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CHAPTER X

GAINS AND LOSSES OF INVESTORS IN EACH OF THE THREE CLASSES OF SECURITIES

In marked contrast to the figures in Tables L to LII inclusive, stand the entries in Table LIII to LV, for the latter are based upon evidence which is believed in most instances to be reasonably accurate.

The Net Funded Debt Valued in Current Dollars.

The data in Table LIII represent the approximate market value at the close of each year of that part of the corporate funded debt which is in the hands of individuals. In some industries we do not know just what proportion of the funded debt was in the hands of individuals, and hence there may be considerable error in comparing industry with industry, especially in the earlier years. The year-to-year comparisons for any given industry are, however, not affected by this error, and are believed to be reasonably dependable. The figures have been arrived at by ascertaining the average price per thousand dollar unit outstanding in the case of all securities quoted for the leading corporations. This average has been applied to all corporations in the field by relating it to our estimates of the total par value of the funded debt in the hands of individuals and also to the estimated total amount of interest paid to individuals.

The figures indicate that, as far as funded debt is concerned, railroad securities are decidedly in the forefront, their total market value at the end of 1925 being almost as great as the combined market value of this class of securities in the 7 other industries covered. At the end of 1928, their position was even more pre-eminent. Manufacturing concerns, electric light and power companies, and street railways had funded debts next in magnitude, when measured in terms of total market value at the end of 1925. At the same date, the funded debts of mining companies and of telephone companies were about equal in importance. In practically all cases, the general trend of the total market value of the funded debts, as expressed in current dollars, has been upward throughout the period. The most marked increases have occurred in the case of manufacturing and mining corporations, telegraph

TABLE LIII

ESTIMATED MARKET VALUE AT CLOSE OF YEAR
OF THAT PART OF THE CORPORATE FUNDED DEBT
WHICH WAS IN THE HANDS OF INDIVIDUALS*

(MILLIONS OF CURRENT DOLLARS)

December 31	Factories	Mines, Quarries and Oil Wells	Railroads ^o	Ex-press	Street Railways	Electric Light and Power	Tele-phones	Tele-graphs
1908	\$3,295	\$ 287	\$8,518	\$33	\$1,554	\$ 579	\$ 330	\$48
1909	3,362	321	8,755	33	1,667	658	261	49
1910	3,405	329	8,772	33	1,706	700	299	47
1911	3,541	351	8,985	30	1,830	800	298	45
1912	3,540	384	8,965	29	1,919	858	370	40
1913	3,446	386	8,769	14	1,993	756	412	38
1914	3,388	416	8,309	14	2,072	745	471	41
1915	3,565	458	9,592	16	2,192	908	440	42
1916	3,762	507	9,483	15	2,266	994	525	34
1917	3,514	499	8,228	12	1,925	1,084	461	27
1918	3,637	553	8,535	b	1,994	1,266	508	34
1919	3,596	597	7,877	b	1,655	1,251	613	33
1920	3,400	589	7,989	b	1,484	1,412	630	34
1921	3,749	754	8,946	b	1,711	1,935	810	39
1922	3,799	867	9,480	b	2,087	2,127	792	59
1923	3,924	911	10,289	b	1,982	2,426	912	53
1924	4,277	1,035	10,586	b	2,222	2,806	938	54
1925	4,398	1,108	11,557	b	2,166	3,257	1,114	55

* Based upon the average price of corporate securities in each industry, as determined from large samples, and upon the data presented in Table XL showing the total par value in each field.

^b No funded debt outstanding.

^o Includes switching and terminal companies.

companies, and electric light and power plants, the funded securities of the mining and telephone corporations having trebled in value and those of the electric light and power plants having grown more than five fold.

The Net Preferred Stock Valued in Current Dollars.

Table LIV contains similar figures for the preferred stock of 6 different classes of corporations. It was not feasible to estimate separately the total market value of the preferred stocks and common stocks of railway corporations, hence the figures for this industry are missing. The 6 industries covered are completely dominated by the preferred stocks of manufacturing corporations,

TABLE LIV

ESTIMATED MARKET VALUE AT CLOSE OF YEAR
OF THAT PART OF THE PREFERRED STOCK OF
CORPORATIONS WHICH WAS IN THE HANDS
OF INDIVIDUALS^a
(MILLIONS OF CURRENT DOLLARS)

December 31	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Telephones	Telegraphs
1908	\$4,599	\$ 55	\$251	\$ 57	\$20	\$35
1909	5,232	81	282	80	26	39
1910	5,122	64	273	108	24	38
1911	5,333	102	296	127	27	35
1912	5,544	128	322	146	28	34
1913	5,344	114	264	140	25	33
1914	5,444	110	255	172	24	34
1915	6,438	174	233	188	28	33
1916	6,902	159	235	202	29	33
1917	6,344	149	189	165	29	29
1918	6,950	244	206	220	26	32
1919	7,561	260	189	285	24	32
1920	6,749	244	165	287	29	33
1921	7,092	299	180	336	41	38
1922	8,233	299	246	431	59	46
1923	8,189	294	315	b	65	49
1924	8,936	307	308	b	80	53
1925	9,577	302	311	b	88	54

^a Based upon the average price of preferred stock in each industry, as determined from large samples and upon the data presented in Table XLI showing the total par value in each field.

^b Because of the extremely rapid changes occurring in this industry, reasonably dependable estimates cannot well be made until the data for the 1927 Census become available.

but the rate of growth in the total market value of preferred stock in the hands of individuals has been greater in the case of mines, quarries, and oil wells, electric light and power plants, and telegraph and telephone companies than it has been in the case of concerns operating factories. The total market value of the preferred stock of street railways has increased but slowly. It is the only one of the fields in which the total value was very greatly depressed during 1920 and 1921.

It is interesting to note that the preferred stock of manufacturing corporations was, at the close of 1925, worth twice as much as the funded debt of corporations in that industry. On the other hand, the funded debt was many times more valuable than the

preferred stock in the case of each other industry for which records are available, except in the case of telegraph companies, in which both funded debt and preferred stock had approximately equal values.

The Net Common Stock Valued in Current Dollars.

In Table LV are estimates of the total market value in each of the specified industries of the common stock then in the hands of individuals. As might be expected, the aggregate value of the common stock is, in most cases, far larger than the aggregate value of the preferred stock. In manufacturing, at the end of 1925, common stocks were worth, *in toto*, 4 times as much as the preferred stocks and nearly 9 times as much as the bonds. In mining, the common stocks had a market value 26 times as great as the preferred stock, but only about 7 times as great as the funded debt. The common stocks of street railways, however, at the same date, would sell for only about 3 times as much as the preferred stocks and half as much as the funded debt. In the case of electric light and power corporations, common stocks and funded debt were nearly equal in value. The preferred stock issued by telephone corporations is insignificant in amount, while the common stock has an aggregate value somewhat greater than the total value of the funded debt. In the case of telegraph companies, preferred stock and funded debt were about equal in total value at the end of 1925, but the common stock was worth about 5 times as much as either one of the other types of securities. The figures just cited make it obvious that different fields of industry behave very differently in their methods of financing.

The total value of the common stock in the hands of individuals has shown a remarkable growth in manufacturing and mining corporations. The stock of the Pullman Company was worth no more at the end of 1924 than at the end of 1908. The sharp decline in the aggregate value as recorded for the end of 1925 is due to the split up of the Pullman Company into manufacturing and operating sections—the latter only being included in this account. The common stock of all the street railways in the United States was worth much less in 1925 than at the end of 1908, though its value rose greatly between 1921 and 1925. The aggregate value of the common stock of electric light and power companies has fluctuated greatly, rising markedly between 1909 and 1916, then declining sharply until 1920, after which it rose rapidly until the end of 1925.

TABLE LV

ESTIMATED MARKET VALUE AT CLOSE OF YEAR
OF THAT PART OF THE COMMON STOCK OF
CORPORATIONS WHICH WAS IN THE HANDS
OF INDIVIDUALS

(MILLIONS OF CURRENT DOLLARS)

December 31	Factories ^a	Mines, Quarries and Oil Wells ^a	Pullman ^b	Express ^b	Street Railways ^c	Electric Light and Power ^c	Telephones ^d	Telegraphs ^d
1908	\$ 7,509	\$2,001	\$166	\$132	\$1,329	\$1,005	\$ 358	\$145
1909	10,992	2,118	185	205	1,412	988	472	155
1910	11,033	2,150	186	160	1,397	1,161	451	147
1911	12,584	3,259	187	141	1,437	1,418	508	146
1912	13,792	3,795	193	114	1,440	1,498	532	144
1913	12,910	3,887	179	87	1,353	1,350	471	121
1914	13,929	4,889	178	65	1,322	1,459	510	114
1915	21,046	6,422	195	89	1,347	1,596	574	154
1916	22,289	7,692	191	91	1,329	2,163	582	152
1917	19,161	5,422	133	°	977	1,416	532	138
1918	24,663	5,711	137	°	937	1,296	529	155
1919	30,336	6,291	132	°	775	1,093	505	152
1920	25,975	3,678	122	°	683	980	518	156
1921	25,330	4,795	141	°	625	1,186	753	166
1922	26,547	5,862	163	°	803	1,401	958	204
1923	25,967	5,287	142	°	738	1,553	1,048	211
1924	32,203	7,126	166	29 ^f	912	2,296	1,313	250
1925	37,925	8,090	99	28 ^f	1,007	3,806	1,489	284

^a Based upon the average price of common stock in each industry, as determined from large samples and upon the par values of all common stock or the total dividends paid in the specified industries.

^b Based upon *Preliminary Abstracts of Statistics of Common Carriers*, published by the Interstate Commerce Commission and upon the average prices per share quoted in the financial journals.

^c Based upon the *Censuses of Electrical Industries* and upon the prices of securities as quoted in the financial journals.

^d Based upon the reports of various telegraph companies and upon the prices of stocks quoted in the financial journals.

^e Information not available.

^f Based upon the market value of American Railway Express stock.

The value of the entire common stock of telephone and telegraph corporations has, on the other hand, been characterized by a relatively high degree of stability, increasing steadily throughout the period.

The aggregate market value of all the common stock of manufacturing corporations was approximately 5 times and that of mining corporations approximately 4 times as great at the end of 1925 as at the end of 1908. The increase in the total market value

of the common stock of electric light and power companies was in approximately the same proportion applying to mines, quarries, and oil wells, and the same may be said of the change in the value of the common stock of telephone corporations. The common stock of telegraph companies doubled in value during the period, while the aggregate for street railways diminished by about one-third. The fact should be kept in mind that all of the aggregate values described in Tables LIII, LIV, and LV are expressed in terms of current dollars.

The Effect of Security Conversion Upon Estimates of New Money.

In Table XLVI, we found estimates of the total amount of new money invested by individuals in those leading industrial fields dominated by corporations. This "net new money" was, however, invested in various types of securities. Tables LVI, LVII, and LVIII furnish the basic information used in the construction of Table XLVI. In considering the data entered in the three tables just mentioned, it is necessary to take into account the fact that frequently one security is converted into another. It is, for example, especially common to convert bonds into stock. In such instances, for purposes of our computations, it has been assumed that money is paid out on the bonds and received on the stock. In other words, the amount transferred is entered as a negative quantity under the heading of new money for funded debt, and as a positive quantity under the heading of new money for stock. In Tables LVII and LVIII no data are found for railways. The reason for this omission is that the reports of the Interstate Commerce Commission are in such a form that it is not easy to distinguish between investments of new money in preferred stock, and similar investments in common stock. Owing to lack of available time, it has been found necessary to omit the analysis of individual railway corporations in this connection, and hence the segregated data do not appear in these tables. An estimate of the net amount of new money invested in all railway stocks appears, however, in Table LXXXI.

Investments of New Money in Funded Debt (Current Dollars).

Table LVI shows that, of the industries therein listed, electric light and power companies and railways have, during recent years, been the leading consumers of new money for funded debt, although, in both 1923 and 1924, the manufacturing industry absorbed a large amount of this type of capital, and the telephone industry also

TABLE LVI

ESTIMATED NET NEW MONEY¹ INVESTED BY INDIVIDUALS
IN THE FUNDED DEBT OF CORPORATIONS

(MILLIONS OF CURRENT DOLLARS)

Year	Factories ^a	Mines, Quarries and Oil Wells ^a	Railroads ^{a,d}	Street Railways ^a	Electric Light and Power ^a	Tele- phones ^a	Tele- graphs ^a
1909	\$46	\$22	\$483	\$100	\$ 73	\$-81	\$-2
1910	77	27	641	100	63	50	0
1911	86	28	538	116	84	17	0
1912	-4	24	265	107	67	66	-8
1913	42	30	250	72	-79	55	0
1914	74	29	39	126	9	48	0
1915	75	28	-210	162	131	-56	-1
1916	76	34	-99	156	125	75	0
1917	72	40	-32	145	213	-32	0
1918	50	39	-119	29	141	20	0
1919	75	48	95	25	72	136	0
1920	31	60	667	10	333	42	0
1921	0	65	102	-3	368	71	15
1922	-93	52	213	-2	210	-53	0
1923	223	85	689	45	383	119	0
1924	210	122	463	49	268	-1	0
1925	9	77	102	23	398	147	°

^a Sources of information are the same as those referred to in Table XL.^b Negative figure of less than \$500,000.^c No information available.^d Includes switching and terminal companies.^e Positive figure of less than \$500,000.^f For definition of this term, see text.

attracted extensive additional money for investment in funded debt in 1923 and 1925. In general, the investment of money in the bonds of electric light and power companies increased rapidly between 1914 and 1921, since which date the flow has remained upon a high level. Investment in the funded debt of street railways, on the other hand, declined rapidly between 1915 and 1921, and up to the end of 1925 had risen but slowly.

Investments of New Money in Preferred Stock (Current Dollars).

Figures in Table LVII show the net amount of new money invested by individuals in the preferred stock of various groups of corporations. Most of the money put into this type of security has

TABLE LVII

ESTIMATED NET NEW MONEY^o INVESTED BY INDIVIDUALS
IN THE PREFERRED STOCK OF CORPORATIONS
(MILLIONS OF CURRENT DOLLARS)

Year	Factories ^a	Mines, Quarries and Oil Wells ^a	Street Railways ^a	Electric Light and Power ^a	Tele- phones ^a	Tele- graphs ^a
1909	\$154	\$18	\$18	\$25	\$ 5	\$0
1910	244	20	13	33	-1	0
1911	220	22	15	29	4	0
1912	168	19	25	13	1	0
1913	264	19	18	25	-1	0
1914	197	19	7	26	-2	0
1915	230	22	6	9	2	0
1916	321	21	9	20	^b	0
1917	344	21	6	13	2	0
1918	211	22	4	24	2	0
1919	252	19	4	65	2	0
1920	177	35	4	76	3	6
1921	180	16	4	59	17	3
1922	257	16	4	23	18	0
1923	165	16	^b	^d	16	0
1924	222	14	^b	^d	19	0
1925	192	19	-1	^d	5	0

^a Sources of information are same as those referred to in Table XLI.

^b Negative figure of less than \$500,000.

^c For definition of this term, see text.

^d Because of the extremely rapid changes occurring in the industry, reasonably dependable estimates cannot be made until the data for the 1927 Census become available.

gone into manufacturing. There has, however, been a growing tendency toward this form of investment in the case of electric light and power companies and telephone companies. Although new investments in the preferred stock of street railways were never very large, they fell off approximately two-thirds during the period 1913 to 1918, and remained at a very low level until the last date recorded.

Investments of New Money in Common Stock (Current Dollars).

Table LVIII makes it plain that the volume of new money invested in common stocks during the years preceding 1926 has been far larger than the amount invested either in funded debt or in preferred stock. Furthermore, the heavy investments of new

TABLE LVIII

ESTIMATED NET NEW MONEY^a INVESTED BY INDIVIDUALS
IN THE COMMON STOCK OF CORPORATIONS

(MILLIONS OF CURRENT DOLLARS)

Year	Facto- ries ^b	Mines, Quarries and Oil Wells ^b	Pull- man ^b	Ex- press ^b	Street Rail- ways ^b	Electric Light and Power ^b	Tele- phones ^b	Tele- graphs ^b
1909	\$1,385	\$ 72	\$ 0	\$ 0	\$30	\$16	\$80	\$ 0
1910	790	336	0	16	49	188	-18	0
1911	1,624	530	0	°	31	68	42	0
1912	105	257	0	°	23	39	10	0
1913	696	69	0	°	30	85	-3	0
1914	681	89	0	°	72	116	-7	0
1915	1,306	148	0	-5	16	9	61	0
1916	106	114	0	-4	12	39	22	0
1917	1,012	73	0	°	12	52	42	0
1918	1,823	318	0	°	10	16	^d	0
1919	1,542	114	0	°	1	41	-9	0
1920	419	49	0	°	1	45	-8	11
1921	1,735	10	0	0	°	126	104	4
1922	188	11	15	0	2	153	116	3
1923	-140	45	0	0	12	161	56	°
1924	-577	16	0	0	13	211	190	°
1925	307	29	0	0	15	399	46	°

^a For definition of this term, see text.^b Sources of information are same as those referred to in Table LV.^c Positive figure of less than \$500,000.^d Negative figure of less than \$500,000.^e No information available.

money in common stock have all tended to be concentrated in the field of mining, most of it doubtless going into the petroleum business. While the amount of new money furnished to individuals for common stock fluctuated radically from year to year, the general tendency was to put approximately a billion dollars a year into manufacturing corporations during the period 1909 to 1921. After the last mentioned date, there was a very marked decline in this regard, 1923 and 1924 showing actually more money withdrawn than invested. In general, the same tendencies as regards investments have been shown in mining corporations as in the case of manufacturing corporations, but, in mining, the decline in investment began as early as 1919. In the street railway and electric light and power fields, there was a tendency for the amount invested in com-

mon stocks to fall off between 1910 and 1918. Since 1918, electric light and power stocks have found favor with the public, and their output has multiplied remarkably. Investment in street railway stocks, on the other hand, diminished almost to the zero point in 1921, but has since risen slightly. The year 1921, the end of the period of large investment in manufacturing, marked the beginning of the period of large investment in the common stock of telephone corporations. The tendency for individuals to put more money into the last mentioned class of stocks was maintained between 1921 and 1925.

