

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: The Ownership Income of Management

Volume Author/Editor: Wilbur G. Lewellen

Volume Publisher: UMI

Volume ISBN: 0-870-14222-4

Volume URL: <http://www.nber.org/books/lewe71-1>

Publication Date: 1971

Chapter Title: 5. Stock Ownership and Income: Retail Trade

Chapter Author: Wilbur G. Lewellen

Chapter URL: <http://www.nber.org/chapters/c6442>

Chapter pages in book: (p. 110 - 130)

*STOCK OWNERSHIP AND INCOME:
RETAIL TRADE*

GIVEN THE SETTING provided by the preceding evidence on ownership and compensation in large manufacturing companies, we may turn to a determination of the extent to which the conclusions indicated hold more generally for the business community. In particular, do the organizational differences, the singular historical patterns of development, and the distinctive operating characteristics of leading retailing enterprises contribute to a management-shareholder relationship which departs markedly from the picture which emerges among industrial firms? The sample to which this question is addressed consists of the fifteen large department and discount-store chains whose executive pay packages were examined earlier. Since the relevance of most of the ownership items with which we shall be concerned has already been established by our discussion to this point, it should be possible to compress the subsequent presentation to a considerable degree.

Stockholdings

As of January 1 of each year from 1940 through 1963, the employer-company common stockholdings of the senior officers of the fifteen corporations at issue were as listed in Table 26 and as depicted in Chart 13. The numbers denote mean values for the sample in all cases and are measured at market price. We see that, in the early 1940's, per capita holdings were in the range of \$500,000 to \$600,000 for the highest-paid individual in each firm, and \$200,000 to \$300,000 for the five highest-paid as a group. By the 1960's, the former figure had increased only slightly—and, indeed, was well

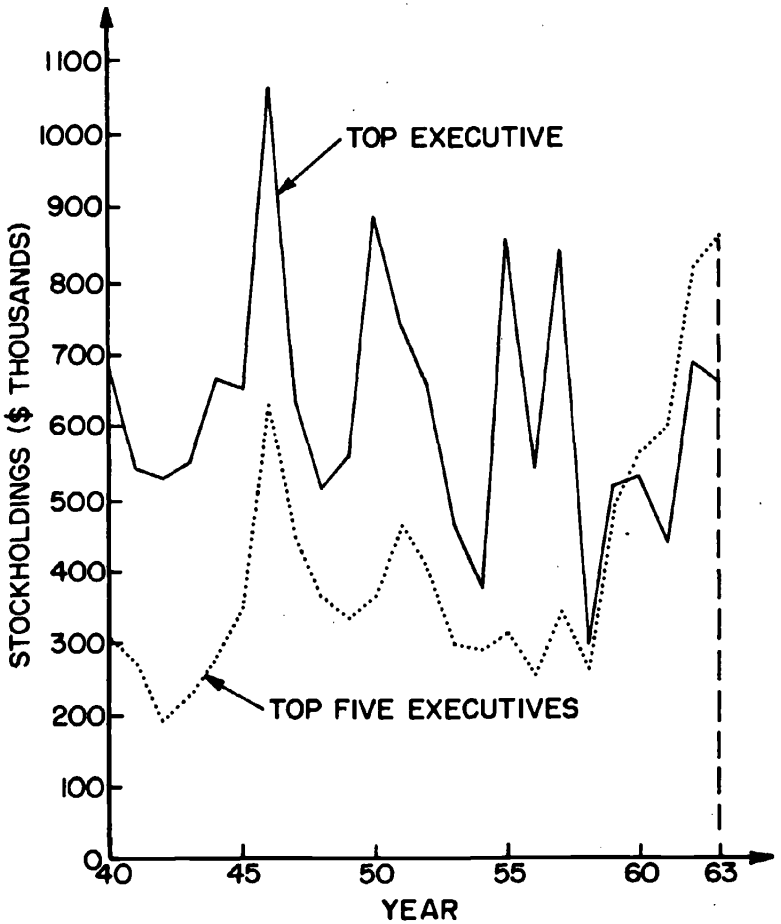
TABLE 26

Average Market Value of Executive Stockholdings:
Retail Trade Sample, 1940-63
(amounts in dollars)

