 425,087
	1932	8,887,501	– 356,054	2,846,491	167,515	6,041,010	– 523,568
	1933	8,468,995	– 143,036	3,593,368	232,818	4,875,626	– 375,854
10,000–50,000	1931	22,044,544	– 104,011	9,668,497	672,317	12,376,046	– 776,328
	1932	20,372,962	– 542,778	6,656,872	392,370	13,716,090	– 935,149
	1933	19,711,597	– 145,979	8,894,999	597,600	10,816,597	– 743,579
50,000 and over	1931	69,703,566	1,506,995	30,106,973	2,117,862	39,596,593	– 610,868
	1932	65,123,912	199,828	22,889,555	1,225,917	42,234,357	–1,026,089
	1933	62,451,298	555,335	27,025,397	1,258,199	35,425,902	– 702,864
All corporations	1931	143,262,890	– 879,958	60,663,447	4,249,349	82,599,444	–5,129,307
	1932	133,568,517	–3,792,789	43,005,956	2,414,679	90,562,560	–6,207,467
	1933	127,578,013	–1,055,647	54,095,096	3,102,435	73,482,915	–4,158,082

a. *Statistics of Income*, page references same as for Table 2.
b. Minus signs indicate deficits.

TABLE 38

Numerical Data for Table 13[a]

(All Figures in Thousands of Dollars)

Total Assets Classes	Year	All Returns: Total Capitalization	All Returns: Total Profit[b]	Returns Showing Net Income: Total Capitalization	Returns Showing Net Income: Total Profit	Returns Showing No Net Income: Total Capitalization	Returns Showing No Net Income: Total Profit[b]
Under 50	1931	3,441,195	−359,622	1,316,065	120,749	2,125,130	− 480,370
	1932	3,520,081	−558,518	639,601	46,209	2,880,482	− 604,728
	1933	3,514,176	−335,589	935,070	65,729	2,579,103	− 401,317
50–100	1931	4,050,931	−151,788	1,602,174	107,755	2,448,757	− 259,543
	1932	3,876,205	−256,389	776,081	44,649	3,100,124	− 301,038
	1933	3,631,067	− 67,634	1,110,090	67,525	2,520,978	− 135,159
100–250	1931	8,813,834	−189,362	3,526,850	225,529	5,286,984	− 414,891
	1932	8,204,551	−349,495	1,774,858	102,539	6,429,693	− 452,033
	1933	7,817,954	− 82,949	2,489,574	154,633	5,328,379	− 237,582
250–500	1931	9,050,530	− 88,853	3,506,946	230,170	5,543,581	− 319,022
	1932	8,297,456	−239,779	1,946,646	113,566	6,350,809	− 353,344
	1933	7,792,866	− 22,038	2,607,093	168,182	5,185,773	− 190,221
500–1,000	1931	10,592,606	− 58,101	3,901,015	253,865	6,691,590	− 311,966
	1932	9,676,781	−227,874	2,351,339	136,854	7,325,441	− 364,729
	1933	9,160,056	23,434	3,166,426	207,449	5,993,631	− 184,015

TABLE 38 (Continued)

Total Assets Classes	Year	All Returns: Total Capitalization	All Returns: Total Profit[b]	Returns Showing Net Income: Total Capitalization	Returns Showing Net Income: Total Profit	Returns Showing No Net Income: Total Capitalization	Returns Showing No Net Income: Total Profit[b]
1,000–5,000	1931	28,101,872	– 23,455	9,873,795	658,837	18,228,079	– 682,291
	1932	25,952,670	–382,508	6,495,583	361,709	19,457,088	– 744,218
	1933	24,598,623	82,498	8,574,774	536,218	16,023,849	– 453,720
5,000–10,000	1931	13,099,730	97,039	4,736,310	335,629	8,363,421	– 238,591
	1932	12,663,479	–124,874	3,640,253	208,556	9,023,226	– 333,429
	1933	12,114,823	54,014	4,500,343	270,502	7,614,480	– 216,488
10,000–50,000	1931	31,306,391	497,513	12,796,769	874,668	18,509,622	– 377,156
	1932	29,129,290	– 29,880	9,084,977	509,517	20,044,313	– 539,398
	1933	28,297,027	297,293	11,628,052	717,289	16,668,974	– 419,996
50,000 and over	1931	106,158,158	3,765,598	43,603,273	2,910,207	62,554,884	855,391
	1932	100,120,693	2,282,807	32,106,654	1,743,245	68,014,039	539,562
	1933	95,895,465	2,370,660	38,060,085	1,787,923	57,835,381	582,738
All corporations	1931	214,615,247	3,488,969	84,863,199	5,717,408	129,752,051	–2,228,439
	1932	201,441,203	113,490	58,815,989	3,266,844	142,625,214	–3,153,352
	1933	192,822,057	2,319,690	73,071,507	3,975,450	119,750,548	–1,655,760

a. *Statistics of Income*, page references same as for Table 2.
b. Minus signs indicate deficits.

