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CHAPTER 2

A GENERAL VIEW OF INDUSTRY

1. AVERAGE FIGURES FOR ALL CORPORATIONS

IN YEARS of prosperity American industry in the aggregate, as represented by all Manufacturing, Trading, Financial and Mining corporations, earns a net return of approximately 7 per cent upon the capital invested by its owners. This is just an average figure. It includes both the relatively profitable and unprofitable industries, the successful and unsuccessful corporations, the large and small enterprises. These several classes of industries and enterprises vary substantially in profitableness among themselves. What percentage of the corporations, what proportion of the separate industries, and what part of the total capital invested, earn profits at rates higher or lower than the average level will appear later. But for the moment, we may fasten our attention upon the general figures.

The average of 7 per cent presented is for the net return upon what may be termed 'entrepreneurial capital'. The net return includes both operating and non-operating income, after deducting all charges other than Federal income taxes, while the investment figure is the combined capital stock and surplus of the corporations in question.¹ Upon 'total capital', including under that head not only the sharehold-

¹ See Ch. 45 for a discussion of the meaning of book or stated capital figures, broadly viewed for industry and industrial groups at large.

ers' equity in the enterprise, but all of its funded debt as well, the return is fractionally lower, but still approximates 7 per cent. Throughout this volume the first investment concept, that of entrepreneurial capital, is termed *capitalization*, while the second concept, that of capital stock, surplus, and funded debt as well, is termed *total capital*. In correspondence with these two concepts of investment are the two concepts of earnings: *net income*, in an entrepreneurial sense, the return after all charges; *total profits*, in a more inclusive sense, the return before the subtraction of interest payments upon permanent but borrowed capital.

The data for both types of net return, for all corporations in Manufacturing, Trade, Finance and Mining combined, for the years 1924-28, are presented in Table 1.²

TABLE 1

ESTIMATED EARNINGS RATES, ALL CORPORATIONS IN MANUFACTURING, TRADE, FINANCE AND MINING, 1924-28
(before and after Federal income tax)¹

	1924	1925	1926	1927	1928
Percentage income to capitalization					
<i>before tax</i>	6.0	7.8	7.4	6.5	7.6
<i>after tax</i>	5.2	6.8	6.4	5.7	6.7
Percentage profit to total capital					
<i>before tax</i>	5.9	7.5	7.2	6.4	7.3
<i>after tax</i>	5.2	6.6	6.4	5.6	6.6
Number of corporations	315,340	333,372	355,634	345,212	359,992

¹ See Appendix A for method of computation, and Appendix Table 1 for absolute figures.

The absolute figures on which the percentages are based are not given here in detail, but appear in Appendix B. The net income figures for all corporations in the four divi-

² This table, as well as Tables 3 and 4, is based upon data taken from *Statistics of Income* (Bureau of Internal Revenue), adjusted as described in Appendix A. See Ch. 46 for a discussion of the character of that publication as a source for industrial earnings data, broadly viewed.

sions run from a little over five billion dollars in 1924 to a little over eight billion in 1928, whereas the capitalization figures show an aggregate investment of about 86 billion in 1924 and 108 billion in 1928.

It will be observed that the variation between different years, for either series during the period 1924-28, is but slight. But in years of deep depression such as 1921 or 1931 this general average return falls considerably below 7 per cent. For 1921, in the Manufacturing division it may be estimated at approximately $2\frac{1}{2}$ per cent, and for 1931, at about $2\frac{2}{3}$ per cent.³

2. A TEN-YEAR SERIES FOR LARGE CORPORATIONS

What, however, is the aggregate return over a continuous period long enough to include several good and bad years alike? In other words, what does industry earn during an eight- or ten-year succession of cyclical fluctuations? For this purpose no series of comparable figures that includes data for *all* American corporations in Manufacturing, Trade, Finance and Mining is available; but we do have a comprehensive and typical sample for the larger enterprises. The records of 3,144 companies that were engaged in business continuously from the beginning of 1919 to the end of 1928 comprise this series. Their capitalization, in most years of the period, amounts to more than 22 billion dollars, their net income to more than two and one-half billion. Including funded debt, their aggregate capital amounted to about 28 billion in 1924 and to over 35 billion in 1928.⁴

³ These estimates are explained in Appendix A.

⁴ As to the size of these companies, more specifically, it may be said that the lower decil for the array of total capitals in 1927, in the Manufacturing division, was about \$500,000, while the median was about \$2,000,000 (see Ch. 43).

