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WHAT have been the broad trends in the aggregate volume of corporate bonded indebtedness in the United States since 1900? How do present levels compare with those of the past? What shifts have occurred in the major industry and size components of this aggregate and in the position of corporate bonds relative to other types of indebtedness? What are the principal factors influencing the volume of new bonds offered to investors and the volume of old bonds extinguished? In particular, how have these debt series behaved during business cycles and over longer periods? And what implications does their behavior have for our understanding of the relation between interest rates and corporate financing? Finally, what has been the aggregate experience of investors in corporate bonds as reflected in cash interest receipts, in the volume of bonds going to default, and in the time required to settle default situations? This paper is a summary of a larger study that seeks to provide answers to these questions. In its brief compass the discussion is necessarily limited to the bare essentials; detailed analyses and tables will appear in the complete report.<sup>1</sup>

The coverage of our investigation is broadly limited to bonds issued by domestic profit-seeking corporations in the railroad, public utility, and industrial fields, and to the parts of such issues that are held by domestic investors (individuals and financial intermediaries). We exclude bonds issued by the financial and real

<sup>1</sup> The full report, entitled *The Volume of Corporate Bond Financing since 1900*, and now being prepared for publication by the National Bureau, is the first of a series of three related volumes on the corporate bond market. It will present and analyze previously unavailable materials on bond offerings, extinguishments, and outstandings, classified by such major groupings as industry, type of issue, size of issue, and method and purpose of offering. Subsequent monographs will provide detailed breakdowns of the characteristics of the securities included in these aggregates and an analysis of their behavior over selected periods.

estate groups, by government, and by eleemosynary and other non-profit-seeking organizations. Bonds held by government and by the issuing corporation are excluded also, as are domestic bonds payable in a foreign currency.

A corporate bond is a long-term, negotiable debt instrument running between the issuing corporation and the bondholder. The most popular type is a "straight" bond, which has a fixed coupon rate and single maturity date; such issues account for 90 to 95 percent of the total par amount for all types. Bond issues may also mature serially (serial bonds); interest payments may vary in some predetermined way with earnings (income bonds); or the issues may be offered explicitly for the purchase of such equipment as the rolling stock of railroads, street railways, etc. (equipment obligations); but these minor types of issues account in the aggregate for only 5 to 10 percent of the principal amount of bonded debt outstanding.

#### TRENDS IN CORPORATE BOND OUTSTANDINGS

Our special compilations of data on outstandings cover the period January 1900 – January 1944, and reasonably reliable extrapolations can be made backward to 1880 and forward to the beginning of 1951.<sup>2</sup> By piecing together these data, we find (Chart 1) that outstandings traced out a very simple trend over this seventy-year period. Since rail debt, which is the only part that can be shown before 1900, was such a large proportion of the total in the early years, we infer that the funded debt of all industries moved upward continuously from 1880 to 1895 with the rail debt, and, after a possible dip in the following year, again moved upward to 1900. The chart then shows a continuous increase from \$6 billion to a peak of \$32 billion at the beginning of 1932. Outstandings then turned downward, and except for a brief reversal in 1938 continued their fall to a trough of \$24 billion at the close of World War II. After that they shot upward, reaching an all-time high of about \$36 billion at the beginning of 1951.

Over the period 1900-1944, for which our data are complete,

<sup>2</sup> Except as otherwise noted, data on outstandings refer to the situation at the beginning of the year.