Year	Top Executive	Top Five Executives
1940	682,121	308,917
1941	546,040	271,878
1942	525,693	197,505
1943	549,970	229,222
1944	666,734	283,210
1945	651,901	349,097
1946	1,067,469	630,748
1947	637,296	447,566
1948	515,023	369,823
1949	556,803	337,515
1950	876,697	369,948
1951	739,583	461,641
1952	660,559	402,539
1953	462,122	302,093
1954	374,423	292,937
1955	857,898	314,931
1956	545,348	256,838
1957	847,540	346,640
1958	299,159	266,883
1959	519,147	488,877
1960	531,576	567,957
1961	441,603	599,249
1962	692,110	823,669
1963	662,424	864,517

CHART 13

MARKET VALUE OF EXECUTIVE STOCKHOLDINGS:
RETAIL TRADE SAMPLE, 1940-63



below its peak—while the top-five average had better than doubled.¹ It turns out that much of this eccentricity in the time series can be traced to two or three individuals with unusually extensive holdings, as will soon become evident. Because there is a maximum of just fifteen observations at every executive position each year in the cur-

¹ Once again, preferred stockholdings are omitted from consideration.

rent calculations, a few extreme values can have a greater impact than was true of the fifty company manufacturing data. Even in their present form, however, the tabulations make it clear that retailing executives' equity investments in their own companies have not kept pace with those of their industrial counterparts.² The per capita holdings of both samples started at essentially the same level in 1940, but by 1963 the retail trade contingent owned stock worth only one-fourth to one-third as much as that held by men occupying similar administrative positions in manufacturing.

Dividends

The pattern of dividend receipts which accompanied the holdings reflects the same historical relationship. Table 27 records the before-tax and after-tax annual magnitudes for the retailing sample. Dividend income for these men, especially in after-tax terms, matched or exceeded the corresponding manufacturing amounts well into the 1950's, but dropped noticeably behind by the early 1960's. In fact, an *absolute* decline in the dividends claimed each year by the highest-paid executives in retailing occurred between 1940 and 1963. The figures for the five highest-paid men combined were up by roughly one-half. Despite this unimpressive result, the attendant ratio of dividend payments to salary and bonus receipts is still reasonably high, since annual direct cash compensation for the retail group was somewhat below the observed industrial corporation scale.³ Table 28 indicates that dividends came to approximately 30 per cent of top executive salary-plus-bonus earnings in the early 1940's, and 10 to 15 per cent during the early 1960's. For the top five positions together, the range was from 20 to 25 per cent virtually throughout. Both sets of computations imply that employer-company dividend payments did constitute an important income source over the interval studied.

² Table 13 and Chart 11 depict this situation.

³ This phenomenon also accounts for the smaller effective personal income tax rate on retailing dividend income. Thus, senior retail executives were generally in lower marginal tax brackets than the men on the manufacturing list.

TABLE 27

Average Dividend Receipts: Retail Trade Sample, 1940-63
(amounts in dollars)

Year	Top Executive		Top Five Executives	
	Before Taxes	After Taxes	Before Taxes	After Taxes
1940	32,233	20,685	16,249	10,970
1941	28,243	14,422	15,953	8,585
1942	32,807	14,358	13,210	5,999
1943	36,876	14,084	15,804	6,247
1944	35,252	13,574	16,208	6,245
1945	28,525	10,730	16,331	6,251
1946	38,877	15,873	21,879	9,242
1947	36,013	14,927	27,536	11,568
1948	32,488	18,552	26,198	14,917
1949	35,442	20,362	23,225	13,217
1950	53,672	30,350	23,463	13,255
1951	41,804	23,194	23,997	13,031
1952	36,125	18,964	22,729	11,613
1953	23,341	11,965	15,179	7,731
1954	22,349	12,214	17,496	9,377
1955	47,715	25,550	16,943	9,116
1956	27,730	14,558	12,899	6,851
1957	52,157	27,795	20,140	10,797
1958	17,569	8,519	15,345	8,090
1959	19,791	10,028	20,203	10,730
1960	20,808	10,729	22,358	11,944
1961	15,142	7,385	21,499	11,482
1962	17,815	8,948	23,233	12,337
1963	19,934	9,567	28,135	14,971

TABLE 28

Mean Before-Tax Dividend Receipts as a Per Cent of Mean
Before-Tax Salary Plus Bonus: Retail Trade Sample,
1940-63

Year	Top Executive	Top Five Executives
1940	35	25
1941	25	21
1942	30	17
1943	33	20
1944	30	20
1945	25	20
1946	29	23
1947	29	29
1948	26	27
1949	30	26
1950	44	24
1951	36	26
1952	31	25
1953	20	17
1954	19	19
1955	35	17
1956	20	13
1957	38	20
1958	13	15
1959	14	19
1960	15	22
1961	11	21
1962	12	22
1963	14	26