The combined return of these large corporations, for the entire ten-year period, all gains and losses in good and bad years alike included, aggregated 10.5 per cent upon their combined capitalizations.⁵ The three thousand odd corporations in question, to be sure, constitute but a small fraction of the total number of enterprises in the country, but their capitalization comprises approximately one-third of the entire corporate investment in the four broad industrial divisions that they represent. The series, as has been said, contains identical corporations throughout the ten-year period.⁶

In every year from 1922 through 1928 these corporations earned an aggregate net income of from 9.6 to 11.5 per cent upon capitalization. Upon total capital the return for 1924–28 ran between 9.2 and 10.9 per cent. Further details are given in Table 2. Basic data for this and similar tables are given in Appendix B.

3. AVERAGE FIGURES BY INDUSTRIAL DIVISIONS

For both the larger and the smaller groups of corporations discussed, however, the percentages of return vary among the four broad industrial divisions, Manufacturing, Trade, Finance and Mining. The general average ratio of

⁵ This is a weighted average, in several senses: (1) it is automatically weighted by the respective sizes of the several firms' capitals (as it would have to be in order to ascertain the aggregate return upon the entire capital of industry as a whole); (2) it is unavoidably weighted by the trend of investment growth from year to year; (3) it is deliberately weighted by giving to both the investment and income figures for Manufacture, Trade, Finance and Mining, respectively, the same relative importance (in combining the sample data for these four divisions) as the investment figures of each bear to one another, in the actual data for the country as a whole, in years in which actual data are available. For amplification and a discussion of method see Appendix A.

⁶ The investment figure given is for 1926. The 'entire corporate investment' figure is derived as explained in Appendix A. See Ch. 43 for a discussion of the 'representativeness' of these 3,144 corporations in this and other years.

TABLE 2

EARNINGS RATES, 3,144 CORPORATIONS IN MANUFACTURING,
TRADE, FINANCE AND MINING, 1919-28 AND 1924-28
(before and after Federal income tax)¹

	1919	1920	1921	1922	1923
Percentage income to capitalization					
<i>before tax</i>	17.1	11.6	4.4	10.6	10.9
<i>after tax</i>	12.8	9.3	3.4	9.6	9.8
	1924	1925	1926	1927	1928
Percentage income to capitalization					
<i>before tax</i>	9.6	11.3	11.5	9.8	10.7
<i>after tax</i>	8.6	10.0	10.2	8.7	9.6
Percentage profit to total capital					
<i>before tax</i>	9.2	10.7	10.9	9.4	10.2
<i>after tax</i>	8.3	9.6	9.7	8.4	9.2

¹ Absolute figures in Appendix Table 2.

net income to capitalization for all corporations in all divisions stands, as has been said, at around 7 per cent during the years 1924-28. But the Manufacturing division, which possesses roughly half of the four divisions' aggregate capitalization, runs close to 9 per cent in three of these five years. The eight to twelve billions of entrepreneurial capital invested in Mining, on the other hand, earn far less than in the general average—in only one year of the five is a return of more than 3 per cent shown.⁷ In part, this low return is the result of large depletion charges which in the nature of the case are merely accounting and engineering estimates of the rates at which resources below the earth's surface are being exhausted. But to some extent also, the earnings rates of the Mining division are low for other

⁷ It should, however, be noted that by no means all mining activity is included under 'Mining' in these data, as many large mining properties are wholly or partly owned by industrial concerns classified under 'Manufacturing'. See Ch. 8, sec. 4 for the pertinent data relating to the extent of such ownership, as evidenced by depletion charges.

reasons—are ‘really’ lower than those which prevail in Manufacturing, Trade and Finance (see Ch. 25).

In Finance and Trading, on the whole, the rate of return is around 6 or 7 per cent. Table 3 gives the detailed data.

TABLE 3
ESTIMATED EARNINGS RATES, ALL CORPORATIONS BY
INDUSTRIAL DIVISIONS, 1924-28
(before and after Federal income tax)¹