We have already seen how the owners of various industries have fared at different times during the period 1908 to 1925, but, in the case of industries dominated by corporations, the investors are not necessarily to be considered as a single group. The interests of the holders of the funded debt may not be identical with those of the preferred or common stockholders. In some industries, one group furnishes most of the money, and in other industries another. It is, therefore, a matter of interest to see how the market values of each of these 3 great classes of securities have varied in the different industrial fields.

The Net Funded Debt Valued in 1913 Dollars.

Table LIX gives the approximate total value of the funded debt of the corporations in several important industries at the close of each year. The figures have been compiled on the assumption that each unit of the funded debt outstanding has the same value as an identical unit which happens to be bought or sold at or near the date mentioned. All quantities are expressed in terms of command over direct goods; in other words, the figures represent the comparative physical quantities of consumers' goods that could have been purchased with the total nominal value of the funded debt at each date mentioned. A study of Table LIX indicates that, at the close of 1908, the funded debt of railroads was worth far more and, in 1925 nearly as much as the funded debt of all the other 7 classes of corporations covered by this table. As regards funded debt, therefore, the railways have occupied a position of first importance throughout the entire 18 years. During the same period, also, manufacturing corporations have occupied second place. Until 1920, the third place was filled by street railways, but, since that date, the total funded debt of electric light and power companies has been more valuable than that of street railways.

TABLE LIX

MARKET VALUE, IN 1913 DOLLARS,^a OF THAT PART
OF THE CORPORATE FUNDED DEBT
WHICH WAS IN THE HANDS OF INDIVIDUALS
(MILLIONS OF DOLLARS' WORTH OF DIRECT OR CONSUMERS' GOODS PURCHASABLE THERE-
WITH AT 1913 PRICES)^b

December 31	Factories	Mines, Quarries and Oil Wells	Railroads ^c	Ex-press	Street Railways	Electric Light and Power	Tele-phones	Tele-graphs
1908	\$3,518	\$307	\$ 9,094	\$35	\$1,659	\$ 618	\$352	\$51
1909	3,484	333	9,074	35	1,728	682	270	50
1910	3,509	340	9,041	34	1,758	721	308	49
1911	3,623	359	9,194	31	1,873	819	303	46
1912	3,566	387	9,033	30	1,933	865	374	41
1913	3,410	382	8,675	14	1,972	748	407	38
1914	3,383	416	8,297	14	2,069	744	466	41
1915	3,483	448	9,370	15	2,141	887	425	41
1916	3,333	449	8,402	13	2,008	880	458	30
1917	2,761	392	6,464	9	1,512	852	348	22
1918	2,431	370	5,706	d	1,333	846	321	23
1919	2,088	347	4,573	d	961	726	338	20
1920	1,909	331	4,486	d	834	793	341	19
1921	2,340	471	5,584	d	1,068	1,208	492	24
1922	2,369	540	5,912	d	1,302	1,326	485	36
1923	2,431	564	6,375	d	1,228	1,503	552	33
1924	2,639	639	6,534	d	1,371	1,732	566	33
1925	2,653	668	6,970	d	1,306	1,964	657	33

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Computed from corresponding items in Table LIII by dividing by the appropriate price indices recorded in Table VII.

^c Includes switching and terminal companies.

^d No funded debt outstanding.

The trends of the aggregate market values of the funded debts of the companies in the different industries have been anything but uniform. In manufacturing, the total command over consumers' goods represented by the aggregate funded debt remained about constant between 1908 and 1915, then declined abruptly until the close of 1920, and, after that date, rose moderately until the close of 1925. However, at the end of 1925, all the bond and mortgage holders in the manufacturing industry held securities worth but about three-quarters as much as the total value outstanding in the same industry at the end of 1909. The market value of the funded

TABLE LX

MARKET VALUE, IN 1913 DOLLARS,^a OF THAT PART
OF THE PREFERRED STOCK OF CORPORATIONS
WHICH WAS IN THE HANDS OF INDIVIDUALS

(MILLIONS OF DOLLARS' WORTH OF DIRECT OR CONSUMERS' GOODS PURCHASABLE
THEREWITH AT 1913 PRICES)^b

December 31	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Telephones	Telegraphs
1908	\$4,910	\$ 59	\$268	\$ 61	\$22	\$37
1909	5,423	83	292	83	27	40
1910	5,279	66	282	111	25	39
1911	5,457	105	303	130	28	35
1912	5,586	129	325	147	28	34
1913	5,286	113	261	138	24	32
1914	5,436	110	255	172	24	33
1915	6,290	170	228	184	27	32
1916	6,116	141	209	179	25	29
1917	4,983	117	148	130	22	23
1918	4,646	163	138	147	16	22
1919	4,390	151	110	165	13	19
1920	3,790	137	93	161	16	19
1921	4,427	187	112	210	25	23
1922	5,134	186	153	269	36	28
1923	5,074	182	195	°	39	31
1924	5,515	189	190	°	48	33
1925	5,776	182	188	°	52	32

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Computed from corresponding items in Table LIV by dividing by the appropriate price indices recorded in Table VII.

^c Because of the extremely rapid changes occurring in the industry, reasonably dependable estimates cannot be made until the data for the 1927 Census become available.

debt of both steam and electric railways has shown about the same trend as manufacturing, the decline in the aggregate market value amounting to about 23 per cent in the case of the steam railways and 21 per cent in the case of the electric railways. The purchasing power of the securities of the telegraph companies has shown a shrinkage even greater in proportion, the decline amounting to over one-third. On the other hand, the aggregate market value of the funded debt, when reduced to dollars of constant purchasing power, increased more than 80 per cent in the case of telephone companies, more than doubled in the case of mining corporations and trebled in the case of electric light and power corporations.

The Net Preferred Stock Valued in 1913 Dollars.

The market value of preferred stock in 1913 dollars has undergone no such shrinkage as has characterized the funded debt. Investors in the preferred stock of manufacturing corporations, when considered *en masse*, found their holdings somewhat more valuable at the end of 1925 than at the end of 1909. The total holdings of preferred stockholders in telegraph companies were worth slightly less at the close of 1925 than at the close of 1908, but the only marked decline is found in the case of street railways, in which a 30 per cent shrinkage is apparent. The aggregate market value of the preferred stock of mining corporations more than trebled during the 17 years. The upward trend in the case of telephone companies was slightly less regular, but preferred stocks of electric light and power corporations showed gains even greater than those of mining corporations.

The value of the preferred stocks of manufacturing corporations has, throughout the period of the investigation, been equal to several times the total value of all the preferred stocks in all of the other 5 industries studied. Unfortunately, it is not possible to make a comparison with the railway industry, because of the fact that computations have not been made for this field. In 1925, the preferred stock of the manufacturing corporations was valued at approximately twice as much as the funded debt of the corporations in the same industry. In the other industries, the value of the preferred stock issue is in no case as large as the value of the funded debt.

The Net Common Stock Valued in 1913 Dollars.

Table LXI furnishes an opportunity to compare the value of the common stock with that of the other securities. The value of the common stock of manufacturing corporations far exceeded that of the common stock of the other seven industries listed. Railway corporations, for reasons before stated, have been excluded from the list. At the close of 1925, in every industry studied, the common stock was, as a whole, worth more than either the funded debt or the preferred stock. The common stock of the corporations in the manufacturing industry had, in fact, a market value nearly 9 times as great as the funded debt in the same industry. The ratio in the case of corporations engaged in the operation of mines, quarries, and oil wells was almost as great. The aggregate value of the funded

TABLE LXI

MARKET VALUE, IN 1913 DOLLARS,^a OF THAT PART
OF THE COMMON STOCK OF CORPORATIONS
WHICH WAS IN THE HANDS OF INDIVIDUALS
(MILLIONS OF DOLLARS' WORTH OF DIRECT OR CONSUMERS' GOODS PURCHASABLE
THEREWITH AT 1913 PRICES)^b

December 31	Factories	Mines, Quarries and Oil Wells	Pullman	Express	Street Railways	Electric Light and Power	Telephones	Telegraphs
1908	\$ 8,017	\$2,136	\$176	\$141	\$1,419	\$1,073	\$383	\$153
1909	11,393	2,195	191	213	1,464	1,024	487	160
1910	11,372	2,216	192	165	1,440	1,196	465	151
1911	12,876	3,335	192	144	1,470	1,451	518	150
1912	13,896	3,824	194	115	1,451	1,510	537	145
1913	12,772	3,845	177	86	1,339	1,335	465	120
1914	13,910	4,882	177	65	1,321	1,457	504	114
1915	20,561	6,274	190	87	1,316	1,559	555	150
1916	19,749	6,815	171	80	1,178	1,917	507	136
1917	15,052	4,259	107	°	767	1,111	402	111
1918	16,488	3,818	95	°	626	867	334	107
1919	17,613	3,652	80	°	450	635	278	92
1920	14,586	2,065	70	°	383	550	281	89
1921	15,812	2,993	87	°	390	740	457	103
1922	16,555	3,655	101	°	501	873	587	126
1923	16,168	3,276	88	°	457	962	634	131
1924	19,875	4,398	103	18	563	1,417	793	154
1925	22,873	4,879	60	17	608	2,295	878	171

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Computed from corresponding items in Table LV by dividing by the appropriate price indices recorded in Table VII.

° No information available.

debt of street railways, however, was more than twice as great as the value of the common stock.

The equity belonging to the common stockholders in the manufacturing industry is shown to have been nearly 3 times as great at the end of 1925 as at the end of 1908. The similar equity belonging to the common stockholders in the mining industry more than doubled during the same period. In both industries, a peak, as far as aggregate values is concerned, was reached in the period shortly preceding the entrance of the United States into the World War. The decline from this peak was, however, much more marked in mining companies than in manufacturing. At the end of 1920,

all of the common stock in mining corporations could have been purchased for a value in constant dollars amounting to less than one third of what it was worth at the end of 1916. At the low point at the close of 1920, however, the common stock of manufacturing corporations still had an aggregate command over consumers' goods approximately two-thirds as great as it had at the close of the high point in 1915. In the later years of the period under consideration, factory and mining stocks each showed a large gain in aggregate market value. This gain, in the case of the concerns engaged in manufacturing, was sufficient to overtop the peak of 1915.

The period 1908 to 1925 was characterized by a marked shrinkage in the total value of the common stock of the Pullman, express, and street railway industries, that of both the Pullman and street railway stock amounting at the end of 1925 to less than half as much as in 1908. The decline in the total value of express company common stock was even more striking. The common stockholders of the electric light and power companies witnessed a great shrinkage in the value of their holdings between 1916 and 1920, but, between 1920 and the close of the period studied, the aggregate value of the common stock in this industry has quadrupled. The telephone industry also showed a shrinkage in common stock values between 1915 and 1919, but, before the end of 1925, this shrinkage had been made up with much to spare.

New Money for Funded Debt (1913 Dollars).

In Tables LXII, LXIII, and LXIV the estimated amounts of new money recorded in Tables LVI, LVII, and LVIII have been reduced to dollars of constant purchasing power by dividing the original estimates by index numbers representing the prices of direct or consumers' goods at the different dates.

The resultant data make it plain that the tendencies to invest new money in funded debt seem to be neither strikingly up nor down in the manufacturing, telephone, and electrical industries. The mining industry, including of course the extraction of petroleum and natural gas, has been drawing slightly more money from the pockets of investors in recent years than was true in the earlier years of the period. On the other hand, the funded debt of street railways formerly called for several times as much money per annum as has been secured since 1920. The largest increase in the demand upon investors has been for the funded debt of the electric light and power companies, the annual investment in this class of securities having a

TABLE LXII

VALUE, IN 1913 DOLLARS,^a OF THE
NET NEW MONEY INVESTED BY INDIVIDUALS
IN THE FUNDED DEBT OF CORPORATIONS
(MILLIONS OF DOLLARS' WORTH OF DIRECT OR CONSUMERS' GOODS PURCHASABLE
THEREWITH AT 1913 PRICES)^b

Year	Fac- tories	Mines, Quarries and Oil Wells	Rail- roads	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$49	\$23	\$512	\$106	\$ 77	\$-86	\$-2
1910	79	28	664	103	66	52	0
1911	89	29	557	120	87	17	0
1912	-4	25	271	109	69	67	-9
1913	42	30	250	72	-79	55	0
1914	74	29	39	125	8	47	0
1915	75	28	-210	161	131	-55	°
1916	71	32	-93	147	118	69	0
1917	60	33	-27	121	177	-26	0
1918	36	28	-86	21	102	14	0
1919	47	30	60	16	46	82	0
1920	17	33	369	5	184	22	0
1921	0	39	61	-2	220	41	9
1922	-59	32	134	-2	132	-33	0
1923	139	53	429	28	239	73	0
1924	131	76	289	30	167	-1	0
1925	5	47	62	14	243	88	d

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Computed from corresponding items in Table LVI by dividing by the appropriate price indices recorded in Table VII.

^c Negative figure of less than \$500,000.

^d Positive figure of less than \$500,000.

purchasing power of something like 3 times as much at the close of the period as at the beginning.

New Money for Preferred Stock (1913 Dollars).

The amount put into the preferred stock of manufacturing, mining, and street railway corporations by individuals fell off materially after 1917. The decline in street railways began at an even earlier date, becoming marked as early as 1914. Investment in the preferred stock of electric light and power corporations has shown greater stability, but there has been no such upward sweep as took place with the funded debt of the same class of corporations.

TABLE LXIII

VALUE, IN 1913 DOLLARS,^a OF THE
NET NEW MONEY INVESTED BY INDIVIDUALS
IN THE PREFERRED STOCK OF CORPORATIONS
(MILLIONS OF DOLLARS' WORTH OF DIRECT OR CONSUMERS' GOODS PURCHASABLE
THEREWITH AT 1913 PRICES)^b

Year	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Telephones	Telegraphs
1909	\$163	\$19	\$19	\$26	\$6	\$0
1910	253	21	13	35	-1	0
1911	228	23	15	30	4	0
1912	172	20	25	13	1	0
1913	264	19	18	25	-1	0
1914	196	19	7	26	-2	0
1915	229	22	6	9	2	0
1916	302	20	9	19	0	0
1917	286	17	5	11	1	0
1918	153	16	3	17	1	0
1919	159	12	2	41	1	0
1920	98	19	2	42	1	3
1921	107	10	2	35	10	2
1922	161	10	2	15	11	0
1923	103	10	0	d	4	0
1924	138	9	0	d	11	0
1925	117	12	0	d	3	0

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Computed from corresponding items in Table LVII by dividing by the appropriate price indices recorded in Table VII.

^c Negative figure of less than \$500,000.

^d Because of the extremely rapid changes occurring in the industry, reasonably dependable estimates cannot well be made until the data for the 1927 Census become available.

The preferred stock of telephone companies called for far more dollars of 1913 value between 1920 and 1925 than was true in the years before.

New Money for Common Stock (1913 Dollars).

Aggregate investments of new money in common stock, fell off sharply after 1921 in the case of manufacturing companies. The maximum for mining concerns was reached as early as 1911, and, between 1918 and 1925 there was a marked decline in investment in this class of securities. Relatively little new money was invested in street railway common stocks between 1917 and 1923, but there

TABLE LXIV

VALUE, IN 1913 DOLLARS,^a OF THE
NET NEW MONEY INVESTED BY INDIVIDUALS
IN THE COMMON STOCK OF CORPORATIONS
(MILLIONS OF DOLLARS' WORTH OF DIRECT OR CONSUMERS' GOODS PURCHASABLE
THEREWITH AT 1913 PRICES)^b

Year	Fac- tories	Mines, Quarries and Oil Wells	Pull- man	Ex- press	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$1,468	\$ 77	\$0	\$ 0	\$32	\$ 17	\$84	\$0
1910	818	348	0	17	51	195	-19	0
1911	1,680	549	0	°	32	70	43	0
1912	107	263	0	°	24	40	10	0
1913	696	69	0	°	30	85	-3	0
1914	678	89	0	°	72	115	-7	0
1915	1,305	148	0	-5	16	9	60	0
1916	100	107	0	-4	11	37	20	0
1917	842	60	0	°	10	43	34	0
1918	1,318	230	0	°	7	11	^d	0
1919	975	72	0	°	1	27	-5	0
1920	232	27	0	°	°	25	-4	7
1921	1,036	6	0	0	°	76	61	2
1922	118	7	9	0	1	96	71	2
1923	-87	28	0	0	7	101	34	°
1924	-360	10	0	0	8	132	116	°
1925	188	18	0	0	9	244	27	°

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Computed from corresponding items in Table LVIII by dividing by the appropriate price indices recorded in Table VII.

° Positive figure of less than \$500,000.

^d Negative figure of less than \$500,000.

• No information available.

was a slight tendency to an increase in this field after 1923. Individuals put a very considerable amount of money into the common stocks of electric light and power companies in 1910, and the investments were fairly heavy until 1914. After that date, the interest of investors in this field waned until 1921, when it was again awakened. The investment of new money in the common stock of telephone corporations has followed much the same trend as that characterizing the investments in the common stock of electric light and power plants.

Reasons for Changes in the Aggregate Value of Securities.

One must not fall into the error of assuming that, because new money has failed to flow into an industry, there has been no increase in the amount of capital invested in this field. Industries grow both from within and from without. Failure of new money to appear in an industry may be due either to the fact that the industry in question is not prospering, and hence is not in a position to appeal to investors, or it may be due, on the other hand, to the fact that it is so prosperous that all the funds necessary for expansion can be extracted from the profits of the industry. The erratic nature of the fluctuations from year to year in the amount of investments in each class of securities in the given industry arises largely from the peculiar way in which these two contradictory forces interact.

What has just been said of an industry as a whole applies with equal force to each class of securities within the industry. As a young industry prospers for a time, improved conditions are likely to be manifested chiefly by an increase in the aggregate value of the funded debt, for the added prosperity makes it more probable that the bonds and mortgages will be paid, and hence the value of these securities goes up. After the bonds and mortgages reach a state in which they are fairly secure, they cease to gain much in value, and the increase moves on successively to the preferred and then to the common stock. During a period of inflation, the nominal value of the funded debt is likely to remain unchanged, but its value in terms of any constant money unit shrinks. Thus, when the various European countries inflated their currency wildly during the period of the War, the value of the funded debt, as measured in terms of consumers' goods, steadily approached, and in some cases practically reached, zero. The preferred stock behaved much like the funded debt. The common stock, however, representing a constant equity in the residual income after the claims of the funded debt and the preferred stock had been satisfied, tended to increase in value. Were it not for the fact that inflation nearly always interfered with industrial output, the common stockholders would be benefited by the process, for they would gain at the expense of the holders of the preferred stock and the funded debt.

