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CHAPTER VIII

DIVIDENDS AND INTEREST ON CORPORATE FUNDED DEBT

Having considered the division of the national income between different grades of income recipients, we may now observe the part played by corporations in collecting and disbursing the national income.

Gross Dividends Actually Paid.

Tables XXXIV and XXXV, respectively, represent careful estimates of the gross amount of dividends paid out by corporations in the various fields of industry in each of the years 1909 to 1925, inclusive. For the years before 1922, the figures on gross dividends are not entirely accurate, as the Federal authorities did not collect and publish information for all the different fields. Since 1922, however, the totals have appeared regularly in *Statistics of Income*, issued by the United States Bureau of Internal Revenue

In calculating the figures for both gross and net¹ dividends, the figures just mentioned have been taken as they stand in the case of both the manufacturing and the mining industries in 1922 and the years following. For earlier years, estimates for these two industries are based upon the dividend payments of sample groups of corporations. These samples include practically all of the larger corporations, reports for which are found in Moody's and Poor's *Manuals*. Assistance has also been given by the *Annual Reports* of the Bureau of Internal Revenue for earlier years. Data for the railways are taken from or estimated upon the basis of figures in *Statistics of Railways*, published by the Interstate Commerce Commission. The data for the Pullman and express companies are likewise based upon reports of the Interstate Commerce Commission. In the case of the electrical industries, namely, street railways, telephones, telegraphs, and private electric light and power plants, the Census figures for 1907, 1912, 1917, and 1922 have been used as basing points, the estimates for the inter-censal years being inserted on the basis of the trends of totals taken from a considerable number of sample corporations in each industry. This method can be relied

¹Dividends paid from one corporation to another are excluded from *net* dividends but included in gross dividends.

TABLE XXXIV

ESTIMATED GROSS DIVIDENDS^a ON PREFERRED STOCK PAID OUT BY VARIOUS CLASSES OF CORPORATIONS

YEAR	MILLIONS OF DOLLARS PAID BY								
	All Industries ^b	Factories ^c	Mines, Quarries and Oil Wells ^c	Railroads ^d	Street Railways ^e	Electric Light and Power ^e	Telephones ^e	Telegraphs ^f	All Other
1909	\$ 459	\$284	\$ 4	\$50	\$11	\$ 3	\$1	\$2	\$104
1910	494	308	5	51	11	3	2	2	112
1911	506	318	8	45	11	5	2	2	115
1912	528	333	9	46	12	6	2	2	118
1913	562	354	15	42	14	7	2	2	126
1914	539	349	11	30	16	8	2	2	121
1915	587	369	9	47	16	10	2	2	132
1916	645	416	14	42	14	11	2	2	144
1917	780	501	19	58	12	12	2	2	174
1918	766	502	17	44	10	17	2	2	172
1919	715	456	17	46	11	21	2	2	160
1920	796	512	16	50	12	25	2	2	177
1921	759	478	15	51	11	31	2	2	169
1922	645	462	14	54	16	34	3	2	136
1923	697	500	15	63	21	55	4	2	128
1924	671	510	18	62	19	77	4	3	163
1925	849	508	22	63	18	105	5	3	223
1926				63					

^a For definition of this term see text; inter-company dividend payments are included.

^b Based upon *Statistics of Income*, published by the U. S. Bureau of Internal Revenue.

^c Based upon *Statistics of Income* and upon a study of the reports of a large number of sample corporations.

^d Based upon *Statistics of Railways*, published by the Interstate Commerce Commission. Includes switching and terminal companies.

^e Based upon *Census of Electrical Industries* and upon special study of reports of a large number of sample corporations.

^f Based upon reports of various telegraph companies.

upon to give reasonably accurate results for figures which are interpolated, but is less dependable for extrapolations; hence the estimates for the years since 1922 are, in these industries, less reliable than are the figures for the earlier years.

The figures in Table XXXIV show that gross dividend payments on preferred stock approximately doubled between 1909 and 1926, while gross dividends on common stock were roughly trebled during the same period. Evidently the junior securities of corporations have been coming to play a more prominent rôle in so far

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as disbursement of cash to stockholders is concerned. Throughout the entire period covered, the manufacturing corporations of the country have constantly tended to pay out in the neighborhood of half of all preferred dividends disbursed. Their rôle in regard to common dividends has, however, been slightly less prominent. In the earlier years of the period, they were responsible for considerably less than $\frac{1}{3}$ of the total in this field, whereas, in recent years, their share has grown relatively but is still considerably less than half. As regards disbursements of preferred dividends, railroad corporations and electric light and power corporations are the only single groups, outside of the manufacturing field, paying out a considerable sum in this manner. The gross dividends on the preferred stocks of railroads fell off between 1909 and 1914, but have since increased again. In 1926, however, they totalled only about $\frac{1}{4}$ more than in 1909. The record of railways in this respect is in striking contrast to the record of the electric light and power corporations, which have increased their preferred dividends from 3 millions in 1909 to 105 millions in 1925, the latter group of corporations having risen from a position of minor importance as regards preferred dividends to one in which they outclass the railroad companies and take a place next to manufacturing. Corporations engaged in the operation of mines, quarries, and oil wells have also shown a marked tendency to increase their payments of preferred dividends, the total rising from 4 millions, in 1909, to 22 millions in 1925. Under the caption "All Other" appears a record of the preferred dividends paid by numerous classes of corporations conducting activities in widely scattered fields. As the records for this miscellaneous group are based upon relatively scanty information, one is not justified in placing much dependence upon the figures.

Table XXXV shows that, as far as gross common dividends are concerned, banking comes next to manufacturing in size of payments. Corporations engaged in the extraction of minerals occupied third place, with railroads and electric light and power companies taking respectively the 4th and 5th positions. Between 1909 and 1925, the gross total of dividends paid by banking corporations doubled. The same was true in mining and in the operation of telegraphs. Factory dividends on common stock were multiplied by more than 4, while electric light and power companies paid out some 7 times as many dollars in 1925 as in 1909. On the other hand, corporations engaged in the operation of both steam railways and street railways paid as common dividends but a