	1924	1925	1926	1927	1928
<i>Manufacturing</i>					
Percentage income to capitalization					
<i>before tax</i>	7.8	8.8	8.7	7.2	8.7
<i>after tax</i>	6.7	7.6	7.5	6.2	7.6
Percentage profit to total capital					
<i>before tax</i>	7.6	8.5	8.4	7.1	8.3
<i>after tax</i>	6.6	7.5	7.4	6.1	7.4
Number of corporations	86,803	88,674	93,244	89,816	91,573
<i>Trade</i>					
Percentage income to capitalization					
<i>before tax</i>	7.1	8.5	7.1	6.6	7.3
<i>after tax</i>	6.1	7.3	6.0	5.5	6.4
Percentage profit to total capital					
<i>before tax</i>	7.1	8.2	7.0	6.5	7.2
<i>after tax</i>	6.1	7.2	6.0	5.5	6.3
Number of corporations	105,323	109,588	112,705	119,678	126,347
<i>Finance</i>					
Percentage income to capitalization					
<i>before tax</i>	5.5	8.0	6.8	6.9	7.5
<i>after tax</i>	5.0	7.2	6.1	6.3	6.9
Percentage profit to total capital					
<i>before tax</i>	5.5	7.5	6.5	6.7	7.1
<i>after tax</i>	5.1	6.9	6.0	6.1	6.6
Number of corporations	104,761	115,947	130,433	122,682	129,139
<i>Mining</i>					
Percentage income to capitalization					
<i>before tax</i>	-0.1	2.7	3.5	1.1	2.3
<i>after tax</i>	-0.3	2.2	2.9	0.7	1.8
Percentage profit to total capital					
<i>before tax</i>	0.7	2.9	3.7	1.5	2.6
<i>after tax</i>	0.5	2.6	3.2	1.2	2.2
Number of corporations	18,453	19,163	19,252	13,036	12,933

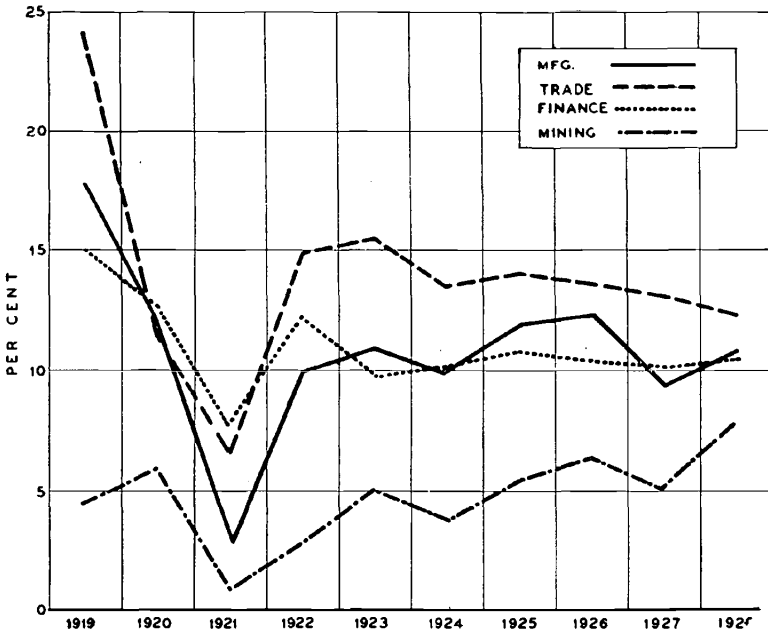
¹ See Chapter 43 for description of method.

The aggregate capitalization of the Finance division is from 21 to 33 billion dollars in the years 1924-28, while the entrepreneurial investment in Trade is from 12 to 14 billion.

The immediately foregoing figures are for the inclusive

CHART 1

PERCENTAGE OF NET INCOME TO CAPITALIZATION, 3,144 CORPORATIONS BY INDUSTRIAL DIVISIONS, 1919-28



group: all of the country's corporations in the four fields in question, for the five years 1924-28. But for the 3,144 companies representing large-scale industry, we again have a ten-year series, running from 1919 through 1928. These data are presented in Table 4 and Chart 1. Here the Manufacturing division earns from 10 to 12 per cent in most

good years, Trade from 13 to 15 per cent, Finance about 10 per cent, and Mining 3 to 6 per cent.

Of especial interest in connection with the ten-year record of these large corporations is the aggregate result for each division over the entire period. This 'year-in-year-out' ratio of net income to capitalization for Manufacturing is 10.8 per cent, for Trade, 13.6 per cent, for Finance, 10.7 per cent, and for Mining, 4.9 per cent.