Appendix D

ADJUSTED RATIO OF NET INCOME TO NET WORTH

THE RELATIVE profitableness of corporations of different sizes is perhaps not precisely measured by the ratio of net income to net worth. There is a lack of uniformity in accounting methods and practices and in financial policies, with the result that net income is unlikely to mean exactly the same thing for any two corporations.

It is, of course, impossible to make the data in *Statistics of Income* entirely consistent as among assets classes or industrial groups, and thus it is impossible to measure relative profitableness with entire accuracy. But two of the important factors that create inconsistency can be eliminated—compensation of officers and depreciation and depletion.[1]

Depreciation and Depletion Practices of Small and Large Corporations

Table 39 shows the differences in depreciation and depletion rates among corporations in the various assets classes.

With a few exceptions depreciation and depletion rates decrease with the increasing size of corporations. Several factors

1. See footnote 2, pp. 41–42.

TABLE 39

DEPRECIATION PLUS DEPLETION AS PERCENTAGES OF CAPITAL ASSETS, BY TOTAL ASSETS CLASSES, 1931, 1932 AND 1933[a]

(Total Assets Classes in Thousands of Dollars)

Total Assets Classes	Percentages: All Corporations			Corporations Reporting Net Income			Corporations Reporting No Net Income		
	1931	1932	1933	1931	1932	1933	1931	1932	1933
Under 50	9.4	9.3	8.9	8.0	8.9	10.4	10.3	9.4	8.6
50–100	6.6	5.9	5.7	7.1	6.9	8.0	6.3	5.6	5.0
100–250	5.0	4.7	4.7	5.4	6.0	7.0	4.7	4.4	4.0
250–500	4.3	4.2	4.1	4.9	5.5	6.2	3.9	3.8	3.4
500–1,000	4.1	3.9	4.0	4.7	5.0	5.9	3.8	3.6	3.3
1,000–5,000	3.9	3.9	4.0	4.2	4.3	5.3	3.8	3.8	3.4
5,000–10,000	3.8	3.7	3.9	4.0	4.1	4.8	3.6	3.6	3.4
10,000–50,000	4.1	4.0	4.1	4.3	4.0	4.6	4.0	4.0	3.7
50,000 and over	3.1	3.0	2.9	3.4	3.5	3.8	2.8	2.7	2.3
All corporations	3.6	3.6	3.5	3.9	3.9	4.5	3.4	3.4	3.0

a. Computed from data in *Statistics of Income*, page references same as for Table 2. Capital assets represent lands, buildings and equipment (less depreciation).

may account for this. For example, the Treasury may examine the depreciation charges of the larger corporations more carefully than those of the smaller. Better maintenance by the larger corporations may permit lower annual depreciation rates than could safely be charged by the smaller corporations. The composition of the capital assets of larger corporations is likely to differ from that of the smaller ones. The proportion of the smaller corporations that rent the premises they occupy is, presumably, larger than the proportion of the larger ones. If that is true, then the smaller corporations have a greater percentage of their capital assets in equipment than the larger corporations, and equipment depreciates at a much higher annual rate than lands or buildings.

Whatever the explanation, there is a remarkably smooth trend of lessening depreciation and depletion rates with increasing assets size. In five out of nine instances, however, the rates of the $1 million-to-$5 million class were as high as, or higher than, those of the $500,000-to-$1,000,000; and in seven out of nine, the rates of the $10 million-to-$50 million class were higher than those of the immediately smaller one.

Table 40 shows the effects of restoring to net income the cost of compensation of officers and of depreciation and depletion.

The ratios in Table 40 do not represent actual profits, either for income-tax purposes or from the point of view of stockholders, but for convenience they will be referred to as adjusted profit ratios. Their significance is as measures of what the relative profitableness of corporations of different sizes would be if compensation to officers had the same weight in the income statement of corporations of every size class, and if depreciation and depletion were charged at the same percentage of capital assets by all corporations. It may be that the adjusted ratios measure the profitableness of corporations better than the more conventional standards.

If these conditions were facts, it becomes clear by comparing Tables 9 and 40 that the larger corporations would occupy a much less favorable position in relation to the smaller ones than they do when net income is left unadjusted. Only the high points of the comparison can be brought out.

TABLE 40

Ratio of Net Income Plus Compensation of Officers Plus Depreciation and Depletion, to Net Worth, by Assets Classes, 1931, 1932 and 1933[a]

(Money Figures and Total Assets Classes in Thousands of Dollars; Ratios in Percentages)