Gain Above New Money in Value of Funded Debt (1913 Dollars).

If we subtract from the total increase in the value of any given class of securities, when measured in constant dollars, the amount of new money, also measured in constant dollars, invested during

TABLE LXV

PURCHASING POWER, IN 1913 DOLLARS,^a
OF THOSE NET^b GAINS TO HOLDERS OF THE
FUNDED DEBT ARISING FROM INCREASES
IN THE MARKET VALUE OF THE SECURITIES

(MILLIONS OF 1913 DOLLARS)

Year	Fac- tories	Mines, Quarries and Oil Wells	Rail- roads ^c	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$ -83	\$ 3	\$ -533	\$ -37	\$ -14	\$ 4	\$ 1
1910	-54	-22	-696	-72	-26	-13	-2
1911	25	-9	-404	-5	11	-21	^d
1912	-52	4	-432	-49	-23	3	-1
1913	-198	-35	-608	-34	-38	-21	-4
1914	-100	5	-416	-28	-12	11	1
1915	25	4	1,283	-89	12	13	^d
1916	-221	-30	-875	-281	-125	-36	-4
1917	-633	-90	-1,912	-616	-206	-84	-6
1918	-365	-51	-671	-200	-107	-40	-5
1919	-391	-53	-1,193	-388	-166	-65	-6
1920	-196	-49	-456	-133	-117	-20	-2
1921	431	101	1,037	236	197	108	5
1922	87	37	194	235	101	-24	3
1923	-76	-29	34	-102	-62	-6	-1
1924	77	-2	-130	113	62	111	1
1925	8	-18	374	-79	-10	127	-1

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Amounts over and above new money invested.

^c Includes switching and terminal companies.

^d Negative figure of less than \$500,000.

the same period, the remainder represents the gain in the value of the class of securities arising from the activities of the industry in question. Such gains accruing to the holders of the funded debt of certain industries are shown in Table LXV.

During the period 1909 to 1925, inclusive, the bondholders lost money as often as they gained, and, in general, their losses were much heavier than their gains. The holders of the funded debt of manufacturing corporations profited in only 6 years out of the 17. The similar class of holders of the securities of mining corporations gained in exactly the same number of years. The owners of the funded debt of street railway companies were not even so fortunate, for, in only 3 years out of the 17, were they ahead of the game. Even

TABLE LXVI

NET^a GAINS, IN TERMS OF CURRENT DOLLARS,
TO HOLDERS OF THE FUNDED DEBT ARISING FROM
INCREASES IN THE MARKET VALUE OF THE SECURITIES
(MILLIONS OF CURRENT DOLLARS)^d

Year	Fac- tories	Mines, Quarries and Oil Wells	Rail- roads ^b	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$-78	\$ 3	\$-503	\$ -35	\$ -13	\$ 4	\$ 1
1910	-52	-21	-673	-70	-25	-13	-2
1911	24	-9	-390	-5	10	-20	°
1912	-51	3	-422	-48	-22	3	-1
1913	-198	-35	-608	-34	-38	-21	-4
1914	-100	5	-418	-28	-12	11	1
1915	25	4	1,284	-89	12	13	°
1916	-235	-32	-931	-299	-133	-39	-4
1917	-760	-109	-2,297	-741	-248	-104	-8
1918	-505	-70	-929	-277	-148	-58	-7
1919	-618	-84	-1,887	-613	-262	-109	-9
1920	-353	-88	-824	-240	-211	-37	-3
1921	721	169	1,736	396	330	186	8
1922	139	59	309	374	160	-39	4
1923	-123	-47	55	-163	-99	-11	-1
1924	123	-3	-209	181	99	181	2
1925	13	-29	613	-130	-17	213	-1

^a Amounts over and above new money.

^b Includes switching and terminal companies.

^c Negative figure of less than \$500,000.

^d Computed from corresponding items in Table LXV by multiplying by the appropriate price indices recorded in Table VII.

in an industry like electric light and power, in which there has been a marked expansion of activity, the holders of the funded debt found their securities in the aggregate increasing in value in only 5 years out of 17, and the same was true of the like class of security holders in the telegraph industry. The bond and mortgage holders in the telephone industry were more fortunate than those in most of the other fields, for they lost money in only 10 years out of the 17. The figures just presented are sufficient to make it plain that the equity of the bond and mortgage holders was shrinking steadily during most of the time between 1909 and 1925.

Gain Above New Money in Value of Funded Debt (Current Dollars).

In Table LXVI, the figures just discussed have been converted into terms of gold dollars through a process of multiplying by index

TABLE LXVII

PURCHASING POWER, IN 1913 DOLLARS,^a
OF THOSE NET^b GAINS TO HOLDERS OF THE
PREFERRED STOCK ARISING FROM INCREASES
IN THE MARKET VALUE OF THE STOCK
(MILLIONS OF 1913 DOLLARS)

Year	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Telephones	Telegraphs
1909	\$ 350	\$ 6	\$ 5	\$ -4	\$ °	\$ 3
1910	-386	-39	-24	-6	-1	-1
1911	-50	15	6	-12	-1	-3
1912	-43	5	-4	4	-1	-1
1913	-564	-35	-82	-34	-3	-2
1914	-46	-22	-14	7	2	1
1915	624	38	-33	3	d	-1
1916	-476	-49	-28	-23	-2	-3
1917	-1,419	-41	-65	-61	-5	-6
1918	-490	30	-13	°	-7	-1
1919	-416	-24	-30	-23	-5	-3
1920	-698	-34	-20	-46	1	-4
1921	529	40	17	13	-1	3
1922	546	-11	39	44	-1	5
1923	--163	-14	42	°	°	2
1924	303	-2	-5	°	-2	2
1925	144	-19	-2	°	1	°

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Amounts over and above new money invested.

^c Negative figure of less than \$500,000.

^d Positive figure of less than \$500,000.

^e Because of the extremely rapid changes occurring in the industry, reasonably dependable estimates cannot well be made until the data for the 1927 Census become available.

numbers of the prices of consumers' goods. The indications are, of course, approximately the same as in Table LXV, the chief difference being to increase the nominal amounts lost in years when the price index was high, and to reduce them in years when the price index was low.

Gain Above New Money in Value of Preferred Stock (1913 Dollars).

In Table LXVII the aggregate net gains arising from increases in the market value of the securities accruing to all holders of preferred stock are shown in terms of 1913 dollars. In most in-

dustries we have seen that the holders of the funded debt suffered losses which far exceeded their gains. Table LXVII shows that exactly the same situation held in the case of the preferred stock holders. In the manufacturing, mining, and telegraph industries, losses in market value exceeded gains in 11 years of the 17. In the street railway and telephone industries, the situation was even worse, for, in the former, losses outstripped gains in 12 years out of the 17, and, in the latter, in 13 years out of the 17. Reliable data are available for electric light and power companies in only 14 years, but, in 9 of the 14, the total market value of the preferred stock, when this value is expressed in dollars of constant purchasing power, was less at the end of the year than at the beginning. A study of the figures in the table also makes it clear that the situation during the period under consideration was not one in which a few prosperous years offset a large number of lean years, for, when the period is taken as a whole, the net losses of the preferred stockholders exceeded their net gains.

Gain Above New Money in Value of Preferred Stock (Current Dollars).

Table LXVIII shows the amounts presented in Table LXVII converted into terms of current or gold dollars, the conversion being effected through multiplication by suitable indices of the prices of consumers' goods.

Gain Above New Money in Value of Common Stock (1913 Dollars).

Have the common stockholders profited while the holders of bonds and preferred stocks have lost? Analysis of the figures indicates that, in both mining and manufacturing, the common stock holders did fare much better than the owners of either bonds or preferred stock. In these two industries, this class of securities was, as a whole, worth more at the end than at the beginning of the year in somewhat more than half the years 1909 to 1925, inclusive—that is, their total value would buy more direct or consumers' goods. Furthermore, it is actually true that, in both of these industries, the aggregate gains in the entire 17 years accruing to the common stockholders were larger than their aggregate losses, something which was decidedly not true in the case of either the preferred stock or the bondholders. The total market value of the common stock of the Pullman Company declined in 8 years out of the 17, and the aggregate declines were far larger than the ag-

TABLE LXVIII

NET^a GAINS, IN TERMS OF CURRENT DOLLARS,
TO HOLDERS OF THE PREFERRED STOCK
ARISING FROM INCREASES IN
THE MARKET VALUE OF THE STOCK
(MILLIONS OF CURRENT DOLLARS)^d

Year	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Telephones	Telegraphs
1909	\$ 330	\$ 5	\$ 5	\$ -4	\$ °	\$ 3
1910	-373	-37	-23	-6	-1	-1
1911	-48	15	6	-11	-1	-3
1912	-42	5	-4	4	-1	-1
1913	-564	-35	-82	-34	-3	-2
1914	-46	-22	-14	8	2	1
1915	625	38	-33	3	^b	-1
1916	-506	-52	-29	-25	-2	-3
1917	-1,704	-49	-79	-73	-6	-7
1918	-678	42	-19	°	-9	-1
1919	-657	-37	-48	-36	-8	-5
1920	-1,260	-61	-35	-83	2	-7
1921	886	67	29	22	-2	5
1922	870	-17	61	71	-1	8
1923	-262	-22	67	°	°	3
1924	487	-3	-8	°	-4	4
1925	236	-32	-3	°	1	-1

^a Amounts over and above new money invested.

^b Positive figure of less than \$500,000.

^c Negative figure of less than \$500,000.

^d Computed from corresponding items in Table LXVII by multiplying by the appropriate price indices recorded in Table VII.

^e See note "e", Table LXVII.

gregate increases. The situation of the street railway common stockholders was still worse, for the total market value of their holdings declined in 12 years out of the 17, the net increases being sufficient to offset only a minor fraction of the large losses incurred. Common stockholders in the rapidly growing electric light and power industry lost money on the value of their stocks in 8 years out of the 17, and their aggregate losses were, if anything, a trifle larger than their gains, taking the entire period into consideration. The holders of the common stock of the telephone companies of the nation found the aggregate value of their holdings diminishing in 7 years out of the 17, and they also lost more money than they gained

TABLE LXIX

PURCHASING POWER, IN 1913 DOLLARS,^a
OF THOSE NET^b GAINS TO HOLDERS OF THE
COMMON STOCK ARISING FROM INCREASES
IN THE MARKET VALUE OF THE STOCK

(MILLIONS OF 1913 DOLLARS)

Year	Fac- tories	Mines, Quarries and Oil Wells	Pull- man	Ex- press	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$ 1,908	\$ -18	\$ 16	\$ 72	\$ 13	\$ -66	\$ 25	\$ 5
1910	-840	-327	^d	-64	-75	-22	1	-5
1911	-176	570	^d	-21	-2	185	14	-3
1912	913	226	2	-30	-42	19	12	-4
1913	-1,820	-48	-17	-29	-142	-260	-68	-26
1914	460	949	^c	-21	-90	7	45	-7
1915	5,346	1,244	13	27	-21	93	-11	38
1916	-911	434	-19	-2	-149	321	-69	-11
1917	-5,539	-2,616	-64	^c	-420	-849	-143	-30
1918	118	-672	-12	^c	-148	-256	-71	-7
1919	149	-237	-15	^c	-177	-259	-51	-16
1920	-3,259	-1,614	-10	^c	-67	-108	-2	-8
1921	189	922	17	^c	7	115	102	12
1922	625	655	4	^c	109	103	48	22
1923	-300	-408	-13	^c	-51	-12	13	7
1924	4,067	1,112	15	^c	97	323	43	26
1925	2,810	463	-43	-1	36	635	58	17

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Amounts over and above new money invested.

^c Negative figure of less than \$500,000.

^d Positive figure of less than \$500,000.

^e No information available.

when the entire 17 years are considered as a unit and the market values are expressed in terms of dollars of constant purchasing power. The common stockholders in the telegraph companies suffered a decline in the aggregate value of their stocks in 10 years out of the 17. In their case, however, the increases in the market value during the 17 years were slightly in excess of the decreases. In interpreting these findings, it should be remembered that the figures presented in these tables refer merely to losses or gains due to changes in the market value of the securities, and do not take account of either dividend or interest payments.

TABLE LXX

NET^a GAINS, IN TERMS OF CURRENT DOLLARS,
TO HOLDERS OF THE COMMON STOCK
ARISING FROM INCREASES IN
THE MARKET VALUE OF THE STOCK
(MILLIONS OF CURRENT DOLLARS)^o

Year	Fac- tories	Mines, Quarries and Oil Wells	Pull- man	Ex- press	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$ 1,800	\$ -17	\$ 15	\$ 68	\$ 13	\$ -62	\$ 24	\$ 4
1910	-811	-315	^b	-62	-72	-21	1	-5
1911	-170	550	^b	-20	-2	178	14	-2
1912	893	221	2	-30	-42	18	12	-4
1913	-1,820	-48	-17	-29	-142	-260	-68	-26
1914	462	953	^c	-21	-90	7	45	-7
1915	5,350	1,245	13	27	-21	93	-11	38
1916	-970	462	-20	-2	-159	342	-75	-12
1917	-6,654	-3,143	-76	^d	-505	-1,020	-177	-35
1918	164	-929	-17	^d	-205	-354	-103	-9
1919	236	-375	-23	^d	-279	-409	-85	-24
1920	-5,884	-2,914	-17	^d	-121	-196	-3	-14
1921	317	1,543	29	^d	12	193	175	20
1922	996	1,044	7	^d	173	164	78	36
1923	-482	-655	-21	^d	-81	-19	21	12
1924	6,525	1,784	24	^d	156	519	71	41
1925	4,605	759	-70	-1	58	1,040	96	27

^a Amounts over and above new money invested.

^b Positive figure of less than \$500,000.

^c Negative figure of less than \$500,000.

^d No information available.

^o Computed from corresponding items in Table LXIX by multiplying by the appropriate price indices recorded in Table VII.

Gain Above New Money in Value of Common Stock (Current Dollars).

Table LXX has been derived from Table LXIX merely by multiplying the amounts in Table LXIX by indices of the prices of consumers' goods. Figures in Table LXX therefore represent the gains to common stockholders expressed in terms of gold dollars, which, of course, vary in value from year to year.

Gains in 1913 Dollars Accruing to Security Holders.

It is evident that the total of gains accruing to security holders arises not merely from changes in the market value of their secur-

TABLE LXXI

PURCHASING POWER, IN 1913 DOLLARS,^a
OF NET^b GAINS, INCLUDING INTEREST RECEIPTS,
ACCRUING TO HOLDERS OF THE FUNDED DEBT

(MILLIONS OF 1913 DOLLARS)^c

Year	Fac- tories	Mines, Quarries and Oil Wells	Rail- roads ^d	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$ 89	\$ 20	\$ -140	\$ 51	\$ 18	\$ 19	\$ 4
1910	116	-5	-305	19	4	°	1
1911	198	9	-1	92	48	-6	3
1912	122	24	-21	53	16	19	1
1913	-25	-14	-199	75	2	-2	-2
1914	77	28	-20	87	30	33	3
1915	207	29	1,720	30	58	35	2
1916	-46	-5	-465	-167	-77	-15	-2
1917	-473	-66	-1,546	-518	-159	-64	-5
1918	-223	-27	-358	-114	-56	-22	-4
1919	-261	-31	-917	-310	-118	-47	-5
1920	-75	-27	-201	-65	-71	°	-1
1921	566	129	1,322	311	253	132	6
1922	227	70	501	318	172	2	5
1923	67	5	347	-19	20	21	1
1924	234	36	199	197	155	140	3
1925	159	23	703	-1	91	157	1

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Amounts over and above new money invested.

^c Computed from corresponding items in Table LXXIV by dividing the sub-items by the appropriate price indices recorded in Table VII.

^d Includes switching and terminal companies.

^e Negative figure of less than \$500,000.

^f No funded debt.

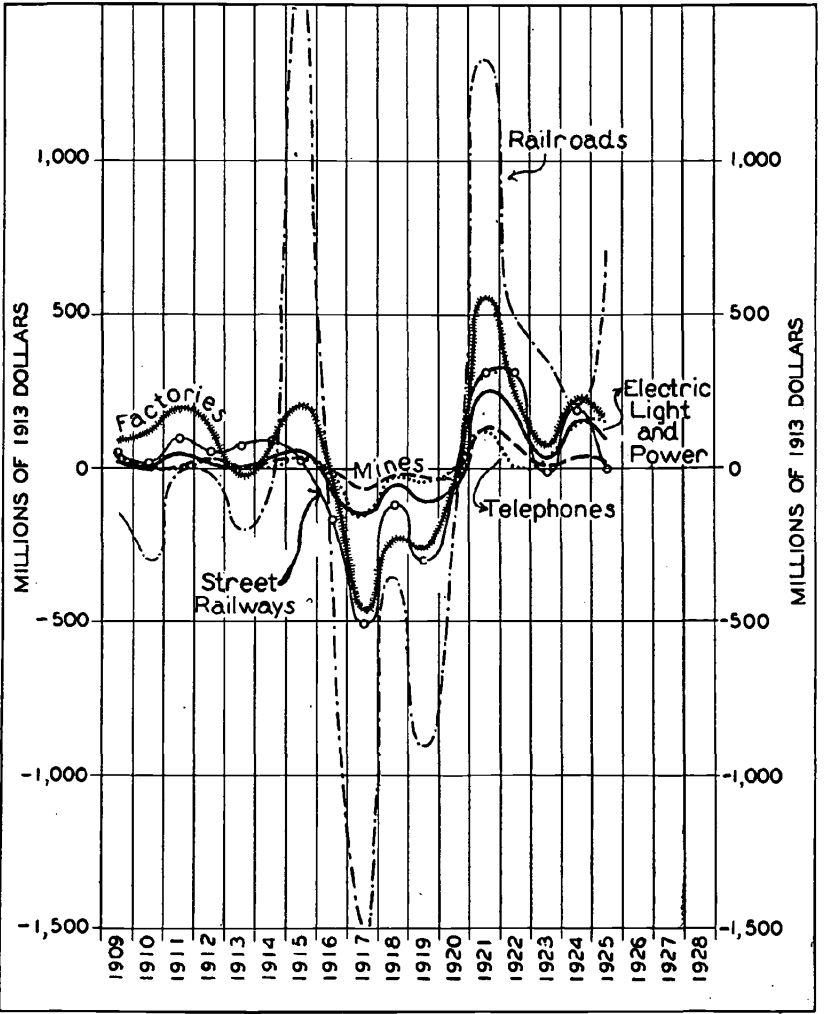
ities, but also from the interest or dividends which they receive. In bad years, the interest or dividend payments tend to offset to some extent the losses in the market value of the securities. In good years, they accentuate the gains. Tables LXV to LXX have been devoted to showing the net gains (or losses) arising from changes in the market value of the securities. Tables LXXI to LXXVI show the aggregate gains or losses accruing to the security holders when not only changes in market value but also dividends and interest payments are taken into account.