4. EARNINGS OF CORPORATIONS WITH NET INCOMES

For all of the country's corporations from 1924 through 1928, and for our 3,144 large corporations from 1919 through 1928, the average rates of earnings just discussed include the losses of the unsuccessful, subtracted from the gains of the successful. But in a competitive system of industry the number of corporations failing to earn net incomes in some years is almost as large as that with net incomes.⁸ This is not to say that the total losses by any means equal the gains—or the aggregate rate of return on capital would of course be *nil*. Nor is it to say that either half the gross *business* done, or half the *capital* employed, fails to retain a 'net'.⁹ It remains true, however, that the inclusion of data for the 'no net' firms with those for the 'with net' corporations greatly lowers the general figure, and that the rate of return as thus compiled is, like most broad arithmetic averages of this type, a somewhat abstract datum. For these reasons it is of interest to examine separately the higher rates of return which prevail for the corporations that do earn net incomes.

⁸ More accurately, in prosperous years about two-fifths of the corporations engaged in competitive industry fail to return a net, at least as defined for purposes of the Federal income tax (see Ch. 43).

⁹ See Ch. 43 and 47 for a discussion of these two points.

In all four divisions combined the country's entire group of something over 200,000 corporations with net incomes earns, in prosperous years, about 11 per cent instead of 7 per cent upon capitalization. In each division the figure in round numbers is as follows: Manufacturing, 12 per cent instead of 9; Trade, 12 per cent instead of 7; Finance, 11 per cent instead of 7; Mining, 7 to 10 per cent instead of 2 or 3.¹⁰ Details appear in Tables 5 and 6.

TABLE 5

ESTIMATED EARNINGS RATES, ALL CORPORATIONS WITH NET INCOMES IN MANUFACTURING, TRADE, FINANCE AND MINING, 1926-28

(before and after Federal income tax)¹

	1926	1927	1928
Percentage income to capitalization			
<i>before tax</i>	11.8	10.7	11.4
<i>after tax</i>	10.5	9.6	10.3
Percentage profit to total capital			
<i>before tax</i>	11.2	10.2	10.7
<i>after tax</i>	10.0	9.2	9.8
Number of corporations	209,322	211,699	220,250

¹ See Chapter 43 for description of the method. Absolute figures in Appendix Table 3.

TABLE 6

ESTIMATED EARNINGS RATES, ALL CORPORATIONS WITH NET INCOMES IN MANUFACTURING, TRADE, FINANCE AND MINING, BY INDUSTRIAL DIVISIONS, 1926-28

(before and after Federal income tax)¹

	1926	1927	1928
<i>Manufacturing</i>			
Percentage income to capitalization			
<i>before tax</i>	12.3	10.9	12.0
<i>after tax</i>	10.9	9.7	10.7

¹⁰ The data for Mining fluctuate from year to year. It again is to be recalled that much mining activity is classed under manufacturing, as stated in Ch. 8, sec. 4.

TABLE 6 (continued)

ESTIMATED EARNINGS RATES (before and after Federal income tax)¹

	1926	1927	1928
Percentage profit to total capital			
<i>before tax</i>	11.8	10.5	11.4
<i>after tax</i>	10.4	9.3	10.2
Number of corporations	55,094	53,620	55,007
<i>Trade</i>			
Percentage income to capitalization			
<i>before tax</i>	11.8	11.2	11.7
<i>after tax</i>	10.4	9.9	10.7
Percentage profit to total capital			
<i>before tax</i>	11.5	10.9	11.3
<i>after tax</i>	10.2	9.7	10.3
Number of corporations	71,403	74,747	79,745
<i>Finance</i>			
Percentage income to capitalization			
<i>before tax</i>	11.0	10.9	11.0
<i>after tax</i>	10.1	10.0	10.1
Percentage profit to total capital			
<i>before tax</i>	10.1	10.0	10.1
<i>after tax</i>	9.4	9.3	9.4
Number of corporations	76,819	78,100	80,315
<i>Mining</i>			
Percentage income to capitalization			
<i>before tax</i>	10.2	7.4	7.8
<i>after tax</i>	9.1	6.6	7.1
Percentage profit to total capital			
<i>before tax</i>	9.8	7.2	7.5
<i>after tax</i>	8.7	6.5	6.9
Number of corporations	6,006	5,232	5,183

¹ See Chapter 43 for description of the method.

A ten-year series for these same data is desirable, but is available only upon the basis of a sample representing corporations with absolute net incomes of over \$2,000, and in the Manufacturing division only.¹¹ This series is shown in

¹¹ Ten-year series for corporations with net incomes in Trade, Finance and

Table 7. In all years except 1919 and 1921 the return is around 12 per cent. For the entire ten years aggregated it is 12.3 per cent.