TABLE XXXV

ESTIMATED GROSS DIVIDENDS^a ON COMMON STOCK PAID OUT BY VARIOUS CLASSES OF CORPORATIONS

YEAR	MILLIONS OF DOLLARS PAID BY											
	All Industries ^b	Banking ^c	Factories ^b	Mines, Quarries and Oil Wells ^b	Railroads ^b	Pull-man ^d	Express ^d	Street Railways ^b	Electric Light and Power ^b	Tele-phones ^b	Tele-graphs ^b	All Other
1909	\$1,461	\$223	\$ 402	\$160	\$213	\$ 8	\$20	\$49	\$25	\$24	\$ 7	\$330
1910	1,724	253	509	180	243	9	24	56	27	26	7	390
1911	1,790	272	573	154	242	9	11	58	32	27	7	405
1912	1,878	280	612	184	235	9	8	59	29	30	7	425
1913	2,112	286	685	251	260	9	7	61	38	30	7	478
1914	2,025	279	646	184	298	9	5	62	46	30	8	458
1915	2,065	270	688	183	289	10	6	60	51	32	9	467
1916	3,621	279	1,528	503	300	10	15	66	56	35	10	819
1917	4,058	293	1,739	602	329	10	4	61	52	38	12	918
1918	3,776	294	1,623	526	298	10	2	51	66	39	13	854
1919	3,428	287	1,589	306	293	10	*	47	70	39	12	775
1920	3,213	347	1,452	221	285	10	1	44	74	39	13	727
1921	3,048	389	1,279	286	213	10	2	41	84	43	12	689
1922	2,792	425	1,059	209	216	11	3	38	96	55	16	588
1923	3,472	439	1,527	285	229	11	2	54	122	61	13	638
1924	3,668	429	1,393	237	245	11	2	47	142	71	12	893
1925	4,340	451	1,740	313	259	11	2	52	185	78	13	1,138

^a For definition of this term see text; inter-company dividend payments are included.

^b Sources of information are same as those referred to in Table XXXIV.

^c Includes small amount of preferred dividends. Based upon reports of *Comptroller of the Currency*

^d Based upon *Preliminary Abstract of Statistics of Common Carriers*, published by the Interstate Commerce Commission.

* Less than \$500,000.

slightly greater number of dollars in 1925 than they did in 1909. When we consider the change in the purchasing power of the dollar, it is obvious that the buying power of the aggregate dividend payments by these two classes of corporations was actually less at the close of the period than at the beginning. Telephone companies, by contrast, approximately trebled their aggregate of dividends, while express companies reduced their payments to a mere fraction of the amounts disbursed in the years 1909 and 1910.

Total Interest on Funded Debt Actually Received by Individuals.

In Table XXXVI are recorded estimates of the total amount of net interest paid to individuals holding the evidences of funded

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debt issued by various classes of corporations. These net amounts received by individuals are, of course, somewhat smaller than the gross amounts paid out by corporations, for, in some instances, one corporation holds the bonds or mortgages of another, and then the interest payments evidently do not directly reach any individual.

The available information is not sufficient to enable one to say for some of the industries what proportion of the interest paid out is paid to other corporations. The necessary facts are, for example, lacking in the case of manufacturing, mining, transportation by water, and miscellaneous corporations. Under the circumstances only a rough guess of the percentage could be made. The estimates of interest payments by corporations in manufacturing, mining, and transportation by water are based upon data from sample corporations, and may, therefore, be considerably in error. The probabilities are that, for these fields, the year-to-year comparisons are much more significant than are the absolute amounts indicated.

The data for street railways, electric light and power companies, and telephone and telegraph corporations are presumably reasonably accurate in the census years 1907, 1912, 1917, and 1922. It is believed that there are no considerable errors in the data for any of those industries, except perhaps in the case of electric light and power companies, in which instance, the changes since 1922 have been very rapid, and hence the data for the last two or three years may be subject to larger error. The figures for railway and express companies are reasonably complete.

The estimates in Table XXXVI indicate that, in the year 1925, the total interest paid on the funded debt amounted to about one-third as much as the total dividends paid on common and preferred stock. The ratio of interest payments to dividend payments has declined during the period covered, for, in 1909, the total of interest payments was approximately half as great as the gross total of dividends on common and preferred stocks combined. Between 1909 and 1928, the total amount of interest paid on the funded debt, as measured in current dollars, slightly more than doubled. The change in the purchasing power of the dollar has, however, been so great that it nearly offsets this normal increase in interest payments. The fact is, then, that the holders of bonds and mortgages could buy only about the same amount of goods with their 1928 interest money as could have been purchased in 1909 with the total of the same type of receipts.

Chart 28 makes it plain that, of all the individual industries

TABLE XXXVI

ESTIMATED NET INTEREST^a ON
FUNDED DEBT PAID TO INDIVIDUALS
BY VARIOUS CLASSES OF CORPORATIONS

YEAR	MILLIONS OF DOLLARS PAID BY										
	All Industries ^b	Factories ^b	Mines, Quarries and Oil Wells ^b	Railroads ^b	Express ^b	Transportation by Water ^c	Street Railways ^b	Electric Light and Power ^b	Telephones ^b	Telegraphs ^b	All Other
1909	\$ 993	\$162	\$16	\$371	\$1	\$28	\$ 83	\$ 30	\$14	\$2	\$286
1910	1,012	165	17	378	1	27	88	29	13	2	292
1911	1,047	168	18	390	1	22	94	36	14	2	302
1912	1,085	170	20	401	1	25	99	38	16	2	313
1913	1,127	174	21	410	d	26	109	41	19	2	325
1914	1,131	178	23	399	d	24	115	42	22	2	326
1915	1,208	182	25	437	d	27	119	46	22	2	348
1916	1,234	186	27	436	1	32	121	50	23	2	356
1917	1,255	191	29	440	d	31	119	57	25	1	362
1918	1,270	197	32	433	0	24	119	70	27	2	366
1919	1,321	206	36	436	0	30	124	75	31	2	381
1920	1,390	218	41	462	0	24	122	83	37	2	401
1921	1,461	227	47	477	0	27	125	93	42	2	421
1922	1,502	223	52	490	0	13	132	114	42	3	433
1923	1,568	231	56	503	0	14	133	132	44	3	452
1924	1,639	252	60	527	0	11	134	149	47	3	456
1925	1,678	248	66	539	0	11	128	166	50	3	467
1926	1,792*			529							
1927	1,933*										
1928	2,051*										

^a For definition of this term, see text; intercorporate payments are excluded.

^b Sources of information are same as those referred to in Table XXXV.

^c Based upon *Statistics of Income*, published by the U. S. Bureau of Internal Revenue and reports of various sample corporations.

^d Less than \$500,000.