Capital Gains

A still more important source were the increments to personal wealth associated with the market price changes in executives' shareholdings. Table 29 summarizes the mean annual capital gains and losses experienced by the individuals in question. It appears that although the figures do not quite compare in size with those confronted by manufacturing executives, they are no less volatile from year to year. Indeed, there are, if anything, a *greater* number of sharp and sudden swings from positive to negative values in these tabulations. Chart 14 highlights this circumstance for both the top, and top-five, retail trade officer groups. The transformation of the gains depicted into their absolute-value counterparts—to eliminate the effect on the averages of any offsetting intercorporate market price changes—produces the time series shown in Table 30. As was true of the manufacturing sample, the mean absolute gains here are only marginally larger than the net figures, reflecting the unsurprising tendency of share prices among firms in a given sector of the economy to move together in response to external developments. Once again, of course, the definition of capital gains and losses for each man encompasses accrued as well as realized amounts, and the after-tax magnitudes are calculated using 15 per cent as the assumed effective gains tax rate.

Compensation and Ownership Income

When the dividend receipts and absolute capital gains listed are combined with executives' fixed-dollar and stock-based earnings as employees, the comparisons recorded in Tables 31 and 32 are produced. After-tax ownership income was a little better than twice as large as total after-tax compensation for the highest-paid retail executive category in the early years of the investigation (column 5 of Table 31). Rising levels of reward thereafter, coupled with stagnation in stockholdings, lowered this ratio to just about one-to-one by the 1960's. These findings are, in terms of the orders of magnitude involved, almost exactly the reverse of the corresponding historical manufacturing evidence (Table 18). Over the same period,

TABLE 29

Average Capital Gains: Retail Trade Sample, 1940-63
(amounts in dollars)

Year	Top Executive		Top Five Executives	
	Before Taxes	After Taxes	Before Taxes	After Taxes
1940	-91,004	-77,353	-27,570	-23,434
1941	-98,050	-83,342	-51,869	-44,088
1942	61,997	52,697	16,684	14,181
1943	189,607	161,165	71,629	60,884
1944	122,918	104,479	74,591	63,402
1945	394,524	335,345	303,264	257,774
1946	-182,364	-155,009	-112,988	-96,039
1947	-85,183	-72,405	-60,646	-51,549
1948	-4,737	-4,026	-21,189	-18,010
1949	64,392	54,732	34,752	29,539
1950	188,684	160,382	111,739	94,978
1951	-50,890	-43,257	-46,432	-39,467
1952	-3,431	-2,917	2,333	1,983
1953	-22,874	-19,443	-16,629	-14,134
1954	136,695	116,191	93,623	79,579
1955	107,782	91,691	45,627	38,783
1956	-71,370	-60,664	-33,368	-28,362
1957	-9,604	-8,163	2,498	2,124
1958	171,615	145,873	166,279	141,336
1959	36,856	31,327	102,239	86,903
1960	94,761	80,547	55,343	47,041
1961	194,358	165,204	253,380	215,372
1962	-62,451	-53,083	-105,347	-89,545
1963	155,430	132,115	156,940	133,399

