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Volume Title: The Volume of Corporate Bond Financing Since 1900

Volume Author/Editor: W. Braddock Hickman

Volume Publisher: PRINCETON UNIVERSITY PRESS, PRINCETON

Volume ISBN: 0-870-14145-7

Volume URL: <http://www.nber.org/books/hick53-1>

Publication Date: 1953

Chapter Title: Front matter, The Volume of Corporate Bond Financing since 1900

Chapter Author: W. Braddock Hickman

Chapter URL: <http://www.nber.org/chapters/c3082>

Chapter pages in book: (p. -38 - 0)

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CATALOG ENTRY

AUTHOR 05AA National Bureau of Economic Research,
05BA _____
05CA _____
05DA _____
05EA _____

TITLE 07AA The volume of corporate bond financing since 1900; a
07BA study by the National Bureau of Economic Research, New
07CA York, by Walter Braddock Hickman.
07DA _____
07EA _____
07FA _____

EDITOR/
TRANSLATOR 09AA _____
09BA _____

SERIES 11AA (National Bureau of Economic Research. Financial
11BA Research Program. Studies in corporate bond financing,
11CA 1).

PLACE/PUBLISHER 13AA Princeton, Princeton University Press, 1953.
13BA _____
13CA _____

COMMENTS 15AA _____

VOLUME 19AA _____
19BA _____

LANGUAGE 21AA _____

Restrictions 23AA _____ 23AB _____ 23AC _____ 23AD _____
R.R. No. 25AA R00 1098 C Roy % Mic 25AB 10000 Roy % Xerox 25AC 10000
LC Class No. 27AA HG4963 .H5 LC Card No. 27AB 53-10140

COMMENTS:
1/5/78pb

National Bureau of Economic Research, Inc.

Hickman, Walter Braddock, 1911-

The volume of corporate bond financing since 1900; a study by the National Bureau of Economic Research, New York. Princeton, Princeton University Press, 1953.

xxxi, 420 p. diagrs., tables. 24 cm. (National Bureau of Economic Research. Financial Research Program. Studies in corporate bond financing, 1)

Bibliographical footnotes. "Sources of data and derivation of basic estimates": p. 389-397.

1. Bonds—U. S. 2. Corporations—U. S.—Finance. I. Title.
(Series)

HG4963.H5

332.63

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MATERIAL SUBMITTED BY PUBLISHER.



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National Bureau of Economic Research, Inc.

Hickman, Walter Braddock, 1911-

The volume of corporate bond financing since 1900; a study by the National Bureau of Economic Research, New York. Princeton, Princeton University Press, 1953.

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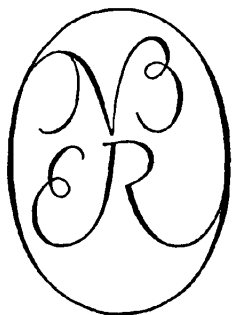
THE VOLUME
OF CORPORATE BOND FINANCING
SINCE 1900

NATIONAL BUREAU OF ECONOMIC RESEARCH
FINANCIAL RESEARCH PROGRAM
Studies in Corporate Bond Financing

1. The Volume of Corporate Bond
Financing since 1900

The Volume of
Corporate Bond Financing
since 1900

BY W. BRADDOCK HICKMAN



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

PUBLISHED BY
PRINCETON UNIVERSITY PRESS, PRINCETON

1953

Copyright, 1953, Princeton University Press
London: Geoffrey Cumberlege, Oxford University Press
Library of Congress Catalog Card Number 53-10140

Printed in the United States of America by
Princeton University Press, Princeton, New Jersey

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TO AUDREY DOBSON HICKMAN

⋄ PREFACE ⋄

This is the first report on the findings of the National Bureau's corporate bond research program.¹ It is based largely on extensive 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 active 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 extended by the National Bureau 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. Largely as a matter of convenience in packaging the materials, the present report is confined to the presentation and analysis of broad aggregates; a subsequent monograph will deal with detailed breakdowns covering the characteristics and investment behavior of the securities included in the aggregates.

