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

Volume Title: The Effect of War on Business Financing: Manufacturing and Trade, World War I

Volume Author/Editor: Charles H. Schmidt and Ralph A. Young

Volume Publisher: NBER

Volume ISBN: 0-87014-325-5

Volume URL: http://www.nber.org/books/unkn43-3

Publication Date: 1943

Chapter Title: Front matter to "The Effect of War on Business Financing: Manufacturing and Trade, World War I"

Chapter Author: Charles H. Schmidt, Ralph A. Young

Chapter URL: http://www.nber.org/chapters/c5858

Chapter pages in book: (p. -7 - 0)

Manufacturing and Trade,
World War I

CHARLES H. SCHMIDT

and

RALPH A. YOUNG

OUR ECONOMY IN WAR &

FINANCIAL RESEARCH PROGRAM

IONAL BUREAU OF ECONOMIC RESEARCH

		0	

THE EFFECT OF WAR ON BUSINESS FINANCING:

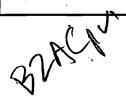
Manufacturing and Trade, World War I

CHARLES H. SCHMIDT and RALPH A. YOUNG

OUR ECONOMY IN WAR Occasional Paper 10: November 1943

FINANCIAL RESEARCH PROGRAM

NATIONAL BUREAU OF ECONOMIC RESEARCH



COPYRIGHT, 1943 BY NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.
1819 BROADWAY, NEW YORK, N. Y. ALL RIGHTS RESERVED

MANUFACTURED IN THE UNITED STATES OF AMERICA BY THE JOHN B. WATKINS COMPANY, NEW YORK

Preface

IS PAPER IS ONE OF TWO studies of the effect of war on busifinancing being made by the Financial Research Program, ch is supported by grants from the Association of Reserve City kers and private organizations. It deals primarily with World I, but it includes a few general comparisons with current time tendencies. A companion paper will provide a detailed lysis of the effects of World War II.

his particular study was made possible by a special grant from Carnegie Corporation. That Corporation, however, assumes no consibility for its planning, form, or content, and is not to be erstood as approving by virtue of its grant any of the statements le or views expressed therein.

preliminary version of the study was circulated among accounts, bankers and economists. These readers offered many valuable gestions, which have substantially improved the present version. cial acknowledgment is due to Elizabeth Todd and Isabel L. vis, whose editing of the study added much to its clarity and ctiveness. The preparation of statistical data was under the ervision of Sophie Polah and Muriel Ratigan. The charts were wn by Caroline Hirsch.

charles H. Schmidt, co-author of the study, was a member of the ching staff of the Wharton School of Finance and Commerce of University of Pennsylvania, and a research associate of the ional Bureau's Financial Research staff, until he entered the ited States Army.

RALPH A. YOUNG

Director, Financial Research Program

ember 1943

Contents

FINANCING TENDENCIES, WORLD WAR I - A REVIEW

FINANCING TENDENCIES, WORLD WAR II – A PRELIMINARY COMPARISON

I. WARTIME ASSET EXPANSION

Current Assets

Inventory

Quick Assets

Fixed Property Expenditures and Investments

II. FINANCING WARTIME PROSPERITY
Financing Current Asset Expansion
Bank Credit vs. Trade Credit
New Security Issues
Wartime Earnings and Savings

III. Postwar Liquidation
Inventory Liquidation and Write-down
Retirement of Short-Term Debt

APPENDIX A - DATA, METHODS AND LIMITATIONS OF STUDY

CHARACTER OF THE SAMPLES

Samples of Large Manufacturing and Trade Corporations
Other Large Corporation Data
Samples of Medium and Small Manufacturing and Trade
Corporations

GENERAL LIMITATIONS OF THE DATA

METHODOLOGY

Use of Aggregate Financial Statements
Problem of Comparability of Financial Statements
Source and Use of Funds Relatives

Appendix B—Aggregate Balance Sheet and Income Statement Data, Samples of Large and of Medium and Small Manufacturing and Trade Corporations, 1914-22

