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INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

A STUDY

SUBMITTED BY THE

FEDERAL TRADE COMMISSION

TO THE

TEMPORARY NATIONAL ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

SEVENTY-SIXTH CONGRESS

THIRD SESSION

PURSUANT TO

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MAKE A FULL AND COMPLETE STUDY AND INVESTIGATION
WITH RESPECT TO THE CONCENTRATION OF
ECONOMIC POWER IN, AND FINANCIAL CONTROL
OVER, PRODUCTION AND DISTRIBUTION
OF GOODS AND SERVICES

PART 31—31-A

**INVESTMENTS, PROFITS, AND RATES OF RETURN
FOR SELECTED INDUSTRIES**

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PART I

DIGEST OF STUDIES OF LONG-TERM PROFITS
OF TOBACCO, STEEL, FARM MACHINERY,
SULFUR, CEMENT, AND RAYON
INDUSTRIES

17601

DIGEST OF STUDIES OF LONG-TERM PROFITS OF TOBACCO, STEEL, FARM MACHINERY, SULFUR, CEMENT, AND RAYON INDUSTRIES

The Temporary National Economic Committee assigned to the Federal Trade Commission the study of long-term profits of industries in which there is a high degree of concentration of control of the business and where monopolistic practices have been known to exist or are suspected. The study was limited to six such industries, namely: tobacco, steel, farm machinery, sulfur, cement, and rayon. However, additional industries might have been included if time permitted.

The results of the study of long-term profits of these six industries are presented in separate reports and are summarized herein. The reports deal with the investments, profits, rates of return, and other pertinent information for the important companies in each industry. Altogether seven such reports are available, of which two relate to the sulfur industry. These two reports have already been presented for the record of the Temporary National Economic Committee as exhibits 388 and 389. The reports for the six industries are as follows:

Investments, profits, and rates of return for tobacco processors.

Investments, profits, and rates of return for iron and steel manufacturers.

Investments, profits, and rates of return for manufacturers of farm implements and machines.

Financial report, including investments, profits, and rates of return for Texas Gulf Sulphur Co.

Financial report, including investments, profits, and rates of return for Freeport Sulphur Co.

Investments, profits, and rates of return for cement companies.

Investments, profits, and rates of return for rayon companies.

The period covered by the studies dates back 20 years or more. The information is presented for the principal companies as well as for a varying number of other companies, individually and by groups, in each industry. In each case the companies selected for study account for a major portion of the production or capacity of the industry: The basic information was obtained in part by questionnaire and in part from reports of the Federal Trade Commission and other published reports. For some companies, the information was obtained by field examination at their offices. The study of the cement industry was based on Federal income-tax returns.

The average annual rates of return earned on the investments by the companies representative of each industry are as follows:

Industry	Maximum number of companies ¹	Years	Rates of return on—		
			Total investment	Stockholders' investment	Common-stockholders' equity
			Percent	Percent	Percent
Tobacco processors.....	13	1917-37	16.44	18.22	21.90
Iron and steel manufacturers.....	11	1917-38	6.59	7.02	7.63
Farm machinery manufacturers.....	72	1913-37	8.10	8.44	(²)
Texas Gulf Sulphur Co.....	1	1919-38	28.75	28.75	28.75
Freeport Sulphur Co.....	1	1919-38	15.87	15.87	(²)
Cement companies.....	18	1917-38	(²)	9.99	11.04
Rayon companies.....	8	1915-38	13.99	14.18	(²)

¹ Not including companies acquired by merger or consolidation by existing companies during the period.

² Not available.

TOBACCO INDUSTRY

The 13 companies which are the subject of the report on investments, profits, and rates of return for tobacco processors produced over 97 percent of the total United States production of cigarettes in the year 1934, over 89 percent of the smoking tobacco, more than 75 percent of the chewing tobacco, and over 98 percent of the snuff. In view of these large proportions, the operating results of the 13 companies are significant for the industry. The 13 companies are as follows:

American Tobacco Co.
Liggett & Myers Tobacco Co.
P. Lorillard Co.
R. J. Reynolds Tobacco Co.
American Snuff Co.
George W. Helme Co.
United States Tobacco Co.
Porto Rican American Tobacco Co.
Brown & Williamson Tobacco Co.
Axton-Fisher Tobacco Co.
General Cigar Co., Inc.
Consolidated Cigar Co.
Bayuk Cigars, Inc.

The first eight companies listed above, together with British-American Tobacco Co., which controls Brown & Williamson Tobacco Co., were controlled by the old American Tobacco Co. when it was ordered dissolved in 1911. In May 1911 the Supreme Court of the United States found the American Tobacco Co. to be a monopoly violating the provisions of the Sherman Antitrust Act. At that time the company produced from more than 76 percent to over 96 percent of the various tobacco products, except large cigars, of which it produced nearly 14½ percent. In addition to monopoly in the manufacture of tobacco products, the company exercised control over other products, such as licorice paste used in chewing tobacco, and tinfoil, cotton smoking-tobacco bags, wooden shipping boxes, tin and pasteboard boxes, and other containers.

The history of American Tobacco Co. dates from 1890, when the company was organized as a consolidation of the five principal cigarette manufacturers, who, among them, controlled approximately 90 percent of the country's cigarette business.¹

According to the Report of the Commissioner of Corporations on the Tobacco Industry, the American Tobacco Co. soon began to extend its dominion to cover other branches of the tobacco industry. From 1894 to 1897 the company developed its plug-tobacco business by methods which succeeded in forcing its leading competitors to combine their interests with those of the American Tobacco Co. This resulted, late in 1898, in the organization, substantially under its control, of the Continental Tobacco Co. This company took over the plug-tobacco business of American Tobacco Co. and also that of several leading competitors, and shortly after its organization acquired Liggett & Myers Tobacco Co., the largest and most important plug-tobacco concern in the country. The Continental, by this and subsequent acquisitions, acquired substantial control of the plug-tobacco business of the country.

Shortly after the organization of the Continental Tobacco Co., the combination obtained control of practically all of the leading snuff concerns of the country. This led to the formation of American Snuff Co. and placed the combination in a dominant position in the manufacture of all of the important kinds of tobacco, except cigars.

The combination then turned its attention to the cigar business, at that time the most important of all of the branches, but also the most difficult in which to effect a combination. There was a very large number of small manufacturers and comparatively few large ones. Except for the cheaper type of cigars, machine production had been of little consequence. However, in 1901 the American Tobacco Co. entered extensively into the cigar business by organizing the American Cigar Co. The acquisition of the competing cigar companies by the American Cigar Co. immediately made the combination the largest single manufacturer of

¹ Report of the Commissioner of Corporations on the Tobacco Industry, pt. 3, p. 41.

cigars in the country, but it did not then possess, and never succeeded in acquiring, any large proportion of the total cigar business of the United States.

The power of American Tobacco Co. and associated companies was further greatly increased by the organization in 1901 of the Consolidated Tobacco Co., a holding company. The organization of this latter company was planned by leading interests of the combination and was the means of concentrating control within the combination. The stockholders of American Tobacco Co. and Continental Tobacco Co. were induced to exchange their common stocks for bonds of the new company bearing a fixed rate of interest. As a result, the greatly increased profits in the combination's business from the reduction in the internal-revenue tax soon afterward, which increase the stockholders generally could not foresee, accrued in large part to the advantage of the inside interests as the chief holders of the Consolidated's stock.

In 1904 the American, Continental, and Consolidated companies were merged into the present American Tobacco Co., the central concern in the combination. The present company formerly owned approximately two-thirds of the capital stock of British-American Tobacco Co., Ltd. (Imperial Tobacco Co. owning the other one-third), a majority of the stock of the American Cigar Co.,² P. Lorillard Co., United Cigar Stores Co., R. J. Reynolds Tobacco Co., MacAndrews & Forbes Co., Conley Foil Co., and a majority of the common stock (but not a majority of all voting stock) of American Snuff Co. The American Tobacco Co. also controlled directly or indirectly numerous smaller concerns and owned, in fee, various plants and properties, which for the most part had been acquired from competitors. Through American Cigar Co., the company also controlled the entire capital stock of Federal Cigar Co., one-third of the stock of Porto Rican American Cigar Co. (American Tobacco Co. also owning one-third), and a majority interest in a number of other cigar and leaf-tobacco companies.

The decree of dissolution provided that practically the entire business of American Tobacco Co. and its subsidiary and affiliated companies comprising the combination should be divided among 14 separate companies, including the American Tobacco Co. A portion of the assets and business of the combination was sold to two companies created or resurrected for the purpose, namely, Liggett & Myers Tobacco and P. Lorillard Co. The business of American Snuff Co. was divided into three parts, and the ownership of the company was detached from the control of the American Tobacco Co. American Snuff Co. retained a part of the business, while the rest was apportioned between George W. Helme Co. and Weyman-Bruton Co. (now United States Tobacco Co.), two new companies organized for this purpose.

The businesses of R. J. Reynolds Tobacco Co., British-American Tobacco Co., Porto Rican American Tobacco Co., and United Cigar Stores Co. remained intact, though their stocks, so far as held by American Tobacco Co., were distributed to the common stockholders of that company. This detached the companies from the corporate control of American Tobacco Co.

The segregation of the assets of the combination resulted in radical changes in the proportions of the various products formerly produced by American Tobacco Co. and its subsidiaries and affiliates, as compared with the business remaining with that company after its reorganization. The division of the combination's business not only involved the readjustment of the financial structure but also the distribution of brands and plants to the various companies which were to carry on the business. There also have been important changes in the proportions of the various branches of the business carried on by individual companies since that time.

There has been a marked change in the proportions of leaf tobacco used in the manufacture of cigars, cigarettes, and other tobacco products since 1910. In 1937 nearly 55 percent of the total leaf tobacco used was consumed in the manufacture of cigarettes, as compared with only 6 percent in 1910. On the other hand, leaf tobacco used in the manufacture of cigars declined from 27 percent in 1910 to less than 15 percent in 1937, and during this period leaf tobacco used in the manufacture of smoking and chewing tobacco and snuff declined from 67 percent in 1910 to 30 percent in 1937.

The four largest tobacco processors, from the standpoint of invested capital and volume of sales, are American Tobacco Co., Liggett & Myers Tobacco Co., R. J. Reynolds Tobacco Co., and P. Lorillard Co. Together, these companies in 1934

² Now known as American Cigarette & Cigar Co., subsidiary of American Tobacco Co.

sold 84.2 percent of the total United States production of cigarettes, 74.1 percent of the smoking tobacco, and 70.4 percent of the chewing tobacco. The net changes in the control of manufactured products by these four companies from 1910 (when they were units of the tobacco combination) to 1934 are as follows:

	Percentage of United States total production					
	Cigarettes		Smoking tobacco		Chewing tobacco ¹	
	1910	1934	1910	1934	1910	1934
American Tobacco Co.....	38.8	27.2	32.0	19.7	25.4	1.6
Liggett & Myers Tobacco Co.....	29.1	27.3	19.4	21.9	35.7	26.5
R. J. Reynolds Tobacco Co.....	.....	25.6	2.6	23.2	17.7	25.1
P. Lorillard Co.....	15.9	4.1	22.1	9.3	5.4	17.2
Total.....	83.8	84.2	76.1	74.1	84.2	70.4

¹ Includes plug and twist and fine-cut chewing tobacco.

Notwithstanding the shifts in the proportions of the various products manufactured by the individual companies, the only important change in the combined control of the products by the four companies was in chewing tobacco, which fell from 84.2 percent for the four companies which were units of the tobacco combination in 1910 to 70.4 percent in 1934.