An attempt has been made to organize the report in a way that will meet the requirements both of the general reader interested primarily in analyses and conclusions and of the research statistician interested primarily in basic statistical estimates. The principal findings are summarized at the beginning of the text and, more briefly, in introductory sections to each of the chapters. The basic estimates on which the analyses in the text are founded are brought together in a statistical appendix. Estimating procedures are described in another appendix and in certain sections of the text, designated by the word "derivation" in their titles, so that

¹ The principal conclusions of the study so far have been published separately in my *Trends and Cycles in Corporate Bond Financing* (National Bureau of Economic Research, Financial Research Program, Occasional Paper 37, 1952), substantially as they appear in the introduction that follows.

the general reader who wishes to skip them may easily pick up the text again at the next section heading.

It is a pleasure to thank all those who have had a part in the undertaking—the members of the original project for their skill and diligence in collecting the basic source materials, the organizations actively supporting the present project, and all who have assisted in the actual preparation of this book.

The work of the original project was conducted 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. Braddock Hickman, George P. Hitchings, Harold P. Pfeeger, S. Grant Saunders, and Elizabeth T. Simpson.²

Grants for the support of the present project were obtained 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; and the Trust Investment Study Committee of the New York State Bankers Association. It was supported, as well, 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

² The work of the Corporate Bond Project and its organization and methods are described fully in the series of monographs listed in Appendix B.

Association, and the Life Insurance Investment Research Committee also cooperated generously in the work of the project.

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 have served on the committee as members and alternates 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.

Preliminary drafts of the report were read by Arthur F. Burns, Geoffrey H. Moore, and Raymond J. Saulnier; and there is hardly a page that has not been improved by their constructive and cogent suggestions. Others whose comments on the manuscript have been most helpful include William J. Carson, Mona Dingle, Harold G. Fraine, Raymond W. Goldsmith, Frederick W. McComas, Jr., Shepard Morgan, Roger F. Murray, George B. Roberts, E. R. Rolph, R. M. Snyder, Melville J. Ulmer, Leo Wolman, and Ralph A. Young. The computations underlying the statistical analyses of Chapter 4 were carried out under the supervision of Millard Hastay, ably assisted by Harry Eisenpress and other members of the National Bureau's division of business cycle studies. In addition, Mr. Hastay placed at my disposal his expert knowledge of the National Bureau methods of business cycle analysis. I wish also to thank Professor T. W. Anderson, Department of Mathematical Statistics, Columbia University, for discussions carried on during the preparation of the statistical note to Chapter 2.

My greatest personal debt is to Elizabeth T. Simpson. It is not too much to say that without her encouragement the investigation would not have been undertaken, and that without her skillful assistance and knowledge of the intricacies of the data it would not have been brought to a successful conclusion. Miss Simpson was solely responsible for the extension of the basic tabulating records through 1944, for the reconciliation of the interrelated

records extending back to 1900, and for all 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. In addition, I wish to thank Morris L. Goldstein, Statistical Division, Metropolitan Life Insurance Company of New York, for conducting certain preliminary machine runs and for advice on several knotty computational problems. The charts were prepared by Ruth W. Harris. The manuscript was edited by Mary Phelps.

W. Braddock Hickman

January 1953

CONTENTS

Preface	xi
INTRODUCTION AND SUMMARY OF FINDINGS	3
Trends in Corporate Bond Outstandings	4
Industrial Development	5
Growth in Corporate Size	7
Price Level Changes	8
Corporate Liquidity, Earnings, and Taxes; Capital Market Conditions	9
The Position of Corporate Funded Debt Relative to Total Debt: Elements of Stability and Elements of Change	10
Relations between Bond Offerings and Extinguishments	12
Interest Rates and Bond Financing	15
Cyclical Fluctuations in Corporate Bond Financing	18
Aggregate Default and Settlement Experience on Corpo- rate Bond Investments	22
1. PLAN OF THE STUDY, COVERAGE OF THE DATA, AND GENERAL LIMITATIONS OF THE ESTIMATES	26
Nature of the National Bureau Studies in Corporate Bond Financing	26
Coverage of the Data	28
Bonds, Bond Issues, and Bond Offerings	29
Domestic Corporate Obligors	31
Bonds Held by Domestic Investors	32
Types of Issues Included in the Category "Domestic Corporate Bonds" and the Dominant Position of Fixed- Income, Single-Maturity Bonds	33
Limitations of the Estimates	37
Organization of the Text	40