TABLE 7
EARNINGS RATES, MANUFACTURING CORPORATIONS WITH
NET INCOMES OF OVER \$2,000, 1919-28¹
(before Federal income tax)

YEAR	PERCENTAGE INCOME TO CAPITALIZATION
1919	19.1
1920	13.8
1921	7.8
1922	11.4
1923	12.2
1924	10.7
1925	12.5
1926	12.9
1927	10.9
1928	12.2

¹ Absolute figures in Appendix Table 4. The number of corporations varies in different years as explained in Chapter 43.

5. FREQUENCY DISTRIBUTIONS OF INDIVIDUAL EARNINGS RATES

But all of the general data given thus far remain arithmetic means. They are weighted, to be sure, by the relative preponderance of capital and income prevailing between the several divisions, but they are still simply general averages. For numerous purposes far more precise information concerning the typical earnings of corporate enterprise is supplied by ranges, medians and other measures of the distribution of individual earnings rates among the multitude

Mining are shown in Ch. 21-26, but only for large corporations. In the series presented in Table 7 sample figures for large and small corporations are combined into a weighted average, as explained in Appendix A.

of corporations which make up this general or composite picture; and we may now present in summary form these estimated frequency distributions.¹²

Take first the distribution for Manufacturing. About half of the 53,000 manufacturing corporations in the United States that enjoyed net incomes in 1925, 1926 or 1928 earned profits at individual rates of over 10 per cent upon their invested capitals. The lower fourth of these 53,000 companies earned under 5 per cent; the upper fourth, over 18 per cent. The figures hold about equally well for each of the three prosperous years in question, 1925, 1926 and 1928; and they are not greatly different even for 1927.

To recapitulate, in prosperous years the arithmetic mean return for all Manufacturing corporations is about 9 per cent, while for those 'with net' it is about 12 per cent. Of the concerns with net incomes, *half earn over 10 per cent*, while *one-fourth earn over 18 per cent*. The interquartile range¹³ runs from 5 to 18 per cent. In absolute terms, about 27,000 manufacturing corporations earn over 10 per cent, 13,000 earn over 18 per cent, 5,000 earn over 30 per cent, but only 2,500 earn over 40 per cent. Further information

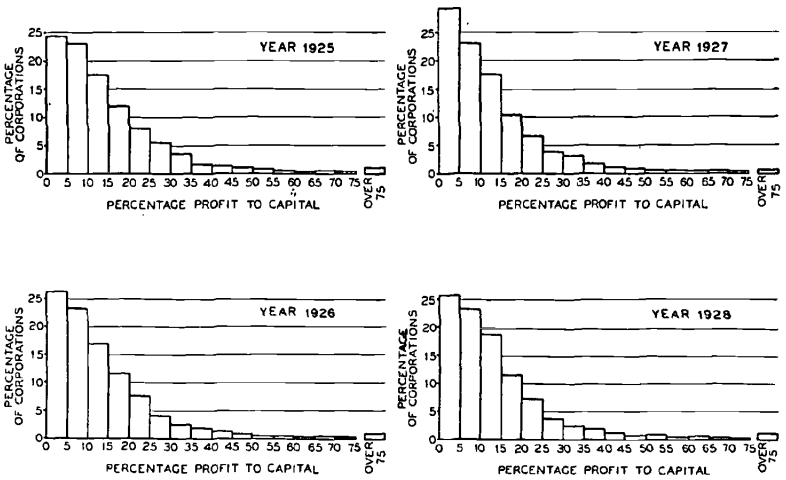
¹² Those for Manufacture and Trade have been developed upon the basis of data compiled from a total of some 25,000 individual corporate records in the four years 1925-28; that is to say, about 4,000 manufacturing and 2,000 trading corporations are included in the original samples of those divisions in each year. The final distributions are estimates in the sense that the frequencies of the original samples have been expanded or 'stepped up' to represent the entire group or 'universe' of the country's corporations with net incomes in the case of Manufacturing, and the entire group of Trading corporations with net incomes of over \$2,000. The results, however, both in absolute and percentage terms, are probably subject to rather slight margins of error. See Ch. 43 for a full explanation of the 'stepping up' method employed. The distributions for Finance and Mining are less comprehensive; they represent only large corporations and are presented in their simple form—that is to say, no 'stepping up' of the frequencies is attempted.

¹³ That is the distance or spread between the two figures ('quartiles') standing one-fourth of the way up or down from the top and bottom of the list respectively.

is given in Table 8, which shows the distributions of the absolute figures in detail, while Chart 2 presents them in the form of a block diagram.