With the tremendous growth in the consumption of cigarettes since the dissolution of the Tobacco Trust in 1911, these four companies have actively developed the cigarette phase of their businesses. They have been aided in the maintenance of their dominant positions in the tobacco industry by ownership of established brands and the financial resources at their command. The difficulty, uncertainty, and cost of popularizing new brands have been important deterrents to new competition.

Over 98 percent of the United States production of snuff in 1934 was produced by American Snuff Co., George W. Helme Co., and the United States Tobacco Co. This high degree of concentration of this branch of the business represents a continuation of the almost complete control of the tobacco combination which was partitioned among these three companies pursuant to the dissolution decree in 1911. The continuation of this control has been materially aided by the same factors applying to the cigarette branch of the business. The current trend toward concentration of cigar manufacture and fewer companies is due in part to the introduction of cigar-making machinery, to the gradual decrease in cigar consumption, and to the use of national and regional advertising promotion in the merchandising of this product.

In the Federal Trade Commission's report on agricultural income inquiry, it is stated at pages 550 and 551:

"The inquiry has disclosed that four brands of cigarettes dominate the cigarette industry; that the manufacturers of those brands, with minor exceptions, maintain identical prices on them; and that the prices are almost simultaneously changed upward or downward with little regard to leaf tobacco or general commodity price levels. The history of the price changes on the four leading brands demonstrates the exercise of the power concentrated in the hands of the manufacturers of those brands. The sales volume of 10-cent cigarettes indicates the existence of a popular demand for them. It is believed that competition within the cigarette industry would be increased by popular cigarettes selling in various price ranges and that new or more important competition in manufacturing would result in increased competition in the purchase of leaf tobacco. The uniform internal-revenue tax of \$3 per thousand on small cigarettes has tended to restrict the most active and substantial new competition that has manifested itself in the industry in many years. It is, therefore, recommended that Congress consider the advisability of levying a graduated tax on cigarettes in lieu of the present uniform tax. It is further recommended that the graduated scale be based upon the manufacturers' net selling prices."

Rates of return on the combined investments of all companies for which information was available are shown for each of the years 1917 to 1937 in the following tabulation. Rates of return were computed on three bases of investment; namely, the total investment, stockholders' investment, and the common stockholders' equity, before deducting provisions for Federal income and profits taxes from earnings, and after eliminating goodwill, appreciation, and other intangibles from

investments. The amount deducted from investments for such intangibles ranged from \$154,349,900 at the beginning of 1917 down to \$66,055,602 at the end of 1937. The investments on which rates of return were computed are the average of the investments at the beginning and end of each year for each company.

Year	Number of companies	Rates of return on—			Year	Number of companies	Rates of return on—		
		Total investment	Stockholders' investment	Common stockholders' equity			Total investment	Stockholders' investment	Common stockholders' equity
		Percent	Percent	Percent			Percent	Percent	Percent
1917	9	21.76	26.43	55.72	1929	13	17.41	18.85	22.26
1918	10	23.64	30.21	54.33	1930	13	18.77	20.45	23.85
1919	11	16.87	21.52	33.75	1931	13	19.08	20.56	23.72
1920	12	16.17	19.99	29.46	1932	13	17.94	19.27	21.99
1921	12	17.54	20.54	29.48	1933	13	10.07	10.59	11.50
1922	12	18.64	21.00	29.47	1934	13	13.32	14.21	15.84
1923	12	17.23	19.09	25.60	1935	13	13.40	14.26	15.52
1924	12	17.00	18.54	24.02	1936	13	15.58	16.72	18.89
1925	12	18.14	19.75	24.44	1937	13	15.12	16.21	18.29
1926	12	18.23	19.90	23.87	Average		16.44	18.22	21.90
1927	12	17.86	19.39	23.27					
1928	13	16.38	17.85	21.28					

The table shows that during the 21-year period, 1917-37, all companies as a group averaged 16.44 percent on the total investment, 18.22 percent on the stockholders' investment, and 21.9 percent on the common stockholders' equity. It will be observed that consistently high rates of return were earned on each basis of investment during each year. The lowest returns in any year were earned in 1933 when 10.07 percent was earned on the total investment, 10.59 percent on the stockholders' investment, and 11.5 percent on the common stockholders' investment. Exceptionally high rates of return were earned on each basis of investment in every other year, particularly during 1917 and 1918. While the returns for the last few years were not as high as those for the previous years, the trend has been upward.

The following tabulation compares the average annual rates of return during the years 1917-37 on each basis of investment for the individual companies, classified according to their primary functions:

	A average annual rates of return on—		
	Total investment	Stockholders' investment	Common stockholders' equity
	Percent	Percent	Percent
Manufacturers of cigarettes and other tobacco products:			
The American Tobacco Co.	17.16	17.91	24.20
Liggett & Myers Tobacco Co.	16.70	20.31	24.60
R. J. Reynolds Tobacco Co.	23.05	23.27	24.10
Total (Big Three).....	18.81	20.29	24.26
P. Lorillard Co.	10.31	16.66	14.86
Axton-Fisher Tobacco Co.	¹ 19.57	¹ 19.57	¹ 24.62
Brown & Williamson Tobacco Co.	² 8.66	² 18.95	² 21.13
Total cigarette and tobacco manufacturers.....	17.34	19.55	23.39
Cigar manufacturers:			
General Cigar Co., Inc.	12.86	13.59	16.30
Porto Rican American Tobacco Co.	³ 2.25	³ 5.57	³ 4.57
Consolidated Cigar Co.	⁴ 9.78	⁴ 9.93	12.85
Bayuk Cigars, Inc.	10.67	10.78	12.87
Total.....	9.32	9.66	10.82
Snuff manufacturers:			
United States Tobacco Co.	14.86	14.86	17.00
American Snuff Co.	19.22	19.22	26.23
George W. Helme Co.	17.36	17.36	22.31
Total.....	16.68	16.68	20.54
Total.....	16.44	18.22	21.90

¹ Annual averages for 1918-37.

² Annual averages for 1928-37.

³ Annual averages for 1920-37.

⁴ Annual averages for 1919-37.

The above table shows that as a group the manufacturers of cigarettes and other tobacco products had the highest average annual rates of return during the period under review, followed closely by the snuff manufacturers. The operations of the cigar manufacturers were very much less profitable, their returns averaging only a little over half of those for the other two groups. Their average profits were equivalent to 9.32 percent of the total investment, 9.66 percent of the stockholders' investment, and 10.82 percent of the common stockholders' equity, as compared with 17.34 percent, 19.55 percent, and 23.39 percent of the respective investments of the manufacturers of cigarettes and other tobacco products, and 16.68 percent, 16.68 percent, and 20.54 percent, respectively, for the snuff manufacturers.

The showing for all companies as a group is influenced considerably by the preponderant investments and large profits of the three largest manufacturers. For example, on the basis of total investment, the combined investments of American Tobacco Co., Liggett & Myers Tobacco Co., and R. J. Reynolds Tobacco Co. averaged nearly 70 percent of the investments of all companies combined, and over 80 percent of the investments of the companies comprising the cigarette manufacturers. The relative importance of the various groups of manufacturers from the standpoint of investment is shown as follows:

Ratios of total investment

	Annual average 1917-37	Average, 1937
Manufacturers of cigarettes and other tobacco products:	<i>Percent</i>	<i>Percent</i>
Big Three.....	67.88	68.50
Little Three.....	14.04	14.30
Total.....	81.92	82.80
Cigar manufacturers (4 companies).....	10.60	9.32
Snuff manufacturers (3 companies).....	7.48	7.88
Total.....	100.00	100.00
Combined investments.....	\$598, 300, 727	\$736, 643, 988

It will be observed that there was comparatively little change in the relative proportions of the combined investments for each group during the two periods shown in the tabulations, the decline in the 1937 proportion for the cigar companies being offset by slight increases in the proportions for each of the other groups during that year. The tabulation which follows presents a similar comparison for the individual companies within each group and shows the deviations of their relative proportions in 1937 from those based on the average of the annual investments throughout the entire period.

Ratios of total investment

	Annual average, 1917-37	Average, 1937
Manufacturers of cigarettes and other tobacco products:	<i>Percent</i>	<i>Percent</i>
American Tobacco Co.....	33.03	31.74
Liggett & Myers Tobacco Co.....	24.68	27.91
R. J. Reynolds Tobacco Co.....	25.15	23.07
Total (Big Three).....	82.86	82.72
P. Lorillard Co.....	12.32	9.03
Axton-Fisher Tobacco Co.....	1.58	1.16
Brown & Williamson Tobacco Co.....	4.24	7.09
Total.....	100.00	100.00
Combined investment.....	\$490,147,166	\$609,955,640
Cigar manufacturers:	<i>Percent</i>	<i>Percent</i>
General Cigar Co., Inc.....	37.53	35.73
Porto Rican American Tobacco Co.....	22.88	26.76
Consolidated Cigar Co.....	27.76	22.65
Bayuk Cigars, Inc.....	11.83	14.86
Total.....	100.00	100.00
Combined investment.....	\$63,389,990	\$68,612,389
Snuff manufacturers:	<i>Percent</i>	<i>Percent</i>
United States Tobacco Co.....	46.18	47.90
American Snuff Co.....	25.51	26.06
George W. Helme Co.....	28.31	26.04
Total.....	100.00	100.00
Combined investment.....	\$44,763,571	\$58,075,959

¹ Annual average, 1918-37.

² Annual average, 1928-37.

³ Annual average, 1920-37.

⁴ Annual average, 1919-37.

The above tabulation shows that the combined investments for each group in 1937 exceeded the average of the annual investments for each group during the period 1917-37. This is indicative of the general growth of the companies throughout the period under review. For example, the combined investments of the three largest companies, which account for the greater portion of the total investments for all companies, increased over 200 percent from \$165,485,477 in 1917 to \$504,588,788 in 1937. The combined investments of these three companies increased steadily from 1917 to 1933, reaching a maximum of \$560,755,492 in the latter year, then decreasing each year to \$504,588,788 in 1937.

Further indication of the relative importance and profitableness of the various companies is presented below from the standpoint of sales and operating results.

The tabulation immediately following summarizes the net sales, net income, dividend payments, and net increase in surplus for each of the 13 companies. The upper part of the table gives the total for each item for all years for which the information was available during the period 1917-37. The lower part of the table gives for each company the annual averages of the net sales, net income, dividend payments, and net income remaining after the payment of dividends.