		All Returns			Returns Showing Net Income			Returns Showing No Net Income		
Total Assets Classes	Year	Net Worth (A)	Net Income Plus Compensation of Officers Plus Depreciation and Depletion[b] (B)	Ratio $\left(\frac{B}{A}\right)$	Net Worth (A)	Net Income Plus Compensation of Officers Plus Depreciation and Depletion (B)	Ratio $\left(\frac{B}{A}\right)$	Net Worth (A)	Net Income Plus Compensation of Officers Plus Depreciation and Depletion[b] (B)	Ratio $\left(\frac{B}{A}\right)$
Under 50	1931	1,909,806	235,676	12.3	909,192	340,391	37.4	1,000,614	−104,712	−10.5
	1932	1,857,591	7,092	0.4	452,485	150,396	33.2	1,405,107	−143,304	−10.2
	1933	1,825,483	228,126	12.5	655,634	243,180	37.1	1,169,848	− 15,055	− 1.3
50–100	1931	2,403,734	214,887	8.9	1,087,025	272,350	25.1	1,316,708	− 57,464	− 4.4
	1932	2,266,602	32,624	1.4	566,624	120,230	21.2	1,699,979	− 87,605	− 5.2
	1933	2,151,998	203,217	9.4	802,770	189,802	23.6	1,349,229	13,415	1.0
100–250	1931	5,393,995	296,689	5.5	2,379,901	454,053	19.1	3,014,094	−157,364	− 5.2
	1932	4,997,878	34,174	0.7	1,294,585	220,206	17.0	3,703,293	−186,032	− 5.0
	1933	4,722,099	281,350	6.0	1,833,995	344,166	18.8	2,888,103	− 62,815	− 2.2
250–500	1931	5,756,104	224,209	3.9	2,461,529	387,526	15.7	3,294,573	−163,317	− 5.0
	1932	5,311,368	10,306	0.2	1,468,639	207,586	14.1	3,842,728	−197,277	− 5.1
	1933	4,954,775	215,295	4.4	1,990,024	310,228	15.6	2,964,751	− 94,934	− 3.2
500–1,000	1931	7,032,788	182,166	2.6	2,837,485	379,648	13.4	4,195,302	−197,482	− 4.7
	1932	6,447,920	− 33,531	−0.5	1,807,385	219,437	12.1	4,640,535	−252,968	− 5.5
	1933	6,086,910	221,221	3.6	2,495,318	337,639	13.5	3,591,593	−116,418	− 3.2

TABLE 40 (Continued)

		All Returns			Returns Showing Net Income			Returns Showing No Net Income		
Total Assets Classes	Year	Net Worth (A)	Net Income Plus Compensation of Officers Plus Depreciation and Depletion[b] (B)	Ratio (B/A)	Net Worth (A)	Net Income Plus Compensation of Officers Plus Depreciation and Depletion (B)	Ratio (B/A)	Net Worth (A)	Net Income Plus Compensation of Officers Plus Depreciation and Depletion[b] (B)	Ratio (B/A)
	1931	19,742,973	289,950	1.5	7,533,326	831,876	11.0	12,209,649	- 541,926	- 4.4
1,000–5,000	1932	18,302,785	- 97,943	-0.5	5,023,323	488,578	9.7	13,279,462	- 586,521	- 4.4
	1933	17,204,857	393,068	2.3	6,803,592	766,350	11.3	10,401,265	- 373,282	- 3.6
	1931	9,275,379	167,428	1.8	3,679,518	390,411	10.6	5,595,862	- 222,982	- 4.0
5,000–10,000	1932	8,887,501	- 44,315	-0.5	2,846,491	266,315	9.4	6,041,010	- 310,629	- 5.1
	1933	8,468,995	156,861	1.9	3,593,368	367,111	10.2	4,875,626	- 210,250	- 4.3
	1931	22,044,544	664,911	3.0	9,668,497	1,012,512	10.5	12,376,046	- 347,599	- 2.8
10,000–50,000	1932	20,372,962	146,920	0.7	6,656,872	615,058	9.2	13,716,090	- 468,138	- 3.4
	1933	19,711,597	522,105	2.7	8,894,999	899,185	10.1	10,816,597	- 377,080	- 3.5
	1931	69,703,566	3,611,301	5.2	30,106,973	3,084,360	10.2	39,596,593	526,941	1.3
50,000 and over	1932	65,123,912	2,081,601	3.2	22,889,555	1,957,883	8.6	42,234,357	123,718	0.3
	1933	62,451,298	2,317,228	3.7	27,025,397	2,103,296	7.8	35,425,902	213,932	0.6
	1931	143,262,890	5,887,215	4.1	60,663,447	7,153,124	11.8	82,599,444	-1,265,907	- 1.5
All corporations	1932	133,568,517	2,136,930	1.6	43,005,956	4,245,687	9.9	90,562,560	-2,108,756	- 2.3
	1933	127,578,013	4,538,468	3.6	54,095,096	5,560,957	10.3	73,482,915	-1,022,489	- 1.4

a. Computed from data in *Statistics of Income,* page references same as for Table 2.

b. Minus signs indicate deficits.

All Corporations

When all returns are considered, the best showing is no longer made by the largest corporations, except in 1932. In that year there is no apparent correlation between size and the adjusted profit ratio. In 1931 and 1933, not the largest but the smallest corporations make the best showing. In 1931 the ratios decrease as size decreases through the $1 million-to-$5 million assets class, after which they rise. In 1932, the $5 million-to-$10 million class marks the bottom of the downward trend.