2. OFFERINGS, EXTINGUISHMENTS, AND OUTSTANDINGS	42
Summary of Findings	42
Outstandings	43
Industry and Size Distribution of Outstandings	45
Growth and Retardation Rates	48
Average Size of Outstanding Issues	52
Net Changes in Outstandings	57
Trends in Net Changes	61
Annual Movements in Net Changes over Business Cycles	62
Offerings and Extinguishments	65
Secular and Cyclical Movements in the Annual Series on Offerings and Extinguishments	65
Influence of Offerings and Extinguishments on Net Changes in Outstandings	69
Number of Years from Offering to Extinguishment	74
Median Period from Offering to Maturity and from Offering to Extinguishment	75
Turnover Rates and Their Use in Estimating the Number of Years from Offering to Extinguishment	77
Technical Statistical Note on Market Structure	82
Parameters Characterizing Market Structure	83
Classification of Hypothetical Credit Markets on the Basis of Two Parameters	85
A Significance Test and a Confidence Region for the Parameters Characterizing Market Structure	86
3. TYPES OF TRANSACTIONS INCLUDED IN OFFERINGS AND EXTINGUISHMENTS	91
Summary of Findings	91
Cash and Noncash Transactions	92
Cash versus Noncash Offerings	93
Cash versus Noncash Extinguishments	99

<i>CONTENTS</i>	xvii
New-money Offerings, Refundings, and Repayments	105
Derivation of Estimates	109
Structure and Secular Behavior of the Series	111
Cyclical Behavior of the Series	116
Influence of New-money Offerings and Repayments on Net Changes in Outstandings	119
Impact of Interest Rates on Net Changes in Outstand- ings, New-money Offerings, and Refundings	123
 4. CYCLICAL FLUCTUATIONS IN CORPORATE BOND FINANCING	 132
Summary of Findings	132
The National Bureau Method for Analyzing Business Cycles	134
Cyclical Fluctuations in Bond Offerings, Extinguishments, and Net Changes in Outstandings	139
Correspondence between Specific- and Reference-cycle Turning Points	139
Reference-cycle Patterns and Conformity Indexes	145
Relationship between Bond and Stock Financing during Business Cycles	154
Average Reference-cycle Patterns	155
Stage-to-stage Movements within Reference Cycles	159
Security Prices and the Volume of Financing	163
Structural Changes in Bond and Stock Financing	171
 5. CORPORATE BOND DEFAULTS	 180
Summary of Findings	181
Coverage and Derivation of Default Series	181
Distribution of Defaults by Nature of Default and Settlement	182
Derivation of Estimates	186
Defaulted and Nondefaulted Bonds Outstanding	188
Outstandings in Default	189
Outstandings in Good Standing	194

New Defaults, Default Settlements, and Net Changes in Outstandings in Default	194
Secular and Cyclical Behavior of the Series	195
Influence of New Defaults and Default Settlements on Net Changes in Outstandings in Default	203
Default and Settlement Rates	207
Default Rates	207
Settlement Rates and the Interval between Default and Settlement	210
 6. CASH FLOWS ORIGINATING IN CORPORATE BOND FINANCING	 215
Summary of Findings	216
Uses of the Cash-flow Data	217
Cash Flows Originating in Capital Transactions	218
Derivation of Estimates	218
Comparison of Capital-flow Estimates and Debt Estimates	220
Use of Net Flow Estimates to Approximate the Volume of Funded Debt Currently Outstanding	227
Cash Flows Originating in Income Transactions	228
Derivation of Estimates	229
The Volume of Contractual Interest Charges and of Actual Interest Payments	233
Percentage of Contractual Interest Paid	236
The Burden of the Corporate Debt	240
Technical Note on Relationships between Debt- and Capital-flow Series	245
 APPENDIX A—SUPPORTING TABLES	 249
 APPENDIX B—SOURCES OF DATA AND DERIVATION OF BASIC ESTIMATES	 389
Catalog of Bond Titles	390
Offerings Schedules	391
Extinguishments Schedules	394

