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## CHAPTER XIII

### FACTORS RELATING TO THE INCOME DERIVED FROM MANUFACTURING

#### Centralized Ownership in Manufacturing.

A study has been made of the development of those 20 manufacturing corporations which were largest in each of the years specified as compared to the development of this industry as a whole. It should be understood that the 20 corporations making up this group are not the same in each year, for, in some years, one corporation fell among the largest 20 and in another year another corporation would take its place.

The figures in Table CVI indicate that the net income reported available for dividends was not quite 5 times as great in 1926 as in 1909, while the amount of dividends paid quadrupled and the amount of interest paid on the funded debt increased by only about 50 per cent during this period. It should be understood that all the figures given in Table CVI are expressed in terms of the dollars current in each of the respective years. Evidently, then, the amount of interest paid on the funded debt, if converted to dollars of constant purchasing power, would show no increase during the period. On the other hand, the respective volumes of income available for dividends and of dividends paid did show a marked growth in the case of the 20 largest corporations.

Table CVII and the right hand section of Chart 50 give, for the manufacturing industry comparisons similar to those for the mining industry in the left hand section of Chart 50. Inspection of the chart indicates that, throughout the period, about the same proportion of the total interest on the funded debt paid by all corporations in manufacturing has been paid by the 20 largest corporations, this percentage being about 30 per cent. The ratio of the total amount of dividends paid by the 20 leading corporations to the total of dividend payments made by all corporations in the manufacturing industry shows a decided decline between 1909 and 1916 and a decided increase after that. It appears, however, that the percentage of total dividend disbursements by all corporations paid out by the 20 leading corporations was but a trifle greater in 1925 than in 1909. In so far, then, as interest on funded debt and

INCOME DERIVED FROM MANUFACTURING 327

TABLE CVI

BOND INTEREST, DIVIDEND PAYMENTS,  
AND REPORTED NET INCOME  
OF 20 GIANT MANUFACTURING CORPORATIONS<sup>a</sup>  
(THOUSANDS OF DOLLARS)

Year	Reported Income Available for Dividends	Dividends Paid	Interest Paid on Funded Debt	Total Interest and Dividends Paid
1909	\$185,095	\$114,881	\$50,082	\$164,963
1910	213,443	124,845	50,957	175,802
1911	167,121	121,676	50,973	172,649
1912	177,249	126,493	50,408	176,901
1913	203,889	136,157	49,462	185,619
1914	132,793	120,460	51,809	172,269
1915	246,270	108,448	51,848	160,296
1916	533,290	171,402	52,404	223,806
1917	502,548	219,965	59,785	279,750
1918	521,805	252,059	62,500	314,559
1919	508,480	219,113	60,992	280,105
1920	612,792	235,762	71,750	307,512
1921	146,656	271,626	75,749	347,375
1922	410,483	269,949	65,506	335,455
1923	554,652	308,610	73,658	382,268
1924	557,608	328,104	71,056	399,160
1925	728,337	386,078	71,334	457,412
1926	875,341	489,651	77,609	567,260

<sup>a</sup> Based upon the annual reports of the 20 corporations in this field which, in each year, had the largest market value of all the sample corporations for which reports were secured.

dividends are concerned, there is no evidence that the concentration observable in mining has extended to the manufacturing industry.<sup>1</sup> The figures in Table CVIII representing the reported net income available for dividend payments indicate that, in both 1924 and 1925, the percentage representing the 20 giant corporations was materially larger than at the beginning of the period and was approximately twice as great as the corresponding percentage in the

<sup>1</sup>In this connection, Col. M. C. Rorty says: "The fact, that the twenty largest manufacturing corporations do not show a definite increase in the ratio of their interest and dividend disbursements to total similar disbursements for all manufacturing establishments, does not necessarily indicate that there is not a tendency for a concentration of manufacturing interests to take place. A more correct study might be of the disbursements of the largest 5%, or 10% of the total number of manufacturing establishments. Still another study might be of the proportion of total disbursements made by establishments showing less and more than the average annual output. A complete study of this trend would involve the plotting of distribution curves."