Profitable and Unprofitable Corporations Separately

For profitable corporations, the adjusted ratios show the same general trend as the unadjusted—decreasing profitableness with increasing size in each of the three years.[2] But the range is much greater in the adjusted ratio series than in the unadjusted, with the adjustment improving the status of the smaller corporations in relation to the larger.

For unprofitable corporations, the general contours of the adjusted ratio trends are similar to those of the unadjusted in 1931 and 1932, although they have more breaks. In both these years, for both series of ratios, the poorest results were achieved by the smallest corporations and the best by the largest. For some reason, however, the adjusted ratio trend becomes very irregular in 1933. In that year the worst showing was made by the $5 million-to-$10 million assets class. The $50,000-to-$100,000 class was in first position, but its lead

2. In the case of the unadjusted series there are breaks in the trend each year; in the case of the adjusted, there are no breaks in any year.

over the $50 million-and-over class was so small as to be insignificant. In the unadjusted ratio series, it will be remembered, the $50,000-to-$100,000 corporations showed losses larger than any other class except the very smallest.

Variations Among Industries

As always, industrial groups and sub-groups show important deviations from the trend. This can be seen in the following three tables which are presented without analysis.

TABLE 41

Ratio of Net Income Plus Compensation of Officers Plus Depreciation and Depletion, to Net Worth, by Industrial Groups and by Assets Classes, 1932: All Corporations[a]

(Total Assets Classes in Thousands of Dollars; Ratios in Percentages)

Industrial Groups	Total	Under 50	50–100	100–250	250–500	500–1,000	1,000–5,000	5,000–10,000	10,000–50,000	Over 50,000	Classes Grouped[b]
	Total Assets Classes										
Mining	1.5	−12.8	2.6	4.4	4.6	2.1	2.3	1.8	2.3	0.2	–
Total manufacturing	1.9	4.1	2.9	1.6	0.6	0.4	c	0.7	0.1	3.6	–
Food	6.3	11.5	10.2	7.5	7.2	6.8	5.0	0.4	2.8	9.0	–
Tobacco	14.9	6.5	3.5	8.9	5.9	c	5.0	b	b	17.2	9.9
Textiles	− 0.7	1.8	1.3	1.1	0.7	− 0.7	− 0.3	− 3.4	b	b	− 1.1
Leather	− 0.7	− 6.0	1.3	2.9	− 4.5	− 4.8	− 3.0	− 4.9	b	b	4.5
Rubber	1.1	11.6	10.6	1.2	4.2	− 1.9	4.5	–	b	b	1.4
Forest products	− 5.0	−21.5	−11.4	− 8.4	− 9.9	− 6.3	b	b	− 4.3	− 1.3	− 3.6
Paper	1.9	9.1	10.3	7.7	5.6	5.7	2.3	4.2	b	b	0.4
Printing	6.2	20.4	10.7	10.1	9.5	7.3	5.8	9.1	b	b	2.8
Chemicals	5.8	5.4	7.3	6.6	6.9	7.1	8.4	7.9	4.9	5.6	–
Stone	0.3	− 8.2	− 1.2	− 1.1	− 2.6	− 1.0	− 1.0	− 1.1	b	b	2.3
Metal	− 1.8	− 5.6	− 1.1	− 2.8	− 3.1	− 2.7	− 4.3	− 2.2	− 3.4	− 0.4	–
Construction	4.8	4.7	5.7	4.7	4.2	2.8	5.1	b	b	b	5.7
Transportation and other public utilities	3.8	22.7	13.6	10.9	6.7	1.3	4.9	5.4	5.3	3.6	–
Trade	1.3	1.8	1.5	0.1	− 0.6	− 0.4	− 0.7	1.5	2.3	6.0	–
Service	− 3.6	9.5	− 3.6	2.2	− 0.3	− 1.5	− 4.4	− 5.5	b	b	− 6.6
Finance	− 1.1	−17.5	− 2.1	− 2.5	− 1.8	− 2.6	− 2.4	− 4.0	− 1.4	2.2	–
All corporations	1.6	0.4	1.4	0.7	0.2	0.5	0.5	0.5	0.7	3.2	–

a. Based in part on special tabulations made by the Bureau of Internal Revenue for the Twentieth Century Fund for 1932 only. Minus signs indicate deficits.

b. Classes grouped by Bureau of Internal Revenue to conceal data reported and identity of corporations.

c. Less than one-tenth of 1 per cent.