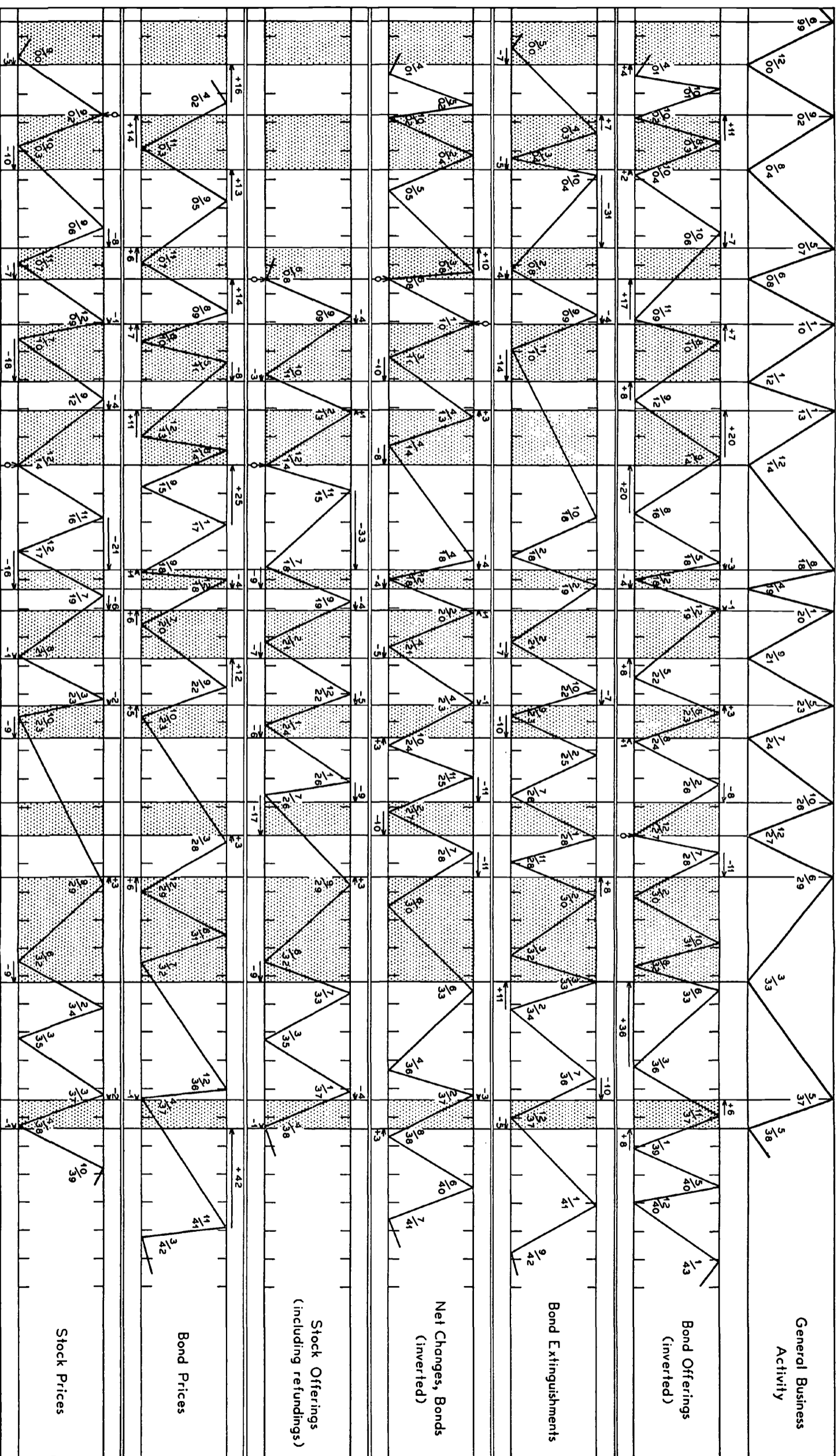
C O N T E N T S

xix

APPENDIX C—COMPARISON OF BASIC ESTIMATES WITH THOSE OF OTHER INVESTIGATORS	399
Bond Offerings: Comparison with Estimates of the <i>Commercial and Financial Chronicle</i>	399
Bond Offerings: Comparison with Estimates of the New <i>York Journal of Commerce</i>	403
Capital-flow Estimates: Comparison with Estimates of the Securities and Exchange Commission	405
Outstandings: Comparison with Estimates of the Inter- state Commerce Commission and National Industrial Conference Board	408
Railroads	410
Public Utilities	414
Industrials	418
INDEX	423



CHART 15—Comparison of Specific- and Reference-cycle Turning Points: Selected Monthly Stock and Bond Price and Volume Series, 1900-1938



Based on monthly data. Reference-cycle chronology is from Arthur F. Burns and Wesley C. Mitchell's *Measuring Business Cycles* (National Bureau of Economic Research, 1946), p. 78. Bond offerings, extinguishments, and net changes are from Tables A-14, A-15, and A-16, for straight bonds; stock offerings, including those for refunding purposes, United States, Canadian, and foreign, from *Journal of Commerce*, stock prices, for all common stocks, from Alfred Cowles 3rd and Associates' *Common-Stock Indexes* (Bloomington, Indiana, 1939); bond prices from inverted index of yields of high-grade corporate and municipal bonds, Standard and Poor's Corporation. Bond prices are plotted on a positive basis, but timing comparisons for them are made on an inverted basis.

