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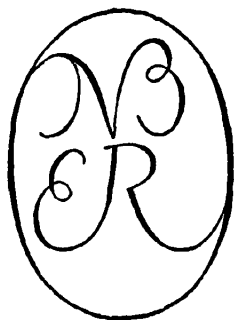
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# Corporate Bond Quality and Investor Experience

BY W. BRADDOCK HICKMAN



A STUDY BY THE  
NATIONAL BUREAU OF ECONOMIC RESEARCH, NEW YORK

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CORPORATE BOND QUALITY AND  
INVESTOR EXPERIENCE

NATIONAL BUREAU OF ECONOMIC RESEARCH  
FINANCIAL RESEARCH PROGRAM

*Studies in Corporate Bond Financing*

1. The Volume of Corporate Bond Financing since 1900
2. Corporate Bond Quality and Investor Experience

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## ⌋ PREFACE ⌋

THIS is the second of a series of three reports on the findings of the National Bureau's corporate bond research program. It is based largely on materials compiled by the Corporate Bond Project, a Work Projects Administration project, sponsored by the Federal Deposit Insurance Corporation and directed by the National Bureau of Economic Research with the cooperation of several public agencies and private investment services. The data sheets and tabulating card records of the Corporate Bond Project originally covered the period from January 1900 to January 1939, and were subsequently edited by the National Bureau and extended to January 1944.

The present project, which was initiated by the National Bureau in mid-1946, has a twofold purpose: first, to provide basic statistical series on corporate bond financing in a form that we hope will prove useful to investors, to government agencies, and to students generally; and second, to analyze and interpret the behavior of these series for what light they may throw on the workings of the economy. The first report, *The Volume of Corporate Bond Financing since 1900*, presented and analyzed the broad aggregates; and the present report deals with detailed breakdowns covering the characteristics and investment behavior of the securities included in the aggregates. Supplementary tabulations providing still more detailed breakdowns, and a description of estimating procedures, appear in the final volume of this series, *Statistical Measures of Corporate Bond Characteristics and Experience*.

The original records were compiled under the supervision of the National Bureau's Committee on the Corporate Bond Project, which was composed of the following members: Winfield W. Riefler, chairman, William J. Carson, vice chairman, Raymond W. Goldsmith, William R. Leonard, Harold V. Roelse, Raymond J. Saulnier, Woodlief Thomas, Donald S. Thompson, Donald B. Woodward, and Ralph A. Young. Technical consultants to the committee included Henry Bodwell, Leslie L. Drew, Erling C. Olsen, and E. L. Vogelius. The project was staffed by the following members, whose services were contributed by the various cooperating agencies: Melvin W. Brethouwer, administrative director, Harold G. Fraine, technical director, Lewis N. Dembitz,

Frederick C. Dirks, David Durand, Rose Director Friedman, William Hayes, W. Bradock Hickman, George P. Hitchings, Harold P. Pfleeger, S. Grant Saunders, and Elizabeth T. Simpson.

The first volume of the series and the basic tabulations were completed with the aid of grants from the following sources: the Life Insurance Association of America; the American Life Convention; the Association of Reserve City Bankers; J. Reed Morss, President, Boston Five Cents Savings Bank; the Savings Banks Trust Company of New York; the Trust Investment Study Committee of the New York State Bankers Association; and by general funds of the National Bureau of Economic Research. The International Business Machines Corporation originally placed at our disposal its elaborate machine installation at the Watson Scientific Computing Laboratory, Columbia University, and later provided and maintained a complete tabulating unit at our Hillside offices. The New York State Banking Department, the American Bankers Association, and the Life Insurance Investment Research Committee also cooperated generously in the work of the project.

The preparation of the second and third volumes of the series was supported by grants from the Merrill Foundation for Advancement of Financial Knowledge.

I have benefited greatly, particularly during the planning stages of the work, from the expert advice of the National Bureau's Technical Committee on Corporate Bond Research. Those who served on the committee are: Winfield W. Riefler, chairman, Arthur F. Burns, Irvin Bussing, William J. Carson, A. J. Casazza, Eleanor Bagley Daniel, J. R. Dunkerley, William E. Dunkman, Harold G. Fraine, Gabriel S. Hauge, Frederick W. McComas, Jr., Fergus J. McDiarmid, Adrian M. Massie, J. Reed Morss, John J. Moynahan, Roger F. Murray, James J. O'Leary, Raymond J. Saulnier, A. Edward Scherr, Jr., Elizabeth T. Simpson, Bascom H. Torrance, Donald B. Woodward, and James W. Wooster, Jr.