TABLE 42

Ratio of Net Income Plus Compensation of Officers Plus Depreciation and Depletion, to Net Worth, by Industrial Groups and by Assets Classes, 1932: Profitable Corporations[a]

(Total Assets Classes in Thousands of Dollars; Ratios in Percentages)

Industrial Groups	Total Assets Classes: Total	Under 50	50–100	100–250	250–500	500–1,000	1,000–5,000	5,000–10,000	10,000–50,000	Over 50,000	Classes Grouped[b]
Mining	7.4	45.1	20.4	16.2	13.6	10.6	7.4	5.8	6.2	4.7	–
Total manufacturing	10.7	40.9	27.9	21.8	17.5	13.1	12.2	11.9	10.0	8.4	–
Food	12.0	35.5	27.2	21.8	18.2	17.7	12.1	11.1	10.9	10.4	–
Tobacco	16.5	47.5	16.1	19.8	15.4	8.7	11.7	13.3	14.5	17.2	–
Textiles	23.7	47.6	33.0	23.1	18.7	12.8	10.4	7.9	b	b	7.4
Leather	11.5	45.3	31.9	25.1	17.4	13.4	13.8	11.1	b	b	8.0
Rubber	6.8	49.4	35.3	26.8	14.1	17.8	9.8	–	–	b	9.2
Forest products	11.9	27.0	23.0	16.1	11.6	8.8	b	b	–	–	10.2
Paper	10.9	49.6	30.1	23.5	17.4	14.3	11.6	10.5	b	b	6.2
Printing	9.6	46.7	26.8	22.7	18.1	17.4	12.9	13.9	b	b	4.3
Chemicals	14.9	41.1	27.1	23.4	19.6	18.2	15.9	15.7	9.9	7.0	–
Stone	9.5	24.0	22.2	20.9	19.0	12.4	10.1	9.1	b	b	7.3
Metal	10.4	40.3	27.6	18.9	15.7	12.7	10.4	10.0	11.5	7.0	–
Construction	23.8	56.9	41.4	32.2	27.0	16.5	18.7	b	b	–	19.0
Transportation and other public utilities	8.4	31.0	24.3	18.9	15.2	13.6	10.2	8.2	9.3	7.9	–
Trade	14.0	31.9	21.6	18.2	15.7	14.1	11.2	10.4	12.4	11.4	–
Service	2.6	29.6	13.5	7.4	3.2	3.1	0.5	– 1.0	b	b	– 3.5
Finance	8.1	18.4	11.2	9.6	7.9	7.0	6.0	6.2	6.8	11.3	–
All corporations	9.9	33.2	21.2	17.0	14.1	12.1	9.7	9.4	9.2	8.6	–

a. Same as footnote a, Table 41. b. Same as footnote b, Table 41.

TABLE 43

RATIO OF NET INCOME PLUS COMPENSATION OF OFFICERS PLUS DEPRECIATION AND DEPLETION, TO NET WORTH, BY INDUSTRIAL GROUPS AND BY ASSETS CLASSES, 1932: UNPROFITABLE CORPORATIONS[a]

(Total Assets Classes in Thousands of Dollars; Ratios in Percentages)

Industrial Groups	Total Assets Classes										
	Total	Under 50	50–100	100–250	250–500	500–1,000	1,000–5,000	5,000–10,000	10,000–50,000	Over 50,000	Classes Grouped[b]
Mining	– 1.9	–63.7	– 8.7	– 3.3	– 2.3	– 3.7	– 1.3	– 1.7	– 5.1	– 1.9	–
Total manufacturing	– 2.2	– 6.4	– 4.1	– 4.6	– 5.5	– 5.1	– 4.4	– 4.3	– 4.0	0.6	–
Food	– 1.7	1.5	1.7	– 0.2	– 0.8	– 1.4	– 1.4	– 4.3	– 5.6	3.9	–
Tobacco	– 1.8	– 8.7	– 2.8	– 2.0	– 3.1	– 7.3	– 1.4	b	b	–	– 1.5
Textiles	– 5.2	–11.3	– 8.0	– 6.7	– 6.6	– 6.3	– 4.0	– 7.0	b	b	– 4.2
Leather	– 9.2	–19.3	–12.2	– 7.7	–11.9	–10.1	– 8.1	– 9.3	– 7.2	–	–
Rubber	– 0.4	– 4.1	1.9	– 6.5	– 1.5	– 2.8	2.1	– 2.7	– 6.8	1.0	– 0.4
Forest products	– 6.7	–30.8	–15.7	–11.2	–12.6	– 8.9	– 6.1	– 4.7	– 5.2	– 1.7	–
Paper	– 0.5	1.9	2.5	1.6	– 0.8	0.3	– 1.9	0.3	– 0.3	– 0.6	–
Printing	0.9	14.3	5.6	3.4	2.9	– 2.4	– 0.2	– 0.7	– 4.0	–	–
Chemicals	– 2.1	– 7.6	– 1.3	– 2.1	– 2.0	– 1.2	– 0.2	– 2.6	– 1.9	– 3.0	–
Stone	– 2.1	–12.8	– 4.6	– 4.5	– 5.1	– 4.7	– 3.5	– 3.5	b	b	0.7
Metal	– 3.0	–11.9	– 5.4	– 6.1	– 6.7	– 5.3	– 6.2	– 3.9	– 4.9	– 0.9	–
Construction	– 0.9	– 3.9	– 1.6	– 1.8	– 4.1	– 3.2	– 0.3	– 1.0	b	b	0.3
Transportation and other public utilities	– 0.1	16.1	4.8	1.8	– 3.9	–14.5	– 3.3	– 3.6	– 1.1	0.1	–
Trade	– 4.7	– 6.2	– 3.9	– 5.1	– 5.5	– 5.4	– 5.9	– 4.4	– 2.9	– 1.9	–
Service	– 5.4	2.5	–11.5	0.3	– 1.8	– 3.4	– 6.1	– 6.6	– 6.9	– 7.3	–
Finance	– 3.9	–36.2	– 8.3	– 7.8	– 5.8	– 6.2	– 5.2	– 7.9	– 4.3	0.3	–
All corporations	– 2.3	–10.2	– 5.2	– 5.0	– 5.1	– 5.5	– 4.4	– 5.1	– 3.4	0.3	–