Summary of net sales, net income, dividends, and net increase in surplus for all years within the period 1917-37, and the annual averages thereof for individual companies, functionally classified

Manufacturers of cigarettes and other tobacco products:	Years	Net sales	Net income	Dividends paid on—			Net income after dividends	Other net deductions	Net increase in surplus
				Preferred stock in cash	Common stock in cash	Common stock in stock				Total
The American Tobacco Co.	1917-37	\$4,010,995,492	\$505,150,172	\$66,401,622	\$345,239,184	\$62,757,136	\$474,307,942	\$7,809,627	\$22,942,603
Liggett & Myers Tobacco Co.	1917-37	3,985,392,987	32,355,024	32,355,024	217,711,038	11,842,750	261,408,812	473,263,137	29,165,235
R. J. Reynolds Tobacco Co.	1917-37	4,735,995,263	500,621,996	10,281,250	384,350,000	80,000,000	474,631,250	25,890,746	24,103,293
P. Lorillard Co.	1917-37	1,466,946,247	88,821,144	16,049,943	49,579,730	4,999,948	70,620,621	18,191,923	8,043,857
Brown & Williamson Tobacco Co.	1928-37	484,171,335	10,166,720	3,010,000	11,720,000		14,730,000	4,563,280	18,406,720
Aiton-Fisher Tobacco Co.	1918-37	171,732,375	9,568,290	734,195	2,885,160	1,399,500	5,018,855	4,549,435	3,969,825
Cigar manufacturers:									
General Cigar Co., Inc.	1917-37	699,959,347	52,334,713	9,497,030	33,424,255		42,921,285	9,413,428	9,030,843
Consolidated Cigar Co.	1917-37	321,015,895	27,922,164	11,279,136	9,061,839	540,000	20,880,975	7,041,189	3,862,585
Bayuk Cigars, Inc.	1917-37	229,903,074	13,921,284	3,847,732	2,445,439	358,348	6,751,519	7,169,755	2,161,567
Porto Rican American Tobacco Co.	1920-37	97,712,404	951,051		3,522,683		3,522,683	2,571,632	1,956,362
Snuff manufacturers:									
United States Tobacco Co.	1917-37	303,902,835	54,492,673	6,307,731	35,954,720	9,239,620	51,502,071	9,940,602	11,653,732
American Snuff Co.	1917-37	168,885,836	39,207,759	4,980,528	28,820,000	2,000,000	33,800,528	5,407,231	11,201,602
George W. Helms Co.	1917-37	150,699,289	39,338,697	5,581,081	29,183,715		36,764,796	2,673,801	1,397,853
Manufacturers of cigarettes and other tobacco products:									
The American Tobacco Co.	(9)	190,999,785	24,054,770	3,161,982	16,439,961	2,968,435	22,590,378	1,464,391	
Liggett & Myers Tobacco Co.	(9)	189,780,618	15,897,008	1,540,131	1,540,131		12,448,038	3,448,970	
R. J. Reynolds Tobacco Co.	(9)	225,523,584	23,834,380	4,891,553	18,302,381	3,809,523	22,601,488	2,232,892	
P. Lorillard Co.	(9)	71,283,154	4,229,678	764,283	3,260,939	238,092	3,363,310	866,293	
Brown-Williamson Tobacco Co.	(9)	48,417,133	1,016,672	301,000	1,172,000		1,473,000	456,528	
Aiton-Fisher Tobacco Co.	(9)	8,586,618	1,478,414	36,709	144,258	69,975	250,942	227,471	
Cigar manufacturers:									
General Cigar Co., Inc.	(9)	33,331,397	2,492,128	452,239	1,591,631		2,043,870	448,258	
Consolidated Cigar Co.	(9)	16,895,573	1,469,587	593,638	676,938	26,421	1,098,998	370,588	
Bayuk Cigars, Inc.	(9)	10,947,765	662,918	187,987	116,449	17,064	321,500	341,417	
Porto Rican American Tobacco Co.	(9)	6,428,466	52,836		195,704		195,704	142,868	
Snuff manufacturers:									
United States Tobacco Co.	(9)	14,471,663	2,594,889	300,368	1,712,129	439,981	2,452,479	142,409	
American Snuff Co.	(9)	8,042,182	1,867,036	237,168	1,372,381		1,609,549	257,487	
George W. Helms Co.	(9)	7,176,156	1,873,266	263,765	1,389,700	95,238	1,730,704	122,862	

1 Includes \$40,764,710 for goodwill and other intangibles written off.
 2 Includes \$6,000,000 of dividends paid in 6 percent unsecured notes.
 3 Denotes deficit.
 4 Net addition. Includes paid-in surplus through release of indebtedness of \$23,790,000 by stockholder, British American Tobacco Co.
 5 Net additions.
 6 Annual average.

The table shows that American Tobacco Co., Liggett & Myers Tobacco Co., and R. J. Reynolds Tobacco Co. were also the largest from the standpoint of sales. During the 21 years 1917-37, the sales of the Reynolds Co. were largest, amounting to nearly 4½ billion dollars, followed by American Tobacco Co., with a little over \$4,000,000,000, and Liggett & Myers with nearly \$4,000,000,000 of sales. It will be noted that in the order of profits American Tobacco Co. was first with a little over one-half billion dollars, followed closely by the Reynolds Co. with almost the same amount, and Liggett & Myers with one-third of a billion. These profits represent the net income after providing for all of the costs of doing business, including provisions for Federal income and profits taxes.

American Tobacco Co. and R. J. Reynolds Tobacco Co. each paid out about the same amount in dividends during the period. American Tobacco Co. paid out a total of \$474,397,942, as compared with \$474,631,250 for the R. J. Reynolds Co. The total for Liggett & Myers was \$261,408,812. After taking into account other charges to surplus, the net increase in surplus during the period was \$22,942,603 for American Tobacco Co., \$29,165,235 for Liggett & Myers Tobacco Co., and \$24,103,293 for R. J. Reynolds Tobacco Co. These net increases, together with the amounts for dividends paid in common stock on common stock, reflect earnings retained in the business by each company in the amount of \$85,699,739 for American Tobacco Co., \$40,507,985 for Liggett & Myers Tobacco Co., and \$104,103,293 for R. J. Reynolds Tobacco Co. The comparatively smaller amount for Liggett & Myers is accounted for by the fact that the company reduced the value at which it had been carrying goodwill and other intangibles on its balance sheet to \$1 by charges to surplus of \$40,709,710 in 1929 and \$55,000 in 1935.

The reinvested earnings contributed importantly to the growth of each of the three companies. During the period under review they amounted to nearly 80 percent of the net increase in capitalization of American Tobacco Co. and about 90 percent of the net increase for R. J. Reynolds Tobacco Co. For Liggett & Myers Tobacco Co. they amounted to nearly half the net increase before any adjustments for goodwill, appreciation, and other intangibles prior to the time they were written off by the company as explained above.

Throughout the period under review the annual sales of the three largest companies averaged 73 percent of the sales for all companies and 88 percent of the combined sales of the manufacturers of cigarettes and other tobacco products. The relative importance of the various groups of manufacturers from the standpoint of sales is shown by the following tabulation, which compares the sales for each group in 1937 with the average of the annual sales for the years 1917 to 1937, inclusive:

Ratios of sales

	Annual average, 1917-37	Total, 1937
	Percent	Percent
Manufacturers of cigarettes and other tobacco products:		
Big Three.....	72.97	73.93
Little Three.....	15.44	18.37
Total.....	88.41	92.30
Cigar manufacturers (4 companies).....	8.02	4.74
Snuff manufacturers (3 companies).....	3.57	2.96
Total.....	100.00	100.00
Combined sales.....	\$830,883,994	\$1,063,327,917

It will be noted that there was comparatively little change in the relative proportions of the combined sales of the three largest companies in the two periods shown in the tabulation, but the 1937 proportion of the combined sales of the three smaller manufacturers of cigarettes and other tobacco products was somewhat higher than their proportion based on the average of the annual sales throughout the period. The sales of the manufacturers of cigarettes and other tobacco products amounted to 92.3 percent of the total sales of the companies in all groups during the year 1937, as compared with 88.41 percent of the average for the years 1917-37. On the other hand, the sales for each of the groups of cigar and snuff manufacturers were proportionately smaller in 1937 than for the entire period. The tabulation which follows presents a similar comparison for the individual companies within each group and shows the deviations of their relative proportions

in 1937 from those based on the average of the annual sales throughout the period 1917-37.

Ratios of sales

	Annual average 1917-37	Total 1937
Manufacturers of cigarettes and other tobacco products:	<i>Percent</i>	<i>Percent</i>
American Tobacco Co.....	26.00	24.72
Liggett & Myers Tobacco Co.....	25.84	24.50
R. J. Reynolds Tobacco Co.....	30.70	30.88
Total (Big Three).....	82.54	80.10
P. Lorillard Co.....	9.70	7.74
Brown & Williamson Tobacco Co.....	16.59	10.20
Axton-Fisher Tobacco Co.....	1.17	1.96
Total.....	100.00	100.00
Combined sales.....	\$734,590,892	\$981,506,371
Cigar manufacturers:	<i>Percent</i>	<i>Percent</i>
General Cigar Co., Inc.....	50.04	43.10
Consolidated Cigar Co.....	25.37	21.83
Bayuk Cigars, Inc.....	16.44	32.48
Porto Rican American Tobacco Co.....	8.15	2.59
Total.....	100.00	100.00
Combined sales.....	\$66,603,201	\$50,399,958
Snuff manufacturers:	<i>Percent</i>	<i>Percent</i>
United States Tobacco Co.....	48.75	57.21
American Snuff Co.....	27.09	24.03
George W. Helme Co.....	24.17	18.76
Total.....	100.00	100.00
Combined sales.....	\$29,689,901	\$31,421,588

¹ Annual average, 1928-37.

² Annual average, 1918-37.

³ Annual average, 1919-37.

⁴ Annual average, 1920-37.

Costs, expenses, and profits per dollar of net sales were substantially the same in 1937 as for the entire period 1917-37. The significant ratios, expressed in cents per dollar of net sales, for the various groups for each period are summarized as follows:

Ratios of sales

	Operating costs and expenses	Profits applicable to total investment ¹	Net income ²
	Average, 1917-37		
Manufacturers of cigarettes and other tobacco products:	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Big Three.....	88.17	12.60	10.52
All companies ³	88.87	11.85	9.73
Cigar manufacturers ⁴	91.04	8.87	7.05
Snuff manufacturers ⁵	79.10	25.15	21.34
	Year 1937		
Manufacturers of cigarettes and other tobacco products:			
Big Three.....	88.89	11.66	9.70
All companies ³	90.28	10.12	8.31
Cigar manufacturers ⁴	91.81	8.34	6.39
Snuff manufacturers ⁵	79.95	24.88	21.49

¹ Before provisions for interest payments on long-term debt and Federal income and profits taxes.

² After provision for interest on long-term debt and Federal income and profits taxes.

³ 6 companies.

⁴ 4 companies.

⁵ 3 companies.

As shown above, the margins of profits in relation to sales were outstanding for the snuff manufacturers. Throughout the period under review their margin of net income of 21 cents out of every dollar of net sales was twice that of the three largest cigarette manufacturers as a group and three times that of the cigar manufacturers. However, despite this showing in comparison with the margins for the other groups, their profits in relation to investment were somewhat smaller than those of the cigarette companies but nearly twice those of the cigar companies and indicates that the volume of business done per dollar of investment was much lower than for the other groups.

The relationship of the above factors is interestingly brought out in the following tabulation which shows for each group the total investment, sales, ratio of sales to investment, or capital turn-over, and the manner in which the profits per dollar of net sales applicable to the total investment is related, through the turn-over, to rates of return on the investment. The upper part of the tabulation gives the information on the basis of the average of the annual investment and sales for 1917-37, and the lower part of the table gives the information for the year 1937 alone.

Correlation of capital turn-over to rates of return

	Total invest- ment	Net sales	Rate of capital turn-over in terms of sales	Profit per dollar of sales	Rate of return on invest- ment
Average, 1917-37					
Manufacturers of cigarettes and other to- bacco products:			<i>Times</i>	<i>Cents</i>	<i>Percent</i>
Big Three	\$406, 136, 489	\$606, 303, 987	1.49	12.60	18.81
All companies ¹	490, 147, 166	734, 590, 892	1.50	11.85	17.34
Cigar manufacturers ²	63, 389, 990	66, 603, 201	1.05	8.87	9.32
Snuff manufacturers ³	44, 763, 571	29, 689, 901	.66	25.15	16.68
Year 1937					
Manufacturers of cigarettes and other to- bacco products:					
Big Three	\$504, 588, 788	\$786, 147, 107	1.56	11.66	18.17
All companies ¹	609, 955, 640	981, 506, 371	1.61	10.12	16.29
Cigar manufacturers	68, 612, 389	50, 399, 958	.73	8.34	6.12
Snuff manufacturers	58, 075, 959	31, 421, 588	.54	24.88	13.46

¹ 6 companies.