CHART 14
 AVERAGE ANNUAL AFTER-TAX CAPITAL GAINS:
 RETAIL TRADE SAMPLE, 1940-63

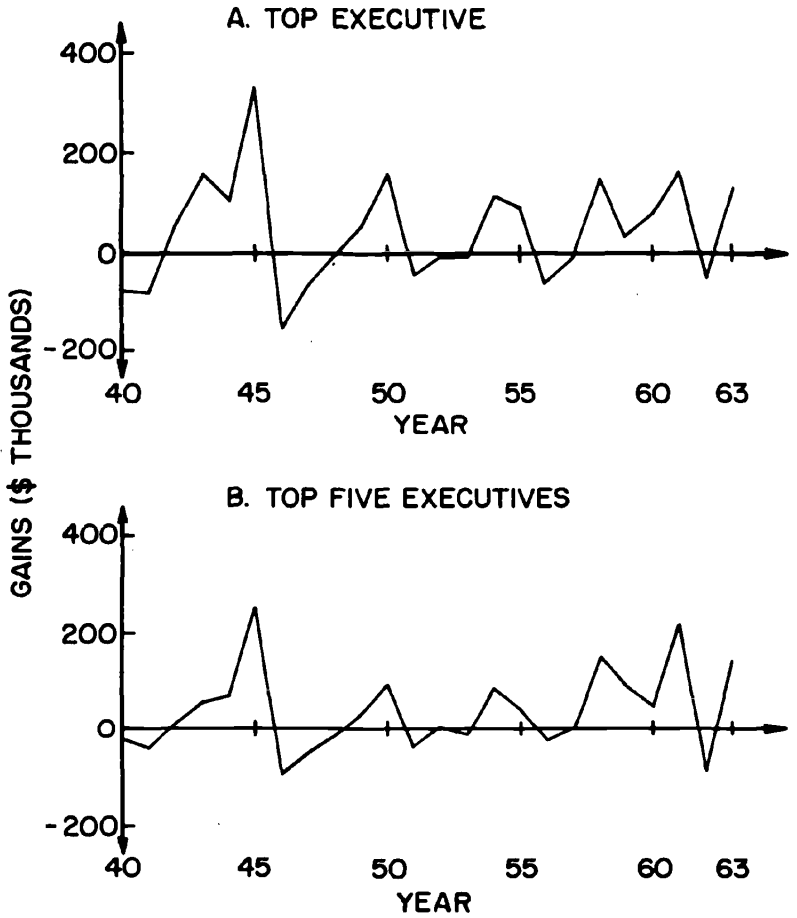


TABLE 30

Average Absolute Capital Gains: Retail Trade Sample, 1940-63
(amounts in dollars)

Year	Top Executive		Top Five Executives	
	Before Taxes	After Taxes	Before Taxes	After Taxes
1940	103,916	88,328	33,635	28,590
1941	99,094	84,230	52,191	44,362
1942	90,864	77,234	27,688	23,534
1943	189,607	161,165	71,629	60,884
1944	122,918	104,479	74,591	63,402
1945	394,524	335,345	303,264	257,774
1946	190,476	161,904	115,456	98,137
1947	86,140	73,218	62,493	53,119
1948	40,240	34,204	46,554	39,570
1949	69,692	59,237	47,691	40,537
1950	223,722	190,164	121,790	103,521
1951	67,022	56,968	55,246	46,958
1952	41,524	35,295	33,110	28,143
1953	25,955	22,061	20,542	17,461
1954	136,847	116,319	93,914	79,826
1955	111,350	94,647	48,211	40,979
1956	71,464	60,744	33,665	28,615
1957	28,304	24,058	16,736	14,226
1958	171,615	145,873	166,279	141,336
1959	37,846	32,169	103,436	87,920
1960	106,358	90,404	59,975	50,978
1961	194,358	165,204	253,380	215,372
1962	74,293	63,149	111,398	94,688
1963	155,826	132,452	157,189	133,610

TABLE 31

Compensation and Ownership Income:
Retail Trade Sample, 1940-63;
Average for the Top Executive in Each Firm

Year	Compensation		Ownership Income		Comparison	
	(1) After-Tax Fixed-Dollar Remu- neration	(2) After-Tax Stock- Based Remu- neration	(3) After- Tax Dividend Income	(4) Absolute After- Tax Capital Gains	(5) [(3)+(4)] [(1)+(2)]	(6) [(2)+(3)+(4)] (1)
1940	\$ 58,718	\$ 430	\$ 20,685	\$ 88,328	1.843	1.863
1941	56,587	751	14,422	84,230	1.720	1.756
1942	48,409	193	14,358	77,234	1.884	1.896
1943	49,557	152	14,084	161,165	3.525	3.539
1944	55,803	1,173	13,574	104,479	2.071	2.136
1945	43,239	1,165	10,730	335,345	7.793	8.030
1946	57,842	4,915	15,873	161,904	2.832	3.158
1947	59,424	306	14,927	73,218	1.475	1.488
1948	78,247	1,529	18,552	34,204	0.661	0.693
1949	94,550	493	20,362	59,237	0.837	0.847
1950	74,482	1,180	30,350	190,164	2.914	2.976
1951	70,892	901	23,194	56,968	1.116	1.143
1952	67,434	1,218	18,964	35,295	0.790	0.822
1953	68,688	1,722	11,965	22,061	0.483	0.520
1954	91,791	4,248	12,214	116,319	1.338	1.446
1955	80,049	10,531	25,550	94,647	1.326	1.633
1956	87,584	10,740	14,558	60,744	0.765	0.982
1957	94,292	15,022	27,795	24,058	0.474	0.709
1958	91,683	25,831	8,519	145,873	1.313	1.965
1959	89,253	38,838	10,028	32,169	0.329	0.907
1960	81,194	35,319	10,729	90,404	0.867	1.680
1961	79,338	57,279	7,385	165,204	1.263	2.897
1962	80,726	52,730	8,948	63,149	0.540	1.546
1963	87,222	40,068	9,567	132,452	1.115	2.087
Average:						
1940-44	\$53,814	\$ 540	\$15,425	\$103,087	2.180	2.212
1960-63	82,120	46,349	9,157	112,802	0.949	2.050