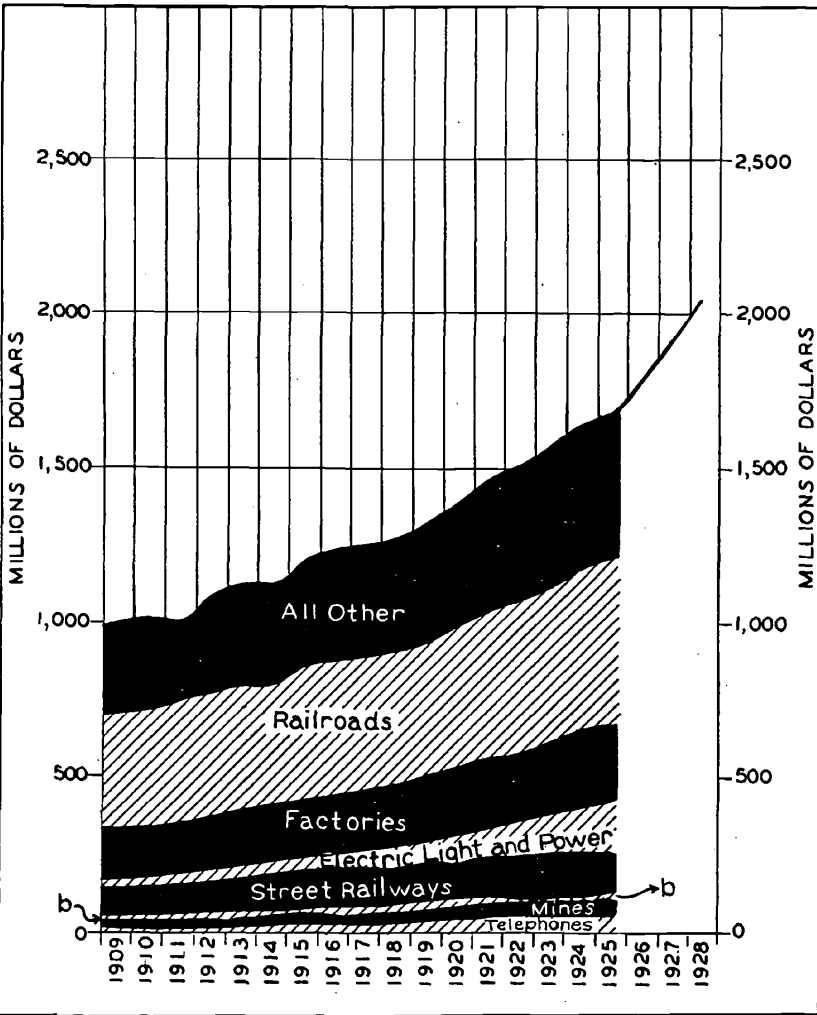
* Preliminary estimate.

for which data are available, railroads pay the largest amount of interest on funded debt. Manufacturing corporations occupy second, and electric light and power corporations third place, with street railway corporations a close fourth. Clearly, in the case of both the steam and street railways, interest charges on funded securities make up a far larger proportion of the total income yielded by the industry than is the case elsewhere.

In the earlier years of the period, street railways paid nearly three times as much money in the form of net interest on the funded

CHART 28

ESTIMATED NET INTEREST
ON FUNDED DEBT PAID TO INDIVIDUALS
BY VARIOUS CLASSES OF CORPORATIONS^a



^a For data, see Table XXXVI.

^b Transportation by Water.

debt as did electric light and power corporations, but, in the year 1924, the rapid growth of the corporations in the last mentioned group brought their interest payments above those of the street railways. Payments to the holders of the funded debt in the mining industries approximately quadrupled between 1909 and 1925, and the same was true in the telephone field. The most rapid growth is shown by the records from electric light and power corporations, the interest on funded debt in that field being multiplied by 5. Manufacturing, railroading, and street railway corporations did not even double the payments on their funded debt, while transportation by water reduced its payments by one half and the funded debt of express companies entirely disappeared.

A striking characteristic of the graphs in Chart 28 is the regularity of the different zones representing the volume of net interest payments by the various industries. Only in the case of transportation by water is there any evidence of violent change, a marked shrinkage in interest payments taking place about 1922. In every other field, there has been a constant tendency for interest on funded debt to grow steadily larger throughout the period 1909 to 1925. The most marked expansion occurred in the case of electric light and power corporations.

The 16 years between 1909 and 1925 saw a total increase of approximately 70 per cent in the aggregate payments of interest on funded debt to individuals by all industries. When, however, an allowance is made for changes in the purchasing power of the dollar this apparent increase is about cancelled.

Total Dividends on Preferred Stock Received by Individuals.

In Table XXXVII, the attempt is made to show only the amounts actually received by individuals, excluding all dividends paid to other corporations. In certain of the industries, this process of elimination has necessarily been only an approximation. This is especially true in the case of manufacturing and mining corporations.

In general, it appears that individuals receive only about 50 per cent as much income from dividends on preferred stock as they do from interest on the funded debt of corporations. In a rough way, this ratio has remained approximately constant throughout the period 1909-1925. Nearly half of the total of net dividend payments on preferred stocks in all industries goes to the holders of this class of securities of manufacturing corporations. Preferred stock dividends of electric light and power corporations which, in 1909, ac-

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TABLE XXXVII

ESTIMATED NET DIVIDENDS^b ON PREFERRED STOCK RECEIVED BY INDIVIDUALS FROM VARIOUS CLASSES OF CORPORATIONS

YEAR	MILLIONS OF DOLLARS PAID BY								
	All Industries ^a	Factories ^a	Mines, Quarries and Oil Wells ^a	Railroads ^a	Street Railways ^a	Electric Light and Power ^a	Tele-phones ^a	Tele-graphs ^a	All Other
1909	\$451	\$284	\$ 4	\$45	\$10	\$ 3	\$1	\$2	\$102
1910	488	308	5	47	11	3	1	2	111
1911	498	318	8	41	11	5	1	2	112
1912	523	333	9	41	12	6	2	2	118
1913	557	354	15	38	14	6	2	2	126
1914	533	349	11	25	16	7	2	2	121
1915	569	369	9	34	15	9	2	2	129
1916	629	416	14	30	13	10	2	2	142
1917	758	501	19	40	12	11	2	2	171
1918	748	502	17	32	9	15	2	2	169
1919	696	456	17	33	10	18	2	2	158
1920	774	512	16	34	11	22	2	2	175
1921	741	478	15	38	11	27	2	2	168
1922	623	386	14	42	15	29	4	2	131
1923	674	409	15	52	20	48	4	2	124
1924	646	325	18	53	18	67	5	3	157
1925	821	410	22	56	17	92	5	3	216
1926	941*	469*	26*	52			6*		
1927	1,042*						6*		
1928	1,171*						7*		

^a Sources of information are same as those referred to in Table XXXIV.

^b For definition of this term, see text; intercorporate payments are excluded.

* Preliminary estimate.

counted for but 3 millions of dollars out of the 451 millions paid by all industries, rose to such an extent that, in 1925, they made up 1/9 of the total dividends on preferred stock paid by all corporations. This type of income has also risen rapidly in the case of holders of preferred stock in mining corporations, dividends in this field having risen from about 4 millions in 1909 to 25 millions in 1925. A large part of this increase is due to the growth of the petroleum industry. Telephone corporations have also expanded rapidly their preferred stock dividends, but the total still remains very small. The growth in this particular type of income has been slow in the case of steam and street railway and telegraph corporations.

Total Dividends on Common Stock Received by Individuals.

Very frequently, for purposes of control, the common stock of one corporation is largely held by some superior corporation. For this reason, there is a marked difference between the gross total of dividends and the net total of dividends received by individuals. In Table XXXVIII are recorded estimates of the *net* dividends paid by each industry on common stock, an attempt having been made to eliminate all inter-corporate payments. According to this table, net dividends on common stock trebled between 1909 and 1925. The annual payments fluctuate widely; a high point was reached in 1917 with a decline thereafter until 1922, since which date a marked upward movement has again occurred.