CHART 2

FREQUENCY DISTRIBUTIONS OF EARNING RATES,
ALL MANUFACTURING CORPORATIONS WITH NET INCOMES, 1925-1928



For Trade similar data are not available for all 'with net' corporations, but only for those with incomes over \$2,000. For this group the lower quartile is regularly 8 per cent, the median is 13 per cent, and the upper quartile, in each year, either 20 or 21 per cent. To make possible a valid comparison of Trading with Manufacturing, the Manufacturing distribution has been recomputed so as also to include only corporations with net incomes of over \$2,000. When this is done, the three quartiles become almost exactly the same as those for Trade: 8 per cent, 13 per

TABLE 8
FREQUENCY DISTRIBUTIONS OF EARNINGS RATES, MANU-
FACTURING CORPORATIONS WITH NET INCOMES, 1925-28

PERCENTAGE PROFIT TO TOTAL CAPITAL	(A) ABSOLUTE NUMBER OF CORPORATIONS SHOWING GIVEN RATES OF PROFIT				(B) PERCENTAGE OF CORPORATIONS SHOWING GIVEN RATES OF PROFIT			
	1925	1926	1927	1928	1925	1926	1927	1928
Under 5	12,915	14,352	15,204	13,920	24.2	24.2	24.2	25.7
5 to 9	12,240	12,575	12,030	12,572	23.0	47.2	23.1	23.2
10 to 14	9,255	9,263	9,216	10,184	17.4	64.6	17.7	18.8
15 to 19	6,401	6,318	5,346	6,176	12.0	76.6	10.3	11.4
20 to 24	4,309	4,201	3,527	3,908	8.1	84.7	7.8	86.3
25 to 29	2,874	2,138	2,104	2,040	5.4	90.1	4.0	91.1
30 to 34	1,823	1,429	1,628	1,428	3.4	93.5	3.1	94.2
35 to 39	867	1,087	890	1,052	1.6	95.1	1.7	95.9
40 to 44	743	767	648	596	1.4	96.5	1.4	97.1
45 to 49	485	469	492	428	.9	97.4	.9	98.0
50 to 54	353	224	217	500	.7	98.1	.4	98.4
55 to 59	203	283	209	220	.4	98.5	.5	98.3
60 to 64	99	113	133	288	.2	98.7	.2	99.1
65 to 69	92	136	166	136	.2	98.9	.3	98.8
70 to 74	65	133	40	104	.1	99.0	.2	99.5
75 and over	533	532	301	620	1.0	100.0	.5	100.0
Total number of corporations	53,257	54,020	52,151	54,172				

PERCENTAGE
IN EACH CLASS
BY SUCCESSIVE
CLASSES
ACCUMULATED

PERCENTAGE
IN EACH CLASS
BY SUCCESSIVE
CLASSES
ACCUMULATED

PERCENTAGE
IN EACH CLASS
BY SUCCESSIVE
CLASSES
ACCUMULATED

cent (median) and 21 per cent respectively. Further details are afforded by Tables 9 and 10.

TABLE 9

FREQUENCY DISTRIBUTIONS OF EARNINGS RATES, TRADING CORPORATIONS WITH NET INCOMES OF OVER \$2,000, 1925-28
(A) ABSOLUTE NUMBER OF CORPORATIONS SHOWING GIVEN RATES OF PROFIT

PERCENTAGE PROFIT TO TOTAL CAPITAL	1925	1926	1927	1928
Under 5	3,000	3,010	3,080	3,160
5 to 9	8,205	7,710	9,420	7,465
10 to 14	7,860	6,800	7,380	6,635
15 to 19	5,100	4,035	4,680	4,400
20 to 24	2,855	2,655	2,715	3,100
25 to 29	1,835	1,270	1,570	1,380
30 to 34	1,045	1,315	1,175	1,060
35 to 39	740	865	750	800
40 to 44	715	450	365	480
45 to 49	440	425	300	290
50 to 54	240	370	260	260
55 to 59	160	260	185	245
60 to 64	200	65	200	280
65 to 69	180	65	80	100
70 to 74	100	80	80	60
75 and over	450	425	580	280
Total number of corporations	33,125	29,800	32,820	29,995