TABLE 32

Compensation and Ownership Income:
Retail Trade Sample, 1940-63;
Average for the Top Five Executives in Each Firm

Year	Compensation		Ownership Income		Comparison	
	(1) After-Tax Fixed-Dollar Remu- neration	(2) After-Tax Stock- Based Remu- neration	(3) After-Tax Dividend Income	(4) Absolute After-Tax Capital Gains	(5) $\frac{[(3)+(4)]}{[(1)+(2)]}$	(6) $\frac{[(2)+(3)+(4)]}{(1)}$
1940	\$45,080	\$ 223	\$10,970	\$ 28,589	0.873	0.882
1941	41,510	258	8,584	44,362	1.267	1.281
1942	37,407	89	5,999	23,534	0.787	0.791
1943	36,708	175	6,246	60,884	1.820	1.833
1944	38,041	409	6,245	63,401	1.811	1.841
1945	35,248	513	6,250	257,774	7.382	7.504
1946	44,099	1,362	9,241	98,136	2.361	2.465
1947	45,430	154	11,567	53,118	1.419	1.427
1948	60,329	535	14,916	39,570	0.895	0.912
1949	65,675	328	13,216	40,536	0.814	0.823
1950	60,994	585	13,254	103,520	1.896	1.924
1951	57,582	543	13,031	46,958	1.032	1.051
1952	54,628	777	11,613	28,142	0.717	0.741
1953	55,213	1,108	7,731	17,460	0.447	0.476
1954	65,232	2,700	9,376	79,826	1.313	1.408
1955	61,905	6,873	9,115	40,979	0.728	0.920
1956	64,678	7,061	6,851	28,615	0.494	0.657
1957	69,822	9,011	10,797	14,225	0.317	0.487
1958	67,384	14,244	8,090	141,336	1.830	2.428
1959	67,724	20,959	10,730	87,920	1.112	1.766
1960	65,752	18,941	11,944	50,978	0.742	1.245
1961	65,599	28,628	11,482	215,372	2.407	3.894
1962	67,520	24,756	12,336	94,687	1.159	1.951
1963	69,346	25,833	14,970	133,609	1.561	2.515
Average:						
1940-44	\$39,749	\$ 231	\$ 7,609	\$ 44,154	1.295	1.308
1960-63	67,054	24,540	12,683	123,662	1.489	2.399

the five-highest-paid retailing category enjoyed a slight increase in the ownership fraction of aggregate income, the capital gain and dividend figures growing from 130 per cent to 150 per cent of employee remuneration (column 5, Table 32). The contemporaries of these men in manufacturing, on the other hand, experienced consistently higher ratios both at the beginning and at the end of the relevant interval (Table 19).

The parallel in column 6 of the tabulations for the sum of dividends, capital gains, and stock-based rewards in relation to fixed-dollar earnings yields generally similar results. Ownership and ownership-dependent items are nowhere as overwhelming for the retail manager sample as they were for the matching industrial group, running from two to two-and-one-half times fixed-dollar inflows subsequent to 1960, rather than six to eight times, as was the situation in manufacturing. Such observations, nonetheless, look pale only by comparison. The fact that in recent times more than two out of every three dollars of the increments we can identify to senior managerial personal net worth in large retailing organizations have had an underlying common stock origin, implies that the income exposure of these men to the vagaries of ownership far outweighs their exposure as hired hands. In that respect, the current findings clearly reinforce the manufacturing data.

Sensitivity to Extreme Values

While we could again engage in a test of the response of the results to changes in computational parameters similar to that undertaken in the preceding chapter, the outcome is sufficiently predictable as to obviate the need for such an exercise. An increase in the assumed effective capital gains tax rate would diminish somewhat the apparent role of ownership returns in the totals, and a higher taxable income estimate would have the reverse impact. Taken together, the revisions would be approximately offsetting, as we concluded earlier.