a. Same as footnote a, Table 41.   b. Same as footnote b, Table 41.

Appendix E

ADJUSTED RATIO OF TOTAL PROFIT TO TOTAL CAPITALIZATION

TABLE 44 shows the effect of adjusting the ratio of total profit to total capitalization by restoring officers' compensation, depreciation and depletion to total profit.[1]

The trends in Table 44 correspond, with some exceptions, to those in Table 13, as far as profitable corporations are concerned, and as far as unprofitable corporations are concerned in 1931 and 1932. However, the trends of the two ratios show little resemblance for the latter group in 1933 and for the group of profitable and unprofitable corporations combined in any of the three years. The adjusted ratios produce more favorable results than the unadjusted ratios in all years in each assets class in each group.

Variations Among Industries

The variations among industrial groups with sub-groups can be seen in Table 45, which is presented without analysis.

1. Total profit, it should be remembered, is the sum of the net income and the interest paid; total capitalization is the sum of the net worth, the bonded debt and mortgages, and the notes and accounts payable.

TABLE 44

RATIO OF TOTAL PROFIT PLUS COMPENSATION OF OFFICERS PLUS DEPRECIATION AND DEPLETION, TO TOTAL CAPITALIZATION, BY ASSETS CLASSES, 1931, 1932 AND 1933[a]

(Money Figures and Total Assets Classes in Thousands of Dollars; Ratios in Percentages)

		All Returns			Returns Showing Net Income			Returns Showing No Net Income		
Total Assets Classes	Year	Total Capitalization (A)	Total Profit Plus Compensation of Officers Plus Depreciation and Depletion (B)	Ratio $\left(\frac{B}{A}\right)$	Total Capitalization (A)	Total Profit Plus Compensation of Officers Plus Depreciation and Depletion (B)	Ratio $\left(\frac{B}{A}\right)$	Total Capitalization (A)	Total Profit Plus Compensation of Officers Plus Depreciation and Depletion[b] (B)	Ratio $\left(\frac{B}{A}\right)$
Under 50	1931	3,441,195	291,301	8.5	1,316,065	355,846	27.0	2,125,130	− 64,542	−3.0
	1932	3,520,081	62,009	1.8	639,601	157,145	24.6	2,880,482	− 95,137	−3.3
	1933	3,514,176	278,460	7.9	935,070	252,724	27.0	2,579,103	25,736	1.0
50–100	1931	4,050,931	281,408	7.0	1,602,174	294,393	18.4	2,448,757	− 12,986	−0.5
	1932	3,876,205	93,194	2.4	776,081	129,167	16.6	3,100,124	− 35,972	−1.2
	1933	3,631,067	257,377	7.1	1,110,090	201,620	18.2	2,520,978	55,757	2.2
100–250	1931	8,813,834	460,248	5.2	3,526,850	513,074	14.6	5,286,984	− 52,826	−1.0
	1932	8,204,551	179,210	2.2	1,774,858	244,257	13.8	6,429,693	− 65,046	−1.0
	1933	7,817,954	407,209	5.2	2,489,574	371,729	14.9	5,328,379	35,481	0.7
250–500	1931	9,050,530	402,904	4.5	3,506,946	449,495	12.8	5,543,581	− 46,590	−0.8
	1932	8,297,456	161,067	1.9	1,946,646	232,375	11.9	6,350,809	− 71,305	−1.1
	1933	7,792,866	344,667	4.4	2,607,093	336,931	12.9	5,185,773	7,735	0.2
500–1,000	1931	10,592,606	395,729	3.7	3,901,015	446,723	11.5	6,691,590	− 50,994	−0.8
	1932	9,676,781	147,720	1.5	2,351,339	249,334	10.6	7,325,441	−101,615	−1.4
	1933	9,160,056	373,122	4.1	3,166,426	368,212	11.6	5,993,631	4,910	0.1

TABLE 44 (Continued)