Of the individual industries for which records are available, manufacturing is far in the lead in net payment of dividends on common stock. This class of dividends accounted in recent years for almost half of the total for all industries. Manufacturing dividends rose rapidly from 1909 to 1917, the increase between 1915 and 1917 being especially steep. From 1917 to 1922, there was a continuous decline, most marked between 1919 and 1922. The year 1923 was characterized by an extremely sharp recovery, and, since that date, a large volume of dividends has been maintained. The course of total net common dividends in the mining industry has paralleled closely the record for manufacturing. Railroads increased the total volume of their payments on common stock at a slow rate between 1909 and 1914. With the beginning of inflation, and the subsequent rise in operating costs, the railroads, because of rate control, were unable to continue paying dividends as freely, hence the total gradually declined until the year 1921. After that date, conditions affecting the railway stockholders were gradually ameliorated and common dividends rose until, in 1925, they were at a level but slightly below that existing just before the World War. What has been said of common dividends of steam railway corporations applies with almost equal force to the street railway companies. Telephone and telegraph companies have been able to expand their dividend payments on common stock throughout most of the period, although the tendency to expansion in the telegraph field apparently ceased after 1922. Electric light and power corporations have been extremely liberal in their disbursements to their common stockholders, the total paid out being some 7 times as great in 1925 as in 1909. Practically every year has seen expansion in the amount of dividends paid by this branch of trans-

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TABLE XXXVIII

ESTIMATED NET DIVIDENDS^a ON COMMON STOCK RECEIVED BY INDIVIDUALS FROM VARIOUS CLASSES OF CORPORATIONS

MILLIONS OF DOLLARS PAID BY												
YEAR	All Indus- tries ^b	Bank- ing ^b	Fac- tories ^b	Mines, Quarries and Oil Wells ^b	Rail- roads ^b	Pull- man ^b	Ex- press ^b	Street Rail- ways ^b	Electric Light and Power ^b	Tele- phones ^b	Tele- graphs ^b	All Other
1909	\$1,119	\$ 88	\$ 337	\$131	\$192	\$ 8	\$16	\$44	\$20	\$ 24	\$ 6	\$253
1910	1,351	120	426	146	221	9	19	51	21	25	7	306
1911	1,383	120	479	124	221	9	6	53	25	26	7	313
1912	1,448	119	513	148	212	9	3	54	27	28	7	328
1913	1,630	122	574	197	235	9	3	55	30	29	7	369
1914	1,522	111	541	140	245	9	2	56	37	29	8	344
1915	1,505	99	576	134	209	9	3	55	40	31	9	340
1916	2,707	81	1,279	357	209	9	12	61	44	34	9	612
1917	3,016	81	1,456	410	224	9	1	56	49	37	11	682
1918	2,796	87	1,359	342	217	9	1	47	52	38	12	632
1919	2,530	67	1,330	190	214	9	°	43	55	38	12	572
1920	2,337	108	1,216	133	192	9	1	40	58	39	12	529
1921	2,217	148	1,071	168	159	9	2	38	66	44	11	501
1922	2,026	176	936	126	167	10	2	34	75	58	15	427
1923	2,672	182	1,371	208	188	9	1	50	96	64	12	491
1924	2,863	164	1,344	195	211	9	2	43	112	74	12	697
1925	3,337	170	1,518	247	231	5	2	48	146	83	12	875
1926	3,823*	181*	1,670*	300*	276	7	2			89*		
1927	4,233*	169*					2			100*		
1928	4,760*									106*		

^a For definition of this term, see text; intercorporate payments are excluded.

^b Sources of information are same as those referred to in Table XXXV.

^c Negative figure of less than \$500,000; more dividends received than paid out.

* Preliminary estimate.

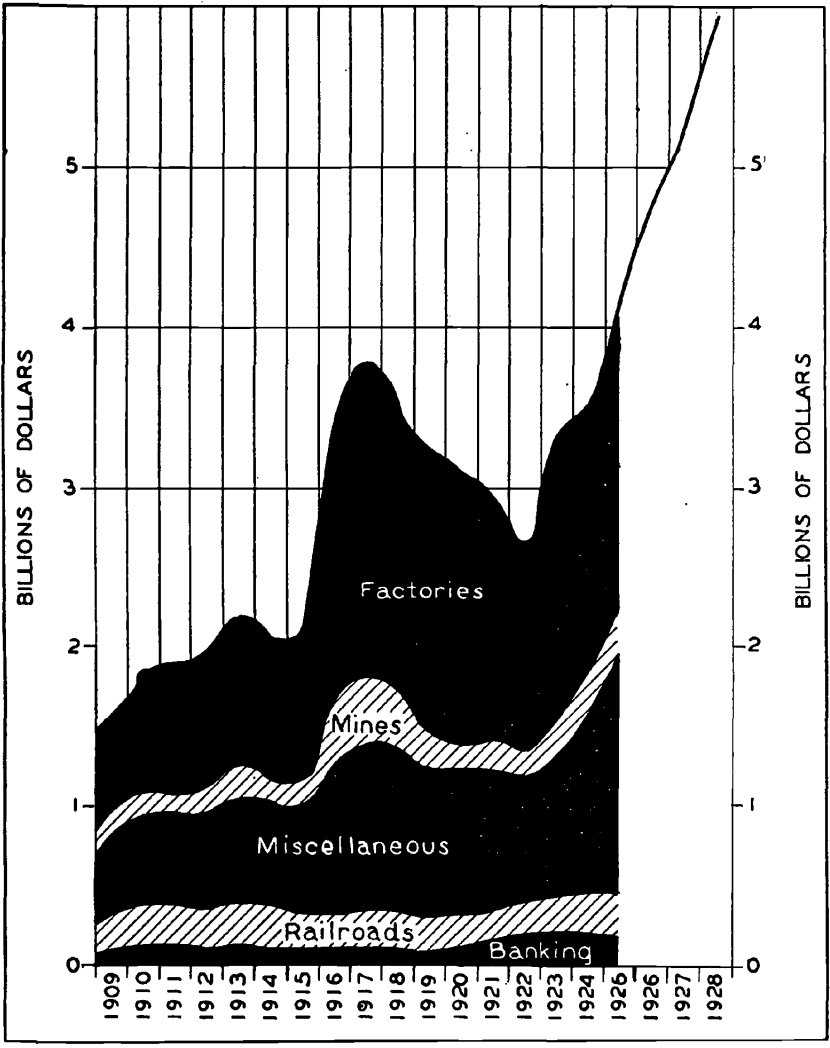
portation. The banks of the United States increased their total dividends on common stock between 1909 and 1913 at a rapid rate. Between 1913 and 1919, however, their dividends declined sharply until they were well below the 1909 level. In the year 1920 a rapid expansion began, which continued until 1923. After 1923, a slight tendency to decline is noticeable.