² 4 companies.

³ 3 companies.

The capital turn-over reflects the time required for the sales to equal the investment. On the average, the sales of the three largest companies as a group equaled the amount of their investment about once every 8 months as compared with once every 11 months for the cigar companies and once every 18 months for the snuff companies. The tabulation shows the influence of the rapidity of turn-over on the rates of return on investment when related to margins of profits on sales. For example, twice the margin of profit was required for the slower moving products of the snuff companies than for the three largest companies in order to produce comparable rates of return on investment.

Large cash salaries and bonuses were received by the executives of some of the companies in this profitable industry, particularly by those of American Tobacco Co. During the years 1935-38, the three highest-paid officers of this company received an average total compensation of \$600,000 per annum. This amount was two and one-half times the next largest amount paid by Liggett & Myers Tobacco Co., and from about four to nearly six times the average amount paid by most of the other companies. The following tabulation shows the aggregate

compensation received by the three highest-paid officers of each company for which the information was available during the years 1935-38:

Aggregate compensation¹ received by the 3 highest paid officers during the years 1935-38

	1935	1936	1937	1938	Average
American Tobacco Co.....	\$423,237	\$497,607	\$794,146	\$685,016	\$600,001
Liggett & Myers Tobacco Co.....	203,020	280,449	251,134	241,519	244,030
R. J. Reynolds Tobacco Co.....	145,000	145,000	143,750	175,000	152,187
P. Lorillard Co., Inc.....	132,500	110,000	95,000	90,000	106,875
Axton-Fisher Tobacco Co.....	20,125	39,855	36,000	66,393	40,593
General Cigar Co.....	150,364	119,757	73,808	76,000	104,982
Porto Rican American Tobacco Co.....	89,666	66,000	66,000	51,063	68,182
Consolidated Cigar Corporation.....	135,500	107,375	114,666	102,100	114,910
Bayuk Cigars, Inc.....	79,851	118,479	116,205	146,447	115,245
United States Tobacco Co.....	146,851	191,670	154,872	151,609	161,250
American Snuff Co.....	112,240	103,210	115,000	108,891	109,835
George W. Helme Co.....	143,409	129,716	108,645	115,510	124,320

¹ Includes cash salaries and bonuses.

The highest-paid individual officer of any of the companies named in the above tabulation was the president of American Tobacco Co., followed by the president of Liggett & Myers Tobacco Co. and by the chairman of the board of R. J. Reynolds Tobacco Co. Although these three companies are of about the same relative importance and size, American Tobacco Co. paid its president, George W. Hill, an average of \$292,624 during the years 1935-38. This amount is more than three times the average compensation of \$86,899 received by the president of Liggett & Myers Tobacco Co. during these years, and more than four times the average amount of \$72,500 received by the chairman of the board of Reynolds Tobacco Co.

During each of the years 1935-38, the total compensation received by George W. Hill, president of American Tobacco Co., was \$212,199 in 1935, \$246,173 in 1936, \$380,976 in 1937, and \$331,348 in 1938. These amounts while large do not compare with the compensation he received from the company in some of the earlier years. For instance, in 1929, he received \$605,613; in 1930, \$1,010,567; and in 1931, \$1,051,630. The huge salaries and bonuses received by Mr. Hill and other officers of the company, together with other emoluments received by them under an "employees' stock subscription plan," gave rise to a series of stockholders' suits. These suits were instituted in 1931 by Richard Reid Rogers, a stockholder of the company, who complained that for many years the officers of the company had received large annual fixed salaries as well as large annual cash, profit-sharing bonuses paid under a bylaw adopted in 1912. He maintained that the bylaw was invalid and that even if valid the amounts paid in accordance with its provisions were unreasonably large and therefore subject to revision by the courts.

Rogers also sought to restrain the company from issuing stock pursuant to the "employees' stock-subscription plan." Under this plan which was adopted at a stockholders' meeting on July 30, 1930, 56,712 shares of unissued common stock B of the corporation were distributed in accordance with the recommendations made by the president of the company. Of this number, 32,370 were allotted to the officers and directors, of which 13,440 shares, or 24 percent, of the total were allotted to the president. The remaining 24,342 shares were allotted in relatively small amounts to 525 employees. The subscription price was the par value of the stock, \$25 a share. On June 28, 1931, when the allotment of stock was made, its market price was \$112 per share, more than four times the subscription price. Valuing the subscription privilege by the difference between the subscription price and the market value of the stock, Hill received by the allotment \$1,169,280 in addition to his annual compensation of more than a million dollars in that year. The stock-subscription rights awarded the five vice presidents of the company, similarly valued, amounted to \$1,451,595.

The stockholders' suits were carried to the Supreme Court of the United States, which reversed the decree of the circuit court of appeals and remanded the case to the district court of New York.

According to the New York Times of July 14, 1933, litigation over the bonuses and stock allotments ended July 13 when compromise settlements were reached. Under the settlements it was stated that the allotment of American Tobacco Co.'s stock to officers and employees was to be rescinded and the profit-sharing

plan under which bonuses had been paid to the officers of the company was to be modified.

Former Judge Martin T. Manton, who wrote the decisions by the circuit court of appeals favoring the company and its officers in these suits, was convicted in June 1939 of the charge of conspiracy to sell justice and was sentenced to 2 years in jail and fined \$10,000. According to the press, Manton testified that while the suits were pending in his court he approached Louis Sampter Levy, formerly of the law firm of Chadbourne, Stanchfield & Levy, counsel for the tobacco company in the suits, for a loan of \$25,000 and subsequently received the better part of a loan in 10 times that amount from Lord & Thomas, advertising agents for American Tobacco Co., through James J. Sullivan, an associate in some of his business ventures. It was also stated that Albert D. Lasker, president of Lord & Thomas, declared that he provided the \$250,000 for the loan at the request of Levy and Paul M. Hahn, attorney and vice president of American Tobacco Co., unaware of the true nature of the loan and with the understanding that it would be repaid by American Tobacco Co. This loan was never repaid.

These revelations led to disbarment proceedings against Levy and Hahn and, according to the New York Times of November 15, 1939, Judge John C. Knox directed that Levy be disbarred from practice before the Federal bar.

STEEL INDUSTRY

The price relationships existing in the steel industry through the basing-point system and other evidence of monopolistic practices are a matter of record before the Temporary National Economic Committee. Therefore, the summary deals only with the financial aspects of the inquiry into this industry.

The report on investments, profits, and rates of return for iron and steel manufacturers presents information concerning the operations of 11 companies, which supply the bulk of the demand for iron and steel products. Their operations constitute integrated systems from raw material to finished product and include the production of iron ore, pig iron, coal, limestone, crude steel, castings, and a great variety of semifinished and finished steel products. These companies own 84 percent of the steel making capacity of the country. The annual capacity in gross tons for each company and its subsidiaries and the percentage of each company's capacity of the total for the industry are as follows:

Name of company	Annual capacity ¹	Percent of total for industry
United States Steel Corporation.....	25,790,000	35.31
Bethlehem Steel Corporation.....	10,042,000	13.75
Republic Steel Corporation.....	6,500,000	8.90
Jones & Laughlin Steel Corporation.....	3,671,200	5.03
National Steel Corporation.....	3,400,000	4.65
Youngstown Sheet & Tube Co.....	3,120,000	4.27
Inland Steel Co.....	2,760,000	3.78
American Rolling Mill Co.....	2,603,500	3.56
Wheeling Steel Corporation.....	1,750,000	2.39
Otis Steel Co.....	872,000	1.19
Pittsburgh Steel Co.....	810,000	1.11
Total.....	61,318,700	83.94

¹ Annual capacities in gross tons of steel ingots and steel for castings as reported for the industry in the 1938 edition of the Iron and Steel Works Directory of the United States and Canada. Total capacity for the industry reported to be 73,047,892 gross tons.

As shown above, the production capacity of United States Steel Corporation is two and one-half times as large as that of the next largest company, Bethlehem Steel Corporation. In terms of capacity and production, United States Steel Corporation has dominated the industry since its formation in 1901. At that time it produced about 43 percent of the pig-iron production of the country, 65 percent of the production of steel ingots and castings, and 50 percent of the production of all kinds of finished roll products. Although the corporation has increased both its productive capacity and investment since that time, its participation in the industry with respect to production has steadily declined, however, particularly with regard to steel ingots and castings. For example, by 1933, its participation in the industry had fallen to 33 percent of the production of steel ingots and castings and 29 percent of the production of finished rolled products.

According to the Report of the Commissioner of Corporations on the Steel Industry,³ the formation of United States Steel Corporation was the culmination of a consolidation movement which was begun in the late nineties. Great consolidations, one after the other, were effected in the principal branches of the industry. This movement toward industrial centralization was characterized by the restriction of competition through combination, the integration of productive processes through acquisition under one control of raw materials and manufacturing plants, and the creation of large amounts of inflated securities and attendant promotional profits.

According to the report, the three great companies dominating the production of crude and semifinished steel at the time of the organization of the United States Steel Corporation were the Carnegie Co., Federal Steel Co., and National Steel Co. Six other large concerns—American Steel & Wire Co., American Sheet Steel Co., American Tin Plate Co., American Steel Hoop Co., American Bridge Co., and National Tube Co.—controlled the lighter finished products. Not one of these companies was entirely self-sufficient. The secondary group was dependent upon the primary group for its crude steel, and the primary group was largely dependent upon the secondary group for a market for its products.

These great concerns almost simultaneously began a movement for self-sufficiency. The secondary group began acquiring ore reserves and crude-steel plants; and the primary group, finding their chief customers turning into rivals, began the manufacture of finished products. These efforts toward integration threatened to result in great duplication of steel producing and finishing capacity of the country and to involve them also in the invasion of each other's business. In 1900 the Carnegie Co. threatened to erect a great tube plant near Cleveland, thus invading the field of finished manufacture. Steel men and associated financial interests regarded this situation as dangerous and efforts were begun to merge the conflicting interests into a great corporation and avert a threatened "steel war." This led to the formation of United States Steel Corporation with a total capitalization of over \$1,402,000,000 to acquire the capital stocks of the following companies and to provide it with working capital:

Carnegie Co.
 Federal Steel Co.
 National Steel Co.
 American Steel Wire Co.
 American Sheet Steel Co.
 American Tin Plate Co.
 American Steel Hoop Co.
 American Bridge Co.
 National Tube Co.
 Shelby Steel Tube Co.
 Lake Superior Consolidated Iron Mines.

The report of the Commissioner of Corporations also states that the actual value of the United States Steel Corporation's entire tangible properties at its formation was not more than \$700,000,000, or about one-half its capitalization. The report also states that enormous profits were made from the flotation of securities of the new company. The underwriting syndicate alone, of which J. P. Morgan & Co. were the managers, cleared a cash profit of about \$62,500,000.

The company and its subsidiaries constitute a highly integrated unit from ore to finished products. Through its subsidiaries, the company owns vast natural resources including coal, limestone, and high-grade iron ore. It operates railroads, shipyards, and steamship lines. It manufactures all kinds of iron and steel products and cement, with emphasis on the ordinary open-hearth trade steel for the railroad construction and other capital goods industries. It is also engaged in the fabrication of a wide variety of finished products including bridges, ships, barges, railroad, and oil-well equipment. The principal producing center has always been in Pittsburgh, but important plants are also located in Gary, Cleveland, Youngstown, Chicago, Birmingham, San Francisco, and Milwaukee.