〈 TABLES 〉

1. Percentage Distribution of the Par Amount of Corporate Bond Outstandings by Type of Issue, 1900-1944 by Decades	35
2. Annual Growth and Retardation Rates for Corporate Bond Outstandings, 1900-1944 (and selected shorter periods; by major industry group and by size of issue, annual data in par amount)	51
3. Conformity Indexes for Net Changes in Outstandings of Corporate Bonds: Ten Reference Cycles 1900-1938 (by major industry group and by size of issue; annual data in par amount)	63
4. Conformity Indexes for Offerings and Extinguishments of Corporate Bonds: Ten Reference Cycles 1900-1938 (by major industry group and by size of issue; annual data in par amount)	68
5. Correlation Coefficients and Variance Ratios for Offerings, Extinguishments, and Net Changes in Corporate Bond Outstandings, 1900-1943 (by major industry group, and for public utilities 1900-1907; annual data in par amount)	72
6. Median Number of Years from Offering to Maturity and from Offering to Extinguishment of Corporate Bonds, 1900-1939 (and selected shorter periods; by major industry group)	76
7. Average Annual Turnover Rates, and Implied Length of Life of Corporate Bonds, 1900-1943 (and selected shorter periods; by major industry group and by size of issue, annual data in par amount)	81
8. Percentage Distribution of the Par Amount of Corporate Bond Offerings by Method of Offering, 1900-1943 (by major industry group)	94
9. Conformity Indexes for Cash, Noncash, and Total Offerings of Corporate Bonds: Ten Reference Cycles 1900-1938 (by major industry group; annual data in par amount)	98
10. Percentage Distribution of the Par Amount of Corporate Bond Extinguishments by Method of Extinguishment, 1900-1943 (by major industry group)	100

- | | |
|--|-----|
| 11. Conformity Indexes for Cash, Noncash, and Total Extinguishments of Corporate Bonds: Ten Reference Cycles 1900-1938 (by major industry group; annual data in par amount) | 104 |
| 12. Percentage Distribution of the Par Amount of Corporate Bond Offerings and Extinguishments by Purpose of Offering or Extinguishment, 1900-1943 (by major industry group) | 113 |
| 13. Conformity Indexes for Offerings, Extinguishments, and Net Changes in Outstandings of Corporate Bonds, and for New-money Offerings, Refundings, and Repayments: Ten Reference Cycles 1900-1938 (by major industry group; annual data in par amount) | 117 |
| 14. Correlation Coefficients and Variance Ratios for Gross New-money Offerings, Repayments, and Net Changes in Outstandings of Corporate Bonds, 1900-1943 (by major industry group; annual data in par amount) | 120 |
| 15. Timing Comparisons between Specific- and Reference-cycle Turning Points for Corporate Bond Offerings, Extinguishments, and Net Changes in Outstandings, 1900-1938 (all industries combined; monthly data in par amount) | 144 |
| 16. Conformity Indexes, and Average Rates of Change per Month in Reference-cycle Relatives, for Corporate Bond Offerings, Extinguishments, and Net Changes in Outstandings, 1900-1938 (for all ten reference cycles, and for the eight cycles 1908-38; data in par amount, monthly for all industries combined, and quarterly for major industry groups) | 150 |
| 17. Number of Times Stock and Bond Financing Moved from Stage to Stage in Same or Opposite Direction: Concurrent and Predated Comparisons, Eight Reference Cycles 1908-38 (monthly data in par amount, all industries combined) | 161 |
| 18. Indexes of Correspondence in Direction of Change for Selected Corporate Bond Series and Stock and Bond Prices, 1900-1943 (and selected shorter periods; annual data in par amount, all industries combined) | 171 |
| 19. Percentage Distribution of the Par Amount of New Defaults of Corporate Bonds by Proximate Nature of | |