Totals of Net Interest on Funded Debt and Net Dividends, as Measured in 1913 Dollars.

A large part of this increase in dividend payments represents nothing more than shrinkage in the value of the dollar. Chart 30

CHART 29

ESTIMATED NET DIVIDENDS
ON CAPITAL STOCK RECEIVED BY INDIVIDUALS
FROM VARIOUS CLASSES OF CORPORATIONS^a



^a For data, see Tables XXXVII and XXXVIII.

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shows that, when all quantities are expressed in terms of dollars of constant purchasing power, the total of preferred dividends was actually lower in 1924 than in 1909, and in 1922 the total of common dividends was lower than in 1910. Total interest payments on funded debt were less in 1925 than in 1909. Even after the great rise since 1922, the purchasing power of the total of interest payments on the funded debt was but 22 per cent greater, and of dividends on preferred stock but 54 per cent greater in 1928 than in 1909. The class of securities in which the striking increase in disbursements has occurred is common stocks, the purchasing power of the net dividends on this class of securities being 1 1/2 times as great in 1928 as in 1909.

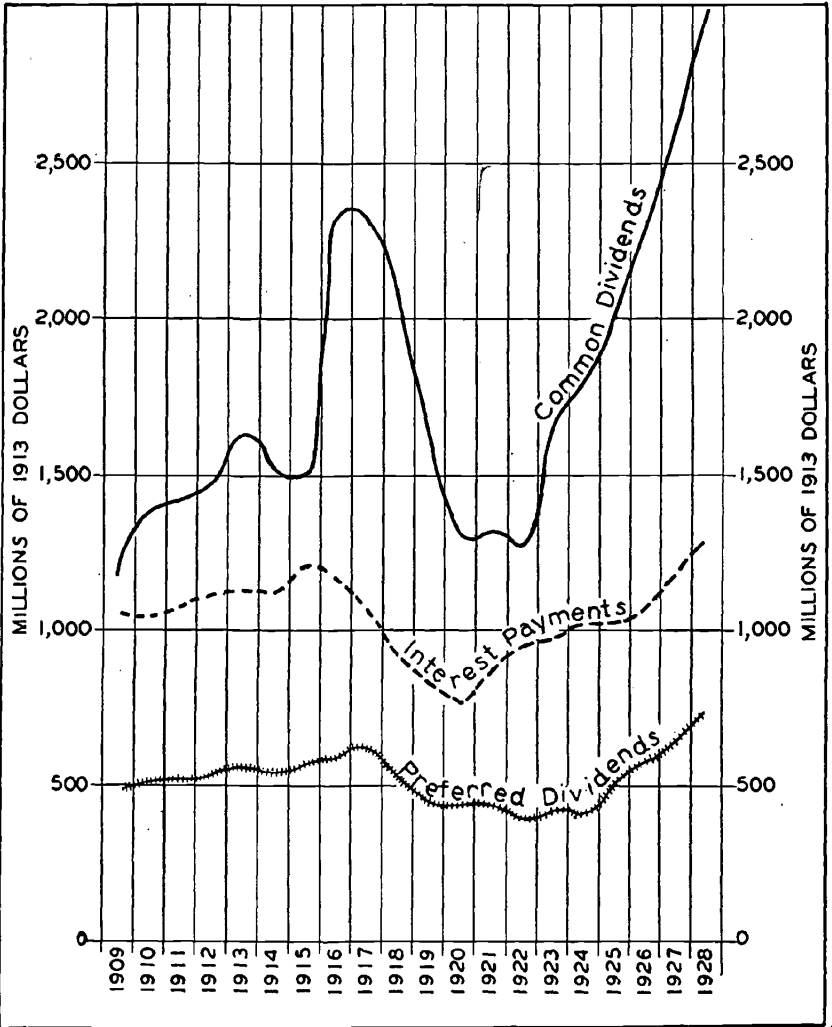
The total payments in 1913 dollars, for the various years are as follows:

Millions of 1913 Dollars			
Year	Interest	Preferred Dividends	Common Dividends
1909	1,052	478	1,185
1910	1,048	505	1,399
1911	1,084	516	1,432
1912	1,109	535	1,481
1913	1,127	557	1,630
1914	1,126	531	1,516
1915	1,208	569	1,505
1916	1,160	591	2,544
1917	1,044	631	2,509
1918	918	540	2,020
1919	836	440	1,600
1920	770	429	1,294
1921	873	443	1,324
1922	942	391	1,271
1923	976	420	1,664
1924	1,022	403	1,785
1925	1,024	501	2,036
1926	1,094*	574*	2,334*
1927	1,198*	646*	2,623*
1928	1,288*	736*	2,984*

*Preliminary estimate.

CHART 30

PURCHASING POWER, IN 1913 DOLLARS,
OF NET INTEREST AND NET DIVIDENDS
RECEIVED BY INDIVIDUALS
FROM VARIOUS CLASSES OF CORPORATIONS^a



^a For data, see text.

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Changes in Fractions Which Interest and Dividends Constitute of Total Realized Income.

We now hear so much about investments in corporate securities and their influence on American welfare, that we are inclined to feel that they have come more and more to dominate the income of the nation. Table XXXIX and Chart 31 furnish surprisingly little evidence for any such conclusion. In 1909, for example, the total volume of interest paid on the funded debt constituted a much larger proportion of the entire realized income of all individuals in the nation than it did in 1928. Total dividend payments, while slightly larger relatively in the most recent years than at the beginning of the period, form a distinctly smaller proportion of the total realized income of the nation than they did in 1916 and 1917. Furthermore, interest and dividends combined account for but one-eleventh of the entire realized income of all individuals in the United States.

When we consider not the entire income but merely the income of entrepreneurs and other property owners, we find that interest on funded debt constitutes a much smaller proportion of the total than was the case in the period before the war, but that the relative share made up of dividends was approximately one-fourth greater than in that earlier period. In 1916, however, it was even larger than in 1928. Entrepreneurs and other property owners have, in recent years, tended to derive between one-sixth and one-fifth of their income from corporate sources, the great bulk still coming from investments in individual enterprises and from private entrepreneurial activities such as farming and merchandising.

Total Par Values of Funded Debt and Preferred Stock.

