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CHAPTER 21

TRADE AND ITS MAJOR GROUPS

1. EARNINGS RATES ON SALES AND INVESTMENT: ALL TRADE

THE 664 companies included in our series of large Trading corporations in 1928 possessed a combined capitalization of \$2.5 billion dollars. This investment was 'turned over' about two and one-half times, so that sales amounted to nearly \$6.5 billion, while the net income amounted to about one-third of a billion. In the first few sections of this chapter, we shall examine the earnings, sales and capital investment of these companies over the period 1919-28, both in the All Trade group as a whole and in each of the three major groups that compose it; then we shall consider the income disbursed as dividends and the earnings of individual companies, in the three latter groups combined.

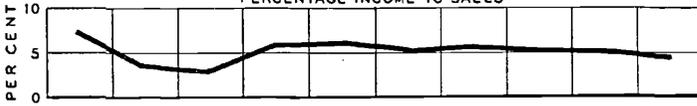
In 1919, a year of marked prosperity, these 664 companies earned a net return of 7.4 per cent upon their sales volume. In 1920, this was reduced to 3.7 per cent and in 1921 to 2.7 per cent. Recovery in 1922 brought the figure to 5.9 per cent. Between 1923 and 1928, however, the return figure showed a slight general decline, falling from 6 per cent in 1923 to 4.8 per cent in 1928. Chart 52 shows the course of this gradual decline.

Upon investment the return dropped from 24 per cent in 1919 to 7 per cent in 1921. Earnings recovered to 15 per cent in 1922; but from 1923 on showed a general fall, dropping from 15.4 per cent to 12.3 per cent in 1928. It is to be noted that the return upon investment is in all years two or three times as high as that upon sales. The capital turnover of these 664 large Trading corporations, in other words, is approximately 2.5 times a year. This general average, however, should not be assumed to hold for many of the specific

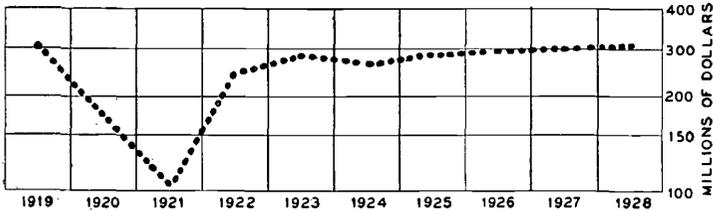
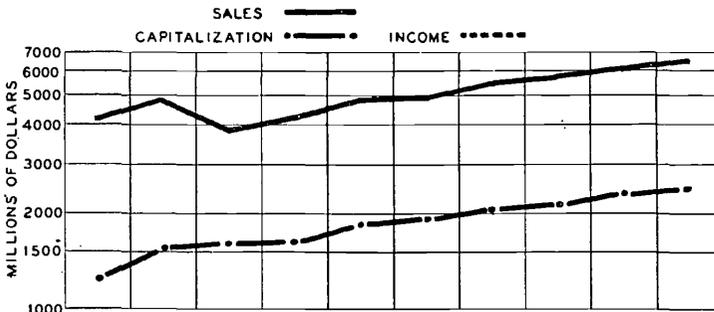
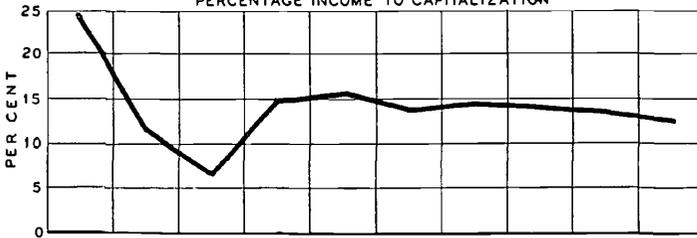
CHART 52
IDENTICAL CORPORATIONS SERIES, 1919-28

ALL TRADING CORPORATIONS

PERCENTAGE INCOME TO SALES



PERCENTAGE INCOME TO CAPITALIZATION



minor groups in Trade, the figures for a number of which deviate markedly from this ratio.