It is a pleasure to acknowledge the assistance of all those who have participated so generously in this undertaking. Preliminary drafts of the report were read by William J. Carson, Lewis N. Dembitz, Solomon Fabricant, Raymond W. Goldsmith, Harold G. Halcrow, Albert J. Hettinger, Jr., Ilse Mintz, Geoffrey H. Moore, Shepard Morgan, Winfield W. Riefler, Raymond J. Saulnier, Bascom H. Torrance, and Donald B. Woodward; and the entire manuscript has benefited from their helpful comments. The

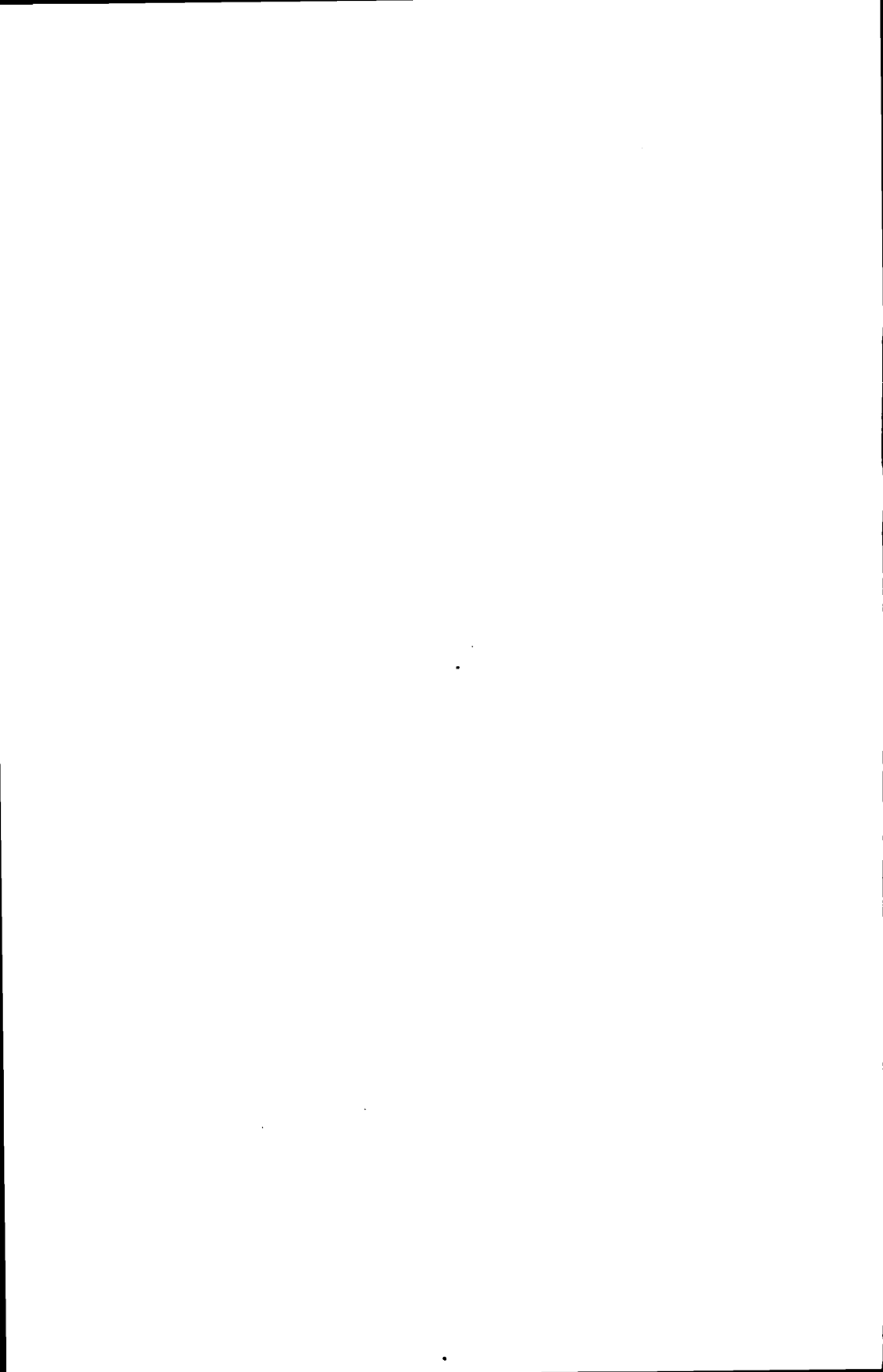
manuscript was edited by Mary Phelps, and was improved immeasurably by her skillful work.

My greatest personal debt is to Elizabeth T. Simpson, who has assisted me throughout the investigation. Miss Simpson was solely responsible for the extension of the basic tabulating records through 1944 and for the reconciliation of the interrelated records extending back to 1900. In addition, she was in immediate charge of the statistical compilations underlying the analyses now presented. Her detailed comments on the manuscript also added materially to its accuracy and readability.

The actual statistical computations were carried out by an able group of workers, among whom Georgette M. Welscher deserves special mention. The I.B.M. tabulations and computations were supervised at different stages by Mario P. Bosso, Charles F. Earley, and Martha S. Jones. The charts were prepared by H. Irving Forman.

W. Braddock Hickman

November, 1956



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