(B) PERCENTAGE OF CORPORATIONS SHOWING GIVEN RATES OF PROFIT

PERCENTAGE PROFIT TO TOTAL CAPITAL	1925		1926		1927		1928	
	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES
Under 5	9.1	9.1	10.1	10.1	9.4	9.4	10.5	10.5
5 to 9	24.8	33.9	25.9	36.0	28.7	38.1	24.9	35.4
10 to 14	23.7	57.6	22.8	58.8	22.5	60.6	22.1	57.5
15 to 19	15.4	73.0	13.5	72.3	14.2	74.8	14.7	72.2
20 to 24	8.6	81.6	8.9	81.2	8.3	83.1	10.3	82.5
25 to 29	5.5	87.1	4.3	85.5	4.8	87.9	4.6	87.1

TABLE 9 (continued)

(B) PERCENTAGE OF CORPORATIONS SHOWING GIVEN RATES OF PROFIT

PERCENTAGE PROFIT TO TOTAL CAPITAL	1925		1926		1927		1928	
	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES
30 to 34	3.2	90.3	4.4	89.9	3.6	91.5	3.5	90.6
35 to 39	2.2	92.5	2.9	92.8	2.3	93.8	2.7	93.3
40 to 44	2.2	94.7	1.5	94.3	1.1	94.9	1.6	94.9
45 to 49	1.3	96.0	1.4	95.7	.9	95.8	1.0	95.9
50 to 54	.7	96.7	1.3	97.0	.8	96.6	.9	96.8
55 to 59	.5	97.2	.9	97.9	.6	97.2	.8	97.6
60 to 64	.6	97.8	.2	98.1	.6	97.8	.9	98.5
65 to 69	.5	98.3	.2	98.3	.2	98.0	.3	98.8
70 to 74	.3	98.6	.3	98.6	.2	98.2	.2	99.0
75 and over	1.4	100.0	1.4	100.0	1.8	100.0	1.0	100.0

TABLE 10

FREQUENCY DISTRIBUTIONS OF EARNINGS RATES, MANUFACTURING CORPORATIONS WITH NET INCOMES OF OVER \$2,000, 1925-28

(A) ABSOLUTE NUMBER OF CORPORATIONS SHOWING GIVEN RATES OF PROFIT

PERCENTAGE PROFIT TO TOTAL CAPITAL	1925	1926	1927	1928
Under 5	3,412	4,388	4,804	4,944
5 to 9	8,155	8,561	8,580	8,220
10 to 14	7,664	7,625	7,616	8,184
15 to 19	5,756	5,310	4,696	5,312
20 to 24	3,922	3,697	3,052	3,412
25 to 29	2,358	1,796	1,804	1,672
30 to 34	1,608	1,267	1,428	1,140
35 to 39	824	907	740	892
40 to 44	614	677	548	500
45 to 49	356	433	392	412
50 to 54	353	188	192	420
55 to 59	203	229	184	188
60 to 64	99	77	108	288
65 to 69	92	118	116	104
70 to 74	65	115	40	88
75 and over	318	488	276	524
Total number of corporations	35,799	35,876	34,576	36,300

TABLE 10 (continued)

(B) PERCENTAGE OF CORPORATIONS SHOWING GIVEN RATES OF PROFIT

PERCENTAGE PROFIT TO TOTAL CAPITAL	1925		1926		1927		1928	
	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES	PERCENTAGE IN EACH CLASS	ACCUMULATED BY SUCCESSIVE CLASSES
Under 5	9.5	9.5	12.2	12.2	13.9	13.9	13.6	13.6
5 to 9	22.8	32.3	23.9	36.1	24.9	38.7	22.7	36.3
10 to 14	21.4	53.7	21.3	57.4	22.0	60.7	22.6	58.9
15 to 19	16.1	69.8	14.8	72.2	13.6	74.3	14.6	73.5
20 to 24	10.9	80.7	10.3	82.5	8.8	83.1	9.4	82.9
25 to 29	6.6	87.3	5.0	87.5	5.2	88.3	4.6	87.5
30 to 34	4.5	91.8	3.5	91.0	4.2	92.5	3.1	90.6
35 to 39	2.3	94.1	2.5	93.5	2.1	94.6	2.5	93.1
40 to 44	1.7	95.8	1.9	95.4	1.6	96.2	1.4	94.5
45 to 49	1.0	96.8	1.2	96.6	1.1	97.3	1.1	95.6
50 to 54	1.0	97.8	.5	97.1	.6	97.9	1.2	96.8
55 to 59	.6	98.4	.7	97.8	.6	98.5	.5	97.3
60 to 64	.3	98.7	.2	98.0	.3	98.8	.8	98.1
65 to 69	.2	98.9	.3	98.3	.3	99.1	.3	98.4
70 to 74	.2	99.1	.3	98.6	.1	99.2	.2	98.6
75 and over	.9	100.0	1.4	100.0	.8	100.0	1.4	100.0