A more useful analysis concerns the extent to which any extreme compensation or stockholding experiences by certain individuals in

the sample may distort the averages which have been presented. For that purpose, we may recast the data by removing from the group any executive whose equity investment in his company exceeds by two standard deviations or more the means listed in Table 26 for his position in the retail managerial hierarchy each year. When this is done, and revised means are calculated from the remaining observations, the new stockholding time series of Table 33 emerge. The sample now consists of 1,630 man-years of data—a reduction of approximately 7 per cent from the original 1,757 and a proportionate decline which compares closely with that recorded in manufacturing upon application of a similar criterion for exclusion of unusual cases. In effect, one executive has been removed at virtually every level every year in the present computations, owing to the extraordinary nature of his personal portfolio.⁴ As before, all the deletions occur at the upper end of the various distributions.

The modified market value averages are generally one-half to two-thirds the size of the full-sample means from Table 26. The secular trend, however, is changed very little. The typical top retail executive's employer-company equity investments were slightly higher in the early 1960's than they were in the early 1940's, while the figures for the top-five category roughly doubled over the same span. Since the latter started from a lower base, we find that the stockholding gradient across the five positions has diminished considerably within the quarter-century period studied. The deletions also reduce the volatility of the year-to-year market values of the relevant holdings, a phenomenon which was discernible previously in the manufacturing data. The net result is a historical record which still shows sizeable per capita common stockholdings, but which, like the full-sample evidence, portrays a rather more modest level of ownership involvement among senior retail officers than prevails in large industrial firms. The associated dividends and capital gains are listed in Appendix E, a similar diminution in the figures of one-third to one-half, as compared with the original averages, manifesting itself.

⁴ Thus, there are 127 exclusions in all out of an array of 120 possible locations—5 positions over 24 years.

TABLE 33

Average Market Value of Executive Stockholdings:
Retail Trade Sample, 1940-63; Extreme Values Deleted
(amounts in dollars)

Year	Top Executive	Top Five Executives
1940	480,011	204,532
1941	398,447	181,736
1942	427,111	145,625
1943	398,727	154,125
1944	481,542	171,653
1945	452,410	208,930
1946	736,403	288,435
1947	379,743	206,134
1948	304,795	171,969
1949	341,716	152,943
1950	673,250	205,310
1951	468,920	216,476
1952	413,998	164,058
1953	211,915	129,492
1954	131,012	143,082
1955	523,278	193,465
1956	324,760	164,703
1957	392,751	178,620
1958	212,632	147,752
1959	368,451	214,366
1960	385,836	266,845
1961	340,645	277,245
1962	572,768	363,251
1963	532,654	400,046

Relationship to Compensation

The real issue, of course, is not simply the magnitude of the reductions occasioned by removing extreme values, but the impact of such an operation on the implied relative importance of ownership and ownership-dependent items in the aggregate managerial income structure. For that comparison, extraordinary compensation experiences in retailing were also identified and deleted by using a 2σ test on the distribution of total after-tax earnings at each of the five positions each year. The consequence for average total compensation is depicted in the Appendix. The sample on which these revised means are based contains 1,671 observations, suggesting a pattern of dispersion in the executive pay figures of somewhat smaller dimensions than in the concurrent stockholdings. When the new compensation totals are separated into their fixed-dollar and stock-related components, and combined with the after-tax dividend and absolute capital gains averages just computed, the relationships summarized in Tables 34 and 35 emerge.

According to those data, the typical chief executive in retailing enjoyed, during the early years of the study, capital gains and dividends which amounted to 171 per cent of his aggregate employee remuneration. At the same time, capital gains, dividends, and stock-based pay together came to 173 per cent of fixed-dollar compensation. By the 1960's, the corresponding ratios had fallen to 83 and 159 per cent, respectively. A decline over the years in the role of ownership returns is therefore still apparent. Annual dividends and capital gains for the five highest-paid officers as a group held fairly steady at about three-fourths of total pay during the entire period, while the sum of those items plus stock-related earnings of various kinds approximately matched fixed-dollar receipts throughout. (The relevant comparison is with the manufacturing sample time series in Tables 23 and 24.) The fact that the ownership segment of retail trade executives' income turns out by all these standards to be noticeably smaller than that revealed by our examination of large industrial corporations is obviously attributable both to the lower per capita levels of stock ownership and to the lesser emphasis on stock-connected forms of

TABLE 34

Compensation and Ownership Income:
Retail Trade Sample, 1940-63;
Average for the Top Executive in Each Firm,
Extreme Values Deleted