Total Assets Classes	Year	All Returns: Total Capitalization (A)	All Returns: Total Profit Plus Compensation of Officers Plus Depreciation and Depletion (B)	All Returns: Ratio $\left(\frac{B}{A}\right)$	Returns Showing Net Income: Total Capitalization (A)	Returns Showing Net Income: Total Profit Plus Compensation of Officers Plus Depreciation and Depletion (B)	Returns Showing Net Income: Ratio $\left(\frac{B}{A}\right)$	Returns Showing No Net Income: Total Capitalization (A)	Returns Showing No Net Income: Total Profit Plus Compensation of Officers Plus Depreciation and Depletion[b] (B)	Returns Showing No Net Income: Ratio $\left(\frac{B}{A}\right)$
	1931	28,101,872	857,624	3.1	9,873,795	1,003,011	10.2	18,228,079	−145,386	−0.8
1,000–5,000	1932	25,952,670	388,744	1.5	6,495,583	570,804	8.8	19,457,088	−182,061	−0.9
	1933	24,598,623	801,131	3.3	8,574,774	846,067	9.9	16,023,849	− 44,936	−0.3
	1931	13,099,730	430,591	3.3	4,736,310	467,077	9.9	8,363,421	− 36,486	−0.4
5,000–10,000	1932	12,663,479	186,865	1.5	3,640,253	307,356	8.4	9,023,226	−120,490	−1.3
	1933	12,114,823	353,911	2.9	4,500,343	404,795	9.0	7,614,480	− 50,884	−0.7
	1931	31,306,391	1,266,435	4.1	12,796,769	1,214,863	9.5	18,509,622	51,573	0.3
10,000–50,000	1932	29,129,290	659,818	2.3	9,084,977	732,205	8.1	20,044,313	− 72,387	−0.4
	1933	28,297,027	965,377	3.4	11,628,052	1,018,874	8.8	16,668,974	− 53,497	−0.3
	1931	106,158,158	5,869,904	5.5	43,603,273	3,876,705	8.9	62,554,884	1,993,200	3.2
50,000 and over	1932	100,120,693	4,164,580	4.2	32,106,654	2,475,211	7.7	68,014,039	1,689,369	2.5
	1933	95,895,465	4,132,553	4.3	38,060,085	2,633,020	6.9	57,835,381	1,499,534	2.6
	1931	214,615,247	10,256,142	4.8	84,863,199	8,621,183	10.2	129,752,051	1,634,961	1.3
All corporations	1932	201,441,203	6,043,209	3.0	58,815,989	5,097,852	8.7	142,625,214	945,359	0.7
	1933	192,822,057	7,913,805	4.1	73,071,507	6,433,972	8.8	119,750,548	1,479,833	1.2

a. Computed from *Statistics of Income,* page references same as for Table 2.

b. Minus signs indicate deficits.

TABLE 45

RATIO OF TOTAL PROFIT PLUS COMPENSATION OF OFFICERS PLUS DEPRECIATION AND DEPLETION, TO TOTAL CAPITALIZATION, BY INDUSTRIAL GROUPS AND BY ASSETS CLASSES, 1932: ALL CORPORATIONS[a]

(Total Assets Classes in Thousands of Dollars; Ratios in Percentages)

Industrial Groups	Total Assets Classes										
	Total	Under 50	50–100	100–250	250–500	500–1,000	1,000–5,000	5,000–10,000	10,000–50,000	Over 50,000	Classes Grouped[b]
Mining	2.1	- 3.1	2.8	4.1	4.6	2.4	2.6	2.3	2.7	1.2	-
Total manufacturing	2.5	3.0	3.2	2.3	1.5	1.3	0.7	1.5	0.9	4.0	-
Food	5.9	8.1	8.1	6.6	6.6	6.3	4.9	4.4	3.2	8.0	-
Tobacco	12.5	4.5	6.1	7.9	5.3	0.7	6.3	b	b	8.8	16.3
Textiles	0.3	2.4	2.2	2.0	1.8	0.4	0.6	- 2.0	b	b	- 0.5
Leather	0.2	- 2.3	2.1	3.2	- 2.4	- 2.8	- 1.6	- 2.7	b	b	4.4
Rubber	2.3	6.7	7.7	1.9	4.3	- 0.8	4.2	-	b	b	2.2
Forest products	- 2.6	- 9.6	- 5.1	- 4.5	- 6.5	- 3.7	b	b	- 3.1	- 2.1	- 0.1
Paper	3.1	6.5	8.3	6.7	5.4	5.5	2.9	4.3	b	b	2.3
Printing	5.3	13.2	8.5	8.5	8.3	6.6	5.5	8.4	b	b	2.7
Chemicals	5.9	4.2	6.2	5.9	6.5	6.6	7.6	7.4	4.7	8.5	-
Stone	1.1	- 3.6	0.4	0.4	0.9	0.2	0.2	0.2	b	b	2.6
Metal	- 0.7	- 2.1	0.4	- 1.0	- 1.4	- 1.3	- 2.9	- 1.1	- 2.0	0.4	-
Construction	4.6	3.7	4.6	4.1	4.0	2.7	4.6	b	b	b	6.1
Transportation and other public utilities	4.4	1.4	9.8	8.4	5.8	2.8	4.8	4.0	5.0	4.3	-
Trade	2.0	2.3	2.3	1.3	- 0.7	0.8	0.5	2.0	2.9	4.7	-
Service	0.8	6.2	0.3	3.2	2.2	1.9	0.8	1.0	b	b	- 1.3
Finance	2.2	- 5.8	1.1	1.4	1.9	1.4	1.4	0.1	1.8	5.0	-
All corporations	3.0	1.8	2.4	2.2	1.9	1.5	1.5	1.5	2.3	4.2	-

a. Same as footnote a, Table 41.   b. Same as footnote b, Table 41.