Since its organization, United States Steel Corporation has continued to act solely as a holding company and has acquired numerous competing and other concerns of which the more important were Union Steel Co. in 1902, Clairton Steel Co. in 1904, Tennessee Coal Iron & Railroad Co. in 1907, and Atlas Portland Cement Co. and Columbia Steel Co. in 1930.

Bethlehem Steel Corporation, the second largest company in the industry, had particularly rapid growth during and immediately following the World War.

³Pt. 1, 1911.

This company was organized in 1904 to acquire control of a number of companies engaged in shipbuilding and the manufacture of ordnance and specialty steel products. Charles M. Schwab, who was one of the organizers of United States Steel Corporation promoted the organization of Bethlehem Steel Corporation. For some years prior to the formation of Bethlehem he desired to go into the steel business on his own account and the acquisition of the capital stocks of one of the constituent companies in 1901 gave him the opportunity.

Bethlehem Steel Corporation has since become a thoroughly integrated concern from raw materials to finished products through the acquisition of numerous iron ore, coal, and limestone deposits and competing iron and steel and shipbuilding companies. Among other acquisitions, the company acquired control of Pennsylvania Steel Co. and Baltimore Sheet & Tin Plate Co. in 1916. During 1921, 1922, and 1923, it also acquired a number of important companies including Baltimore Drydocks & Shipbuilding Co., Lackawanna Steel Co. and Midvale Steel & Ordnance Co. and its subsidiary, Cambria Steel Co.

The company and its subsidiaries own extensive raw-material resources, together with manufacturing properties, railroads and fleets of ocean and lake steamers. The business includes the manufacture of all kinds of iron, steel, and related products. It also includes the fabrication and erection of steel for buildings, bridges, and other structures, the construction of railroad cars for passenger and freight transportation and the building and repairing of naval and commercial vessels. Producing plants are located in Pennsylvania, Maryland, New York, Washington, and California. Important steel fabricating works are located in Pennsylvania, New York, New Jersey, Illinois, and California. Shipbuilding and ship repair plants are located at Baltimore and Sparrows Point, Md.; Boston, Quincy and Braintree, Mass.; and San Francisco, Alameda, and San Pedro, Calif.

Like the United States Steel Corporation, the bulk of Bethlehem's business has always been in steels for the railroad and building industries.

Republic Steel Corporation, the third largest company in the industry, has had a particularly rapid growth through acquisition of competing companies since its organization in 1930. This company had its beginning in 1899 as Republic Iron & Steel Co. In 1930 the latter company and four other large companies—Central Alloy Steel Corporation, Donner Steel Co., Berger Manufacturing Co., and Bourne-Fuller Co.—were merged to form Republic Steel Corporation. Among the more important acquisitions of Republic Steel Corporation, since that time were the Corrigan, McKinney Steel Co., Newton Steel Co., and Truscon Steel Co. in 1935; Canton Tin Plate Corporation in 1936; and Gulf States Steel Co. in 1937.

The corporation and its subsidiaries is fairly well integrated and owns large coal and iron reserves, the latter in both the Lake Superior and Birmingham districts. Its principal plants are located in Cleveland, Youngstown, Warren, Niles, and Canton, Ohio; Buffalo, N. Y.; Chicago, Ill.; and Birmingham, Ala. The company and its subsidiaries are largely producers of alloy steels and among the leaders in capacity for stainless steel production. They rank high in the production of tin plate but have little or no capacity in heavier steels such as rails and structurals. Their largest single customer is the automobile industry.

Jones & Laughlin Steel Corporation is the fourth largest steel producer in the country and with its subsidiaries forms an integrated system with works at Pittsburgh and Alquippa, Pa., coal properties on the upper Monongahela River and interests in iron ore, steamship, and railroad properties. Although the company manufactures a diversified line of iron and steel products, its major product is pipe, structural, and railway steel. The company was incorporated in Pennsylvania in 1922 as successor to Jones & Laughlin Steel Co. which had been incorporated in Pennsylvania in June 1902 as successor to the former partnership of Jones & Laughlin, Ltd., established in 1850.

The National Steel Corporation, the fifth largest company, was incorporated in 1929 as a holding company. It acquired capital stocks giving control of Weirton Steel Co., Great Lakes Steel Corporation and certain subsidiaries of the M. A. Hanna Co. which owned large ore reserves in the Lake Superior district, freighters for the transportation of the ore and plants for the manufacture of iron and steel. The acquisition of these companies together with erection of a large plant in the Detroit industrial area make National Steel a well-integrated unit ranking fifth in ingot capacity and about third in the production of tin plate. Its plants in the Detroit area produce steel bars, strip, sheets, and related products while its other main plant at Weirton, W. Va., produces primarily tin plate and "heavy" steel, such as shapes, plates, and structural steel. The company does a substantial business with the automobile industry.

Youngstown Sheet & Tube Co., the sixth largest company, had its beginning in 1900 as Youngstown Iron Sheet & Tube Co., the name of which was changed to the present title in 1905.

About two-thirds of the capacity is centralized in the Youngstown district of Ohio and the remainder in the Chicago area. The company is well integrated and controls substantial coal, iron ore, and limestone reserves. The company produces a diversified line of steel products and has expanded its business in recent years into the "light" steel lines, notably in sheet and strip steel for the automobile and household equipment industries.

Inland Steel Co. has been the most profitable of any of the companies under review. This company was established in 1893. It is fully integrated with operations varying from the production of raw material requirements to the fabrication and distribution of finished products. The principal ore and steel-producing properties are located along the southern shore of Lake Michigan and Indiana Harbor, Ind., in the Great Chicago-Gary industrial area. The company is equipped to manufacture a diversified line of products. It is estimated that approximately 60 percent of the finished steel products capacity is available for the production of so-called "light" products such as sheets, strip, tin plate, bars, etc., and 40 percent is available for the production of the so-called "heavy" products, such as shapes, plates, rails, etc. In recent years the company has expanded its operations through a program of construction of plant and facilities and the acquisition of the capital stocks giving control of other companies, notably Joseph T. Ryerson & Son, Inc., Chicago, Ill., fabricators and distributors of steel products and Milcor Steel Co., Milwaukee, Wis., manufacturers and fabricators of miscellaneous building materials from steel sheets.

American Rolling Mill Co., which was incorporated in 1917, specializes in producing high-quality steel, iron sheets, and light plates. It has little or no capacity for heavy products such as rails and structurals. Its main outlet is the automobile industry while other important consumers include jobbers and the road construction, refrigerator and electrical equipment industries. Fully integrated plants are located in Ashland, Ky., on the Ohio waterway and Middletown, Ohio, near Cincinnati. Finishing mills are located in the Pittsburgh district and at Kansas City.

Wheeling Steel Corporation was organized in 1920 to consolidate the properties of a number of old-established companies. It is one of the small but well integrated units in the steel industry. It owns 14 manufacturing plants along the Ohio River Valley in the States of West Virginia and Ohio; iron ore properties in Minnesota; interests in Great Lakes steamers; coal properties in Pennsylvania, West Virginia, and Ohio; and interests in railroad and river transportation. It is reported that more than 70 percent of the corporation's output in recent years has consisted of sheets, tin plate, and strips. The company's largest customer is the automobile industry which takes from 20 to 25 percent of the total output.

Otis Steel Co. was incorporated in 1912 to acquire the property and assets of an English corporation of the same name registered in 1895. The company's plants are well located geographically on lake and river frontage in Cleveland permitting transportation by water of raw materials and of finished steel to Detroit and other points. The company specializes in the manufacture of automobile steel and sells about one-half of its finished output to the automobile industry. About 17 percent of the company's capacity is in structural and other heavy steels.

Pittsburgh Steel Co., the smallest company for which financial information is presented, was organized in 1901. The company and its subsidiaries engage chiefly in the manufacture and sale of pig iron and a wide variety of semifinished and finished steel products. Plants are located along the Monongahela River and the company controls coal and iron ore reserves and through its subsidiaries operates a railroad and fleet of barges.

Rates of return on the combined investments of all companies under review are shown below for each of the years 1917-38, on three bases of investment, namely, the total investment, stockholders' investment, and common stockholders' equity, before deducting provisions for Federal income and profit taxes from earnings and after eliminating appreciation and other intangibles from investments. The aggregate amount of appreciation and other intangibles deducted from investments range from \$580,098,176, in 1917, down to \$268,565,845 in 1937 and \$18,337,800 in 1938. On the average, about 85 percent of the appreciation pertained to United States Steel Corporation. The amounts applicable to the United States Steel Corporation ranged from \$522,609,129 in 1917 down to \$249,583,149 in 1937. In 1938, the company wrote off all but \$1 of the latter amount. The bulk of the remainder of appreciation pertained to Bethlehem

Steel Corporation and Republic Steel Corporation. The maximum amounts of intangibles applicable to these companies were \$14,083,793 for Bethlehem, and \$32,996,728 for Republic.

Year	Number of companies	Rates of return on			Year	Number of companies	Rates of return on—		
		Total investment	Stockholders' investment	Common stockholders' equity			Total investment	Stockholders' investment	Common stockholders' equity
		Percent	Percent	Percent			Percent	Percent	Percent
1917	9	31.86	46.17	63.85	1929	10	11.53	13.17	14.91
1918	9	21.95	29.51	37.36	1930	11	5.47	5.50	5.13
1919	10	9.75	11.74	13.39	1931	11	5.58	1.27	1.05
1920	10	11.52	14.26	16.83	1932	11	12.96	14.50	17.54
1921	10	3.12	2.23	.42	1933	11	11.03	12.21	14.78
1922	10	4.20	3.78	2.51	1934	11	.41	1.50	12.64
1923	10	8.68	10.09	11.02	1935	11	2.42	1.86	.39
1924	10	6.45	6.91	6.61	1936	11	5.52	5.72	5.44
1925	10	7.34	8.18	8.56	1937	11	8.16	9.02	9.76
1926	10	8.77	10.10	11.08	1938	11	.90	.02	12.06
1927	10	6.72	7.22	7.26	Average		6.59	7.02	7.03
1928	10	8.27	9.29	10.08					

¹ Denotes loss.

The tabulation indicates that profits were earned on each basis of investment in all years prior to 1931 and high returns were earned during the years 1917-20 and again in 1929, although substantial returns were earned during the intervening years. Losses sustained during the depression years and the relatively small profits earned in most of the succeeding years were such that the results of operations were decidedly less favorable as a whole since the beginning of 1931 than for the period prior thereto. For example, the average return on the total investment for the years 1917-30 was 9.87 percent as compared with 1.68 percent for the years 1931-38. The average return of 6.59 percent for all years on this basis of investment was higher than for any year during the latter period, except in 1937, when 8.16 percent was earned. It will be noted that while the trend in earnings was upward following 1932, there was a sharp reversal in 1938 when only nine-tenths of 1 percent was earned on the total investment.

The following tabulation compares the average annual rates of return during the years 1917-38 on each basis of investment for individual companies and their subsidiaries:

	Total investment	Stockholders' investment	Common stockholders' equity
United States Steel Corporation	Percent 7.33	Percent 7.97	Percent 8.31
Bethlehem Steel Corporation	4.53	4.09	3.29
Republic Steel Corporation	3.84	3.14	1.58
Jones & Laughlin Steel Corporation	6.03	6.15	5.79
Youngstown Sheet & Tube Co.	6.45	7.05	7.16
National Steel Corporation	8.17	9.46	9.46
Inland Steel Co.	10.18	11.97	12.17
American Rolling Mill Co.	6.53	6.90	7.17
Wheeling Steel Corporation	6.09	6.20	4.72
Otis Steel Co.	4.18	3.04	1.75
Pittsburgh Steel Co.	4.92	4.69	3.68
Combined	6.59	7.02	7.03

¹ Denotes loss.