Gains Accruing to All Holders of Funded Debt Combined.

Table LXXI and Chart 34 record the net gains or losses of the holders of the funded debt of the various industries, when those in

CHART 34

PURCHASING POWER, IN 1913 DOLLARS,
OF NET GAINS, INCLUDING INTEREST RECEIPTS,
ACCRUING TO HOLDERS OF THE FUNDED DEBT*



* For data, see Table LXXI.

a given industry are all considered as a single unit. For most industries, the period 1909 to 1915 resulted in net gains to the bond holders. During the years 1916 to 1920, however, the diminishing value of the dollar turned gains into losses, but between 1920 and 1925, the bondholders in general profited from their holdings. There are, of course, exceptions to this rule. The holders of the funded debt of telephone companies lost money in 1910, 1911, and 1913, and barely broke even in 1922. The owners of the funded debt of all manufacturing companies of the United States lost money in 1913, and the holders of the similar class of securities of street railways found their balance in the red both in 1923 and 1925. Table LXXI indicates that, in most of the fields, when interest payments are used to offset losses in capital values, the owners of the senior securities of the seven classes of corporations studied were somewhat ahead of the game if they continued in the field from 1909 to 1925.

Gains Accruing to All Holders of Preferred Stock Combined.

Table LXXII and Chart 35 indicate that the owners of preferred stock in manufacturing corporations experienced larger vicissitudes as regards gains and losses than did the owners of the funded debt, the tendency being for the net income derived from this class of securities to fluctuate vigorously from year to year. When dividends are taken into account, the preferred stockholders of all manufacturing corporations combined had a large net profit during the 17 years. The combined holders of the preferred stock of mining corporations also made gains during the period, but, when all quantities are converted into terms of dollars of constant purchasing power, these gains are seen to be extremely meager. Even when dividends are taken into account, the preferred stockholders of all street railways still suffered a deficit for the period as a whole. Satisfactory data are available for the electric light and power industry only through 1922. Up to that time, the losses still exceeded the gains. In the telephone and telegraph industries, the addition of dividends gives a net gain to the preferred stockholders.

Gains Accruing to All Holders of Common Stock Combined.

Chart 36, which is derived from Table LXXIII, is divided into two parts, the division being necessitated by the wide difference in the scales required to show the fluctuations in the large and small industries. A comparison of this chart with Chart 34, representing

TABLE LXXII

PURCHASING POWER, IN 1913 DOLLARS,^a
OF NET^b GAINS, INCLUDING DIVIDENDS,
ACCRUING TO HOLDERS OF PREFERRED STOCK
(MILLIONS OF 1913 DOLLARS)^c

Year	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Telephones	Telegraphs
1909	\$ 650	\$ 10	\$ 16	\$ -2	\$ 1	\$ 5
1910	-68	-33	-13	-3	1	1
1911	279	24	17	-7	1	-1
1912	297	14	8	10	1	1
1913	-209	-20	-68	-28	-2	^d
1914	302	-11	2	15	3	3
1915	993	47	-18	11	2	1
1916	-85	-36	-15	-14	^d	-1
1917	-1,002	-25	-55	-51	-3	-4
1918	-127	42	-7	11	-5	1
1919	-127	-13	-24	-11	-4	-2
1920	-415	-25	-13	-33	2	-3
1921	815	49	24	29	^d	4
1922	788	-2	48	63	2	6
1923	92	-5	54	•	2	3
1924	506	9	7	•	1	4
1925	394	-6	9	•	4	2

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Amounts over and above new money invested.

^c Computed from corresponding items in Table LXXV by dividing the sub-items by the appropriate price indices recorded in Table VII.

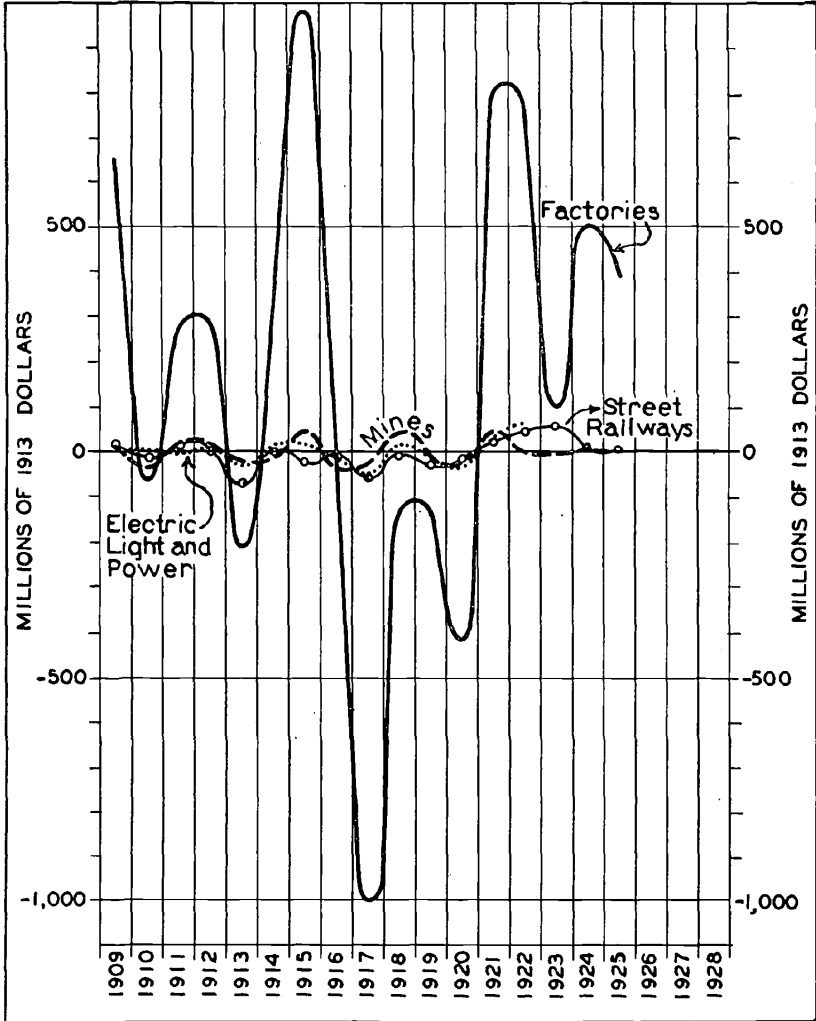
^d Positive figure of less than \$500,000.

^e Because of the extremely rapid changes occurring in the industry, reasonably dependable estimates cannot well be made until the data for the 1927 Census become available.

the gains and losses of holders of the funded debt, shows that the income of the holders of the common stock was somewhat more influenced by the cyclical fluctuations in various industries and somewhat less influenced by the inflation period than were the aggregate net gains of the holders of the funded debt. The heavy losses in the street railway industry brought about by the inflation of 1916 to 1920 are quite evident. The general impression given by the charts is that, even when dividends as well as changes in capital values are taken into account, the margin of net gain is still a precarious one, depending upon the state of the industry at the moment as well as upon the monetary policy of the government. Except in

CHART 35

PURCHASING POWER, IN 1913 DOLLARS,
OF NET GAINS, INCLUDING DIVIDENDS,
ACCRUING TO HOLDERS OF PREFERRED STOCK^a



^a For data, see Table LXXII.

TABLE LXXIII

PURCHASING POWER, IN 1913 DOLLARS,^a
OF NET^b GAINS, INCLUDING DIVIDENDS,
ACCRUING TO HOLDERS OF COMMON STOCK
(MILLIONS OF 1913 DOLLARS)^c

Year	Factories	Mines, Quarries and Oil Wells	Pullman	Express	Street Railways	Electric Light and Power	Telephones	Telegraphs
1909	\$ 2,265	\$ 121	\$24	\$ 89	\$ 60	\$-45	\$ 50	\$ 11
1910	-399	-175	9	-45	-22	^d	27	2
1911	320	698	10	-15	53	211	41	5
1912	1,438	377	11	-27	12	46	41	3
1913	-1,246	149	-7	-26	-87	-230	-40	-19
1914	998	1,088	9	-19	-33	43	73	1
1915	5,922	1,378	22	31	34	134	19	47
1916	291	769	-10	-9	-92	362	-38	-2
1917	-4,327	-2,275	-56	•	-374	-809	-113	-20
1918	1,100	-424	-6	•	-114	-218	-45	3
1919	991	117	-9	•	-150	-223	-28	-7
1920	-2,586	-1,541	-4	•	-45	-76	19	-1
1921	829	1,023	23	•	30	155	127	19
1922	1,212	734	10	•	130	150	84	32
1923	554	-278	-7	•	-20	48	52	15
1924	4,905	1,234	20	•	124	393	89	33
1925	3,736	614	-40	1	65	724	107	24

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

^b Amounts over and above new money.

^c Computed from corresponding items in Table LXXVI by dividing the sub-items by the appropriate price indices recorded in Table VII.

^d Positive figure of less than \$500,000.

• No information available.

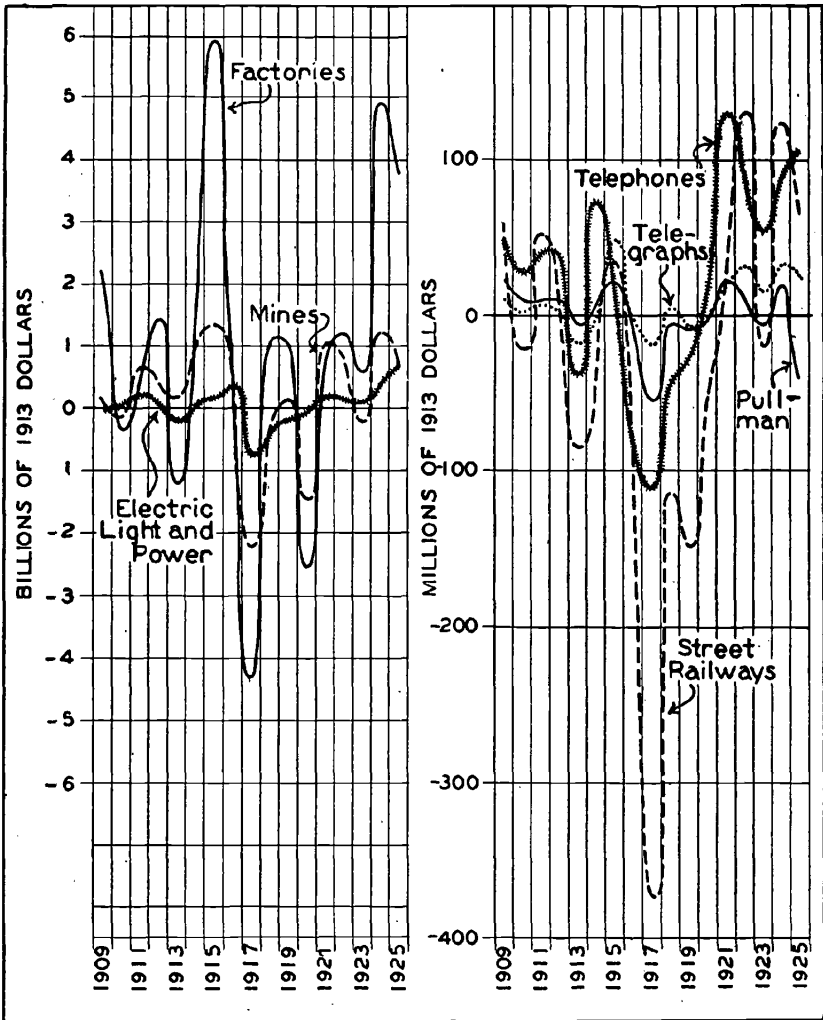
the case of the Pullman, express, and street railway industries, the addition of dividends to the gains in the market value of the securities is sufficient to result in a net gain for the common stock holders, when all 17 years are considered. One cannot study Chart 36 however, without being convinced that, despite the smaller danger of loss in times of inflation, investment in common stocks is still a highly speculative enterprise, just as is the case with investment in bonds or preferred stock.

Gains of All Security Holders Measured in Current Dollars.

Tables LXXIV, LXXV, and LXXVI have been derived by multiplying the figures in Tables LXXI, LXXII, and LXXIII

CHART 36

PURCHASING POWER, IN 1913 DOLLARS,
OF NET GAINS, INCLUDING DIVIDENDS,
ACCRUING TO HOLDERS OF COMMON STOCK*



* For data, see Table LXXIII.

TABLE LXXIV

TOTAL NET^a GAINS, INCLUDING INTEREST RECEIPTS,
ACCRUING TO HOLDERS OF THE FUNDED DEBT^b
(MILLIONS OF CURRENT DOLLARS)

Year	Fac- tories	Mines, Quarries and Oil Wells	Rail- roads ^c	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$ 84	\$ 19	\$ -132	\$ 48	\$ 17	\$ 18	\$ 4
1910	112	-4	-294	19	4	^a	1
1911	191	9	-1	89	47	-6	3
1912	119	23	-21	52	16	19	1
1913	-25	-14	-199	75	2	-2	-2
1914	77	28	-20	87	30	33	3
1915	207	29	1,721	30	58	36	2
1916	-49	-5	-495	-178	-82	-16	-2
1917	569	-79	-1,857	-622	-190	-79	-5
1918	-308	-38	-496	-158	-78	-31	-5
1919	-412	-48	-1,450	-490	-187	-78	-7
1920	-136	-48	-362	-117	-127	^a	-1
1921	948	216	2,213	521	423	227	11
1922	362	111	799	506	274	2	8
1923	108	9	558	-30	32	34	2
1924	375	58	319	316	248	229	5
1925	261	37	1,152	-2	149	263	2

^a Amount over and above new money invested.

^b Derived from figures presented in Tables XXXVI and LXVI.

^c Includes switching and terminal companies.

^d Negative figure of less than \$500,000.

respectively, by indices of the prices of direct or consumers' goods. The entries in Tables LXXIV, LXXV, and LXXVI represent, then, the net gains to the holders of the various classes of securities specified in each year of the period, when these net gains are expressed in terms of the gold dollars current in the various years. Because of the variations in values of these gold dollars, the figures for the different years are of course not comparable.

Current Method of Calculating Per Cent of Annual Gain.

In discussions of the profit accruing to investors in different fields, it is customary to compare the gains during any given year with some hypothetical amount of money invested. The difficulty with rates of profit arrived at by this mode of computation is that

TABLE LXXV

TOTAL NET^a GAINS, INCLUDING DIVIDENDS,
ACCRUING TO HOLDERS OF PREFERRED STOCK^b

(MILLIONS OF CURRENT DOLLARS)

Year	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Telephones	Telegraphs
1909	\$ 613	\$ 9	\$ 15	\$ -1	\$ 1	\$ 5
1910	-65	-32	-12	-3	1	1
1911	270	23	17	-7	1	-1
1912	291	14	8	10	1	1
1913	-209	-20	-68	-28	-2	°
1914	303	-11	2	15	3	3
1915	994	47	-18	11	2	1
1916	-91	-39	-16	-15	°	-1
1917	-1,204	-30	-66	-61	-4	-5
1918	-175	59	-9	15	-8	1
1919	-201	-21	-38	-17	-6	-3
1920	-749	-45	-24	-60	4	-5
1921	1,363	82	40	49	°	7
1922	1,256	-3	77	100	2	10
1923	147	-7	87	d	4	5
1924	811	15	11	d	1	7
1925	646	-10	14	d	4	3

^a Amounts over and above new money invested.^b Derived from figures presented in Tables XXXVII and LXVIII.^c Positive figure of less than \$500,000.^d Because of the extremely rapid changes occurring in the industry, reasonably dependable estimates cannot well be made until the data for the 1927 Census become available.

one is never sure whether or not the base chosen has any real existence. It is of course meaningless to speak of percentages of yield on the *par* value of common stocks when their market value fluctuates wildly from year to year. Even in the case of bonds and preferred stocks, certainly a large proportion—and perhaps the vast majority—of the present holders did not obtain their securities at *par*; hence their profits cannot be calculated by comparing them with the face value of the securities. It appears, then, that the most legitimate way of estimating the rate of profit accruing to any investor in any given year is to use as a base the value of his investment at the beginning of the year. The net gain during the year is arrived at by adding algebraically to receipts from dividends or interest payments such changes as have occurred in the value of

TABLE LXXXVI

TOTAL NET^a GAINS, INCLUDING DIVIDENDS,
ACCRUING TO HOLDERS OF COMMON STOCK^b
(MILLIONS OF CURRENT DOLLARS)

Year	Fac- tories	Mines, Quarries and Oil Wells	Pull- man	Ex- press	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	\$ 2,137	\$ 114	\$ 23	\$ 84	\$ 57	\$-42	\$ 47	\$ 11
1910	-385	-169	9	-43	-21	°	26	2
1911	309	675	10	-14	51	204	40	5
1912	1,406	369	11	-26	12	45	40	3
1913	-1,246	149	-7	-26	-87	-230	-40	-19
1914	1,003	1,093	9	-19	-34	43	74	1
1915	5,927	1,379	22	31	34	134	20	48
1916	309	819	-11	-9	-98	386	-41	-2
1917	-5,198	-2,732	-66	d	-449	-971	-140	-24
1918	1,523	-587	-8	d	-158	-302	-65	3
1919	1,566	-186	-14	d	-237	-353	-47	-11
1920	-4,668	-2,782	-8	d	-81	-138	36	-2
1921	1,388	1,712	38	d	50	259	218	32
1922	1,932	1,170	17	d	208	239	136	52
1923	890	-446	-11	d	-31	77	85	24
1924	7,869	1,979	33	d	199	630	145	54
1925	6,123	1,007	-66	1	106	1,186	179	40

^a Amounts over and above new money invested.

^b Derived from figures presented in Tables XXXVIII and LXX.

^c Positive figure of less than \$500,000.