TABLE CVII

PERCENTAGES OF THE NET INCOME AND  
DISBURSEMENTS TO CAPITAL FOR  
ALL MANUFACTURING CORPORATIONS  
COMPRISED IN THE  
CORRESPONDING ITEMS REPRESENTING  
20 GIANT CORPORATIONS<sup>a</sup>

Year	Reported Income Available for Dividends <sup>b</sup>	Dividends Paid <sup>c</sup>	Interest Paid on Funded Debt <sup>d</sup>	Total Interest and Dividends Paid
1909	15.46	16.75	30.87	19.45
1910	14.72	15.29	30.93	17.92
1911	12.67	13.66	30.43	16.31
1912	11.03	13.39	29.56	15.86
1913	11.42	13.10	28.47	15.30
1914	9.62	12.11	29.19	14.70
1915	10.96	10.26	28.53	12.94
1916	13.67	8.82	28.14	10.51
1917	8.95	9.82	31.26	11.51
1918	11.46	11.86	31.77	13.55
1919	10.46	10.72	29.68	12.45
1920	18.58	12.01	32.98	14.10
1921	•	15.46	33.44	17.52
1922	15.39	17.75	29.34	19.23
1923	15.37	15.22	31.92	16.93
1924	19.92	17.24	28.21	18.52
1925	19.00	17.18	28.76	18.33

<sup>a</sup> The percentages in this table are obtained by dividing each sum for the 20 corporations which had the largest market value of all the sample corporations for which reports were secured, by the corresponding total for all manufacturing corporations, and multiplying the quotient by 100.

<sup>b</sup> Derived from figures presented in Tables LXXXXVI and CVI.

<sup>c</sup> Derived from figures presented in Tables XXXIV, XXXV, and CVI.

<sup>d</sup> Derived from figures presented in Tables XXXVI and CVI.

• There was a deficit, hence a percentage, if calculated, would be meaningless.

period 1914 to 1919, inclusive. As we have previously seen, one is not justified in placing too much dependence upon the figures reported as representing the net income of corporations, but, in so far as these figures do have any significance, it would seem that a considerable degree of concentration of control was also developing in the manufacturing industry, but that the giant corporations were saving, or in other words carrying to surplus, a proportion of their income much larger than that saved by the smaller corporations.

**Ratio for Funded Debt of Interest Payments to Par Value.**

Table CVIII shows for sample corporations in each of 19 important branches of the manufacturing industry the ratio of the total amount of interest actually paid to the par value of the funded debt outstanding. It will be seen that the movements in these rates are strikingly similar in the different fields.

**Ratio for Preferred Stock of Dividend Payments to Par Value.**

The entries in Table CIX show for sample corporations in the 19 sections of manufacturing the actual volume of dividends on preferred stock compared to the total par value of preferred stock outstanding. From these figures it is clear that the variation in the different branches of the industry as regards rates paid has been much greater in the case of preferred stock than in the case of the funded debt. For a considerable period of years following 1919, the sample corporations in the paper and pulp industry, for example, never paid over 3 per cent on their outstanding preferred stock, while, during the same years in the petroleum refining industry, the sample corporations were paying between 5 and 8 per cent. The variations from prosperity to depression are shown clearly to have had much more effect on dividends of preferred stock than upon interest on the funded debt.

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TABLE CVIII

RATIO OF THE TOTAL INTEREST ACTUALLY PAID ON THE FUNDED DEBT TO THE TOTAL FUNDED DEBT OUTSTANDING IN A SAMPLE GROUP OF CORPORATIONS IN EACH OF THE SPECIFIED BRANCHES OF MANUFACTURING<sup>a</sup>