Year	Compensation		Ownership Income		Comparison	
	(1) After-Tax Fixed-Dollar Remu- neration	(2) After-Tax Stock- Based Remu- neration	(3) After-Tax Dividend Income	(4) Absolute After-Tax Capital Gains	(5) $\frac{[(3)+(4)]}{[(1)+(2)]}$	(6) $\frac{[(2)+(3)+(4)]}{(1)}$
1940	\$54,634	\$ 461	\$13,750	\$ 32,299	0.835	0.851
1941	52,703	809	10,190	55,148	1.220	1.255
1942	44,002	207	11,358	45,292	1.281	1.292
1943	41,403	178	11,437	136,600	3.560	3.579
1944	47,491	0	10,912	86,751	2.056	2.056
1945	43,239	1,165	7,924	244,933	5.694	5.874
1946	58,816	0	12,785	98,564	1.893	1.893
1947	56,156	328	9,943	41,895	0.917	0.928
1948	74,867	1,639	11,857	28,635	0.529	0.562
1949	73,719	529	13,855	52,523	0.894	0.907
1950	74,482	1,180	24,590	153,321	2.351	2.404
1951	68,056	965	14,746	36,967	0.749	0.774
1952	64,590	1,305	13,277	29,986	0.656	0.690
1953	65,933	1,456	5,826	15,367	0.314	0.343
1954	71,132	3,759	4,454	35,342	0.531	0.612
1955	77,305	7,291	14,962	79,789	1.120	1.319
1956	87,584	10,740	9,506	28,883	0.390	0.560
1957	87,852	4,698	11,646	25,777	0.404	0.479
1958	91,009	17,417	6,380	83,502	0.828	1.178
1959	87,103	27,969	7,479	34,275	0.362	0.800
1960	82,556	25,302	8,083	57,213	0.605	1.097
1961	78,206	47,324	6,039	136,945	1.139	2.433
1962	82,054	33,513	7,981	66,235	0.642	1.312
1963	84,050	28,868	8,513	92,273	0.892	1.542
Averages:						
1940-44	\$48,047	\$ 331	\$11,529	\$ 71,218	1.710	1.729
1960-63	81,717	33,752	7,654	88,167	0.830	1.586

TABLE 35

Compensation and Ownership Income:
Retail Trade Sample, 1940-63;
Average for the Top Five Executives in Each Firm,
Extreme Values Deleted

Year	Compensation		Ownership Income		Comparison	
	(1) After-Tax Fixed-Dollar Remu- neration	(2) After-Tax Stock- Based Remu- neration	(3) After-Tax Dividend Income	(4) Absolute After-Tax Capital Gains	(5) $\frac{[(3)+(4)]}{[(1)+(2)]}$	(6) $\frac{[(2)+(3)+(4)]}{(1)}$
1940	\$45,558	\$ 237	\$7,031	\$ 12,942	0.436	0.443
1941	42,203	278	5,620	26,466	0.755	0.766
1942	36,593	95	4,352	13,921	0.498	0.501
1943	33,897	197	4,584	45,464	1.467	1.482
1944	36,500	186	3,909	30,637	0.941	0.951
1945	35,450	518	3,968	107,818	3.107	3.168
1946	43,125	401	5,129	40,590	1.050	1.069
1947	43,883	164	5,225	19,548	0.562	0.568
1948	60,066	563	6,386	14,501	0.344	0.357
1949	57,364	346	6,207	22,407	0.495	0.504
1950	60,994	585	7,581	44,514	0.845	0.863
1951	56,962	573	6,617	15,007	0.375	0.389
1952	54,059	795	5,208	10,446	0.285	0.304
1953	54,662	1,055	3,986	9,286	0.238	0.262
1954	59,026	2,342	5,112	38,847	0.716	0.784
1955	61,356	6,225	5,696	27,051	0.484	0.635
1956	64,678	7,061	4,822	16,599	0.298	0.440
1957	67,803	6,999	5,462	9,671	0.202	0.326
1958	67,605	7,759	4,571	58,499	0.836	1.047
1959	67,614	15,177	4,895	24,205	0.351	0.654
1960	65,774	14,958	5,484	34,290	0.492	0.832
1961	65,409	19,191	5,276	85,149	1.068	1.675
1962	67,810	17,650	5,626	37,721	0.507	0.899
1963	68,953	14,047	6,251	69,889	0.917	1.307
Average:						
1940-44	\$38,950	\$ 199	\$5,099	\$ 25,886	0.791	0.801
1960-63	66,987	16,462	5,659	56,762	0.748	1.178

compensation in retailing enterprises.⁵ The contention here remains, however, that the degree of effective employer-company ownership involvement apparent for senior retail management is sufficiently impressive to suggest a strong and continuing sensitivity to shareholder interests.