TABLES

xxiii

Default and Settlement, 1900-1943 (by major industry group and by size of issue)	183
20. Conformity Indexes for Selected Series on Corporate Bond Defaults and Default Settlements: Ten Reference Cycles 1900-1938 (by major industry group and by size of issue; annual data in par amount)	201
21. Correlation Coefficients and Variance Ratios for New Defaults, Default Settlements, and Net Changes in Corporate Bond Outstandings in Default, 1900-1943 (by major industry group; annual data in par amount)	205
22. Average Annual Default Rates for Corporate Bonds, and Their Variances, 1900-1943 (and selected shorter periods; by major industry group and by size of issue, data in par amount)	208
23. Average Annual Settlement Rates on Total Corporate Bond Defaults, and Implied Length of Time from Default to Settlement, 1900-1943 (and selected shorter periods; by major industry group and by size of issue, data in par amount)	210
24. Average Annual Settlement Rates on Corporate Bond Defaults of Interest and of Principal, and Implied Length of Time from Default to Settlement, 1900-1943 (and selected shorter periods; by major industry group and by size of issue, data in par amount)	211
25. Conformity Indexes for Total Corporate Bond Offerings, Extinguishments, and Net Change, and for Cash Offerings and Proceeds, Cash Extinguishments and Payments, and Net Cash Flow: Ten Reference Cycles 1900-1938 (by major industry group; annual data)	225
26. Estimates of Corporate Bond Outstandings for Issues of All Types, and for Straight Issues Only, from Estimated Net Cash Capital Flow, 1944-51 (by major industry group, annually)	230
27. Conformity Indexes for Interest in Default and Percent of Contractual Interest Paid on Corporate Bonds: Ten Reference Cycles 1900-1938 (by major industry group; annual data)	237
28. Comparison of Total Corporate Bond Offerings, Cash Offerings, and Gross Cash Proceeds, 1900-1943 (by major industry group)	246

29. Comparison of Total Corporate Bond Extinguishments, Cash Extinguishments, and Gross Cash Payments, 1900-1943 (by major industry group)	246
30. Comparison of Net Change in Corporate Bond Outstandings, Net Cash Offerings, and Net Cash Flow, 1900-1943 (and selected shorter periods; by major industry group)	247
A-1. Par Amount of Outstandings, Offerings, Extinguishments, and Net Changes in Outstandings of Corporate Bonds of All Types, Classified by Major Industry Group, Annually, 1900-1950 (railroads, 1876-1950)	250
A-2. Par Amount of Outstandings, Offerings, Extinguishments, and Net Changes in Outstandings of Straight Corporate Bonds, Classified by Major Industry Group, Annually, 1900-1950 (railroads, 1876-1950)	256
A-3. Par Amount of Outstandings, Offerings, Extinguishments, and Net Changes in Outstandings of Corporate Equipment Obligations, Classified by Major Industry Group, Annually, 1900-1943	262
A-4. Par Amount of Outstandings, Offerings, Extinguishments, and Net Changes in Outstandings of Corporate Serial Bonds, Classified by Major Industry Group, Annually, 1900-1943	266
A-5. Par Amount of Outstandings, Offerings, Extinguishments, and Net Changes in Outstandings of Corporate Income Bonds, Classified by Major Industry Group, Annually, 1900-1943	270
A-6. Par Amount of Outstandings, Offerings, Extinguishments, and Net Changes in Outstandings of Straight Corporate Bonds, Classified by Size of Issue, Annually, 1900-1943	274
A-7. Number of Issues Outstanding, New Issues, and Extinguishments, and Net Changes in Number of Issues Outstanding of Straight Corporate Bonds, Classified by Major Industry Group, Annually, 1900-1943	276
A-8. Number of Issues Outstanding, New Issues, and Extinguishments, and Net Changes in Number of	