The tabulation shows that the returns for only 3 of the 11 companies exceeded the average returns for the 11 companies combined; namely, those for United States Steel Corporation, National Steel Corporation, and Inland Steel Co. The average returns for the 2 smaller companies were greater than for United States Steel Corporation or any of the other companies shown in the tabulation. Except for the Steel Corporation, the returns earned by the larger companies were

less favorable on the whole than for the smaller companies. Republic Steel Corporation, the third largest company in the industry earned an average return of 3.84 percent on its total investment which was the lowest return earned by any of the companies. Bethlehem Steel Corporation, the second largest company, earned an average return of 4.53 percent on its total investment which was the next smallest return, except for Otis Steel Corporation, one of the smaller companies, which earned an average return of 4.18 percent on its total investment.

The showing for all companies as a group is, of course, influenced considerably by the magnitude of the investment and operations of United States Steel Corporation. During the years under review, profits were earned by the corporation in all years prior to 1931 equivalent to 10.77 percent on the total investment, 13.08 percent on the stockholders' investment, and 15.43 percent on the common stockholders' equity. During the subsequent years, earnings applicable to the total investment and stockholders' investment were slightly in excess of losses to the extent of 0.87 percent and 0.59 percent, respectively, of each basis of investment; but with respect to the common stockholders' equity, losses exceeded profits equivalent to 1.34 percent of the investment.

The average of the Steel Corporation's total investment for the 22-year period was 55 percent of the total for the 11 companies, which was 3½ times larger than the average of the next largest company, Bethlehem Steel Corporation. The tabulation which follows shows the relative importance of each of the 11 companies from the standpoint of total capital investment on the basis of their average investments for the period under review and for the year 1938:

	Average total investment—			
	1917-38		1938	
	Amount	Percent of total	Amount	Percent of total
United States Steel Corporation.....	\$1,760,820,526	54.56	\$1,557,164,621	43.46
Bethlehem Steel Corporation.....	528,805,568	16.39	655,782,528	18.30
Republic Steel Corporation.....	148,335,836	4.60	322,329,168	9.00
Jones & Laughlin Steel Corporation.....	182,959,802	5.67	207,196,670	5.78
Youngstown Sheet & Tube Co.....	165,650,756	5.13	212,984,832	5.94
National Steel Corporation.....	¹ 144,350,340	4.47	179,009,187	5.00
Inland Steel Co.....	80,407,561	2.49	147,494,335	4.12
American Rolling Mill Co.....	61,995,249	1.92	123,510,197	3.45
Wheeling Steel Corporation.....	84,723,458	2.63	105,501,517	2.94
Otis Steel Co.....	² 29,650,862	.92	34,813,722	.97
Pittsburgh Steel Co.....	39,298,408	1.22	37,258,963	1.04
Total.....	3,226,998,366	100.00	3,583,045,740	100.00

¹ Annual average, 1930-38.

² Annual average, 1919-38.

The tabulation shows that the deviation in investments from the 1917-38 average was greatest for United States Steel Corporation. In 1938 its proportion of 43½ percent of the combined investments of all 11 companies was 11 percent less than for the 1917-38 average. Except for Pittsburgh Steel Co., the trend for all other companies was in the opposite direction, the most rapid growth being indicated for Republic Steel Corporation. The decline in the Steel Corporation's position is accounted for principally by a reduction in surplus of \$270,000,000 in 1935 when that amount was transferred to depreciation reserves to make good a deficiency in the amount reserved for depreciation and depletion.

On the 3 bases of investment on which rates of return were computed, about 77 percent of the average of the total investment for the 11 companies during the period under review consisted of the stockholders' investment and nearly 60 percent consisted of the common stockholders' equity. In other words, about 23 percent of the average of the total investment consisted of long-term debt as a source of capital funds and about 17 percent of the total consisted of preferred stocks. However, the earnings on that part of the capital obtained from those sources were on the average, only slightly in excess of the interest cost on the debt and dividend payments on the preferred as indicated by the fact that the average returns for all companies in the tabulations were less than one-half of 1 percent higher on the common stockholders' equity than on the total investment.

There were quite wide variations in the returns for individual companies throughout the years under review, although in general they followed uniform

trends. The following tabulation affords a comparison of the annual rates of return on the total investment for each of the 11 companies during the years 1917-38.

Rates of return on total investment for the principal steel companies, 1917-38

Year	United States Steel Corporation	Bethlehem Steel Corporation	Republic Steel Corporation	Jones & Laughlin Steel Corporation	Youngstown Sheet & Tube Co.	National ¹ Steel Corporation
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1917	30.94	20.89	40.74	33.69	55.62	-----
1918	24.60	9.52	18.75	13.55	18.09	-----
1919	9.28	11.00	4.34	14.90	9.40	-----
1920	10.65	7.52	13.83	18.49	10.26	-----
1921	4.39	6.13	⁴ 6.75	⁴ 1.44	⁴ 1.17	-----
1922	4.65	3.69	2.04	3.87	5.13	-----
1923	9.32	5.69	11.32	7.78	11.26	-----
1924	7.55	3.88	4.26	6.20	6.83	-----
1925	7.84	5.07	6.89	6.85	10.23	-----
1926	9.23	6.05	8.56	9.74	11.03	-----
1927	7.25	4.90	5.82	7.10	5.49	-----
1928	8.71	5.48	7.29	9.26	7.69	-----
1929	12.18	8.93	11.52	11.56	12.92	-----
1930	6.16	4.71	.24	5.06	5.19	9.85
1931	.95	1.10	⁴ 2.21	⁴ 8.4	⁴ 1.22	5.78
1932	⁴ 3.52	2.03	⁴ 3.90	⁴ 3.89	⁴ 4.07	2.83
1933	⁴ 1.75	⁴ 4.1	⁴ 5.53	⁴ 2.24	⁴ 1.93	3.85
1934	⁴ .81	1.21	⁴ .08	⁴ 1.34	.90	6.66
1935	.63	1.97	3.75	.06	3.12	10.33
1936	4.56	3.72	6.35	2.95	7.50	11.38
1937	8.64	6.92	5.65	3.47	8.49	15.44
1938	.22	1.97	⁴ .95	⁴ 1.79	1.33	5.98
Annual average	7.33	4.53	3.84	6.03	6.45	8.17

Year	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corporation	Otis Steel Co. ²	Pittsburgh Steel Co. ²	Combined
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1917	52.79	28.65	53.49	-----	36.90	31.86
1918	26.05	42.50	27.40	-----	25.49	21.95
1919	10.41	13.61	9.28	8.68	9.49	9.75
1920	11.86	³ 19.89	38.70	7.47	7.98	11.52
1921	⁴ .95	⁴ 8.00	2.89	⁴ 22.20	5.92	3.12
1922	.44	8.02	1.33	⁴ .02	2.05	4.20
1923	10.95	10.82	7.57	5.90	7.63	8.68
1924	9.67	8.78	2.70	⁴ 2.43	6.08	6.45
1925	8.43	8.83	6.63	7.36	3.65	7.34
1926	10.40	11.98	7.62	8.67	8.55	8.77
1927	9.96	9.97	6.33	7.23	5.66	6.72
1928	13.88	13.96	8.78	13.12	3.87	8.27
1929	16.63	10.46	9.61	13.06	10.93	11.53
1930	8.95	2.37	4.05	4.61	4.90	5.47
1931	3.44	⁴ 8.1	⁴ 1.61	⁴ 2.44	⁴ 2.09	.58
1932	⁴ 1.39	.24	⁴ 2.80	⁴ 6.77	⁴ 3.86	⁴ 2.96
1933	2.40	1.78	.77	⁴ 2.79	⁴ 3.89	⁴ 1.03
1934	6.73	4.04	2.13	4.92	⁴ 1.84	.41
1935	12.82	7.93	5.46	11.24	⁴ 2.85	2.42
1936	14.20	9.68	6.06	10.95	.50	5.52
1937	13.15	9.37	5.84	10.44	5.18	8.16
1938	5.37	⁴ 6.0	1.99	⁴ 1.60	.57	.90
Annual average	10.18	6.53	6.09	4.18	4.92	6.59

¹ Data are not available prior to 1930.

² Data are not available prior to 1919.

³ Rate of return for 18 months; on a mathematical ratio it would be 13.26 percent for 12 months.

⁴ Denotes loss.

Up to this point operating results have been discussed primarily in terms of percentages of profit on investment. For the purpose of indicating the volume of business, net income and surplus accumulation of the various companies, their net sales, net income, dividend payments and surplus have been summarized and are presented in the following tabulation. The upper part of the table gives the total for each item for each of the 11 companies for all years during which the information was available within the period, 1917-38. The lower part of the table shows the annual averages of their net sales, net income, dividend payments and net income remaining after dividend payments.

Summary of net sales, net income, dividends, and net changes in surplus for all years within the period 1917-38, and annual averages thereof, for the principal steel companies

Companies	Net sales	Net income ¹	Dividends paid on—		Total dividends	Net income after dividends	Other net deductions	Net increase in surplus during period
			Preferred stock in cash	Common stock in cash					Common stock in stock
Totals for entire period:								
United States Steel Corporation	\$26,136,166,672	\$1,670,058,253	\$554,832,894	\$669,817,548	\$1,427,971,442	\$242,086,811	\$351,028,711	\$108,941,900
Bethlehem Steel Corporation	5,581,283,309	273,819,009	101,468,678	101,902,821	233,371,499	40,448,110	44,955,110	\$ 4,507,000
Republic Steel Corporation	\$ 1,561,064,842	45,842,492	33,591,920	16,856,630	50,448,550	\$ 4,606,058	\$ 45,081,089	40,475,031
Jones & Laughlin Steel Corporation	2,010,480,461	162,089,037	44,519,728	48,007,099	92,526,827	69,562,210	92,975,726	\$ 23,413,516
Youngstown Sheet & Tube Co.	2,181,395,232	133,184,934	18,243,062	62,802,058	82,548,520	50,636,414	54,004,794	\$ 3,368,380
National Steel Corporation	769,501,824	71,527,031	33,423,139	33,423,139	33,423,139	38,103,892	10,294,483	27,809,409
Inland Steel Co.	1,169,859,870	123,631,460	3,500,000	67,703,688	71,203,688	32,427,772	34,994,462	17,483,310
American Rolling Mill Co. ²	1,083,570,281	57,639,861	9,036,336	36,466,844	61,616,550	\$ 3,976,689	\$ 9,754,329	5,777,640
Wheeling Steel Corporation	1,319,260,478	69,092,784	37,764,188	7,658,867	75,090,414	\$ 5,997,630	\$ 11,093,877	5,096,247
Otis Steel Co. ³	434,241,375	9,456,337	6,953,052	2,628,155	9,381,217	\$ 124,680	\$ 1,545,553	1,420,873
Pittsburgh Steel Co.	561,201,400	27,754,382	11,014,500	12,198,735	33,713,235	\$ 5,958,853	\$ 16,001,187	10,942,334
Annual average for period:								
United States Steel Corporation	1,188,007,575	75,911,739	25,219,677	30,446,252	64,907,793	11,003,946	-----	-----
Bethlehem Steel Corporation	253,694,696	12,446,346	4,612,213	4,631,946	10,607,795	1,838,551	-----	-----
Republic Steel Corporation	\$ 86,725,824	2,083,750	1,526,906	766,210	2,293,116	\$ 209,366	-----	-----
Jones & Laughlin Steel Corporation	91,385,476	7,367,684	2,023,624	2,182,141	4,205,765	3,161,919	-----	-----
Youngstown Sheet & Tube Co.	99,152,647	6,053,861	829,230	2,854,639	3,752,205	2,301,656	-----	-----
National Steel Corporation	86,500,203	7,947,448	3,713,682	3,713,682	3,713,682	4,233,766	-----	-----
Inland Steel Co.	53,175,448	5,619,612	159,091	3,077,440	3,226,531	2,383,081	-----	-----
American Rolling Mill Co.	45,936,457	2,561,772	401,615	1,620,748	2,738,513	\$ 176,741	-----	-----
Wheeling Steel Corporation	59,966,385	3,140,681	1,716,554	348,130	3,413,200	\$ 272,619	-----	-----
Otis Steel Co. ⁴	21,712,069	472,827	347,653	131,408	479,061	\$ 6,234	-----	-----
Pittsburgh Steel Co.	25,509,155	1,261,563	500,659	554,488	1,532,420	\$ 270,857	-----	-----

¹ Net income after deducting Federal income and profits taxes.
² Decrease in surplus.