2. ABSOLUTE INCOME, SALES AND INVESTMENT: ALL TRADE

The sales volume of these 664 corporations increased from about 4,100 million dollars in 1919 to 4,800 million in 1920; then declined to 3,900 million in 1921. In 1922 only a slight recovery took place, the 4,121 million dollar level of 1919 being regained.¹ From 1922 on, however, a steady growth took place and by the end of the period in 1928 an annual volume of about 6,400 million dollars was attained. Investment likewise showed marked expansion over the period, growing from 1,300 million in 1919 to 2,500 million in 1928. Net income declined from about 300 million in 1919 to about 100 million in 1921; then, recovered to 288 million in 1923. During the last half of the period it showed a steady although not large growth, reaching 307 million in 1928.

3. SURVEY OF THE MAJOR TRADING GROUPS

a. Retail Trade

In the Retail Trade group are 283 corporations. Upon sales volume, they averaged a return of about 9 per cent in 1919, but only 3.5 per cent in 1920 and 1921. Recovery in 1922 brought the figure to 6.9 per cent; but before the end of the period it showed a general decline, reaching 5.3 per cent in 1928.

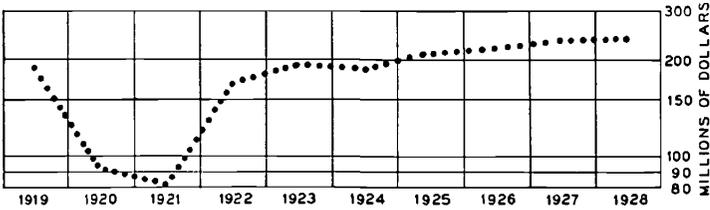
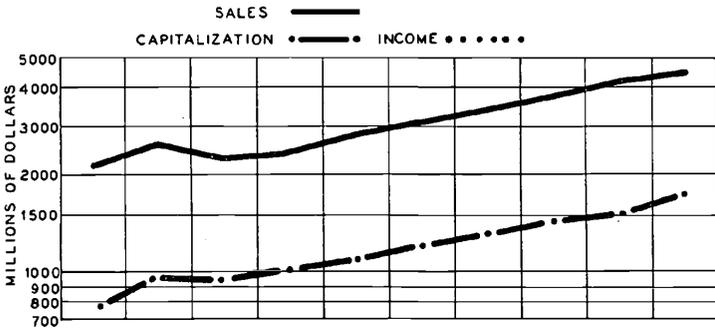
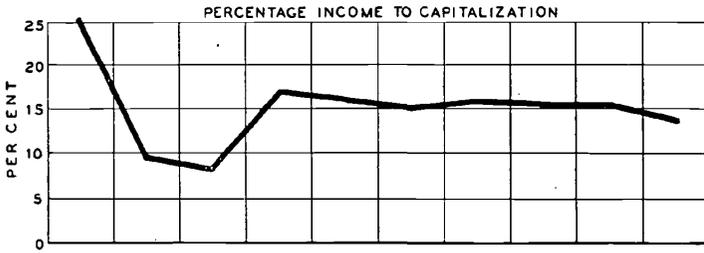
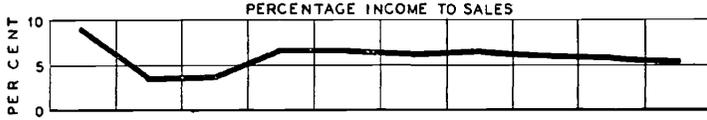
The return on investment is much higher but follows the same general course. In 1919, it stood at 26 per cent but fell to 8 per cent in 1921. In 1922, it reached 17 per cent, but before the end of the period it showed general decline, standing at 14 per cent in 1928.

Sales volume shows a less marked decline between 1920 and 1921 than does the figure for All Trade. Between 1922 and the end of the period it increases steadily, rising from 2,462 million dollars to about 4,600 million in 1928. Investment expands at much the same general rate, from 1,022 million dollars in 1922 to 1,758 million in 1928. Net income shows a great drop between 1919 and 1921, but

¹ In physical volume, of course, sales in 1922 exceeded those in 1919, e.g., commodity prices were substantially lower in the latter year.