It is by no means easy to estimate the par value of the various types of securities outstanding for the corporations in each industry. During recent years, the United States Bureau of Internal Revenue has requested all corporations to report the amount of securities of each class outstanding, but an examination of the figures indicates that, in many fields, the corporations have been extremely remiss in complying with this request. It appears, however, that the figures secured by the United States Bureau of Internal Revenue are reasonably complete for manufacturing corporations, and Federal figures have been used as basing points in this industry. In the case of mines, quarries, and oil wells, such a large proportion of the corporations have failed to report that it has seemed best to

TABLE XXXIX

RELATIVE IMPORTANCE OF THE
CONTRIBUTIONS MADE BY DIVIDENDS AND
INTEREST ON THE FUNDED DEBT OF CORPORATIONS
TO THE REALIZED INCOME OF INDIVIDUALS

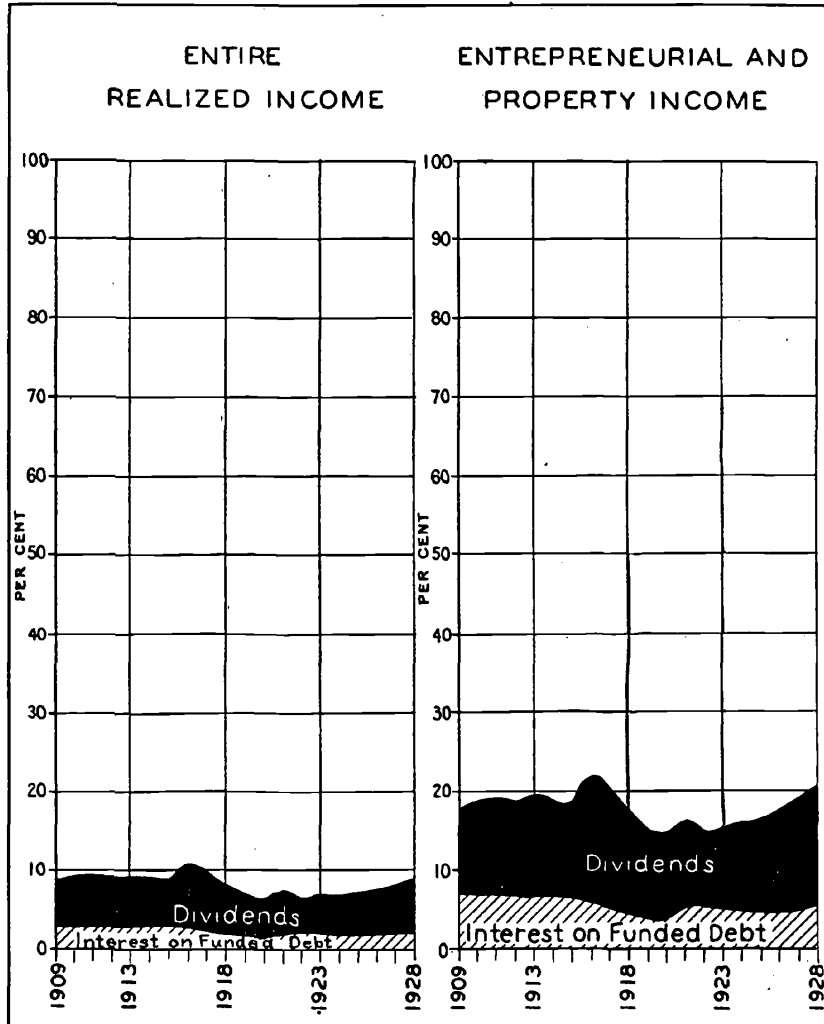
YEAR	PER CENT ^a WHICH CORPORATE INTEREST AND DIVIDENDS CONSTITUTE OF					
	ENTIRE REALIZED INCOME OF INDIVIDUALS		REALIZED ENTREPRENEURIAL AND PROPERTY INCOME			
			INCLUDING IMPUTED INCOME		EXCLUDING IMPUTED INCOME	
	Interest on Funded Debt	Dividends	Interest on Funded Debt	Dividends	Interest on Funded Debt	Dividends
1909	3.35	5.30	6.84	10.82	7.90	12.49
1910	3.22	5.85	6.67	12.13	7.74	14.06
1911	3.29	5.90	6.82	12.25	7.95	14.29
1912	3.19	5.80	6.62	12.03	7.66	13.91
1913	3.15	6.12	6.67	12.94	7.73	15.01
1914	3.17	5.76	6.60	12.00	7.69	13.97
1915	3.25	5.57	6.77	11.62	7.88	13.53
1916	2.85	7.71	5.93	16.03	6.81	18.42
1917	2.44	7.35	4.92	14.78	5.57	16.76
1918	2.10	5.87	4.52	12.62	5.22	14.56
1919	2.00	4.89	4.32	10.56	5.04	12.30
1920	1.88	4.20	4.38	9.81	5.31	11.89
1921	2.31	4.67	5.38	10.89	6.62	13.41
1922	2.28	4.02	5.32	9.39	6.40	11.28
1923	2.11	4.50	4.99	10.64	5.94	12.67
1924	2.12	4.55	5.02	10.75	5.98	12.80
1925	2.05	5.08	4.78	11.85	5.65	14.00
1926	2.09	5.57	5.01	13.31	5.87	15.61
1927	2.19	5.98	5.25	14.32	6.12	16.71
1928	2.29	6.63	5.36	15.49	6.22	17.97

^a Derived from Tables VIII, XXXVI, XXXVII and XXXVIII.

present in the accompanying tables estimates based entirely upon data secured from a large number of sample corporations. Figures in this industry represent, then, merely data from the larger active corporations in the mining field, and do not take into account the thousands of inactive and practically defunct concerns which still have securities outstanding. The United States Interstate Commerce Commission secures practically complete data from the rail-

CHART 31

RELATIVE IMPORTANCE OF THE
CONTRIBUTIONS MADE BY DIVIDENDS AND
INTEREST ON THE FUNDED DEBT OF
CORPORATIONS*



* For data, see Table XXXIX.

ways, the Pullman Company, and the express companies, and hence it is believed that figures relating to these fields are free from any considerable error. Once in five years, the Bureau of the Census collects data from street railways, telephone and telegraph companies, and private electric light and power plants. These figures have been used for the years 1907, 1912, 1917 and 1922. The estimates for the other years are based upon sample data consisting of the annual reports of a large number of representative corporations operating in these fields.

Table XL serves to set forth estimates of the par value of the gross funded debt outstanding, on the average, during the years 1909 to 1925, inclusive. An examination of the figures in this table shows that, throughout the period, the funded debt of the railways of the United States has had a face value larger than the funded debt of all the other corporations covered in this study. Manufacturing corporations come next, with street railways and electric light and power companies having practically equal amounts outstanding in 1925. Corporations engaged in the operation of mines, quarries, and oil wells have funded securities outstanding in an amount slightly larger than the volume of those issued by telephone corporations.

During the period under consideration, manufacturing and telegraph companies have increased their funded debt by something more than one-third, railways by two-fifths, street railway companies by three-quarters, while telephone and mining companies have trebled the amount of their funded debt, and electric light and power corporations have multiplied theirs by 5. The general tendency is for the funded debt to grow steadily larger, with few fluctuations. The decline in the case of the express companies was caused largely by the consolidation of a number of the companies. In 1918, the entire business was taken over by a single corporation, the American Railway Express Company.