YEAR	All Branches of Mfg.		FOOD		TEXTILES		IRON AND STEEL (Excluding Machinery)		LUMBER		LEATHER		RUBBER		PAPER AND PULP		PRINTING AND PUBLISHING		CHEMICALS	
	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate
1909	98	.051	17	.053	2	.040	14	.050	2	.062	2	.052	3	.059	4	.054	2	.054	5	.050
1910	99	.051	15	.051	2	.040	13	.051	2	.060	2	.052	3	.057	4	.054	2	.054	5	.050
1911	110	.049	18	.052	2	.040	14	.050	2	.060	2	.052	3	.057	4	.054	1	.060	5	.051
1912	121	.049	21	.053	2	.040	16	.050	2	.060	2	.052	3	.057	3	.054	2	.060	6	.051
1913	127	.051	21	.053	3	.044	14	.050	2	.060	2	.052	3	.042	4	.053	3	.059	8	.052
1914	135	.050	22	.053	4	.048	17	.050	2	.060	2	.051	3	.026	4	.054	3	.058	8	.053
1915	135	.051	23	.053	3	.049	16	.050	2	.059	2	.051	3	.040	4	.054	3	.058	5	.052
1916	134	.051	21	.052	4	.049	17	.050	2	.059	2	.051	3	.053	5	.054	3	.057	5	.051
1917	129	.051	20	.052	5	.050	16	.050	2	.059	2	.051	3	.054	5	.053	3	.054	6	.052
1918	169	.052	24	.054	7	.054	21	.051	2	.064	2	.051	3	.053	5	.051	4	.056	12	.052
1919	177	.053	23	.055	8	.059	24	.052	3	.067	2	.051	2	.053	5	.052	3	.059	13	.053
1920	198	.055	28	.058	11	.063	26	.052	3	.063	1	.050	4	.056	6	.053	2	.060	18	.056
1921	227	.058	32	.062	12	.066	32	.054	3	.064	2	.052	7	.062	5	.056	3	.064	22	.064
1922	226	.058	32	.061	15	.068	35	.056	3	.065	2	.051	9	.056	6	.056	3	.067	27	.070
1923	223	.058	33	.059	13	.067	30	.054	4	.064	3	.052	8	.057	6	.056	3	.064	17	.070
1924	205	.057	32	.058	13	.068	30	.054	4	.063	3	.052	8	.062	6	.056	2	.061	12	.069
1925	205	.057	35	.058	14	.068	32	.054	4	.063	3	.057	7	.062	6	.057	4	.060	11	.066

<sup>a</sup> Based upon a study of the annual reports of the specified numbers of corporations in the various fields.

<sup>b</sup> Sample reports could not be located for this field.

TABLE CVIII—Continued

RATIO OF THE TOTAL INTEREST ACTUALLY PAID ON THE FUNDED DEBT TO THE TOTAL FUNDED DEBT OUTSTANDING IN A SAMPLE GROUP OF CORPORATIONS IN EACH OF THE SPECIFIED BRANCHES OF MANUFACTURING<sup>a</sup>