^d No information available.

the security during the year. As has been previously noted, before such changes can be utilized for the purpose of computing profits or rates of profits, it is necessary that all nominal values be reduced to terms of money having constant purchasing power. The figures presented in Tables LXXVII, LXXVIII, LXXIX, LXXX, and LXXXI have all been computed by this method.

Percentages of Gains and Losses Accruing to Holders of Funded Debt.

It is seen from Table LXXVII that the investor in bonds and mortgages has not, as is commonly supposed, an income which is stable from year to year, but one which, in reality, is widely variable. The average loss to the bondholders of an industry has, for example, actually been more than 25% in a single year, as was the case in

TABLE LXXVII

PER CENT GAIN ON MARKET VALUE OF INVESTMENT
AT BEGINNING OF YEAR ACCRUING DURING YEAR
TO HOLDERS OF BONDS AND MORTGAGES^a

(BOTH INTEREST RECEIPTS AND CAPITAL
APPRECIATION INCLUDED)

Year	Fac- tories	Mines, Quarries and Oil Wells	Rail- roads ^b	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	2.54	6.45	-1.42	3.09	2.85	5.36	6.36
1910	3.34	-1.36	-3.36	1.12	63.60	-1.13	1.61
1911	5.64	2.78	-.01	5.23	6.68	-1.97	4.39
1912	3.37	6.62	-.23	2.81	1.96	6.33	2.23
1913	-.69	-3.59	-2.20	3.88	32.52	-.58	-4.33
1914	2.25	7.24	-.23	4.39	3.97	8.07	7.03
1915	6.11	7.08	20.73	1.46	7.84	7.53	4.94
1916	-1.32	-1.10	-4.97	-7.79	-8.71	-3.53	-4.33
1917	-14.20	-14.69	-18.39	-25.78	-18.01	-13.97	-11.09
1918	-8.07	-7.00	-5.54	-7.55	-6.61	-6.22	-10.25
1919	-10.72	-8.30	-16.07	-23.24	-13.96	-14.49	-15.67
1920	-3.60	-7.64	-4.38	-6.77	-9.71	-.01	-2.22
1921	29.66	39.08	29.47	37.33	31.83	38.81	29.75
1922	9.71	14.84	8.98	29.73	15.73	.32	13.47
1923	2.81	.99	5.88	-1.44	1.52	4.24	3.14
1924	9.62	6.37	3.12	16.02	10.28	25.30	8.84
1925	6.02	3.55	10.76	-.09	5.26	27.77	2.94
Average	2.50	3.02	1.30	1.91	7.47	4.87	2.17

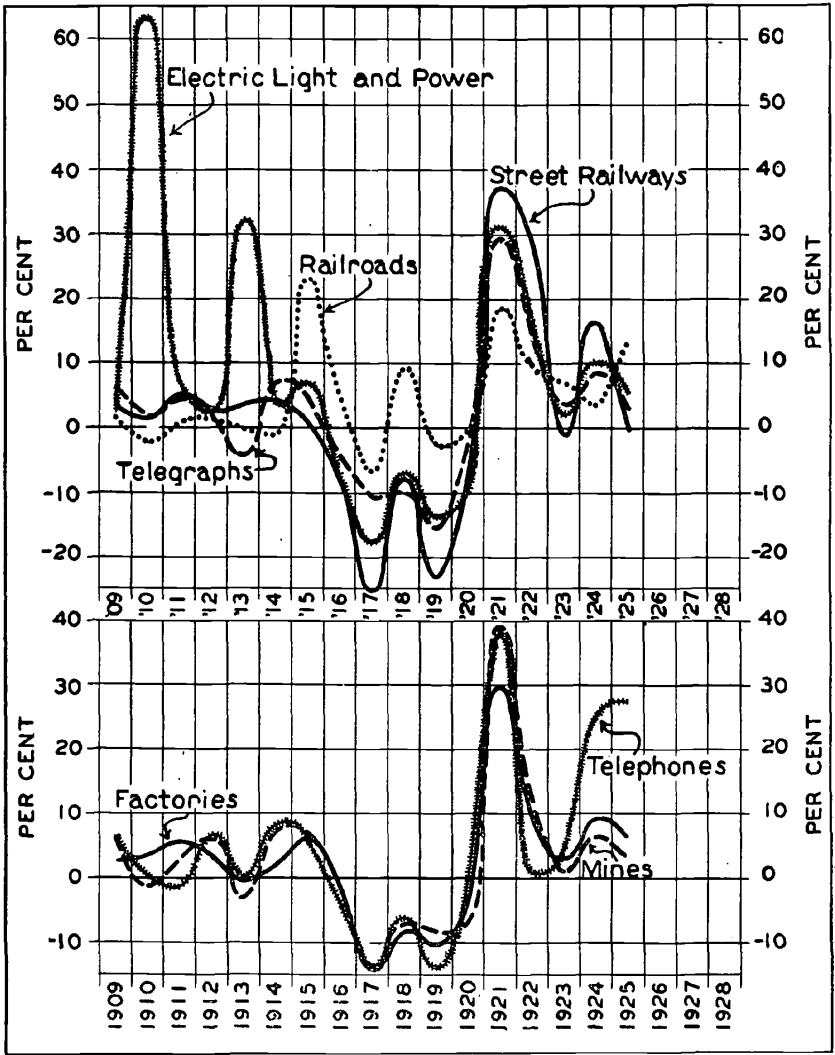
^a Derived from figures presented in Tables LIX and LXXI.

^b Includes switching and terminal companies.

1917 with the holders of the funded debt of street railways, while the average gain in a twelve-month period may run above 63 per cent, which was true in the case of the owners of electric light and power bonds in the year 1910. If we consider the entire 17 years from 1909 to 1925 inclusive, the owners of the funded debt of street railways obtained an average annual return on their investment of 1.91 per cent. At the other extreme stand the owners of the bonds of electric light and power companies, who received on the average 7.47 per cent on their investment during the same period. Four out of the seven industries studied returned, on the average, $2\frac{1}{2}$ per cent or less to investors in the funded debt, and only electric light and power, and telephone companies paid materially above 3 per cent.

CHART 37

PER CENT GAIN ON MARKET VALUE OF INVESTMENT AT BEGINNING OF YEAR ACCRUING DURING YEAR TO HOLDERS OF BONDS AND MORTGAGES^a



^a For data see Table LXXVII.

Chart 37 indicates that, when cyclical fluctuations are eliminated, the trend of percentages of profits accruing to the holders of the funded debt was roughly horizontal between 1909 and 1915. From 1915 to 1917, there was a sharp decline in the trend. This fall was succeeded by a horizontal movement from 1917 to 1919, a sharp rise between 1919 and 1921, and an abrupt decline from 1921 to 1922, after which date the trend appears to have been horizontal in most fields.

The heavy losses to bondholders between 1915 and 1919 were, of course, occasioned, in the main, by the inflation of the currency. Similarly, the striking gains between 1920 and 1921 were due to deflation.

Percentages of Gains and Losses Accruing to Holders of Preferred Stock.

Table LXXVIII and Chart 38 indicate that the experience of the holders of preferred stock has not been materially different from that of the owners of the funded debt. Reasonably complete data are available in this case for five industries only, the figures for electric light and power companies since 1923 being too indefinite to admit of inclusion. Here, again, there are large fluctuations in percentages of gain, running from a loss of 33 per cent in electric light and power companies in 1920, to a gain of 42 per cent in mining concerns in 1915. Of the five industries for which figures are available for all years, the preferred stockholders of the telephone companies fared worst, averaging but one half of one per cent gain, while preferred stockholders in manufacturing and telegraph companies netted slightly more than 4 per cent in each case. The owners in the same class of securities of street railways received but 1.66 per cent on the average.

Chart 38 indicates that the trend of profits to investors on preferred stock was downward between 1909 and 1916, approximately horizontal between 1917 and 1920, upward from 1920 to 1922, downward from 1922 to 1923, and thereafter roughly horizontal. It will be observed that calculations for years since 1925 have not yet been made.

Apparently, the fluctuations in the profits of the preferred stockholders are slightly more violent than those in the profits of the bondholders. The different industries, while varying in year to year movements, show trends closely resembling one another.

TABLE LXXVIII

PER CENT GAIN ON MARKET VALUE OF INVESTMENT
AT BEGINNING OF YEAR ACCRUING DURING YEAR
TO HOLDERS OF PREFERRED STOCK^a

(BOTH DIVIDENDS AND APPRECIATION
IN VALUE OF STOCK INCLUDED)

Year	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Telephones	Telegraphs
1909	13.25	17.09	6.04	-2.52	6.47	14.08
1910	-1.25	-39.37	-4.29	-3.47	2.17	1.98
1911	5.30	36.23	6.09	-6.09	2.45	-3.00
1912	5.45	13.86	2.73	7.53	2.71	1.71
1913	-3.75	-15.48	-21.08	-18.96	-5.49	.73
1914	5.71	-9.53	.79	10.69	13.70	9.91
1915	18.26	42.64	-7.13	6.48	8.16	1.91
1916	-1.36	-21.29	-6.78	-7.55	.56	-2.50
1917	-16.39	-17.77	-26.53	-28.50	-12.70	-15.02
1918	-2.54	36.24	-4.46	8.28	-23.90	2.40
1919	-2.74	-8.12	-17.26	-7.52	-22.88	-7.46
1920	-9.44	-16.60	-12.04	-33.43	14.96	-14.24
1921	21.49	35.77	25.88	29.42	1.05	21.54
1922	17.81	-1.06	43.00	29.90	6.08	26.71
1923	1.79	-2.47	35.43	^b	6.18	11.90
1924	9.97	5.06	3.41	^b	1.30	14.50
1925	7.14	-3.09	4.49	^b	7.80	4.84
Average	4.04	3.07	1.66		.51	4.12

^a Derived from figures presented in Tables LX and LXXII.

^b Because of the extremely rapid changes occurring in the industry, reasonably dependable estimates cannot be made until the data for the 1927 Census become available.

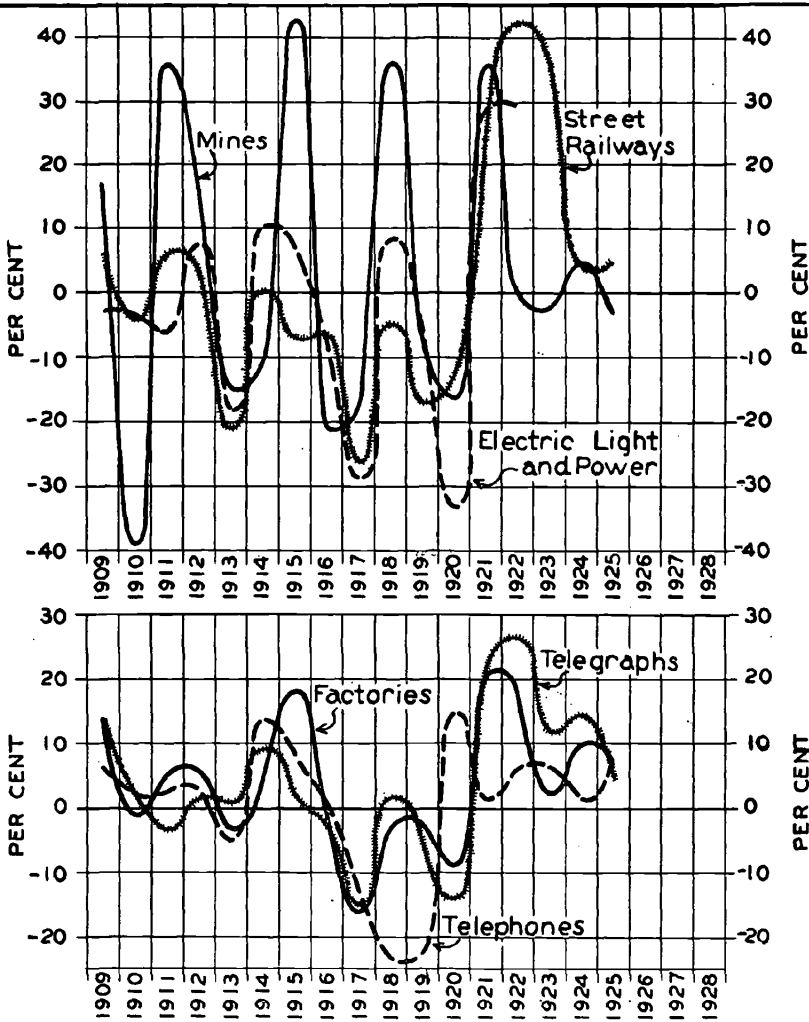
Percentages of Gains and Losses Accruing to Holders of Common Stock.

Fluctuations in the rates of profits of common stockholders are slightly more extreme than are the fluctuations in those accruing to the owners of either bonds or preferred stocks. In the case of the preferred stock, it will be remembered that the extremes ran from -33 per cent to 43 per cent. In the case of the common stocks, the greatest loss was 39 per cent, which was the fate of the Pullman stockholders in 1925, and the highest gain was 49½ per cent, which marked the good fortune of the owners of mining securities in 1921.

In no single industry did the experience of the owners of either

CHART 38

PER CENT GAIN ON MARKET VALUE OF INVESTMENT AT BEGINNING OF YEAR ACCRUING DURING YEAR TO HOLDERS OF PREFERRED STOCK^a



^a For data see Table LXXVIII.

TABLE LXXIX

PER CENT GAIN ON MARKET VALUE OF INVESTMENT
AT BEGINNING OF YEAR ACCRUING DURING YEAR
TO HOLDERS OF COMMON STOCK^a

(BOTH DIVIDENDS AND APPRECIATION
IN VALUE OF STOCK INCLUDED)

Year	Fac- tories	Mines, Quarries and Oil Wells	Pull- man	Ex- press	Street Rail- ways	Electric Light and Power	Tele- phones	Tele- graphs
1909	28.25	5.65	13.61	65.56	4.25	-4.19	13.07	6.95
1910	-3.50	-7.99	4.93	-18.84	-1.50	4.60	5.45	1.46
1911	2.82	31.50	5.20	-5.93	3.66	17.62	8.81	3.00
1912	11.16	11.31	5.95	-15.56	.84	3.18	7.84	1.86
1913	-8.97	3.89	-3.81	-19.30	-5.98	-15.22	-7.39	-12.36
1914	7.82	28.31	5.12	-19.27	-2.50	3.24	15.78	.69
1915	42.57	28.23	12.32	51.47	2.56	9.17	3.82	39.83
1916	1.41	12.26	-5.23	13.93	-7.02	23.24	-6.83	-1.24
1917	-21.91	-33.38	-32.78	^b	-31.74	-42.19	-22.36	-13.74
1918	7.31	-9.96	-5.20	^b	-14.92	-19.66	-11.14	2.20
1919	6.01	-3.07	-9.61	^b	-23.92	-25.78	-8.42	-6.74
1920	-14.68	-42.19	-5.36	^b	-9.95	-12.01	6.88	-.95
1921	5.68	49.52	32.54	^b	7.73	28.10	45.38	21.04
1922	7.67	24.53	11.85	^b	33.41	22.27	18.35	30.34
1923	3.35	-7.60	-7.05	^b	-3.91	5.48	8.85	11.48
1924	30.34	37.66	23.16	^b	27.06	40.84	13.98	23.99
1925	18.80	13.96	-38.99	2.88	11.49	51.09	13.48	14.85
Average	7.30	8.39	.39		-.61	5.28	6.21	7.22

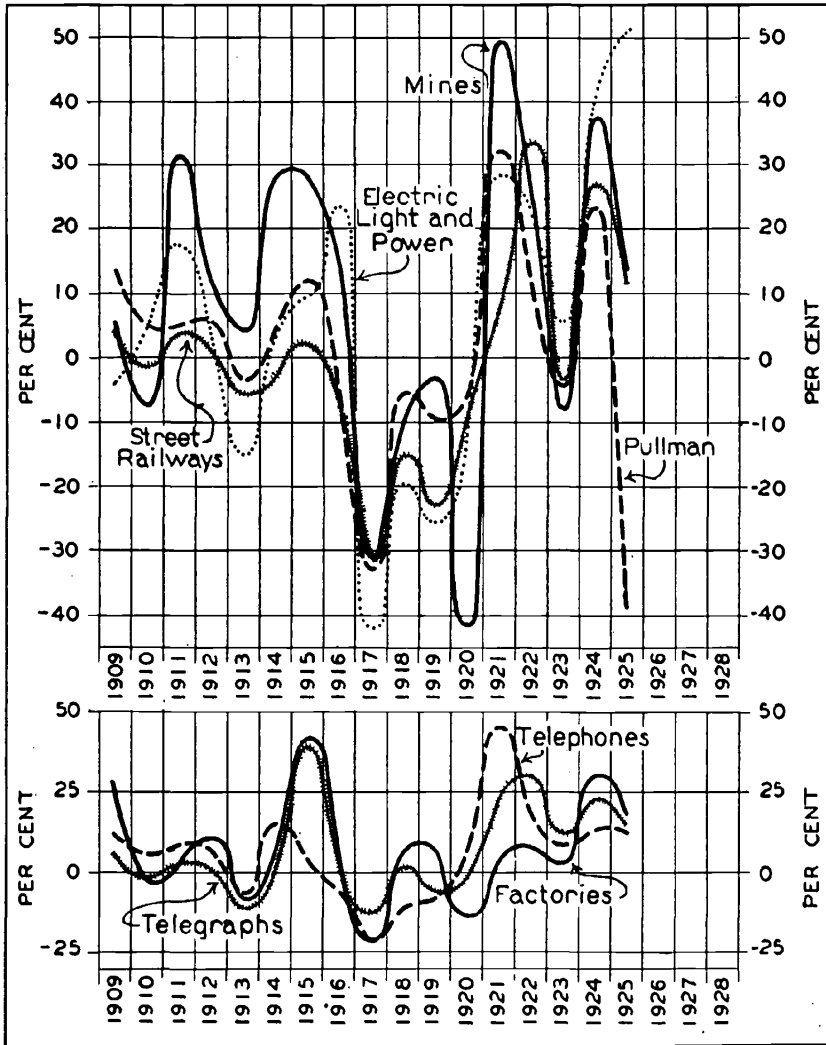
^a Derived from figures presented in Tables LXI and LXXIII.