³ Net sales are for periods from 1917-27, inclusive, and 1932 to 1938, inclusive.

⁴ Net loss after dividends.

⁵ Other net additions.

⁶ Data are for the period from 1930 to 1938, inclusive.

⁷ Data are for a 22½-year period from June 30, 1916, to Dec. 31, 1938.

⁸ Data are for the period from 1919 to 1938, inclusive.

The table shows that United States Steel Corporation was also dominant with respect to volume of business. Its total net sales of \$26,000,000,000 during the 22 years 1917-38 was 5 times the volume of the next largest company, Bethlehem Steel Corporation, and its average sales amounted to nearly 60 percent of the average for all 11 companies. In 1917, its sales amounted to 70 percent of the combined sales for 9 of the companies for which the information was available in that year. In 1938, however, its proportion of the combined sales for the 9 identical companies had declined to about 50 percent.

The table shows that the Steel Corporation's net income for the 22-year period amounted to \$1,670,058,253 after providing for all costs and expenses of doing business, including provisions for the payment of Federal income and profits taxes. Of this amount, \$1,427,971,442 was either paid out in cash or appropriated for dividends. Cash dividends of \$554,832,894 were paid on the outstanding cumulative preferred stock at the rate of 7 percent per annum, and cash dividends amounting to \$669,817,548 were paid on the common stock at varying rates. The remainder of the dividend payments, amounting to \$203,321,000, represents earnings retained in the business through capitalization of a 40-percent common-stock dividend declared in 1927 on the common stock.

The stock dividend of \$203,321,000, together with accumulated earned surplus of \$108,941,900, accounts for at least \$312,262,900 of reinvested earnings. Other principal sources of funds to the Steel Corporation during the 22-year period originated from the sale or issue of common stock for \$239,954,000 and the retention within the business of asset values represented by the increase in depreciation had depletion reserves of \$1,061,170,000. The disposition of these resources, aggregating \$1,613,386,900, is accounted for principally by the expenditure during the period of \$426,425,000 in retirement of funded debt and by a net increase in investment in property of \$1,265,918,000.

As indicated above, the whole of the increase in depreciation reserves flowed into the property account and does not take into account the replacement of property actually retired with property of equal cost. During the period the corporation's capital expenditures aggregated over a billion and a half dollars and it expended in excess of 2 billion dollars for repairs, maintenance, and extraordinary replacements.

In general, the provisions for annual depreciation and obsolescence of steel plants and equipment are made on the straight-line method and are arrived at by applying against the investment cost of each facility a rate to provide for its depreciation and obsolescence based upon the life expectancy of the facility. Large amounts have been provided annually for depreciation and obsolescence, which, according to the experience of the various companies, were deemed to be sufficient to equal, on the average, the gross book value of the property, less salvage, as and when such properties were to be withdrawn from service. The amounts so provided ranged from 33 to 50 percent of the total recorded values of the respective properties of the 11 companies at December 31, 1938, as shown by the following tabulation:

	Property	Depreciation and depletion reserves	Percentage of reserves to property
United States Steel Corporation.....	\$2,344,316,958	\$1,177,797,445	50.24
Bethlehem Steel Corporation.....	758,386,677	306,367,631	40.40
Republic Steel Corporation.....	384,506,096	145,632,568	37.88
Jones & Laughlin Steel Corporation.....	251,753,555	94,311,256	37.46
Youngstown Sheet & Tube Co.....	254,353,983	123,672,860	48.62
National Steel Corporation.....	213,897,076	70,189,566	32.81
Inland Steel Co.....	165,825,925	60,797,700	36.66
American Rolling Mill Co.....	123,437,777	44,094,549	35.72
Wheeling Steel Corporation.....	124,156,073	52,285,296	42.11
Otis Steel Co.....	42,814,957	17,161,183	40.08
Pittsburgh Steel Co.....	45,352,084	20,162,239	44.46

For the period covered by this study, United States Steel Corporation has controlled as many as 259 subsidiary companies. However, numerous consolidations and transfers of properties within the system has materially reduced the number. For example, at December 31, 1937, the corporation controlled 137 subsidiaries, of which 15 were engaged primarily in the production of steel and steel products; 10 were engaged in related manufacturing activities, including shipbuilding, bridge building, and cement production; 49 were ore-mining companies; 8 were coal and coke companies; 27 were transportation companies; and

28 were engaged in a variety of other activities, such as real estate, merchandising, and community utility services.

During the last 14 or 15 years eight of the steel-producing companies accounted for substantially all of the system's raw, semifinished, and finished iron and steel products and accounted for more than half the investment and nearly half the income of United States Steel Corporation as a consolidated system. An analysis was made of the investments and operating results of these eight companies, together with those of the transportation companies and three of the principal manufacturing or fabricating companies, all of which accounted for 70 percent of the net income and represented 78 percent of the investment for the system during the years 1925-37. The relative proportions, including rates of return, are as follows:

	Percent of investment to total ¹	Percent of income to total ¹	Average rate of return percent
United States Steel Corporation—Consolidated ¹	100.00	100.00	4.69
Principal steel-producing companies.....	55.86	44.07	3.70
Transportation companies.....	16.17	22.81	6.62
Universal-Atlas Cement Co.....	1.88	3.04	7.58
American Bridge Co.....	4.22	1.24	1.98
Federal Shipbuilding & Dry Dock Co.....	.38	2.28	23.48
Total.....	78.51	70.88	

¹ Based on average investment of \$1,778,646,089 and average net income of \$83,476,423, excluding intangibles.

² Denotes loss.

The earnings of all other companies in the system, constituting 22 percent of the consolidated investment, were equivalent to about 3 percent of their combined investment.

The yearly rates of return on total investment for the subsidiaries as classified above is shown in the following tabulation for all years during the period 1917-38 for which the information is available.

Rates of return on total investment

Year	Principal steel-producing subsidiaries ¹	Transportation subsidiaries ²	Federal Shipbuilding & Dry Dock Co.	American Bridge Co.	Universal Atlas Cement Co.
	Percent	Percent	Percent	Percent	Percent
1917.....		8.76		12.67	23.34
1918.....		8.61		8.64	14.78
1919.....		6.64	46.28	7.28	37.94
1920.....		10.91	2.65	3.38	15.29
1921.....		6.69	5.51	1.77	20.28
1922.....		10.05	6.70	3.68	24.43
1923.....		12.50	13.98	4.48	37.45
1924.....		6.20	5.15	3.06	32.19
1925.....	8.50	9.66	10.31	4.43	27.59
1926.....	10.48	11.06	8.75	4.89	24.45
1927.....	7.12	7.63	8.43	2.90	19.62
1928.....	9.24	9.68	15.90	3.49	20.14
1929.....	13.77	11.68	8.40	3.74	13.44
1930.....	3.86	6.80	2.28	3.76	14.23
1931.....	3.03	1.64	11.74	1.73	6.80
1932.....	4.37	1.57	4.00	.26	7.65
1933.....	3.60	2.34	2.92	1.52	2.18
1934.....	2.50	1.97	17.71	3.28	1.45
1935.....	.74	4.56	4.97	3.59	.65
1936.....	1.68	10.38	14.87	2.75	9.35
1937.....	6.36	12.64	2.79	.48	7.44
1938.....	2.31				
Annual average.....	3.23	7.36	.19	2.53	11.11

¹ Includes from 6 to 8 companies.

² Includes from 25 to 30 companies.

³ Denotes loss.

Carnegie-Illinois Steel Corporation is the largest steel-producing unit in the United States Steel Corporation system. It was formed in 1935 by consolidation of Carnegie Steel Co. with the principal plants of Illinois Steel Co. A year later, American Steel & Tin Plate Co. was added, with the result that in 1939 Carnegie-Illinois Steel Corporation's steel-ingot capacity was approximately 77 percent of the total for the system.

The annual rates of return for this company and the others comprising the returns for the steel-producing group shown above are presented in the following tabulation for each company separately. The tabulation also affords a comparison of the annual returns of these companies as a group with the annual returns for the system as a whole because of the influence they exercise on the over-all operating results.

Rates of return on total investment

Year	American Sheet & Tin Plate Co. ¹	American Steel & Wire Co.	Carnegie-Illinois Steel Corporation ¹	Carnegie Steel Co. ¹	Illinois Steel Co. ¹
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1925	5.32	3.42		1.68	23.52
1926	4.70	3.81		5.96	30.13
1927	.30	2.24		3.59	22.80
1928	2.07	4.25		8.34	27.47
1929	8.30	6.52		14.48	30.96
1930	3.17	.23		3.89	10.15
1931	² 2.72	² 3.25		² 3.02	² 4.21
1932	² 1.68	² 3.94		² 5.37	² 5.57
1933	1.65	2.90		² 5.86	² 3.55
1934	² 3.36	² 1.86		² 2.42	.74
1935	3.93	2.73	² 1.67		3.64
1936		2.48	.02		1.63
1937		.39	6.77		2.81
1938		² 6.81	² 3.66		1.97
Average	2.13	.52	.32	2.38	9.30

Year	Columbia Steel Co.	National Tube Co.	Tennessee Coal Iron & R. R. Co.	Principal steel producing subsidiaries combined	United States Steel Corporation consolidated
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1925		11.40	8.96	8.30	7.84
1926		11.42	9.04	10.48	9.23
1927		7.94	7.42	7.12	7.25
1928		7.65	5.11	9.24	8.71
1929		13.98	6.16	13.77	12.18
1930	.24	4.47	2.16	3.86	6.16
1931	² 2.45	² 2.04	² 2.94	² 3.03	2.95
1932	² 2.13	² 2.50	² 7.71	² 4.37	² 3.52
1933	.65	² 1.11	² 4.36	² 2.60	² 1.75
1934	2.07	.05	.22	² 1.50	2.81
1935	3.65	1.53	2.41	.74	.63
1936	6.22	5.51	3.77	1.68	4.56
1937	5.96	9.60	9.74	6.36	8.64
1938	1.64	1.71	1.45	² 2.31	.22
Average	1.82	4.67	2.90	3.23	4.39

¹ In 1935, principal plants of Illinois Steel Co. were merged with Carnegie Steel Co. to form Carnegie-Illinois Steel Corporation. In 1936, American Sheet & Tin Plate Co. was added.

² Loss.

Large cash salaries and other compensation were paid to the executives of United States Steel Corporation and to the executives of most of the other companies under review. The following tabulation gives the aggregate compensation—cash salaries and bonuses—received by the three highest paid officers of each company during the years 1935–38.