TABLES

xxv

Issues Outstanding of Straight Corporate Bonds, Classified by Size of Issue, Annually, 1900-1943	280
A-9. Number of Offerings of Straight Corporate Bonds, Classified by Major Industry Group and by Size of Issue, Annually, 1900-1943	282
A-10. Par Amount of Offerings of Straight Corporate Bonds, Classified by Method of Offering and by Major Industry Group, Annually, 1900-1943	284
A-11. Par Amount of Extinguishments of Straight Corporate Bonds, Classified by Method of Extinguishment and by Major Industry Group, Annually, 1900-1943	292
A-12. Par Amount of New-money Offerings, Refundings, and Repayments of Straight Corporate Bonds, Classified by Major Industry Group, Annually, 1900-1943	300
A-13. Par Amount of Outstandings of Straight Corporate Bonds, Classified by Major Industry Group, Monthly, 1900-1943	308
A-14. Par Amount of Net Changes in Outstandings of Straight Corporate Bonds, Classified by Major Industry Group, Monthly, 1900-1943	316
A-15. Par Amount of Offerings of Straight Corporate Bonds, Classified by Major Industry Group, Monthly, 1900-1943	324
A-16. Par Amount of Extinguishments of Straight Corporate Bonds, Classified by Major Industry Group, Monthly, 1900-1943	332
A-17. Par Amount of Outstandings in Default, New Defaults, Default Settlements, and Net Changes in Outstandings in Default, Straight Corporate Bonds, Classified by Major Industry Group, Annually, 1900-1943	340
A-18. Par Amount of Outstandings in Default, New Defaults, Default Settlements, and Net Changes in Outstandings in Default, Straight Corporate Bonds, Classified by Size of Issue, Annually, 1900-1943	344
A-19. Par Amount of New Defaults of Straight Corporate Bonds, Classified by Nature of Default and Settlement and by Major Industry Group, Annually, 1900-1943	346

A-20. Par Amount of New Defaults of Straight Corporate Bonds, Classified by Nature of Default and Settlement and by Size of Issue, Annually, 1900-1943	354
A-21. Par Amount Outstanding of Straight Corporate Bonds in Good Standing, Classified by Major Industry Group and by Size of Issue, Annually, 1900-1944	358
A-22. Gross and Net Cash Capital Flows through the Corporate Bond Market, Straight Issues, Classified by Major Industry Group, Annually, 1900-1943	360
A-23. Contractual Interest Charges on Straight Corporate Bonds, Classified by Major Industry Group, Monthly, 1900-1943	364
A-24. Actual Interest Payments on Straight Corporate Bonds, Classified by Major Industry Group, Monthly, 1900-1943	372
A-25. Contractual Interest Charges, Actual Interest Payments, Interest Defaults, and Interest in Arrears, Classified by Major Industry Group, Annually, 1900-1943	380
A-26. Seasonal Adjustment Factors for Par Amount of Offerings, Extinguishments, and Net Changes in Outstandings of Straight Corporate Bonds, All Industries Combined, Monthly, 1900-1943	384
A-27. Seasonal Adjustment Factors for Par Amount of Offerings and Extinguishments of Straight Corporate Bonds, Classified by Major Industry Group, Quarterly, 1900-1943	387
C-1. Comparison of <i>Commercial and Financial Chronicle</i> Offerings with National Bureau Offerings, 1919-43	400
C-2. Reconciliation of <i>Commercial and Financial Chronicle</i> Offerings with National Bureau Offerings, Selected Years	403
C-3. Reconciliation of <i>New York Journal of Commerce</i> Offerings with National Bureau Offerings, Selected Years	404
C-4. Comparison of Securities and Exchange Commission Estimates of Gross Cash Proceeds with National Bureau Estimates, 1933-43	407

T A B L E S

xxvii

C-5. Comparison of Securities and Exchange Commission Estimates of Gross Cash Payments and Net Cash Flow with National Bureau Estimates, 1933-43	409
C-6. Comparison of Interstate Commerce Commission, National Bureau, and National Industrial Conference Board Estimates of Railroad Bonds Outstanding, 1900-1944	412
C-7. Comparison of National Industrial Conference Board and National Bureau Estimates of Public Utility Bonds Outstanding, 1901-43	416
C-8. Comparison of National Industrial Conference Board and National Bureau Estimates of Industrial Bonds Outstanding, 1901-43	419