For Finance and Mining sample data relating only to large corporations¹⁴ are available. The quartiles for Finance, in each year of the period 1925-28, are approximately as follows: 7 per cent; 11 per cent (median); 14 per cent. For Mining they run (varying in different years) 5 to 7 per cent; 11 to 13 per cent (median); and 17 to 21 per cent.¹⁵

The several quartiles just enumerated pertain to the groups of corporations earning net incomes only, or to

¹⁴ Those of the 3,144 corporations series for which arithmetic averages were previously presented. There are only 344 Financial and 82 Mining corporations in these two distributions (that is, in 1925; in other years some slight variation from these numbers occurs).

¹⁵ The complete distributions are given in Ch. 26 and 25.

parts of those groups. But it is, of course, to be remembered that in all instances these groups comprise only a portion of the total number of corporations if those with net losses as well as net incomes are considered. To facilitate the analysis of similar frequencies for 'all corporations', in this inclusive sense, Table 11 repeats the quartiles for Manufacturing and then gives in parallel columns these data converted into percentiles, for the 'with net' group alone and

TABLE 11

PERCENTAGES OF MANUFACTURING CORPORATIONS EARNING LESS THAN GIVEN RATES OF PROFIT UPON CAPITAL, 1925-28¹

	RATE OF PROFIT UPON CAPITAL	PERCENTAGE OF COR- PORATIONS WITH NET INCOMES	PERCENTAGE OF ALL CORPORATIONS
<i>1925</i>			
	5.17%	25	54.7
	10.80%	50	69.8
	19.33%	75	84.8
Total number of corporations		53,527	88,674
<i>1926</i>			
	4.71%	25	56.5
	10.05%	50	71.0
	18.43%	75	85.5
Total number of corporations		54,020	93,244
<i>1927</i>			
	4.29%	25	56.4
	9.52%	50	71.0
	17.49%	75	85.5
Total number of corporations		52,151	89,816
<i>1928</i>			
	4.87%	25	55.6
	10.29%	50	70.4
	18.20%	75	85.2
Total number of corporations		54,172	91,573

¹The 'given rates of profit' are in each year the first, second and third quartiles for the distribution of the corporations with net incomes.

for 'all corporations'. The last column of the table shows, in other words, the proportions of *all* corporations earning either losses or net incomes at rates lower than the quartile figures for the 'with net' group.

This analysis—taking *all* corporations, whether they earned net incomes or not—shows that about two-fifths of the 90,000 companies engaged in Manufacturing suffer losses¹⁶ in prosperous years such as 1925, 1926, 1927 and 1928. About one-half, including the two-fifths just mentioned, earn under 5 per cent. Nearly one-third of the total number earn over 10 per cent; but only about one-sixth earn over 18 per cent. Unfortunately, similar analyses cannot be made with any great exactness for Trade, Finance or Mining.

6. SUMMARY

In years of prosperity all corporations in Manufacture, Trade, Finance and Mining average a total net income of 7 per cent upon their capitalization. In years of severe depression this falls as low as two or two and one-half per cent. The larger corporations, those with capitals of over \$500,000¹⁷ earn from 9 to 11 per cent in prosperous years.

¹⁶ These, it should be remarked, are losses as shown in, and allowed by, Federal income tax schedules; that is to say, the number of Manufacturing corporations showing no net incomes is taken from *Statistics of Income* (Bureau of Internal Revenue) and is then combined with the expanded data of our several samples of corporations with positive total net incomes to yield the dispersion measurements (percentiles) for the entire universe, as shown in Table 11. The term 'net income' as here applied to the corporations showing losses is *taxable net income*, whereas applied to the corporations of our sample data it is *total net income*. In the main, however, and for the purpose at hand, the difference is not appreciable; see Ch. 43 for a full discussion of the point.

¹⁷ This figure is approximately the ninth (lowest) decil of the array of individual total capital figures for the 2,046 manufacturing companies belonging to the 3,144 corporations series in 1927, as stated in note 4; see also Ch. 43.

In good years and bad alike the aggregate return for this group over the ten-year period 1919-28 is 10.5 per cent. Of all Manufacturing corporations with net incomes one-quarter earn profits of under 5 per cent upon their individual capitals in prosperous years; another two-quarters earn from 6 to 18 per cent, with a median of 10 per cent; while the highest quarter earn over 18 per cent.