CHART 53
IDENTICAL CORPORATIONS SERIES, 1919-28

MAJOR GROUP 12: RETAIL TRADE



recovers in 1922 and shows a fairly steady growth for the remainder of the period, standing at about 204 million in 1927 and 1928.

b. Wholesale Trade

The Wholesale Trade group contains 292 corporations. The return on sales is much lower than for Retail Trade. It falls from 6 per cent in 1919 to 1 per cent in 1921; then recovers to 4.4 by 1923. During the last half of the period it runs slightly over 3 per cent in most years.

Upon investment, earnings are higher, but not so high as for the Retail Trade group. They show a general fall, from 14 per cent in 1923 to 9 per cent in 1928.

Unlike the Retail Trade group, sales show no increase whatever for the period, standing at almost exactly \$1.5 billion in 1919, in 1923, and in each year thereafter. Investment shows a general increase from 1919 to 1923, but thereafter remains stable at approximately \$525 million. Net income shows violent fluctuations between 1919 and 1923; then from 1923 to the end of the period exhibits a general decline, from \$71 million to \$49 million.

c. Wholesale and Retail Trade

Eighty-nine corporations belong to this group, each engaging in both wholesale and retail trading activities. The return on sales corresponds fairly closely with that for Retail Trade, running about 6.5 per cent during the last half of the period.

Upon investment, the return falls from 20 per cent in 1919 to 9 per cent in 1921; then increases to 15 per cent in 1923 but thereafter generally declines, reaching 9 per cent at the end of the period.

Sales fluctuate substantially between 1919 and 1923, but show some decline from then on, as well as for the period as a whole. The 1919 figure is 335 million, the 1923 figure 375 million and the 1928 figure 304 million. Investment, however, increases from 121 million in 1919 to 174 million in 1923, and stands at 185 million in 1928. Net income fluctuates between 1919 and 1923 but from 1923 to 1928 declines substantially, falling from 26 million to 17 million.

4. DIVIDENDS AND EARNINGS, 1924-1928

Of the total net income of the 664 corporations in All Trade, a somewhat varying proportion was paid out in the form of cash divi-