^b No information available.

bonds or preferred stock indicate an average net loss for the entire 17 years taken as a unit. On this basis, however, the common stockholders of the street railways actually lost 61/100 per cent and those in the Pullman industry gained but 39/100 per cent. Figures for the express industry are incomplete. In five out of the seven industries for which figures are available, the common stockholders made an average gain of more than 5 per cent, which is distinctly above the profit rate accruing to either the bondholders or preferred stockholders in the same industry. The evidence of Tables LXXVII to LXXIX is, then, that, during the 17 years, it was more profitable to invest in common stocks than in bonds or preferred stocks.

CHART 39

PER CENT GAIN ON MARKET VALUE OF INVESTMENT AT BEGINNING OF YEAR ACCRUING DURING YEAR TO HOLDERS OF COMMON STOCK^a



^a For data, see Table LXXIX.

TABLE LXXX

GAINS, MEASURED IN 1913 DOLLARS,^a
ACCRUING TO ALL STOCKHOLDERS OF
RAILWAY, SWITCHING, AND TERMINAL COMPANIES^b
(MILLIONS OF 1913 DOLLARS)

Year	Gain in Market Value of Stocks	New Money Invested in Stocks	Gain in Market Value Above New Money	Dividends	Total Gain to All Stockholders	Value of All Stocks Jan. 1	Per Cent Gain to Average Stockholder on Jan. 1 Investment
1909	\$ 326	\$-163	\$ 489	\$251	\$ 741	\$ 8,466	8.75
1910	-89	-216	128	278	406	8,792	4.61
1911	-404	-68	-336	271	-65	8,704	-7.75
1912	795	114	680	258	939	8,299	11.31
1913	-1,329	84	-1,414	273	-1,140	9,094	-12.54
1914	-719	-493	-226	268	42	7,765	.54
1915	887	-311	1,198	243	1,441	7,046	20.45
1916	-1,126	154	-1,280	224	-1,056	7,933	-13.31
1917	-2,072	330	-2,402	220	-2,182	6,807	-32.06
1918	-45	-53	8	180	188	4,735	3.98
1919	-1,273	-33	-1,239	156	-1,083	4,689	-23.09
1920	-312	17	-329	125	-204	3,417	-5.97
1921	-127	-130	3	118	121	3,105	2.89
1922	836	-95	930	131	1,061	2,978	35.63
1923	1	-67	67	149	217	3,814	5.68
1924	585	6	578	165	743	3,815	19.48
1925	725	-86	811	175	986	4,400	22.41

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913".

^b Based upon *Statistics of Railways* published by the U. S. Interstate Commerce Commission and upon the reports of a large sample of corporations.

Percentages of Gains and Losses Accruing to Holders of Railway Stocks.

Because of the fact that, in its publication entitled *Statistics of Railways*, the Interstate Commerce Commission fails to separate data for preferred stocks from data for common stocks, it has not proved feasible, in the time available, to make estimates of the profits of stockholders of railway, switching, and terminal companies, comparable to those for other industries appearing in Tables LXXVIII and LXXIX. Tables LXXX and LXXXI have, therefore, been constructed in order to present data supplementary to

TABLE LXXXI

GAINS ACCRUING TO ALL STOCKHOLDERS OF
RAILWAY, SWITCHING, AND TERMINAL COMPANIES(MILLIONS OF CURRENT DOLLARS)^a

Year	Gain in Market Value of Stocks	New Money Invested in Stocks	Gain in Market Value Above New Money	Dividends	Total Gain to All Stockholders	Value of All Stocks Jan. 1
1909	\$ 554	\$-154	\$ 462	\$237	\$ 699	\$ 7,929
1910	—38	—209	124	268	392	8,483
1911	—333	—66	—325	262	—63	8,444
1912	915	112	665	253	918	8,111
1913	—1,177	84	—1,414	273	—1,141	9,026
1914	—793	—495	—227	269	42	7,848
1915	1,064	—311	1,199	243	1,442	7,056
1916	—438	164	—1,362	239	—1,123	8,120
1917	—1,655	396	—2,885	264	—2,621	7,682
1918	987	—74	11	250	261	6,027
1919	—1,129	—53	—1,960	247	—1,713	7,014
1920	—355	31	—594	226	—368	5,885
1921	758	—218	5	197	202	5,530
1922	1,345	—151	1,482	209	1,691	4,771
1923	41	—107	108	240	348	6,116
1924	972	10	928	264	1,192	6,157
1925	1,368	—141	1,329	287	1,616	7,129

^a Computed from corresponding items in Table LXXX by multiplying by the appropriate price indices recorded in Table VII.

the figures appearing in Table LXXIX. These figures indicate that, on the average, during the 17 years covered, all railway stockholders obtained an average return on investment amounting to 2.88 per cent per annum. This rate of return is less than that obtained by common stockholders in manufacturing, mining, electric light and power, or telephone and telegraph companies, but is materially better than the net rate of profit of the common stockholders of the Pullman company or street railways. The railway stockholders on the average fared somewhat worse than the preferred stockholders of manufacturing and mining concerns, but better than the preferred stockholders of street railway or telephone companies. For the railway stockholders, the year 1913, and the period 1916 to 1920 were anything but prosperous; but 1922 ushered in an era of marked prosperity.

New Money Invested in and Dividends Derived from Railway Stocks.

It will be observed that, in Tables LXXX and LXXXI, records of new money and dividends appear both in terms of 1913 dollars and current dollars. These figures are supplementary to those given for other industries in earlier tables.

Average Prices of All Units of Funded Debt (Current Dollars).

Series of index numbers showing the movements from year to year in the prices of selected groups of securities appear in many publications. It is less usual to find figures showing the changes in average value representing, in so far as it is feasible to obtain quotations, the average value of all the securities of the given class outstanding in the industry. This is the end which the figures shown in Table LXXXII are designed to attain. They are, of course, not based upon complete data, but represent the changes occurring in the average value of the bonds of a large group of corporations in each industry. The figures presented in the table are arrived at by finding the total value of all the outstanding bonds of these sample corporations, and dividing this total market value by the outstanding number of hundred dollar units of par value. The table indicates that bonds tended to decline during the period 1916 to 1920 and to rise after that date. The decline in value measured in gold dollars, was doubtless due, in the main, to the high interest rates prevailing at that period, and the recovery was similarly caused by the fall in these rates. In most industries, the average prices of bonds were not greatly different in 1925 from what they were in 1908, there being a small increase in the case of mining, electric light and power, and telephone companies, and a small decrease in the average prices of those of manufacturing and railway concerns. The bonds of street railway corporations, however, were decidedly lower at the close of 1925 than at the end of 1908, while, on the other hand, the bonds of telephone companies were much higher at the end of the period than at the beginning.

Average Prices of All Shares of Preferred Stock (Current Dollars).

Table LXXXIII shows the estimated average value per share in gold dollars of all preferred stock outstanding in the various industries. The trend between 1908 and 1925 was approximately horizontal in the case of manufacturing, telephone, and telegraph companies. The nominal value of the shares owned by the preferred

TABLE LXXXII

AVERAGE MARKET PRICE PER \$100 UNIT OF
FUNDED DEBT OUTSTANDING AT CLOSE OF YEAR^a

(CURRENT DOLLARS)

December 31	Factories	Mines, Quarries and Oil Wells	Railroads	Express	Street Railways	Electric Light and Power	Telephones	Telegraphs
1908	\$103.76	\$ 93.41	\$ 91.07	\$ 91.50	\$ 89.81	\$ 94.86	\$ 90.38	\$ 92.65
1909	104.07	97.36	89.54	92.89	90.21	96.24	92.23	96.72
1910	102.86	92.16	85.69	90.29	87.06	93.71	90.16	93.91
1911	102.69	90.46	84.00	84.50	87.91	96.35	85.92	94.35
1912	102.75	92.59	82.16	81.41	87.68	95.59	89.62	91.64
1913	99.58	86.80	78.22	69.88	87.84	92.25	88.12	86.90
1914	95.68	87.54	78.16	72.36	86.19	90.01	91.52	88.02
1915	98.98	89.82	86.85	82.89	85.30	94.70	95.66	90.41
1916	102.07	92.53	89.35	83.20	83.14	91.64	97.87	89.39
1917	93.41	84.93	75.68	65.45	67.16	83.56	91.49	84.25
1918	95.44	88.11	79.79	b	68.71	88.05	97.01	82.86
1919	92.67	88.46	73.53	b	56.40	82.86	93.21	75.37
1920	86.89	80.15	69.63	b	50.36	76.63	89.66	73.33
1921	95.81	94.26	79.20	b	58.13	87.55	103.86	84.87
1922	98.13	99.33	81.70	b	71.44	96.84	108.01	91.93
1923	94.84	94.63	83.77	b	66.43	93.09	106.70	89.96
1924	98.25	97.66	84.45	b	73.07	97.04	109.89	93.50
1925	100.37	97.64	90.58	b	70.66	97.92	110.40	93.86

^a Derived from figures presented in Tables XL and LIII.

b No funded debt.

stockholders of mining and street railway companies declined noticeably during the period, while, on the other hand, the preferred stock of electric light and power companies rose very materially. A very low point in preferred stock values was reached for mining companies, electric light and power, and telegraph companies in 1917, and for street railways and telephone companies in 1920 and 1919, respectively. In a general way, the average prices of preferred stocks paralleled those of the bonds of the corresponding industries, though there was more tendency for them to fluctuate from year to year.

No attempt has been made to calculate the average value per share of the common stock outstanding in the different industrial fields. The reason that this computation has been omitted is that the tendency to split up the shares of common stock and to issue

TABLE LXXXIII

AVERAGE MARKET PRICE PER \$100 UNIT OF
PREFERRED STOCK OUTSTANDING AT CLOSE OF YEAR*
(CURRENT DOLLARS)

December 31	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Tele-phones	Tele-graphs
1908	\$96.61	\$79.93	\$77.76	\$74.47	\$65.51	\$69.56
1909	105.69	92.59	82.69	78.71	72.57	77.37
1910	98.49	59.75	77.26	80.12	69.75	75.06
1911	98.39	78.77	80.28	77.45	71.15	69.06
1912	99.18	86.08	81.73	82.57	70.66	67.50
1913	91.34	68.03	63.84	69.18	63.26	65.00
1914	89.84	58.71	60.61	75.39	65.97	67.00
1915	102.36	82.82	54.52	79.13	70.09	66.00
1916	103.80	68.71	53.78	78.52	73.05	65.75
1917	90.62	59.21	42.46	60.96	70.19	58.00
1918	96.26	89.29	45.82	74.54	60.61	64.50
1919	101.08	89.32	41.65	79.15	52.16	64.12
1920	87.88	78.83	35.87	66.04	59.17	51.95
1921	89.20	91.62	38.74	68.06	60.82	53.96
1922	101.39	87.12	52.44	94.57	65.21	65.87
1923	99.87	81.77	67.19	99.69	67.68	70.68
1924	107.53	81.66	65.76	110.35	69.00	76.22
1925	108.83	76.91	66.55	112.00	72.82	76.95

* Derived from Tables XLI and LIV.

stock dividends has been so marked that it does not appear that any estimates of the average value per share of common stock which could be presented would have any particular significance from the standpoint of this study.

Average Values of All Units of Funded Debt (1913 Dollars).

From Table LXXXIV and Chart 40 it appears that the bond holders of 1925 were but little more than half as well off as were the bondholders of 1909. In practically all industries, the real value of bonds slid slowly downward between the end of 1908 and the end of 1915, then slipped down a steep declivity, terminating in a trough at the end of 1920. After this there was a definite but limited recovery to the end of 1922, and from that date up to the end of 1925, the purchasing power of the average unit of the funded debt in most industries has remained approximately constant. Chart

GAINS AND LOSSES OF INVESTORS

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TABLE LXXXIV

PURCHASING POWER, IN 1913 DOLLARS,^a
OF PRICE OF AVERAGE \$100 UNIT OF
FUNDED DEBT OUTSTANDING AT CLOSE OF YEAR

(REPRESENTS AMOUNT OF DIRECT OR CONSUMERS' GOODS PURCHASABLE AT
PRICES PREVAILING IN 1913)^b

December 31	Factories	Mines, Quarries and Oil Wells	Railroads	Express	Street Railways	Electric Light and Power	Telephones	Telegraphs
1908	\$110.78	\$ 99.73	\$ 97.23	\$ 97.69	\$ 95.89	\$101.28	\$ 96.46	\$ 98.15
1909	107.87	100.91	92.81	96.28	93.50	99.75	95.26	99.82
1910	106.02	94.99	88.32	93.06	89.73	96.59	92.88	96.72
1911	105.08	92.56	85.95	86.46	89.95	98.59	87.52	96.80
1912	103.53	93.29	82.78	82.03	88.34	96.31	90.43	92.29
1913	98.52	85.87	77.38	69.13	86.90	91.26	87.07	86.19
1914	95.55	87.42	78.05	72.26	86.07	89.88	90.52	87.85
1915	96.70	87.75	84.85	80.98	83.33	92.52	92.43	87.90
1916	90.44	81.99	79.17	73.72	73.67	81.20	85.33	79.96
1917	73.38	66.72	59.45	51.41	52.76	65.64	69.05	67.67
1918	63.81	58.90	53.34	°	45.94	58.86	61.36	57.46
1919	53.80	51.36	42.69	°	32.75	48.11	51.33	45.56
1920	48.79	45.01	39.10	°	28.28	43.03	48.54	42.02
1921	59.81	58.84	49.44	°	36.29	54.65	63.10	52.68
1922	61.19	61.94	50.95	°	44.55	60.39	66.14	56.75
1923	58.76	58.63	51.90	°	41.16	57.68	64.53	55.65
1924	60.64	60.27	52.12	°	45.10	59.89	66.32	57.72
1925	60.53	58.89	54.63	°	42.62	59.06	65.06	56.56

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

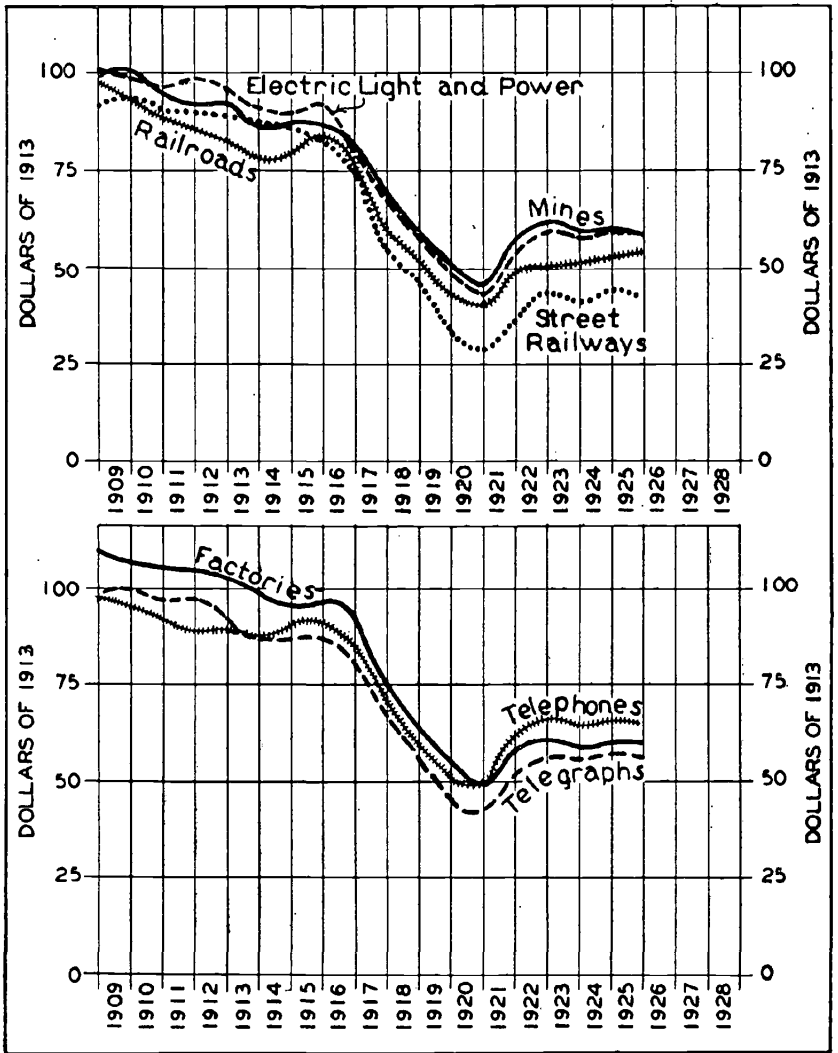
^b Computed from corresponding items in Table LXXXII by dividing by the appropriate price indices recorded in Table VII.

° No funded debt.

40 makes perfectly clear the reason why bondholders on the average received such small percentages of income during the period studied. Most of the interest received went to offset the losses in capital value occurring between 1909 and 1920, a period during which the bondholders were paying the penalty which monetary inflation always exacts from holders of fixed incomes. While the deflation of 1920 to 1922 brought a distinct recovery in the real worth of the bonds, the recovery was far from being large enough to offset the great decline which had previously occurred.

CHART 40

PURCHASING POWER, IN 1913 DOLLARS,
 OF PRICE OF AVERAGE \$100 UNIT OF
 FUNDED DEBT OUTSTANDING AT END OF YEAR*



* For data, see Table LXXXIV.