〈 CHARTS 〉

1. Total Debt of the American Economy and Its Major Components, 1917-51 (annually)	11
2. Corporate Bond Outstandings and Index of Wholesale Prices, 1876-1951 (annually; bond series in par amount, by major industry group)	44
3. Percentage Share of Major Industry Groups in Corporate Bond Outstandings, 1900-1951 (annually)	46
4. Corporate Bond Outstandings by Size of Issue, 1900-1944 (in par amount, annually)	49
5. Number, and Aggregate and Average Par Amount, of Corporate Bond Issues Outstanding, 1900-1944 (by major industry group, annually)	54
6. Net Changes in Corporate Bond Outstandings, 1900-1950 (in par amount, by major industry group and by size of issue, annually)	58
7. Offerings versus Extinguishments of Corporate Bonds, 1900-1943 (by major industry group, in par amount, annually)	66
8. Offerings, Extinguishments, and Net Changes in Outstandings of Corporate Bonds, 1900-1943 (all industries combined, in par amount, annually)	71
9. Annual Turnover Rates for Corporate Bonds, 1900-1943 (by major industry group and by size of issue)	79
10. Total, Cash, and Noncash Offerings of Corporate Bonds, 1900-1943 (in par amount, by major industry group, annually)	97
11. Total, Cash, and Noncash Extinguishments of Corporate Bonds, 1900-1943 (in par amount, by major industry group, annually)	102
12. Offerings, Extinguishments, and Refundings of Corporate Bonds, and Gross New-money Offerings and Repayments, 1900-1943 (for all industries combined, and with breakdown of new-money offerings and repayments by major industry group; in par amount, annually)	114
13. High-grade Bond Yields versus Gross New-money Offerings and Net Changes in Outstandings of Corpo-	

- | | |
|--|---------------|
| rate Bonds, 1900-1950 (annually, all industries combined; offerings and net changes given in par amount and in percent of outstandings) | 125 |
| 14. High-grade Bond Yields and Excess of Yields over Coupon Rates versus Corporate Bond Refundings and Extinguishments by Call, 1900-1943 (annually, all industries combined; refundings and extinguishments given in par amount and in percent of outstandings) | 129 |
| 15. Comparison of Specific- and Reference-cycle Turning Points: Selected Monthly Stock and Bond Price and Volume Series, 1900-1938 | facing p. 144 |
| 16. Average Reference-cycle Patterns for Corporate Bond Offerings, Extinguishments, and Net Changes in Outstandings, 1900-1938 (monthly data for all industries combined; quarterly data for breakdowns by major industry group) | 146 |
| 17. Average Annual Rank Patterns for Selected Corporate Bond Series during Cycles in General Business Activity, 1900-1938 (total offerings and extinguishments, net changes in outstandings, new-money offerings, repayments, and refundings) | 153 |
| 18. Monthly Reference-cycle Patterns for Stock Offerings and Net Changes in Corporate Bond Outstandings, 1908-38 (for eight reference cycles, individually and averaged) | 156 |
| 19. Average Monthly Reference-cycle Patterns for Selected Stock and Bond Price and Volume Series | 167 |
| 20. Average Annual Rank Patterns for Selected Capital Market Series during Cycles in General Business Activity, before and after 1919 | 174 |
| 21. Average Monthly Reference-cycle Patterns for Selected Capital Market Series, before and after 1919 | 176 |
| 22. Corporate Bond Outstandings in Default, 1900-1944 (in par amount, by major industry group and by size of issue, annually) | 190 |
| 23. Corporate Bond Outstandings in Default, in Percent of Outstandings, 1900-1944 (by major industry group and by size of issue, annually) | 191 |
| 24. Percentage Distributions of Corporate Bond Outstand- | |

CHARTS

xxxi

ings in Default, by Major Industry Group, 1900-1944 (annually)	192
25. New Defaults, Default Settlements, and Net Changes in Corporate Bond Outstandings in Default, 1900-1943 (in par amount, by major industry group and by size of issue, annually)	196
26. Average Annual Rank Patterns for Selected Corporate Bond Default Series during Cycles in General Busi- ness Activity, 1900-1938 (new defaults, settlements, and net changes in outstandings in default, including and excluding noncontractual exchanges)	204
27. Corporate Bond Offerings and Gross Cash Proceeds at Offering, 1900-1943 (by major industry group, an- nually)	221
28. Corporate Bond Extinguishments and Gross Cash Pay- ments at Extinguishment, 1900-1943 (by major in- dustry group, annually)	222
29. Net Changes in Corporate Bond Outstandings, and Net Cash Flow, 1900-1943 (by major industry group, annually)	223
30. Contractual Interest Charges on Corporate Bonds, Actual Interest Payments, and National Income, 1900- 1943 (all industries combined, annually)	234
31. Percent of Contractual Interest Paid and Percent of Corporate Bonds in Good Standing, 1900-1943 (by major industry group, annually)	239
32. Rates of Contractual Interest Charges and of Actual Interest Payments on Corporate Bonds, and High- grade Bond Yields, 1900-1943 (by major industry group, annually)	241