CHART 54
IDENTICAL CORPORATIONS SERIES, 1919-28

MAJOR GROUP 13: WHOLESALE TRADE

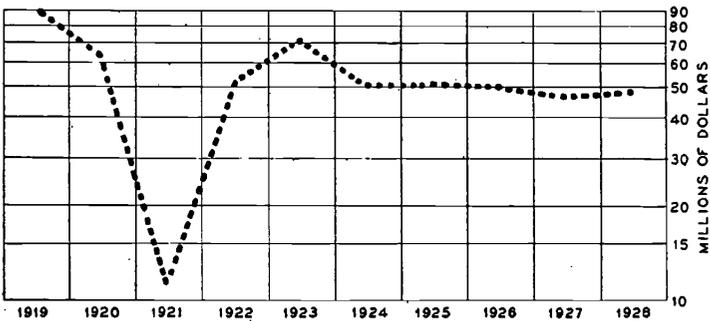
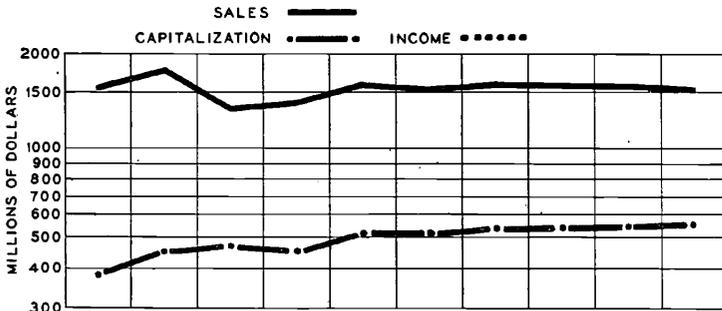
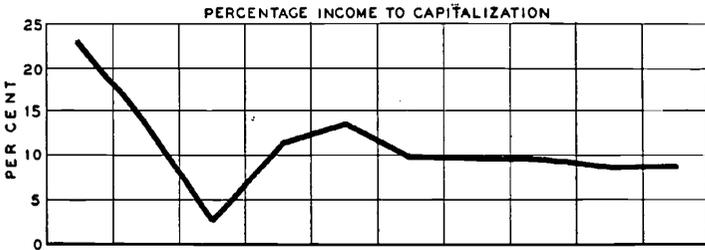
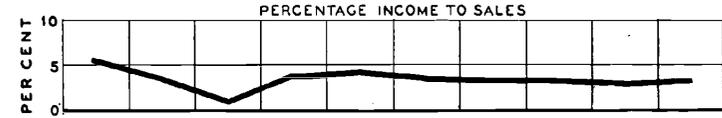
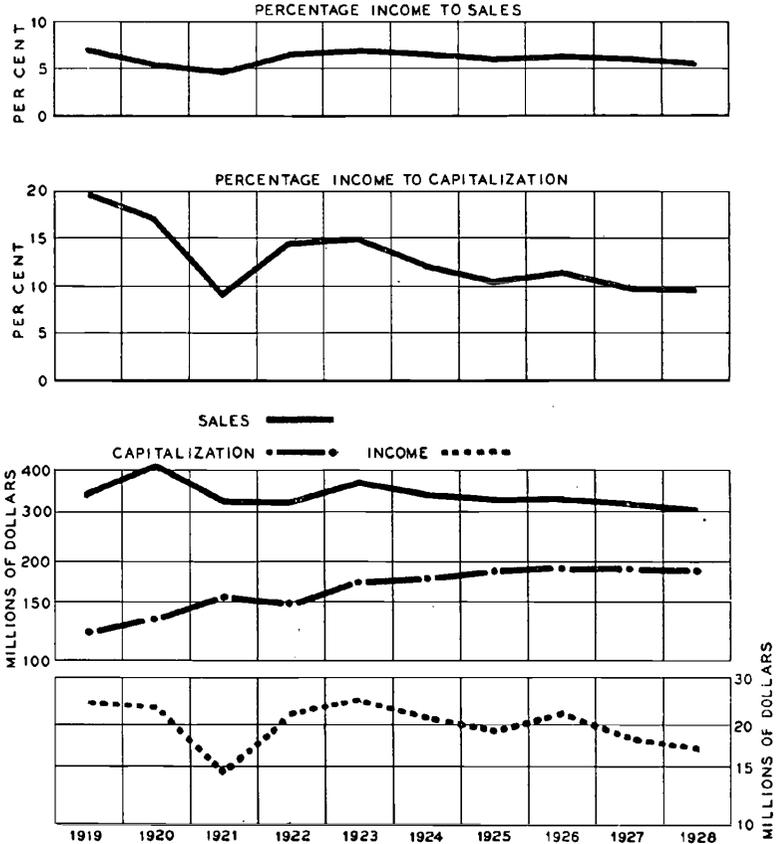


CHART 55
IDENTICAL CORPORATIONS SERIES, 1919-28

MAJOR GROUP 14: WHOLESALE AND RETAIL TRADE



dends during the five years 1924-28. In both 1924 and 1925 approximately 40 per cent of net earnings was so disbursed; in 1924, 38 per cent; and in 1925, 39 per cent. In the years 1926-28, however, this proportion increased to approximately 50 per cent. The exact figures are 47 per cent in 1926, 54 per cent in 1927 and 48 per cent in 1928.

The three major Trading groups show substantial variations in

these ratios of dividend disbursements to total net income. The Retail Trade group shows ratios of only about 30 per cent in 1924 and 1925 and about 40 or 45 per cent in the other years. The Wholesale Trade group shows much higher ratios, the figures being about 60 per cent in 1924 and 1925 and over 65 per cent in the other years. The Wholesale and Retail Trade group exhibits ratios of approximately 50 per cent in 1924 and 1925, but higher ones in the other years, the figure reaching 78 per cent in 1928. Complete data are given in Table 54.