TABLE LXXXV

PURCHASING POWER, IN 1913 DOLLARS,^a
OF PRICE OF AVERAGE \$100 UNIT OF
PREFERRED STOCK OUTSTANDING AT CLOSE OF YEAR

(REPRESENTS AMOUNT OF DIRECT OR CONSUMERS' GOODS PURCHASABLE
AT PRICES PREVAILING IN 1913)^b

December 31	Factories	Mines, Quarries and Oil Wells	Street Railways	Electric Light and Power	Tele- phones	Tele- graphs
1908	\$103.15	\$85.34	\$83.02	\$79.51	\$69.91	\$73.69
1909	109.55	95.97	85.71	81.58	74.95	79.85
1910	101.52	61.59	79.63	82.58	71.86	77.31
1911	100.68	80.60	82.14	79.25	72.48	70.85
1912	99.93	86.73	82.35	83.19	71.30	67.98
1913	90.36	67.30	63.16	68.44	62.50	64.47
1914	89.71	58.63	60.53	75.28	65.25	66.87
1915	100.00	80.91	53.26	77.31	67.72	64.17
1916	91.97	60.88	47.65	69.57	63.69	58.81
1917	71.19	46.51	33.35	47.89	52.97	46.59
1918	64.35	59.69	30.63	49.83	38.34	44.73
1919	58.69	51.86	24.18	45.95	28.72	38.76
1920	49.35	44.27	20.14	37.08	32.04	29.77
1921	55.68	57.19	24.18	42.48	36.95	33.50
1922	63.23	54.33	32.70	58.97	39.93	40.66
1923	61.88	50.66	41.63	61.77	40.93	43.73
1924	66.36	50.40	40.59	68.10	41.64	47.05
1925	65.64	46.38	40.14	67.55	42.92	46.37

^a "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

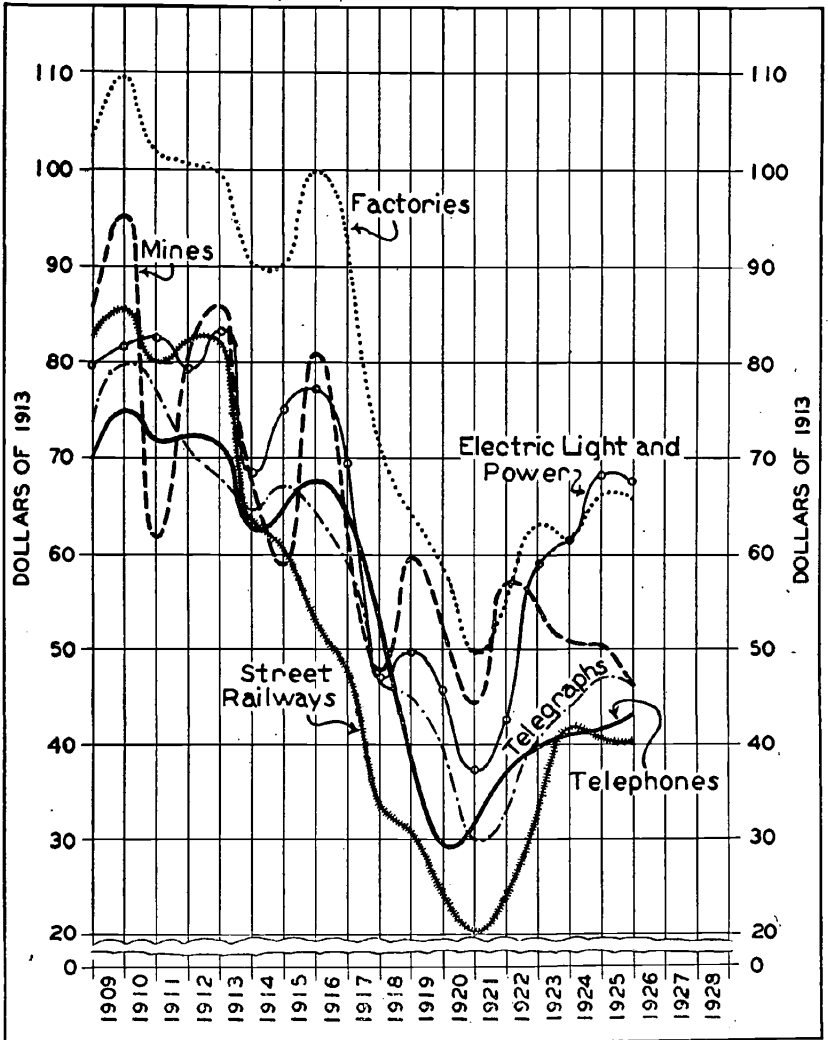
^b Computed from corresponding items in Table LXXXIII by dividing by the appropriate price indices recorded in Table VII.

Average Value of All Shares of Preferred Stock (1913 Dollars).

In Table LXXXV and Chart 41, there is recorded the estimated average price in 1913 dollars of all preferred stocks outstanding in the various industries. While the prices of the preferred stocks fluctuated much more than did the values of the bonds, and while the difference between the average values of the stocks and in the various industries was greater than the variations in the values of the bonds in the various industries, the trends of both preferred stocks and bonds are remarkably similar. In both cases, there is the long decline between the beginning of 1910 and the end of 1920, and the sharp recovery between the end of 1920 and the end of 1923, since which date the purchasing power represented by the

CHART 41

PURCHASING POWER, IN 1913 DOLLARS,
 OF PRICE OF AVERAGE \$100 UNIT OF
 PREFERRED STOCK OUTSTANDING AT END OF YEAR^a



^a For data, see Table LXXXV.

value of the preferred stocks has been about stationary. Throughout the period, the prices of the preferred stocks of manufacturing corporations have tended to run higher than have those in any other field, although, from the beginning of 1924 to the end of 1925, the preferred stocks of electric light and power corporations occupied the primary place. As in the case of bonds, the preferred stock of street and electric railways have had the lowest values through most of the period.

The average share of preferred stock of street railway corporations was worth less than half as much at the close of the period as at the beginning, and the decline in the mining industry was almost as severe. In the other fields, a loss of something like one-third of the total value was typical of the period 1908 to 1925.

Theoretical Effect of Corporate Saving Upon Value of Industry.

The item of corporate surplus is hard to estimate because it depends in a measure on the respective valuations placed upon the property of the corporation at the beginning and at the end of the year, and, as we have previously seen, it is practically impossible to evaluate with accuracy the property of a corporation at any given date. When the price level is changing, it becomes doubly difficult for the accountant even to approximate the value of the corporate property. In very many cases—presumably, in fact, in the majority of instances—no scientific attempt is made to allow for changes in the value of the dollar. Under such circumstances, it, of course, follows that the relationship between reported corporate savings and actual corporate savings is likely to be an extremely indefinite one. When to this is added the fact that earnings actually reinvested do not necessarily enhance the value of the corporation to its owners by any corresponding amount, we need not be surprised if we find that little relationship exists between the amount of corporate savings reported by an industry and the changes in the total value of the corporations in this given industry.

Net Incomes Reported for Various Industries.

In Table LXXXVI, figures are recorded showing for all corporations combined and for those in a number of selected industries the reported net incomes. It is evident from this table, if we may judge by the published corporate records, that the manufacturing industry has been one in which large net income has been the rule year after year. True, in 1921, the factories of the country lost

TABLE LXXXVI

TOTAL NET INCOME OF CORPORATIONS
IN VARIOUS INDUSTRIES AS ESTIMATED
ON THE BASIS OF CORPORATE REPORTS

(MILLIONS OF CURRENT DOLLARS)

Year	All Industries ^a	Factories ^b	Mines, Quarries and Oil Wells ^b	Banking ^b	Railroads ^c	Transportation by Water ^b	Street Railways ^d	Electric Light and Power ^d	Tele-phones ^d
1907							\$69	\$ 38	\$ 41
1909	\$ 2,887	\$1,197	\$ 59		\$520				
1910	3,024	1,450	121		574				
1911	2,600	1,319	180		508				
1912	3,252	1,607	333		507		88	61	51
1913	3,630	1,785	406		478				
1914	2,679	1,380	244		381				
1915	4,248	2,247	287		521				
1916	8,109	3,900	728	\$381	746	\$225			
1917	10,101	5,613	885	465	663	178	82	92	59
1918	7,672	4,555	496	327	454	101			
1919	8,416	4,861	252	415	507	96			
1920	5,873	3,298	526	449	493	61			
1921	458	-101	-229	318	375	-3			
1922	4,770	2,666	6	237	460	6	74	194	97
1923	6,308	3,610	-51	185	652	10			
1924	5,363	2,799	-67	195	642	10			
1925	7,621	3,834	244	347	791	21			
1926	7,505	3,794	272	291	902				

^a Based upon *Annual Reports of Commissioner of Internal Revenue* for years before 1916, and for years since that date, upon *Statistics of Income* published by the U. S. Bureau of Internal Revenue and upon a study of the reports of a large number of sample corporations; total includes other industries than those for which estimates are here given.

^b Based upon *Statistics of Income*, published by the U. S. Bureau of Internal Revenue and upon a study of the reports of a large number of sample corporations.

^c Based upon *Statistics of Railways*, published by the Interstate Commerce Commission.

^d Based upon *Census of Electrical Industries*.

money, but, in no other year, did they fail to report an aggregate net income less than twice as great as their nearest rival industry. In the earlier years of the period, the net income of the railways was something like half as great as the net income of manufacturing corporations, but, in the later years, the ratio of factory to railway income was not two to one, but approximately five to one. The net income reported by banking corporations was large during the years 1916 to 1920, but fell off markedly thereafter until 1923, after which there was some recovery. The reported net income of

corporations engaged in the operation of mines, quarries, and oil wells had a decidedly upward trend between 1909 and 1917, but, from 1917 to 1921, the trend was just as decidedly downward, and net reported income remained either negative or negligible in amount until the end of 1924. Figures on the income of corporations engaged in transportation by water are not available for years preceding 1916. Their period of prosperity, as judged by their corporate reports, terminated with 1917, earnings thereafter rapidly declining until a low point was reached in 1921, when net income fell slightly below zero. Since that date, the figures reported show very meager incomes.

Corporate Savings as Actually Related to Gains in Value of Industries.

In Table LXXXVII we find figures showing the reported savings of corporations in the same industries covered by Table LXXXVI. These corporate savings represent the hypothetical amounts of income carried to surplus after the payment of all fixed charges and also of preferred and common dividends. Enormous amounts were thus transferred to the surplus account in the years 1916 to 1919, inclusive, the peak being represented by 6 billion dollars for 1917. Since the entire realized income of the nation in 1917 was only about 51 billion dollars, this would indicate a saving by corporations equivalent to approximately one-eighth of the total realized income of the nation. From Table LII it appears, however, that, despite this peak in nominal corporate saving, the purchasing power of the property used in the business of the United States fell off more in 1917 than in any other year for which we have a record.

Now let us look at the other side of the shield. In 1921, although, according to their reports, all the corporations in the United States, after paying their dividends, had a $2\frac{1}{2}$ billion dollar deficit, that year is shown by the record in Table LII to have been the one in which the gain in the purchasing power of property was the greatest. This strange relationship between the volume of corporate saving and the changes in the real value of the business property of the nation arouses one's curiosity and leads one to wonder whether or not there is any tendency for the accumulation of surpluses on the books of corporations to be reflected in increases in the market value of corporate property as reflected on the Exchanges.

Table LXXXVIII and Chart 42 set forth the facts in this regard. Chart 42 gives no clear evidence of any correlation between

TABLE LXXXVII

TOTAL SAVINGS OF CORPORATIONS
IN VARIOUS INDUSTRIES AS ESTIMATED
ON THE BASIS OF CORPORATE REPORTS

(MILLIONS OF CURRENT DOLLARS)

Year	All Industries ^a	Factories ^a	Mines, Quarries and Oil Wells ^a	Banking ^a	Railroads ^a	Street Railways ^a	Electric Light and Power ^a	Telephones ^a
1907						\$19	\$20	\$22
1909	\$ 1,317	\$ 577	\$-76		\$257			
1910	1,185	717	-31		279			
1911	719	520	47		220			
1912	1,281	763	176		226	22	29	22
1913	1,443	858	195		175			
1914	624	491	93		54			
1915	2,174	1,303	143		185			
1916	4,773	2,206	358	\$300	403			
1917	6,327	3,658	455	384	276	14	31	21
1918	4,128	2,695	138	240	112			
1919	5,190	3,077	45	348	169			
1920	2,762	1,573	377	341	159			
1921	-2,500	-1,647	-413	171	111			
1922	2,121	1,345	-133	61	190	24	90	35
1923	2,962	1,829	-274	3	361			
1924	1,854	1,130	-280	31	335			
1925	3,463	1,905	-26	177	468			
1926	2,741	1,655	-54	99	539			

^a Sources of information are same as those referred to in Table LXXXVI.

these two variables, for they are similar neither as regards trends or cyclical movements. It must be remembered, however, that the period covered is one in which inflation had an important part in determining the value of securities. The graphs in Chart 42 do give some indication that, when the price level is constant, heavy corporate savings are followed a year or two later by increases in the market value of the industries making the savings. The evidence is too scanty to warrant conclusions of a very definite nature.

The comparisons recorded in Table LXXXVIII between the total corporate savings and the total value of the common stock in the same industry are based upon the assumption that, since the corporate savings are the property of the common stockholders, any increase in corporate savings should be reflected in the value of

TABLE LXXXVIII

COMPARISON FOR TWO INDUSTRIES OF
INCREASES IN THE TOTAL VALUE OF THE
COMMON STOCK AND THE CORPORATE SAVINGS
AS INDICATED BY THE REPORTS TO THE STOCKHOLDERS^a
(MILLIONS OF DOLLARS)

YEAR	CURRENT DOLLARS				DOLLARS OF 1913 ^b			
	FACTORIES		MINES		FACTORIES		MINES	
	Cor- porate Savings	Value Increase	Cor- porate Savings	Value Increase	Cor- porate Savings	Value Increase	Cor- porate Savings	Value Increase
1909	\$ 577	\$3,184	\$ -76	\$ 55	\$ 612	\$3,376	\$ -80	\$ 59
1910	717	-21	-31	20	742	-21	-32	21
1911	520	1,454	47	1,081	538	1,504	49	1,119
1912	763	998	176	478	780	1,020	180	489
1913	858	-1,124	195	22	858	-1,124	195	22
1914	491	1,143	93	1,042	489	1,137	92	1,037
1915	1,303	6,657	143	1,393	1,301	6,651	143	1,392
1916	2,206	-864	358	576	2,073	-812	336	541
1917	3,658	-5,642	455	-3,070	3,045	-4,697	379	-2,556
1918	2,695	1,987	138	-611	1,948	1,436	100	-442
1919	3,077	1,779	45	-262	1,946	1,125	29	-165
1920	1,573	-5,465	377	-2,866	871	-3,027	209	-1,587
1921	-1,647	2,052	-413	1,553	-984	1,226	-247	928
1922	1,345	1,184	-133	1,055	844	743	-84	662
1923	1,829	-621	-274	-610	1,139	-387	-171	-380
1924	1,130	5,948	-280	1,801	704	3,707	-174	1,122
1925	1,905	4,913	-26	788	1,163	2,998	-16	481

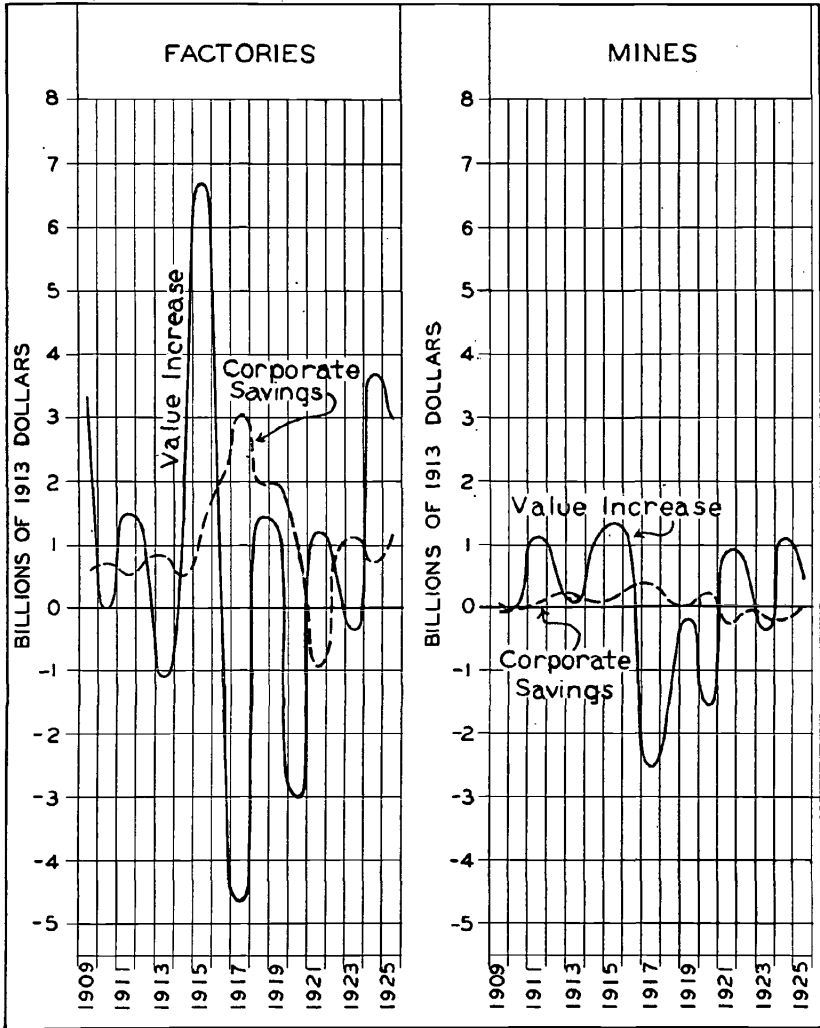
^a Based upon a study of stock prices and annual reports of a large sample of corporations in these industries.

^b Computed by dividing the various items by the appropriate price indices recorded in Table VII.

the common stock. Table LXXXIX presents a comparison of the reported corporate savings of the railways of the country and the changes in the value of preferred and common stock combined. This comparison seems to be a reasonably valid one, since many of the preferred stocks of railways have been selling well below par, and since, therefore, an increase in the corporate savings ought to increase the total value of the preferred stock as well as the total value of the common stock. An especial interest attaches to figures for the railway industry, for, in this field, all accounts are kept on forms provided by the Interstate Commerce Commission and are carefully supervised by that body. In so far, therefore, as standard

CHART 42

COMPARISON FOR TWO INDUSTRIES OF INCREASES IN THE TOTAL VALUE OF THE COMMON STOCK AND THE CORPORATE SAVINGS AS SHOWN BY REPORTS TO STOCKHOLDERS*



* For data, see Table LXXXVIII.

TABLE LXXXIX

COMPARISON OF INCREASES IN THE TOTAL VALUE OF THE CAPITAL STOCK AND THE CORPORATE SAVINGS OF RAILWAY, SWITCHING, AND TERMINAL COMPANIES^a

(MILLIONS OF DOLLARS)

YEAR	CURRENT DOLLARS		DOLLARS OF 1913 ^b	
	Corporate Savings	Stock Value Increase	Corporate Savings	Stock Value Increase
1909	\$257	\$ 554	\$272	\$ 326
1910	279	—38	289	—89
1911	220	—333	228	—404
1912	226	915	231	795
1913	175	—1,177	175	—1,329
1914	54	—793	53	—719
1915	185	1,064	185	887
1916	403	—438	379	—1,126
1917	276	—1,655	230	—2,072
1918	112	987	81	—45
1919	169	—1,129	107	—1,273
1920	159	—355	88	—312
1921	111	758	66	—127
1922	190	1,345	119	836
1923	361	41	225	1
1924	335	972	209	585
1925	468	1,368	286	725

^a Based upon a study of stock prices and upon *Statistics of Railways*, published by the U. S. Interstate Commerce Commission.

