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Business Incorporations
in the
United States
1800-1943

GEORGE HEBERTON EVANS, JR.

Professor of Political Economy

The Johns Hopkins University

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*(Resolution adopted October 25, 1926
and revised February 6, 1933 and February 24, 1941)*

PREFACE

Incorporation should be a matter of concern not merely to persons interested in an enterprise that uses the corporate form of business organization. A community in which the corporation is utilized is likely to be very different from one in which it is not utilized. The corporation may be regarded as a catalytic agent. Introduce it into a community and many things occur outside the particular business units incorporated. The investments of individuals, for example, would be rearranged to take advantage of new opportunities to diversify holdings. Enterprises could be launched that formerly could not have been started because of the large amounts of capital required. In turn, enterprises dependent upon the existence of such large undertakings could be started after the large ones had begun to function.

Despite the potent and conspicuous role of the corporation in the development of the economy of the United States, published data on corporations seem remarkably meager. For only about two years have we had a regular publication of the number of charters granted by each state. Dun & Bradstreet collects and publishes this information monthly. Previously an index based upon the experience of four states recorded the variations in the number of incorporations, but the individual state figures upon which the index was constructed were not readily obtainable. The index, moreover, covered only a short period. The Census and the Statistics of Income data on corporations supply other basic information. Of course, much can be learned about the large corporations of the country from the financial manuals, and a few governmental and private studies have contributed to our knowledge of corporations. But the information on our population of artificial persons—our corporations—is at best small when compared with that concerning the population of natural persons. When it is said that a certain number of natural persons were born in the United States during any recent year, the statement carries a rather definite meaning. A continuation of the sex ratio, a high degree of constancy in the relationship between white and colored births, etc. are, with reason, assumed. But even when the number of incorporations in a year is known, much additional material is needed in order to under-

stand the nature and the significance of the newly chartered units. This volume tries to describe in some detail the size and the nature of the additions to the population of artificial persons.

The corporation, in contrast to most other forms of business organization, must leave some public records of its existence. These records are not adequate for individual histories, but in the aggregate they reveal much about the general outlines of a large segment of business enterprise. The task of putting together the pieces of public record left by the separate corporations is enormous. A portion of the task is attempted here; much more can be done.

A complete set of time series dealing with the number of charters granted by all states in the United States and a definitive analysis of each series is not presented here. Some of the state incorporation series could have been extended; a few more states could have been covered for at least brief periods; and the various state incorporation series that have been compiled could have been examined more intensively. But I have reached that point of diminishing returns at which I feel it desirable to set forth what I have done. If it is found interesting, others can use it, add to it, or correct it. To facilitate addition and correction, I have tried to give in the numerous appendices my sources and methods. Despite careful checking of the compilations and calculations, errors have doubtless been made, but it is hoped that they are not many.

My indebtedness to others in connection with this research is large. A grant from the Carnegie Corporation made it possible for me to spend a year at the National Bureau of Economic Research. Upon my return to Johns Hopkins University, the Rockefeller Foundation provided funds that enabled me to continue the collection and analysis of data. Without these two grants I could not have assembled the basic data that appear in this volume. The Lessing Rosenthal Fund for Economic Research, established some years ago at Johns Hopkins University to assist economic inquiry, has contributed liberally toward the cost of publishing the study. The three grants are gratefully acknowledged.

Professor Joseph S. Davis and Dean Homer B. Van-

derblue allowed me to use their unpublished data on New York incorporations, which are embodied in Table 9. Their kindness is deeply appreciated.

The National Bureau of Economic Research and its staff have contributed greatly to my study. Much was accomplished on my book during the year I spent at the Bureau; discussions with my colleagues were most helpful, and my assistants gave excellent service. My year there is to me a memorable one. The Committee of the National Bureau Directors that examined my manuscript—Arthur H. Cole, G. A. Elliot, and George Soule—made criticisms that led to a number of improvements. The 'map' of the study, which appears in the first chapter, and other smaller passages are the direct result of a pleasant conference with Professor Cole. Wesley C. Mitchell, Arthur F. Burns, Leo Wolman, William J. Carson, Moses Abramovitz, Geoffrey H.

Moore, and David Durand have helped me at many stages of my efforts. Some have encouraged me and made valuable criticisms; some have carefully read the manuscript and made helpful suggestions. Martha Anderson has painstakingly edited the manuscript. H. Irving Forman prepared the charts for publication. To all I am very much indebted, and I gratefully acknowledge their assistance.

G. H. E., Jr.

The Johns Hopkins University
April 1948

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