5. EARNINGS OF INDIVIDUAL CORPORATIONS: ALL TRADE

The 664 large corporations in All Trade averaged a return of 24 per cent upon their combined investment in 1919. About 70 per cent, however, earned more than this rate. Half earned over 31 per cent. The highest quarter earned over 45 per cent, the lowest quarter, under 22 per cent. In this extremely prosperous post-War year, however, only 3 per cent of these companies earned less than 10 per cent.

In 1920, the average return was cut to 11 per cent. Again, however, about 70 per cent of the companies earned more than the average figure. Half earned over 17 per cent. A quarter earned over 27 per cent, while the lowest quarter earned under 10 per cent—a sharp contrast to the preceding year.

The year 1921 saw the general average figure decline to under 7 per cent; but 60 per cent of the companies earned in excess of this average rate, and half earned under 8 per cent. The upper quarter earned in excess of 14 per cent, but the lowest quarter earned under 2 per cent.

Between 1922 and 1928 the number of corporations occupying the upper brackets declined greatly. In 1922 almost a third earned more than 20 per cent upon their investments, but by 1928 less than a tenth did so. Conversely, in 1922 less than a third earned under 10 per cent but by 1928 half did so. The proportion of companies earning between 10 and 19 per cent remained approximately constant, about two-fifths of the total number being in this middle bracket in both of the years in question. Chart 56 shows the year-to-year course of this distribution, the trends of which in general corresponds with those for the All Manufacturing division.

CHART 56

FREQUENCY DISTRIBUTION OF EARNINGS RATES,
INDIVIDUAL COMPANIES (IDENTICAL CORPORATIONS SERIES)