Table XLI presents for the various industries estimates of the gross par value of preferred stock outstanding in each of the years covered by this study. A comparison of the figures in this table with those in Table XL shows that the respective industries rank very differently as regards the volume of preferred stock issues and the volume of bond issues. In 1925, manufacturing corporations, for example, had outstanding twice as much preferred stocks as bonds, while the funded debt of railroads and street railways totalled 7 times as much as the aggregate of their preferred stock issues.

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TABLE XL

ESTIMATED TOTAL FOR ALL
CORPORATIONS IN THE GIVEN INDUSTRY
OF THE PAR VALUE OF THE GROSS FUNDED DEBT
OUTSTANDING ON THE AVERAGE DURING THE YEAR
(MILLIONS OF CURRENT DOLLARS)

Year	Factor- ies ^a	Mines, Quarries and Oil Wells ^{a†}	Rail- roads ^b	Ex- press ^c	Street Rail- ways ^d	Electric Light and Power ^d	Tele- phones ^d	Tele- graphs ^e
1909	\$3,203	\$319	\$ 9,969	\$36	\$1,909	\$ 647	\$316	\$61
1910	3,270	344	10,644	36	2,031	715	300	61
1911	3,379	372	11,284	36	2,157	789	332	61
1912	3,446	401	11,751	36	2,279	864	373	57
1913	3,453	430	11,832	28	2,378	859	432	53
1914	3,501	460	12,268	20	2,493	824	482	53
1915	3,572	493	11,919	19	2,654	893	478	52
1916	3,644	529	11,796	19	2,825	1,022	488	52
1917	3,724	568	11,706	18	2,983	1,191	509	52
1918	3,786	608	11,624	0	3,077	1,368	502	52
1919	3,846	651	11,610	0	3,114	1,474	577	52
1920	3,897	705	12,034	0	3,139	1,676	664	52
1921	3,913	768	12,467	0	3,143	2,027	720	59
1922	3,892	836	12,639	0	3,129	2,237	733	67
1923	4,005	918	13,112	0	3,151	2,474	768	67
1924	4,397	1,011	13,728	0	3,214	2,832	826	67
1925	4,368	1,098	14,035	0	3,258	3,203	901	67
1926	4,366		14,009	0	3,299		993	80

^a Based upon a special study of the reports of a large number of sample corporations.

^b Based upon *Statistics of Railways* published by the Interstate Commerce Commission. Includes switching and terminal companies.

^c Based upon *Preliminary Abstract of Statistics of Common Carriers*, published by the Interstate Commerce Commission.

^d Based upon *Census of Electrical Industries* and upon a study of the reports of a large number of sample corporations.

^e Based upon reports of various telegraph companies.

[†] The figures in this column represent estimates for the larger *active* corporations only. A great number of mining corporations having an unknown amount of funded debt are inactive. For example, in the year 1926, out of 19,252 mining corporations reporting to the U. S. Bureau of Internal Revenue only 4,820 reported net income and only 11,641 reported the amount of their capital stock. These 11,641 had outstanding \$1,008,031,898 in bonded debts and mortgages. See *Statistics of Income*, 1926, pp. 356 and 365.

Mining corporations depend more upon funded debt in obtaining their operating funds than they do upon preferred stock. This is even more emphatically true of electric light and power corporations and telephone and telegraph companies.

While railroad corporations are dominant in the use of bond issues, manufacturing concerns are foremost in the use of preferred

TABLE XLI

ESTIMATED TOTAL FOR ALL
CORPORATIONS IN THE GIVEN INDUSTRY
OF THE PAR VALUE OF THE GROSS PREFERRED STOCK
OUTSTANDING ON THE AVERAGE DURING THE YEAR
(MILLIONS OF CURRENT DOLLARS)

Year	Factories ^a	Mines, Quarries and Oil Wells ^{a,b}	Rail- roads ^a	Street Rail- ways ^a	Electric Light and Power ^a	Tele- phones ^a	Tele- graphs ^a
1909	\$4,855	\$ 78	\$1,476	\$344	\$ 89	\$34	\$50
1910	5,075	97	1,411	360	118	37	50
1911	5,310	119	1,404	375	150	38	50
1912	5,505	139	1,381	396	171	41	50
1913	5,720	159	1,396	419	190	41	50
1914	5,955	178	1,394	432	215	40	50
1915	6,175	199	1,356	440	233	40	50
1916	6,470	221	1,432	449	248	41	50
1917	6,825	241	1,632	458	264	42	50
1918	7,110	262	1,817	464	283	43	50
1919	7,350	282	1,850	469	322	46	50
1920	7,580	300	1,895	474	398	48	57
1921	7,815	318	1,845	479	467	58	67
1922	8,030	334	1,813	484	520	76	70
1923	8,160	351	1,838	486	b	88	70
1924	8,255	368	1,878	486	b	100	70
1925	8,355	384	1,922	485	b	112	70
1926			1,928	485		123	70

^a Sources of information are same as those referred to in Table XL.

^b Because of the extremely rapid changes occurring in this industry reasonably dependable estimates cannot well be made until the data for the 1927 Census become available. Data in *Statistics of Income*, published by U. S. Bureau of Internal Revenue are incomplete.

^c The figures in this column represent estimates for the larger *active* corporations only. A great number of mining corporations, having a very large but unknown amount of preferred stock, are inactive. For example, in the year 1926, out of 19,252 mining corporations reporting to the U. S. Bureau of Internal Revenue only 4,820 reported net income and only 11,641 reported the amount of their capital stock. These 11,641 had outstanding \$538,017,502 in preferred stock. See *Statistics of Income*, 1926, pp. 356 and 365.

stock, the preferred stock issues of manufacturing corporations aggregating in 1925 approximately 3 times as much as the issues of the 6 other classes of corporations represented in Table XLI. The evidence of the figures presented in this table is that the issue of preferred stock as a means of raising funds did not increase in favor with either steam and street railways, or telegraph corporations during the last two decades, for, in each case, their issues increased by only about one-third between 1909 and 1925. Companies engaged in manufacturing operations have, in the same period, nearly

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TABLE XLII

RATIO OF THE TOTAL INTEREST PAID ON THE
FUNDED DEBT OF ALL CORPORATIONS IN THE INDUSTRY
TO THE TOTAL PAR VALUE OF THAT DEBT^a