YEAR	GAS		PETROLEUM REFINING		STONE, CLAY AND GLASS		METALS OTHER THAN IRON		TOBACCO		MACHINERY		MUSICAL INSTRUMENTS		MOTOR VEHICLES		RAILWAY EQUIPMENT		SHIP-BUILDING	
	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate	No. of Corps.	Int. Rate
1909	22	.049	1	.053	4	.054	2	.052	1	.050	8	.049	1	.058	b	b	7	.051	1	.050
1910	22	.049	2	.051	4	.054	3	.054	1	.050	9	.050	1	.059	b	b	8	.052	1	.050
1911	22	.049	3	.053	5	.054	3	.053	2	.051	11	.050	1	.060	b	b	9	.051	1	.050
1912	22	.049	2	.053	8	.055	3	.053	2	.056	13	.052	1	.060	3	.057	8	.051	2	.051
1913	22	.049	2	.053	7	.056	4	.052	2	.059	15	.053	2	.060	4	.055	9	.051	2	.052
1914	21	.049	3	.053	8	.056	4	.050	2	.059	15	.053	2	.060	4	.055	9	.051	2	.051
1915	24	.050	3	.054	8	.056	4	.050	2	.059	15	.054	2	.060	5	.055	9	.051	2	.050
1916	23	.050	3	.054	8	.057	5	.050	2	.059	15	.053	2	.060	4	.055	9	.051	1	.050
1917	21	.050	3	.054	8	.057	5	.050	2	.059	15	.054	1	.060	3	.055	8	.051	1	.050
1918	23	.050	5	.056	10	.056	7	.051	2	.061	23	.056	1	.060	8	.056	8	.052	2	.050
1919	23	.052	5	.060	11	.056	9	.053	3	.062	22	.056	1	.060	9	.059	8	.053	3	.050
1920	24	.053	8	.064	10	.060	10	.054	3	.062	24	.059	2	.064	7	.061	8	.056	3	.050
1921	25	.054	12	.068	9	.065	10	.054	5	.063	27	.063	2	.067	10	.065	8	.059	3	.051
1922	24	.054	11	.067	8	.066	10	.054	4	.063	25	.064	2	.066	12	.068	6	.058	3	.051
1923	24	.053	11	.066	7	.065	11	.054	4	.061	25	.065	2	.063	11	.066	6	.056	3	.050
1924	22	.053	10	.063	6	.061	11	.055	4	.060	22	.063	2	.060	10	.064	5	.056	3	.051
1925	22	.053	7	.059	6	.058	10	.055	5	.060	20	.063	2	.060	8	.062	6	.056	3	.052

TABLE CIX

RATIO OF THE TOTAL DIVIDENDS ACTUALLY PAID ON THE PREFERRED STOCK TO THE TOTAL PAR VALUE OF THAT CLASS OF STOCK OUTSTANDING IN A SAMPLE GROUP OF CORPORATIONS IN EACH OF THE SPECIFIED BRANCHES OF MANUFACTURING<sup>a</sup>

YEAR	All Branches of Manufacturing		Food		Textiles		Iron and Steel (Excluding Machinery)		Lumber		Leather		Rubber		Paper and Pulp		Printing and Publishing		Chemicals	
	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate
1909	91	.059	18	.053	3	.060	11	.064	1	.080	2	.048	6	.069	3	.022	b	b	5	.050
1910	106	.061	19	.054	4	.059	12	.066	2	.040	2	.050	7	.085 <sup>c</sup>	3	.026	1	1	6	.060
1911	117	.060	21	.050	4	.057	12	.066	1	.046	3	.052	8	.073	3	.027	2	2	6	.055
1912	139	.060	22	.055	6	.063	16	.066	2	.076	4	.054	9	.072	3	.027	2	2	7	.053
1913	161	.062	25	.058	10	.057	16	.068	2	.077	5	.057	10	.074	5	.024	3	3	9	.050
1914	169	.058	26	.057	12	.057	17	.065	2	.076	5	.056	9	.077	5	.018	3	3	10	.038
1915	176	.059	28	.054	12	.066	19	.065	2	.076	5	.056	9	.075	4	.018	3	3	11	.053
1916	183	.064	28	.068	12	.060	19	.073 <sup>c</sup>	2	.077	5	.056	9	.071	6	.029	3	3	12	.052
1917	179	.072	27	.080 <sup>c</sup>	12	.072 <sup>c</sup>	18	.081 <sup>c</sup>	1	.070	5	.065	10	.074	6	.043	3	3	12	.054
1918	252	.070	36	.071 <sup>c</sup>	21	.074 <sup>c</sup>	26	.069	2	.052	5	.065	10	.073	6	.045	5	5	19	.064
1919	269	.061	39	.069	24	.068	30	.065	2	.050	7	.071	11	.072	6	.045	6	6	20	.065
1920	285	.067	41	.073 <sup>c</sup>	25	.075 <sup>c</sup>	35	.067	3	.043	8	.075	11	.080	6	.045	6	6	21	.058
1921	294	.061	44	.056	25	.064	35	.067	3	.043	9	.038	11	.066	5	.047	6	6	21	.053
1922	300	.057	46	.048	26	.058	37	.087 <sup>c</sup>	3	.037	9	.033	11	.066	6	.041	6	6	22	.044
1923	294	.061	44	.057	24	.068	34	.068	3	.037	9	.040	11	.069	6	.040	6	6	22	.047
1924	263	.062	30	.058	21	.055	33	.071	2	.114 <sup>c</sup>	9	.039	9	.062	4	.042	6	6	21	.053
1925	275	.061	40	.051	22	.056	32	.066	2	.070	9	.037	9	.066	6	.068	7	7	23	.056