GLOSSARY

GLOSSARY

(Only those important terms are defined which might otherwise be subject to misinterpretation. The following definitions give the meanings as commonly applied to these terms in the text. Where other meanings are intended, statements to that effect are given in the text or in footnotes.)

All corporations. The combination of the profitable and unprofitable corporations of any group or class under discussion. "All corporations" has the same meaning as "all returns," the term used in *Statistics of Income.* Data on all returns from that source embrace only the active corporations submitting balance sheets to the Bureau of Internal Revenue, unless otherwise specified.

Assets. Total assets, i.e., all assets listed in corporate balance sheets.

Capital assets. Lands, buildings and equipment, less depreciation.

Capital funds. As used in Chapter 9, represent aggregate book value of common and preferred capital stock, surplus, undivided profits, reserves for contingencies, retirement fund for preferred stock, and reserve for dividend payable in common stock.

Capitalization. The par value of all stocks and bonds.

Deficit. The excess of total costs over gross income.

Dividends. Cash payments only. Unless otherwise specified same as "total dividends."

Earning assets. As used in Chapter 9, same as loans and investments, but includes any other assets from which income was derived.

Earnings. A term used in the general sense of profits.

Fixed debt. Bonded debt and mortgages.

Floating debt. Notes and accounts payable, as distinguished from bonds and mortgages.

Giant corporations or class. Corporations with assets of at least $50 million each.

Gross earnings. As used in Chapter 9, represents total earnings from current operations.

Gross income. Total receipts in all forms and from all sources, including net profit from sale of capital assets but not gross receipts from these items. Gross income has the same meaning as "total compiled receipts," the term used in *Statistics of Income.*

Loans and investments. Loans, discounts, overdrafts, and all bonds, stocks and securities.

Loss. Same as deficit.

Losses. As used in Chapter 9, losses on loans, bonds, stocks and other assets, and depreciation on banking-house furniture and fixtures.

Net earnings. As used in Chapter 9, gross earnings less current operating expenses.

Net income. The excess of gross income over total costs. When a minus sign appears before a net income figure or net income ratio it indicates that there was a deficit or loss, instead of a net income. Strictly speaking, net income is the profit before allowance for Federal income and excess profits taxes, but throughout the text these taxes have been deducted from net income proper, and net income, therefore, means the amount available for dividends. Net income has the same meaning as "compiled net profit less income tax," the term used in *Statistics of Income.*

Net profit. As used in Chapter 11 only, this term means the amount available to meet fixed charges.

Net profits, or net addition to profits. As used in Chapter 9, represent net earnings plus other income or less other losses. If losses exceed net earnings the result is a deficit.

Net worth. The sum of all issues of preferred and common stocks, plus the surplus and undivided profits.

Officers' compensation. Salaries plus other payments made to corporate officers.

Other income. As used in Chapter 9, earnings due to recoveries on loans, bonds, stocks and other assets written off, and profits on securities sold.

Profit. Same as net income, but see "net profit" and "total profit."

Profitable corporations. Corporations whose gross income exceeds their total costs. "Profitable corporations" has the same meaning as "returns showing net income," the term used in *Statistics of Income.*

Size. Except when otherwise stated the size of corporations is measured in terms of the book value of their total assets. The size of banks is measured in Chapter 9 by the book value of their combined loans and investments.

Statutory net income. Total net income less dividends from domestic corporations and interest on tax-exempt obligations.

Stockholders' equity. Same as net worth.

Total capitalization. Net worth plus bonded debt and mortgages. When used in connection with data published in *Statistics of Income,* total capitalization also includes notes and accounts payable.

Total costs. Total expenses of all kinds whether representing actual payments (or obligations to pay) or merely bookkeeping items such as bad debts, depreciation and depletion. Losses on sale of capital assets are included, as are all taxes other than Federal income and excess profits taxes. Total costs has the same meaning as "total statutory deductions," the term used in *Statistics of Income.*

Total dividends. Cash dividends paid on preferred and common stock issues combined.

Total profit. Net income plus interest paid on borrowed capital.

Turnover. As used in Chapter 7, the ratio of gross income to either net worth or total capitalization.

Unprofitable corporations. Corporations whose total costs exceed their gross income. "Unprofitable corporations" has the same meaning as "returns showing no net income," the term used in *Statistics of Income.*

Water. In capital structure, "water" represents the difference between the book value of the assets and their "real" or "true" value.

2003-04

330 West Forty-second Stree
New York · New York