Year	Fac- tories ^o	Mines, Quarries and Oil Wells ^o	Rail- roads	Ex- press	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs ^o
1909	.0506	.0502	.0378	.0400	.0465 ^o	.0474 ^o	.0419 ^o	.0441
1910	.0505	.0494	.0362	.0400	.0465 ^o	.0423 ^o	.0410 ^o	.0442
1911	.0497	.0484	.0353	.0400	.0464 ^o	.0472 ^o	.0420 ^o	.0440
1912	.0493	.0499	.0349	.0400	.0465	.0471	.0408	.0446
1913	.0504	.0488	.0354	.0283	.0488 ^o	.0490 ^o	.0432 ^o	.0438
1914	.0508	.0500	.0366	.0390	.0494 ^o	.0526 ^o	.0442 ^o	.0438
1915	.0510	.0507	.0404	.0401	.0479 ^o	.0534 ^o	.0453 ^o	.0443
1916	.0510	.0510	.0419	.0383	.0457 ^o	.0507 ^o	.0464 ^o	.0441
1917	.0513	.0511	.0417	.0404	.0425	.0517	.0483	.0403
1918	.0520	.0526	.0416	b	.0414 ^o	.0526 ^o	.0528 ^o	.0441
1919	.0536	.0553	.0424	b	.0423 ^o	.0526 ^o	.0532 ^o	.0441
1920	.0559	.0582	.0430	b	.0415 ^o	.0512 ^o	.0545 ^o	.0441
1921	.0580	.0612	.0400	b	.0425 ^o	.0473 ^o	.0560 ^o	.0440
1922	.0573	.0622	.0407	b	.0449	.0525	.0549	.0488
1923	.0577	.0610	.0401	b	.0451 ^o	.0549 ^o	.0559 ^o	.0464
1924	.0573	.0594	.0411	b	.0446 ^o	.0541 ^o	.0554 ^o	.0465
1925	.0568	.0601	.0401	b	.0419 ^o	.0533 ^o	.0540 ^o	.0468

^o Derived from figures for gross interest paid and gross funded debt outstanding.

^b No funded debt outstanding.

^o As estimated from a large sample of corporations.

doubled the amount of preferred stock outstanding. Telephone corporations have more than trebled their issues, while those engaged in the operations of mines, quarries, and oil wells have multiplied their issues by 5, and the increase in the case of private electric light and power corporations has been even more rapid.

Ratio of Interest Paid to Par Value of Funded Debt.

In Table XLII there is given a record of the ratio of the total amount of interest paid to the total par value of funded debt outstanding as estimated for the various industries. For corporations engaged in the operation of factories, mines, quarries, and oil wells, the data are based solely upon the reports of a large number of sample corporations, the samples consisting of those corporations annually reported in Moody's and Poor's *Manuals*. For street

railways, telephone and telegraph companies, and electric light and power corporations, the data for the years 1912, 1917, and 1922 are taken from the reports of the United States Census, while the figures for the other years are interpolated or extrapolated on the basis of the records of sample corporations. The figures for railroads and express companies are taken from the reports of the Interstate Commerce Commission and are believed to be substantially accurate. The fact should be carefully noted that the rates here given represent neither the average normal rate of payment on securities outstanding nor the rate paid upon securities upon which payments are actually made, but instead represent the ratio of total interest payments made to total par value outstanding, whether the securities were or were not in default.

We see that, for the sample corporations covered, the rate paid in 1925 was highest for those engaged in the operation of mines, quarries, and oil wells, with manufacturing corporations coming next, and telephone companies and electric light and power corporations occupying third and fourth places respectively. The lowest rate was paid by steam railways, with street railways and telegraph companies paying slightly more. For corporations engaged in manufacturing, mining, and the operation of telephones and electric light and power plants, there was a tendency for the rate to decline for a year or two at the beginning of the period, but, after that, in all four cases, rates moved upward, the high point being reached in the period 1921 to 1923. Since that date, the rates have declined somewhat in all four industries. The trend of rates in railways was much the same, except that the maximum was reached in 1920. Street railway corporations paid a slightly lower rate in 1925 than in 1909, but, in every other group of corporations included in Table XLII, the rate was higher in 1925 than in 1909.

Ratio of Dividend Payments to Par Value of Preferred Stock.

The figures in Table XLIII indicate that, in the case of manufacturing, mining, and telephone corporations, there was a distinct tendency in pre-war years for preferred stocks actually to pay, on the average, a higher return on par value than that yielded by bonds. In the case of the railroads, street railways, telegraph companies, and electric light and power corporations, however, the preferred stockholders fared worse than the bondholders during the pre-war period. This condition continued in the post-war period in the case of telegraph and telephone companies, both

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TABLE XLIII

RATIO OF THE TOTAL DIVIDENDS PAID THEREON
TO THE TOTAL PAR VALUE OF THE PREFERRED STOCK
OF ALL CORPORATIONS IN THE INDUSTRY^a

Year	Fac- tories ^d	Mines, Quarries and Oil Wells ^d	Rail- roads	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs ^d
1909	.0585	.0513	.0338	.0320 ^d	.0337 ^d	.0294 ^d	.0400
1910	.0607	.0515	.0361	.0306 ^d	.0254 ^d	.0541 ^d	.0400
1911	.0601	.0672	.0321	.0293 ^d	.0333 ^d	.0526 ^d	.0400
1912	.0603	.0647	.0333	.0303	.0351	.0488	.0400
1913	.0617	.0943 ^b	.0301	.0334 ^d	.0368 ^d	.0488 ^d	.0400
1914	.0584	.0618	.0215	.0370 ^d	.0372 ^d	.0500 ^d	.0400
1915	.0596	.0452	.0347	.0364 ^d	.0429 ^d	.0500 ^d	.0400
1916	.0640	.0633	.0293	.0312 ^d	.0444 ^d	.0488 ^d	.0400
1917	.0731 ^b	.0788 ^b	.0355	.0262	.0455	.0476	.0400
1918	.0705	.0649	.0242	.0216 ^d	.0601 ^d	.0465 ^d	.0400
1919	.0618	.0603	.0249	.0235 ^d	.0651 ^d	.0435 ^d	.0400
1920	.0672	.0533	.0264	.0253 ^d	.0638 ^d	.0417 ^d	.0351
1921	.0608	.0472	.0276	.0230 ^d	.0657 ^d	.0345 ^d	.0299
1922	.0575	.0419	.0298	.0331	.0646	.0395	.0286
1923	.0613	.0427	.0343	.0432 ^d	°	.0455 ^d	.0286
1924	.0618	.0489	.0330	.0391 ^d	°	.0400 ^d	.0429
1925	.0608	.0573	.0328	.0371 ^d	°	.0446 ^d	.0429

^a Derived from Tables XXXIV and XLI.

^b Seemingly high dividend rates due to payment of back dividends.

^c Because of the extremely rapid changes occurring in this industry reasonably dependable estimates cannot well be made until the data for the 1927 Census become available.

^d As estimated from a large sample of corporations.

steam and electric railways, and corporations engaged in manufacturing and the operation of mines, quarries, and oil wells. Preferred stockholders in electric light and power corporations have received, on the average, in recent years a rate of return higher than that paid to the bondholders of the same class of corporations. From the facts just stated it is clearly evident that, in general, one cannot count on the junior class of securities yielding on the average a higher rate of return than that obtained on the supposedly safer class of investments. Apparently, in most instances, the higher nominal yield on preferred stocks during the post-war period was insufficient to cover the greater degree of risk involved.