<sup>a</sup> Based upon a study of the annual reports of the specified numbers of corporations in the various fields.

<sup>b</sup> Sample reports could not be located for this field.

<sup>c</sup> High rates for this year due to payment of back dividends.

TABLE CIX—Continued

RATIO OF THE TOTAL DIVIDENDS ACTUALLY PAID ON THE PREFERRED STOCK TO THE TOTAL PAR VALUE OF THAT CLASS OF STOCK OUTSTANDING IN A SAMPLE GROUP OF CORPORATIONS IN EACH OF THE SPECIFIED BRANCHES OF MANUFACTURING<sup>a</sup>

YEAR	GAS		PETROLEUM REFINING		STONE, CLAY AND GLASS		METALS OTHER THAN IRON		TOBACCO		MACHINERY		MUSICAL INSTRUMENTS		MOTOR VEHICLES		RAILWAY EQUIPMENT		SHIP-BUILDING	
	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate	No. of Corps.	Div. Rate
1909	6	.043	1	.081	8	.042	4	.059	2	.061	10	.068	3	.052	b	7	.068	1	.070	
1910	8	.048	2	.085	8	.051	5	.058	2	.061	12	.072 <sup>b</sup>	3	.046	1	9	.067	1	.070	
1911	8	.050	3	.078	8	.047	5	.058	2	.061	15	.070	3	.046	2	9	.068	1	.070	
1912	8	.050	3	.066	9	.047	4	.063	5	.053	21	.064	3	.061	3	11	.068	1	.070	
1913	9	.050	3	.052	9	.040	6	.073	5	.063	23	.069	3	.071	6	11	.068	1	.035	
1914	9	.051	3	.009	10	.063	7	.069	5	.063	24	.053	3	.069	7	11	.068	1	.000	
1915	9	.051	3	.009	10	.076 <sup>c</sup>	7	.069	6	.065	24	.048	3	.031	7	11	.067	1	.035	
1916	10	.050	3	.066	10	.050	9	.071	6	.064	25	.058	3	.031	9	11	.067	1	.105 <sup>c</sup>	
1917	10	.050	3	.143 <sup>c</sup>	10	.042	9	.116 <sup>c</sup>	6	.063	25	.058	1	.060	9	11	.072	1	.070 <sup>c</sup>	
1918	10	.048	2	.065	10	.043	11	.071	10	.065	43	.064	3	.039	19	12	.071	2	.071	
1919	10	.048	4	.031	10	.046	11	.073	10	.064	43	.072 <sup>c</sup>	3	.054	20	12	.074	1	.070	
1920	11	.045	4	.070	9	.054	11	.073	11	.067	43	.064	3	.067	24	12	.070	1	.070	
1921	14	.050	5	.070	10	.046	11	.066	11	.065	45	.059	2	.071	24	12	.069	1	.101 <sup>c</sup>	
1922	11	.057	5	.069	10	.045	9	.066	11	.064	46	.053	3	.051	23	13	.068	2	.111 <sup>c</sup>	
1923	13	.047	5	.070	11	.059	10	.065	11	.065	47	.057	3	.054	20	13	.069	2	.086 <sup>c</sup>	
1924	13	.058	5	.070	11	.064	10	.065	10	.063	44	.055	3	.076 <sup>c</sup>	19	13	.069	1	.125 <sup>c</sup>	
1925	13	.060	6	.067	11	.066	10	.065	9	.058	42	.060	3	.068	17	13	.069	1	.059	