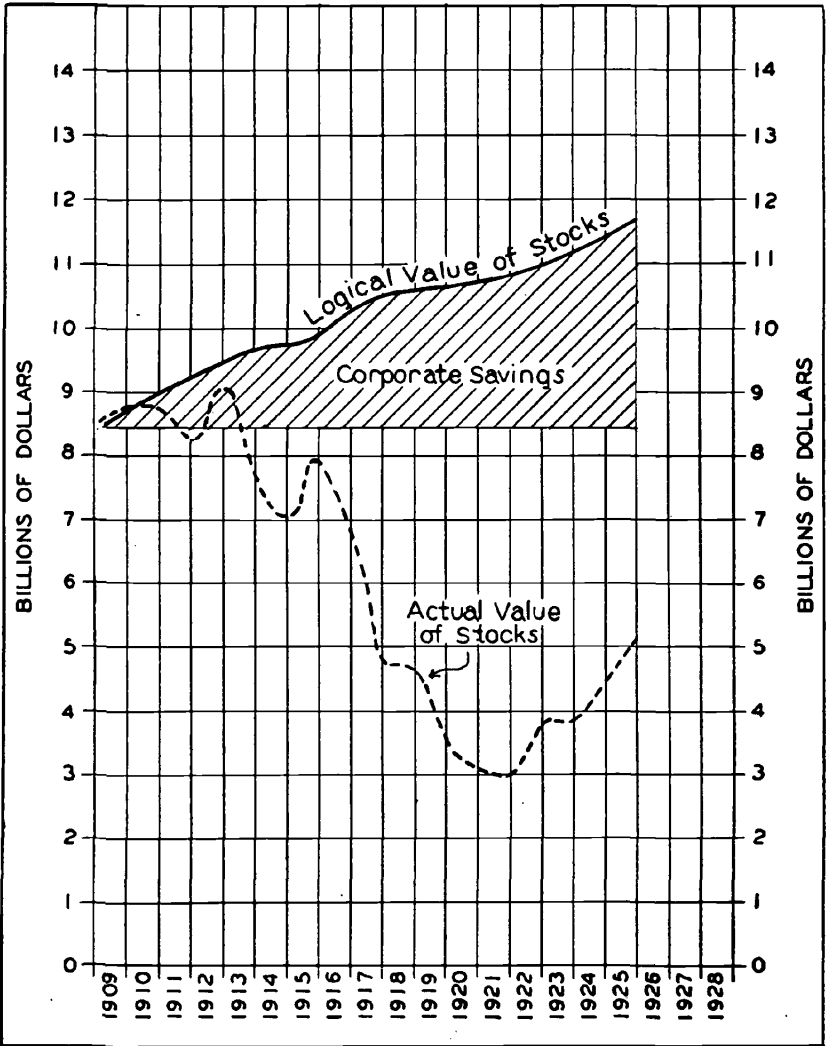
^b "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

accounting methods can be relied upon to show the facts, the figures for railway corporate savings should do so. A study of the figures indicates that the railways have carried to surplus a very considerable amount of their earnings in every one of the 17 years covered by the study. In poor years like 1914, 1918, 1920, and 1921, the amounts have fallen below 100 millions of dollars, expressed in dollars of 1913, but, in the 9 best years of the 17 reported, corporate savings have run well over 200 millions of dollars. If corporate savings resulted in corresponding increases in the value of railways to their owners, the logical result would be for the value of the stock in 1913 dollars to have increased steadily year by year.

What are the facts? The last column in Table LXXXIX makes it clear that, in only 6 years out of the 17, did the owners of railway

CHART 43

LOGICAL AND ACTUAL VALUE OF STOCKS
OF RAILWAY, SWITCHING, AND TERMINAL
COMPANIES BASED UPON CORPORATE SAVINGS
AND INCREASES IN THE TOTAL VALUE OF THE
CAPITAL STOCK^a



^a For data, see Table LXXXIX and figures for dollars of 1913.

TABLE XC

PER CENT OF THEIR NET INCOME^a
 SAVED BY CORPORATIONS IN VARIOUS INDUSTRIES
 AS ESTIMATED ON THE BASIS OF CORPORATE REPORTS^a

Year	All Industries	Factories	Mines, Quarries and Oil Wells	Banking	Railroads	Street Railways	Electric Light and Power	Telephones
1907						26.92	52.23	53.84
1909	45.61	48.19	-128.02		49.42			
1910	39.19	49.41	-25.63		48.64			
1911	27.66	39.45	26.34		43.37			
1912	39.40	47.45	52.94		44.60	25.28	47.32	42.09
1913	39.75	48.06	47.95		36.70			
1914	23.30	35.60	37.96		14.10			
1915	51.18	57.98	49.93		35.60			
1916	58.86	56.57	49.12	78.77	54.08			
1917	62.64	65.17	51.46	82.59	41.60	17.35	34.37	35.04
1918	53.80	59.17	27.75	73.39	24.68			
1919	61.67	63.29	18.02	83.81	33.29			
1920	47.03	47.69	71.83	75.94	32.13			
1921	-546.09	^b	^b	53.57	29.61			
1922	44.47	50.43	-2,226.32	25.92	41.31	32.83	46.12	36.01
1923	46.96	50.67	^b	1.52	55.29			
1924	34.57	40.37	^b	15.89	52.25			
1925	45.44	49.70	-10.48	51.10	59.23			
1926	36.52	43.62	-19.85	34.02	59.76			

^a Based upon figures presented in Tables LXXXVI and LXXXVII.

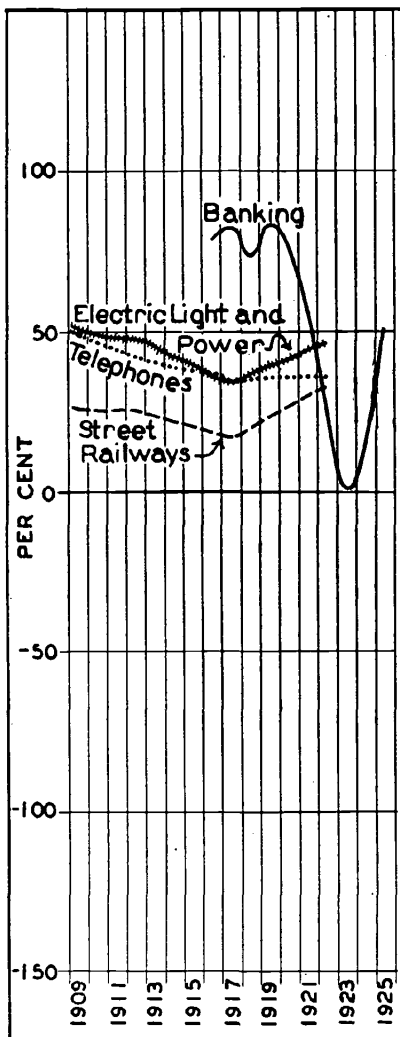
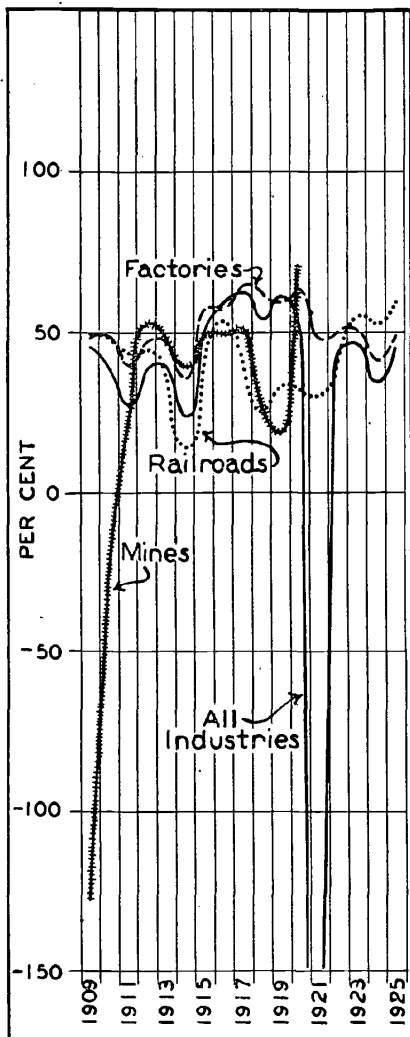
^b A deficit occurred, and the resulting negative ratio is meaningless.

^c Available for preferred and common dividends.

stocks find the total value of their securities increasing. In one year, the value was practically stationary, while, in the other 10 years, the total value declined. Furthermore, the losses in the bad years were tremendous, exceeding a billion dollars in 1913, in 1916, and in 1919, and 2 billion dollars in 1917, while in not a single year, did the gains reach a figure as high as one billion dollars. In this industry the actual earnings are as well authenticated as possible. It would seem that corporate savings ought, here if anywhere, to manifest a definite influence. Despite steady and consistent thrift on the part of the railway corporations the values have declined during most of the years covered by this study. The evidence appears to be conclusive that the normal tendency for corporate savings to add to the value of the property is very commonly nul-

CHART 44

PER CENT OF THEIR NET INCOME SAVED BY CORPORATIONS IN VARIOUS INDUSTRIES AS ESTIMATED ON THE BASIS OF CORPORATE REPORTS*



* For data, see Table XC.

lified and sometimes completely buried by the effects of other forces, such as inflation of the currency and rate regulation.

Chart 43 shows how far the actual total value of railway stocks has departed from the value which would have been attained had every dollar saved added a dollar to the value of the holdings of the railway stockholders. At the end of 1921, when one might have expected the total value to be *enhanced* by more than one-fourth, it had actually undergone a *shrinkage* of nearly two-thirds.¹

Percentage of Reported Corporate Income Saved.

A famous railway president is said to have established as one of the maxims of corporate policy, "A dollar for the stockholders and a dollar for the company." Table XC and Chart 44 are devoted to showing how well this policy has been carried out by the corporations in a number of the most important industries. Three leading industries have, on the average, fallen somewhat short of the ideal indicated by the maxim just quoted, the general tendency apparently being to save approximately 40 per cent of the reported net income. The street railway industry has not succeeded in doing as well. For the earlier years for which records are available, the banking industry showed the highest degree of thrift, but the percentage of saving therein diminished rapidly between 1919 and 1923, when it almost reached the zero mark. Since then there has been an upward tendency, and, in 1925, the banks of the nation again succeeded in laying aside half of their reported income.

The enormous percentages of deficit indicated for all industries in 1921 and for mines and quarries in 1922, are not particularly significant, for they arise merely from the fact that the deficits in the instances mentioned were sizeable, while the net income was very small.

In general, Table XC and Chart 44 must lead to the conclusion that, if American industries have not brought satisfactory rates of return to investors therein, the failure to meet expectations cannot, in most cases, be ascribed to any wide-spread tendency on the part of corporation managements to pay out to the stockholders too

¹Mr. George Soule makes the following comment:—"Dr. King seems to assume that it is normally to be expected that this percentage will not decrease, and that it was decreased only because governmental agencies were not alive to the implications of change in the price level. This language implies a judgment as to the proper theory of valuation, and therefore may not be considered impartial. It would be justified only if we approved the theory of reproduction new. If, on the other hand, the return to capital is to be limited to a return on prudent investment or the sacrifice of investors, then it would be quite normal for the percentage to decrease as prices rise."

TABLE XCI

PER CENT OF THEIR NET INCOME^c SAVED BY GROUPS OF SAMPLE CORPORATIONS
REPRESENTING THE VARIOUS BRANCHES OF MANUFACTURING AS ESTIMATED
ON THE BASIS OF CORPORATE REPORTS^b

YEAR	All Branches of Mfg.		FOOD		TEXTILES		IRON AND STEEL (Excluding Machinery)		LUMBER		LEATHER		RUBBER		PAPER AND PULP		PRINTING AND PUBLISHING		CHEMICALS	
	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent
1909	106	42.11	19	46.57	4	36.90	9	47.88	1	100.00	2	61.82	3	47.60	3	47.32	2	28.85	7	47.82
1910	122	42.38	21	35.72	5	36.24	11	49.34	1	100.00	2	-192.11	4	34.33	3	47.89	2	29.13	8	38.09
1911	124	30.40	23	22.39	5	14.94	10	23.11	2	75.42	3	-194.51	4	32.76	3	50.40	3	35.85	8	42.53
1912	150	37.85	26	42.14	7	37.09	13	26.51	3	60.07	4	60.21	4	42.25	3	52.24	3	30.26	7	27.79
1913	179	39.05	28	36.52	9	52.67	14	48.86	3	-10.65	4	28.25	7	33.83	5	31.57	4	30.55	13	37.48
1914	192	24.64	31	38.76	9	15.89	14	-10.08	3	1.42	5	20.23	7	49.26	5	53.55	4	22.06	13	48.15
1915	203	54.04	34	50.69	12	53.77	16	68.83	2	-20.95	5	40.96	7	67.49	5	59.23	4	45.94	14	55.25
1916	219	66.21	33	60.14	12	57.99	20	76.99	3	38.06	5	65.38	8	62.80	6	87.20	4	49.28	16	62.94
1917	221	56.95	33	64.39	12	63.12	21	56.27	2	56.02	5	40.28	9	69.07	6	81.44	4	52.28	16	58.01
1918	326	51.84	48	51.29	24	45.98	30	40.12	3	50.03	5	39.27	10	69.35	7	70.00	7	67.14	26	53.36
1919	352	55.08	52	53.42	28	57.90	32	42.95	3	78.72	5	60.18	12	68.97	7	63.58	7	73.75	26	37.84
1920	382	47.75	56	18.18	32	17.71	38	56.13	4	54.55	6	5	12	5.79	7	82.49	7	71.78	29	13.32
1921	389	-306.30	58	a	33	-13.15	38	-207.36	4	4	7	74.84	13	52.35	7	a	7	33.68	30	-287.16
1922	391	36.23	59	36.62	31	31.37	40	1.64	4	49.54	7	74.84	12	52.35	6	34.48	6	24.81	31	22.74
1923	384	44.53	57	43.55	31	43.16	38	52.38	4	71.34	7	1.57	12	36.77	6	34.48	6	37.38	31	36.56
1924	360	74.47	55	39.09	28	a	35	32.09	2	51.08	7	57.16	12	59.70	3	30.66	7	26.59	27	30.79
1925	375	44.96	58	28.79	32	.57	36	45.30	4	-256.35	7	59.34	13	78.95	5	41.95	7	38.41	29	39.55

^a There was a deficit and the resulting negative ratio is meaningless.

^b Based upon a study of the annual reports of the numbers of sample corporations indicated in the table.

^c Available for preferred and common dividends.

TABLE XXI—Continued

PER CENT OF THEIR NET INCOME SAVED BY GROUPS OF SAMPLE CORPORATIONS REPRESENTING THE VARIOUS BRANCHES OF MANUFACTURING AS ESTIMATED ON THE BASIS OF CORPORATE REPORTS^b

YEAR	GAS		PETROLEUM REFINING		STONE, CLAY AND GLASS		METAL OTHER THAN IRON		TOBACCO		MACHINERY		MUSICAL INSTRUMENTS		MOTOR VEHICLES		RAILWAY EQUIPMENT		SHIP-BUILDING	
	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent	No. of Corps.	Per Cent
1909	14	32.92	2	56.43	5	36.57	5	16.54	2	25.60	15	31.53	2	62.24		9	35.34	2	54.49	
1910	17	31.32	2	60.96	7	29.45	7	16.31	2	45.77	17	47.77	2			9	41.56	2	9.22	
1911	15	24.90	3	49.03	7	24.35	6	20.57	2	56.64	16	40.14	2	71.56	1	62.00	9	8.04	2	29.91
1912	18	22.46	4	50.15	7	22.15	6	50.75	6	30.67	22	49.71	2	63.09	3	74.89	10	45.59	2	39.36
1913	20	19.92	6	45.90	8	44.28	7	35.61	6	7.74	25	38.66	2	64.80	4	78.83	12	34.63	2	75.49
1914	22	21.95	6	26.53	9	16.26	9	30.09	6	16.47	27	17.84	2	55.58	6	81.58	12	-57.13	2	100.00
1915	21	23.32	7	51.09	9	15.85	9	47.92	6	18.67	29	42.70	2	59.76	7	86.90	12	38.94	2	83.44
1916	22	24.17	7	73.01	10	54.98	11	61.01	6	29.08	30	55.38	2	66.09	10	65.97	12	62.00	2	69.33
1917	22	19.01	7	49.63	10	47.32	11	42.39	6	36.92	29	60.90	1	39.55	13	78.66	12	51.28	2	77.74
1918	23	1.01	12	70.58	12	60.11	14	37.39	11	63.70	53	50.62	1	68.11	23	46.13	13	56.84	4	56.65
1919	23	-11.70	13	70.84	16	65.90	15	42.68	11	48.98	56	52.81	1	62.29	25	67.00	16	51.32	4	58.11
1920	24	-34.48	15	77.57	16	56.01	16	36.79	12	45.30	47	47.22	2	70.86	28	28.94	16	40.14	4	44.99
1921	24	-46.90	14	-6.51	16	23.68	17	-157.44	12	38.86	57	-31.15	2	-1.27	30	a	16	-49	4	-39.76
1922	26	52.52	15	51.33	15	45.81	15	44.82	12	41.76	59	24.60	2	59.26	29	50.00	16	21.39	4	-25.93
1923	26	31.63	13	36.99	15	60.50	16	42.55	12	33.75	59	35.77	2	65.51	29	59.33	16	52.32	4	-45.09
1924	25	33.20	13	50.16	15	59.24	16	34.93	12	36.22	58	39.23	2	48.09	27	37.80	13	17.88	3	18.76
1925	24	29.16	13	62.82	16	39.84	16	46.63	12	37.13	56	44.49	2	55.55	27	47.37	15	-49.41	3	-44.65

large a proportion of the net income available for dividends, for the evidence all indicates that the corporations have followed in this respect a conservative policy.

Table XCI shows the percentages of corporate income saved by sample corporations in 19 fields of manufacturing. The figures in this table are of interest in that they bring out the wide differences in policy among different industries and also the marked fluctuations from year to year in the percentages of net income carried to surplus