Ownership Fractions

Even though retailing executives' equity investments in their firms, on an individual basis, fall short of the scale characteristic of their industrial counterparts, it happens that the investments we do observe have been somewhat more important in terms of the total outstanding common stock of the corporations in question. Table 36 shows that the top executive category in the 15 retailing companies owned shares accounting for roughly one-half of 1 per cent of the aggregate market value of those companies just prior to World War II—regardless of whether the full-sample, or reduced-sample, mean is taken to be the appropriate criterion. The proportions for the top-five executive group were in the neighborhood of 1 per cent. By 1963, the combined holdings of top executives had diminished to less than one-tenth of 1 per cent of the then-larger total market value of their firms, while the top-five average was in the range of three-tenths to six-tenths of a per cent, depending upon the standard chosen. With the exception of the 1963 top executive figure, all these fractions substantially exceed those recorded earlier for manufacturing (see Table 25). As judged by the voting power they connote, of course, they are all also rather trivial—but it is the relationship between the attendant dividends and capital gains, and executives' other income components, which should continue to be our concern.

Turnover of the Holdings

A look at the extent to which senior retailing executives trade in their firms' securities confirms the conclusion drawn earlier that there is

⁵ With regard to the latter point, see Chapter 3.

TABLE 36

Trends in Proportionate Ownership: Retail Trade Sample, 1940-63

	1940	1963
<i>Full Sample</i>		
Mean per capita stockholdings:		
Top executives	\$682,121	\$662,424
Top five executives	\$308,917	\$864,517
Implied total holdings:		
15 top executives	\$10,231,815	\$9,936,360
75 top five executives	\$23,168,775	\$64,838,775
Total market value of the 15 sample corporations	\$1,742,356,000	\$10,382,645,000
Fraction of total owned by executives:		
Top executives	0.5872%	0.0957%
Top five executives	1.3297%	0.6245%
<i>Reduced Sample with Extreme Values Deleted</i>		
Mean per capita stockholdings:		
Top executives	\$480,011	\$532,654
Top five executives	\$204,532	\$400,046
Implied total holdings:		
15 top executives	\$7,200,165	\$7,989,810
75 top five executives	\$15,339,900	\$30,003,450
Total market value of the 15 sample corporations	\$1,742,356,000	\$10,382,645,000
Fraction of total owned by executives:		
Top executives	0.4132%	0.0770%
Top five executives	0.8804%	0.2890%

very little short-term activity of the sort which would imply a manipulation of prices for personal advantage or the improper use of inside information. Out of the 1,757 man-years of individual stock ownership experience which comprise the full retail sample data matrix, changes in the number of shares held within a given year⁶ by

⁶ Excluding, that is, changes occasioned by stock splits and stock dividends.

the men at issue occurred in only 767 instances, or 44 per cent of the total possible opportunities. The comparable figure for the large manufacturing sample was 43 per cent. Since more than half of those trades—395 in all—gave rise to *increases* in executives' holdings, the remaining 372 transactions which had the effect of reducing ownership represent just 21 per cent of the sample observations. In only one year out of five, therefore, do we find these men being net sellers of employer-firm common shares.⁷ Once again, the assumption made in the calculations that long-term capital gains tax rates would apply to any profits realized from such transactions seems to be supported.

Summary

An investigation of the participation by the top management of large retailing organizations in the ownership of their own companies reveals holdings on the order of \$500,000 to \$900,000 per man during the 1960's. The annual capital gains and dividends which resulted either matched or exceeded the total after-tax compensation enjoyed by the same individuals in their professional managerial roles. Indeed, the combination of direct ownership returns of this sort, plus the benefits obtained from common-stock-based instruments of remuneration, have, since 1960, provided two to two-and-one-half times as much income as fixed-dollar rewards. The elimination from the data of both extreme values of compensation and extraordinary levels of ownership modifies the findings to a degree, but they still give evidence of an important and durable link between the economic circumstances of shareholders and the personal wealth of senior executives which belies the notion that no viable mechanism exists for eliciting managerial concern with the interests of the small investor.

⁷ The fact that the corresponding rate in large manufacturing companies was but one year out of six may explain in part why per capita stock ownership among executives in those companies grew more rapidly in market value terms over the years than was the case in retailing.