Tables

l	PERCENTAGE INCREASE PER YEAR IN CURRENT ASSETS, FIXED PROPERTY AND TOTAL ASSETS, AND IN WHOLESALE PRICES	27
?	Expansion of Current Assets in Percent of Beginning-of-Year Total Assets, Annual Average	30
}	Expansion of Quick Assets and of Inventory, in Percent of Beginning-of-Year Total Assets, Annual Average	45
ŀ	FIXED PROPERTY EXPENDITURES AND INVESTMENT, IN PERCENT OF BEGINNING-OF-YEAR FIXED PROPERTY ACCOUNT, ANNUAL AVERAGE	55
j	CORPORATE ASSET INVESTMENT IN PERCENT OF BEGINNING-OF-YEAR TOTAL ASSETS, AND PROPORTION FINANCED FROM EXTERNAL SOURCES, ANNUAL AVERAGE	59
;	PERCENTAGE OF CORPORATE ASSET INVESTMENT FINANCED THROUGH NEW SECURITY SALES AND SHORT-TERM DEBT	68
,	NET INCOME (AFTER TAXES) IN PERCENT OF YEAR-END NET WORTH, AND PERCENT OF NET INCOME SAVED, ANNUAL AVERAGE	73
	PERCENTAGE DECREASE IN BOOK VALUE OF INVENTORY, AND INVENTORY REDUCTION THROUGH SALE IN PERCENT OF BEGINNING-OF-YEAR TOTAL ASSETS	78
)	PERCENTAGE DECREASE IN BOOK VALUE OF SHORT-TERM DEBT, AND SHORT-TERM DEBT LIQUIDATION IN PERCENT OF BEGINNING-OF-YEAR TOTAL ASSETS	80
)	Sources of Funds for the Retirement of Short-Term Debt, in Percent of Beginning-of-Year Total Assets	81
	81 Large Manufacturing Corporations, Composite Balance Sheet and Income Statement Items, 1914-22	92
	8 Large Trade Corporations, Composite Balance Sheet and Income Statement Items, 1914-22	93
;	73 Medium and Small Manufacturing Corporations, Composite Balance Sheet and Income Statement Items, 1916-22	94
:	30 Medium and Small Trade Corporations, Composite Balance Sheet and Income Statement Items, 1916-22	95

Charts

- 1 INDEXES OF TOTAL ASSETS AND CURRENT ASSETS, 1914-22
- 2 INDEXES OF YEAR-END BOOK VALUE OF INVENTORY, 1914-22
- 3 INDEXES OF YEAR-END BOOK VALUE OF INVENTORY, Samples of Large Corporations in Eleven Manufacturing Industries and in Trade, 1914-22
- 4 Indexes of Year-End Book Value of Inventory, Samples of Medium and Small Corporations in Eight Manufacturing Industries and in Three Lines of Trade, 1916-22
- 5 INDEXES OF CURRENT AND DEFLATED BOOK VALUE OF INVENTORY, Samples of Large Manufacturing Corporations, and Indexes of Wholesale Prices, 1914-22
- 6 Indexes of Average Turnover at Book Value and of Sales, 1915-22, and Inventory Turnover Rates
- 7 Indexes of Quick Assets and of Year-End Book Value of Inventory, 1914-22
- 8 Indexes of Cash, Receivables, and Marketable Securities, 1914-22
- 9 INDEXES OF CASH BALANCES AND OF DEMAND DEPOSITS, 1915-22, AND TURNOVER RATES OF CASH BALANCES
- 10 Fixed Property Expenditures in Percent of Fixed Property Account at Beginning of Year, 1915-37
- 11 DOLLAR EXPANSION OF TOTAL ASSETS, AND AMOUNTS FINANCED FROM EXTERNAL AND INTERNAL SOURCES, 1915-20
- 12 INDEXES OF TOTAL CURRENT LIABILITIES, TOTAL CURRENT ASSETS, AND WORKING CAPITAL. 1914-22, AND CURRENT RATIOS
- 13 INDEXES OF TOTAL CURRENT LIABILITIES, QUICK ASSETS, AND INVENTORY, 1914-22, AND QUICK RATIOS
- 14 AVERAGE YEAR-END AMOUNT PER CORPORATION OF NOTES AND ACCOUNTS PAYABLE OUTSTANDING, FOUR SELECTED YEARS
- 15 Percentage of Corporations Reporting Notes Payable Outstanding. Five Selected Years
- 16 INDEX OF SALES, AND NET INCOME (AFTER TAXES) IN PERCENT OF SALES, 1914-22