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CORPORATE INCOME RETENTION
1915–43

by
SERGEI P. DOBROVOLSKY
PREFACE

This study of the income-retention policies of manufacturing corporations carries forward into new ground the studies in Business Finance which were started under the Financial Research Program of the National Bureau in 1940. It utilizes much of the material gathered in connection with other studies of the Business Financing Project, directing attention to such questions as the following: Have corporations recently been saving more out of their net incomes than formerly? How do these income-retention policies vary at different levels of corporate growth and profitability? How have changes in policies of income retention affected the dependence of industrial concerns on external money markets for funds to finance asset expansion? Wherever the available information has made it possible, these and the other questions with which the study is concerned are examined separately for large corporations and for those of small and medium size.

In view of the extensive interest in this range of problems, and the spirited controversies which have been waged over the probable effects of what have been assumed to be the facts concerning corporate financial policies, Dr. Dobrovolsky's analysis, based on primary business records, should be highly valuable.

R. J. SAULNIER
Director, Financial Research Program
AUTHOR’S ACKNOWLEDGMENTS

In its early stages the work on this study depended heavily on the counsel and encouragement of Ralph A. Young, at that time Director of the Financial Research Program of the National Bureau of Economic Research. In the subsequent period, the work proceeded, and was brought to completion, under the helpful direction of R. J. Saulnier.

The list of all those who read the preliminary draft and made helpful comments and criticism is too long to permit individual acknowledgment. I wish, however, to express special appreciation to Arthur F. Burns, David Durand, W. Braddock Hickman, Thor Hultgren, Avram Kisselgoff, Lawrence Klein, and G. H. Moore, all of whom gave freely of their time in discussing with me various aspects of the analysis.

Further, I wish to express my thanks to the Misses Katherine E. Krenning and E. Jeannette Casseday, who edited the manuscript, Miss Catherine P. Martin, who supervised statistical work on the study, and Mrs. Ruth Harris, who prepared the charts.

A large part of the analytical work on the study was done under a Demobilization Award granted by the Social Science Research Council, and I wish to record my appreciation of this assistance.

SERGEI P. DOBROVOLSKY
Wayne University
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NBER FINANCIAL RESEARCH PROGRAM