ALL TRADE

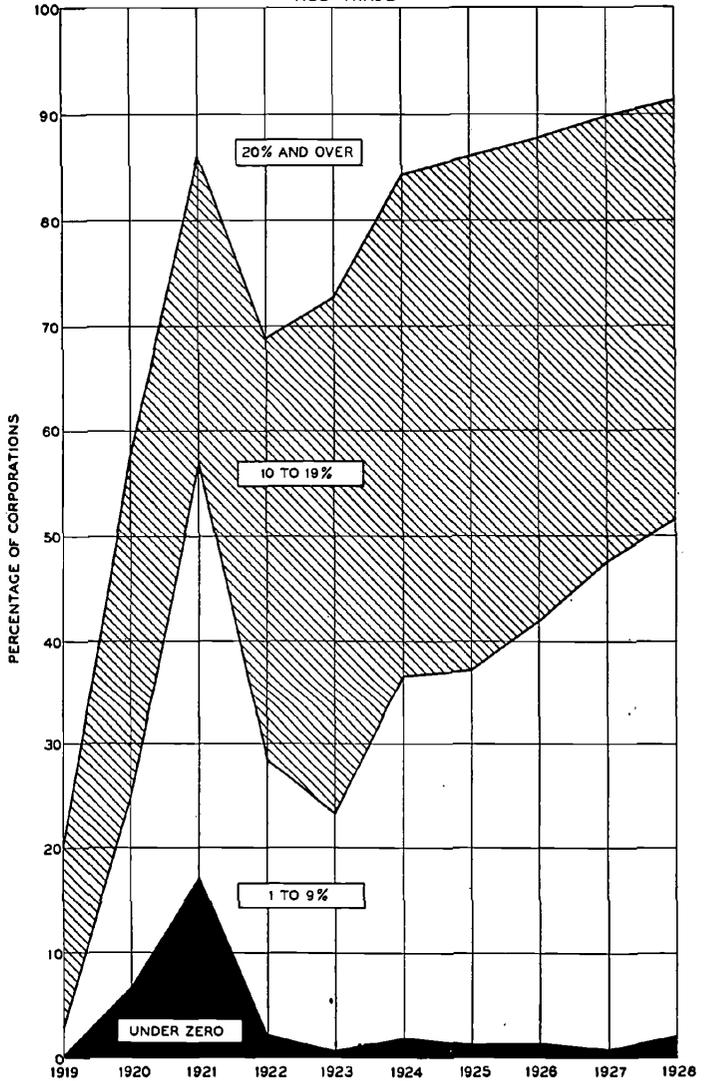


TABLE 54
 TRADE AND ITS MAJOR GROUPS, LARGE IDENTICAL
 CORPORATIONS SERIES

(A) SIZE AND CHARACTER OF SAMPLE

	NUMBER OF CORPORATIONS	AVERAGE CAPITAL PER CORPORATION ¹ (<i>millions of dollars</i>)	
		ARITHMETIC MEAN	MEDIAN
All trade	664	4.07	1.24
<i>Major group</i>			
12 Retail trade	283	6.81	1.59
13 Wholesale trade	292	1.99	.99
14 Wholesale and retail trade	89	2.15	1.01

¹Total capital (i.e., includes funded debt) as of December 31, 1928.

TABLE 54 (continued)

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1919-28 ^a
(B) PERCENTAGE INCOME TO SALES											
All trade	7.4	3.7	2.7	5.9	6.0	5.3	5.5	5.2	5.0	4.8	5.1
<i>Major group</i>											
12 Retail trade	8.7	3.6	3.5	6.9	6.7	6.2	6.4	5.9	5.7	5.3	5.8
13 Wholesale trade	5.7	3.6	.9	3.8	4.4	3.4	3.3	3.2	3.0	3.2	3.5
14 Wholesale and retail trade	7.2	5.6	4.5	6.6	6.9	6.4	6.0	6.7	5.9	5.7	6.1
(C) PERCENTAGE INCOME TO CAPITALIZATION											
All trade	24.2	11.4	6.6	14.9	15.4	13.4	14.0	13.6	13.1	12.3	13.6
<i>Major group</i>											
12 Retail trade	25.5	9.5	8.3	16.7	16.2	15.1	16.1	15.3	15.2	13.7	14.9
13 Wholesale trade	23.0	13.8	2.4	11.2	13.7	10.0	9.6	9.5	8.6	8.7	10.7
14 Wholesale and retail trade	19.8	17.0	9.4	14.3	14.9	12.0	10.6	11.5	9.8	9.3	12.5
(D) PERCENTAGE PROFIT TO TOTAL CAPITAL											
All trade						13.0	13.4	13.1	12.6	11.7	
<i>Major group</i>											
12 Retail trade						14.4	15.2	14.6	14.3	12.9	
13 Wholesale trade						9.8	9.5	9.4	8.5	8.5	
14 Wholesale and retail trade						11.6	10.3	11.2	9.6	9.1	
(E) PERCENTAGE OF INCOME PAID OUT IN CASH DIVIDENDS											
All trade						38.0	39.4	47.3	53.5	48.1	
<i>Major group</i>											
12 Retail trade						30.4	33.6	41.7	46.1	42.2	
13 Wholesale trade						59.8	58.9	67.9	86.2	66.9	
14 Wholesale and retail trade						52.2	53.5	57.2	64.6	78.1	

TABLE 54 (continued)

PERCENTAGE PROFIT TO TOTAL CAPITAL	1924				1925				1926				1927				1928			
	PERCENT- AGE IN EACH CLASS	ACCU- MULATED BY SUC- CESSIVE CLASSES																		
15 to 19	15.1	84.4	18.7	86.1	16.7	87.7	12.6	89.7	12.0	91.2	12.6	87.7	12.6	89.7	12.0	91.2	12.0	91.2		
20 to 24	6.9	91.3	5.9	92.0	5.9	93.6	4.1	93.8	4.8	96.0	4.1	93.6	4.1	93.8	4.8	96.0	4.8	96.0		
25 to 29	4.2	95.5	3.5	95.5	2.8	96.4	3.3	97.1	2.4	98.4	3.3	96.4	3.3	97.1	2.4	98.4	2.4	98.4		
30 and over	4.5	100.0	4.5	100.0	3.6	100.0	2.9	100.0	1.6	100.0	2.9	100.0	2.9	100.0	1.6	100.0	1.6	100.0		