Aggregate compensation¹ received by the 3 highest paid officers during the years 1935–38

	1935	1936	1937	1938	Average
United States Steel Corporation.....	\$382,353	\$367,922	\$410,457	\$379,897	\$385,157
Bethlehem Steel Corporation.....	473,332	450,000	728,962	708,308	590,150
Republic Steel Corporation.....	275,240	335,000	350,000	320,832	320,268
Jones and Laughlin Steel Corporation.....	135,587	187,217	238,333	220,833	195,492
Youngstown Sheet & Tube Co.....	120,400	122,720	180,070	175,166	149,589
National Steel Corporation.....	430,280	460,220	474,446	362,700	431,911
Inland Steel Co.....	163,980	177,400	179,500	160,750	170,407
The American Rolling Mill Co.....	183,765	269,346	319,441	298,220	267,693
Wheeling Steel Corporation.....	140,000	140,000	125,000	109,999	128,749
Otis Steel Co.....	111,250	148,000	190,800	118,800	142,712
Pittsburgh Steel Co.....	79,934	55,890	71,980	96,000	75,951

¹ Includes cash salaries and bonuses.

It will be noted that the highest paid officers of United States Steel Corporation did not receive as much compensation on the average as did those of Bethlehem Steel Corporation and National Steel Corporation.

In 1938, the highest paid officer of any of the companies was Eugene G. Grace, president of Bethlehem Steel Corporation, who received \$378,698 followed by Charles M. Schwab, chairman of the board of directors of that company, who received \$180,000. Three other officers of that company each received \$149,610. The highest paid officer of United States Steel Corporation in that year was William A. Irvin, vice-chairman of the board of directors, who received \$140,070 and the next highest paid was Benjamin F. Fairless, president, who received \$135,344. Ernest T. Weir, chairman of the board of directors, and George R. Fink, president, were the highest paid officers of National Steel Corporation in 1938, each receiving \$147,900 and \$150,400, respectively. In the 2 previous years, each received over \$200,000 per annum. Other high paid officers of other companies were T. M. Girdler, president of Republic Steel Corporation, who received \$160,416 in 1938, and Charles R. Hook, president of American Rolling Mill Co., who received \$134,846 in that year.

FARM MACHINERY INDUSTRY

Information concerning investments, profits, and rates of return is presented for a varying number of companies in each of the years 1913–37 in the report on Investments, Profits, and Rates of Return for Manufacturers of Farm Implements and Machines. The companies for which the information is presented account for most of the business of the industry since they include all of the larger companies and their predecessors for all years. For example, in 1914 all of the companies under review accounted for 93 percent of the total value of farm machinery produced and in 1936 their total sales represented over 95 percent of the total domestic and export sales of farm machinery.

During the 25-year period, the bulk of the farm-machinery business has been in the hands of a few companies. This concentration, accompanied by price leadership, has come about and continues to increase largely as a result of consolidations of competing concerns to form larger units such as International Harvester Co., Minneapolis-Moline Power Implement Co., and Oliver Farm Equipment Co.; and of the acquisition of independents by International Harvester Co., Deere & Co., Allis-Chalmers Manufacturing Co., and J. I. Case Co. These companies, together with B. F. Avery & Sons Co. and the Massey-Harris Co. comprise the full or long-line manufacturers of farm implements and machines.

The full or long-line manufacturers are those who manufacture various types and sizes of farm tillage implements, seeding and planting machines, farming and hauling equipment, and farm power-developing machines. The remainder of the companies for which information is presented comprise the short-line manufacturers of one or more of these kinds of implements, but not a complete line.

From the standpoint of capital investment and volume of sales, International Harvester Co. dominates the industry. The operations of this company and its closest competitor, Deere & Co., have been highly profitable and their rates of return have generally been much higher than for other companies.

The report of the Federal Trade Commission on the Agricultural Implement and Machinery Industry states⁵ that International Harvester Co. and Deere & Co. have established the price levels for the great majority of agricultural implements and machinery; that the large advance in the great majority of farm-machinery prices as compared with the prices of other manufactured products since the origin of the International Harvester Co.; the profits of this company; the high degree of rigidity in farm-machinery prices during the depression; the swift rebound of farm-machinery prices after the 3 severest years of the depression, 1931, 1932, and 1933, to levels exceeding those of 1929, one of the years of highest prices in the history of this industry, and in industry generally; the raising of this company's farm-machinery prices in 1938 over those of 1937 in the face of the company's remarkable earnings in this latter year; the continued dominant position of the International Harvester Co. since 1902 in the farm-machinery industry; the exchange of price lists among farm-machinery manufacturers; evidence of dealer coercion; and the typical monopolistic behavior of the International Harvester Co.'s business operations during the depression when there was only a relatively slight percentage of decline in its farm-machinery prices but a sharp percentage decline in its volume of production and employment as contrasted with the behavior of industries known to be competitive where the percentage in the decline of prices was greatest and the declines in the volume of production and employment, were less in the opinion of the Commission, indicate the existence of a serious monopolistic condition in the farm-machinery industry.

Rates of return on the combined investments of all companies for which the information was available are shown for each of the years 1913-37 in the following tabulation on the basis of total investment and stockholders' investment before deducting provisions for Federal income and profits taxes, and after eliminating appreciation and other intangibles from investments. The investments on which rates of return were computed are the average of the investments at the beginning and end of each year from each company, except in some years that part of the investment represented by borrowed funds was averaged monthly.

Year	Number of companies	Rates of return on—		Year	Number of companies	Rates of return on—	
		Total investment	Stockholders' investment			Total investment	Stockholders' investment
		Percent	Percent			Percent	Percent
1913.....	26	9.44	9.84	1927.....	59	14.38	14.94
1914.....	26	6.16	6.01	1928.....	63	16.99	17.82
1915.....	26	6.58	7.12	1929.....	67	16.46	17.44
1916.....	26	9.66	10.94	1930.....	69	8.52	8.94
1917.....	26	14.97	16.47	1931.....	70	1.02	1.62
1918.....	22	17.57	18.47	1932.....	71	14.52	15.57
Average, 1913-18.....		10.74	11.79	1933.....	71	11.80	12.42
1919.....	16	10.72	10.75	1934.....	72	3.58	3.61
1920.....	16	10.88	10.92	1935.....	71	10.77	11.30
1921.....	18	1.09	1.45	1936.....	70	14.20	14.98
1922.....	19	1.39	1.78	Average, 1927-36.....		7.51	7.67
1923.....	19	5.24	5.09	1937.....	17	15.13	15.77
1924.....	19	6.41	6.34	Average, 1913-37.....		8.10	8.44
1925.....	19	12.25	12.48				
1926.....	20	15.22	15.46				
Average, 1919-26.....		7.56	7.57				

¹ Denotes loss.

² Due to change in fiscal year closings the returns reflect 11 months operations for one company, viz, International Harvester Co.

³ For the same reason the returns reflect 10 months operations for two companies, viz, J. I. Case Co., Oliver Farm Equipment Co.

⁴ 1037-1038.

It will be noted that the rates of return on the stockholders' investment were only slightly higher on the average than the rates of return on the total investment. This is accounted for by the fact that the differences between the amounts of stockholders' investment and total investment, including borrowed funds, were relatively small. Most of the capital of the farm-machinery manufacturers was obtained from the issuance of stock and reinvested earnings.

The showing for all companies as a group for each year is influenced by the preponderant investments and profits of the relatively few full or long line manufacturers. On the basis of total investment, their investments, or those of their predecessors, averaged 85.13 percent of the total for all companies under review during the years 1913-18; 93.29 percent of the total for the years 1919-26; 87.02 percent of the total for the years 1927-36; and 93.15 percent of the total for the year 1937. If the investment of one large company, namely, Caterpillar Tractor Co., is eliminated from the comparison for the years 1927-36, for the reason that a considerable portion of its investment is devoted to the manufacture of products other than those for agricultural purposes, the combined investments of the long-line companies would average 92.09 percent of the total for all companies, excluding this company.

The following tabulation shows the ratios of the combined investments of all companies for each period for the long-line companies individually and as a group and for the short-line companies as a group.

Ratios of total investment

	Annual average 1913-18	Annual average 1919-26	Annual average 1927-36	Annual average 1937
Combined investment ¹	\$395, 776, 346	\$364, 463, 677	¹ \$644, 330, 289	\$620, 352, 684
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
International Harvester Co.....	59.79	63.90	55.53	58.76
Deere & Co.....	13.65	14.61	11.63	14.06
Allis-Chalmers Manufacturing Co.....	-----	-----	8.09	12.82
J. I. Case Co.....	-----	7.55	6.57	6.40
Emerson-Brantingham Corporation ²	5.54	5.59	-----	-----
Oliver Farm Equipment Co.....	-----	-----	5.20	3.89
Minneapolis-Moline Power Implement Co ³	5.27	-----	2.72	2.22
The Massey-Harris Co.....	-----	-----	1.48	-----
B. F. Avery & Sons Co.....	.88	1.64	.87	-----
Long-line companies combined.....	85.13	93.29	92.09	98.15
Short-line companies combined.....	14.87	6.71	7.91	1.85
Total.....	100.00	100.00	100.00	100.00

¹ Does not include Caterpillar Tractor Co.

² Acquired by J. I. Case Co. in 1928.

³ The ratios for 1913-18 are for the predecessor, Moline Plow Co.

The rates of return for each of the long-line companies shown above appear in the following table for all years for which information was available. The table shows that International Harvester Co. and Deere & Co., the two largest companies, earned an average return throughout the 25-year period of 9.62 percent and 11.10 percent, respectively, on total investment, which were higher than for any of the other long-line manufacturers.

Comparison of rates on return on total investment for each of the principal long-line farm-machinery manufacturers, 1913-37

Year	International Harvester Co.	Deere & Co.	Allis-Chalmers Manufacturing Co.	J. I. Case Co. ¹	Emerson-Brantingham Corporation ¹
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1913.....	10.95	9.65	-----	-----	6.14
1914.....	7.74	5.63	-----	-----	3.45
1915.....	8.28	7.41	-----	-----	1.27
1916.....	11.48	10.61	-----	-----	1.82
1917.....	17.15	15.94	-----	-----	5.07
1918.....	17.86	17.76	-----	-----	9.03
Annual average.....	12.34	10.89	-----	-----	3.73

See footnotes at end of table.

Comparison of rates of return on total investment for each of the principal long-line farm-machinery manufacturers, 1913-37—Continued

Year	International Harvester Co.	Deere & Co.	Allis-Chalmers Manufacturing Co.	J. I. Case Co.	Emerson-Brantingham Corporation
	Percent	Percent	Percent	Percent	Percent
1919	8.32	19.25		12.64	6.77
1920	11.13	12.21		13.29	4.95
1921	2.26	³ 3.74		³ 2.07	³ 5.52
1922	1.74	³ 3.15		1.21	³ 8.42
1923	6.85	4.79		2.42	³ 9.25
1924	8.62	4.99		.57	³ 8.04
1925	14.03	10.89		13.09	³ 4.10
1926	15.85	18.56		17.10	³ 1.29
Annual average	8.74	7.70		7.43	³ 1.83
1927	14.41	21.80	8.63	17.16	
1928	17.03	25.80	9.39	17.46	
1929	17.20	28.93	12.12	9.20	
1930	8.62	15.95	9.34	6.73	
1931	.05	.74	3.98	.17	
1932	³ 2.51	³ 7.07	³ 3.91	³ 4.88	
1933	.34	³ 6.29	³ 3.97	³ 3.55	
1934	6.01	1.72	² 4.46	³ 5.52	
1935	12.40	14.68	6.06	7.02	
1936	⁴ 13.34	22.66	11.01	9.35	
Annual average	8.76	11.51	5.05	5.40	
1937	13.18	24.91	13.88	³ 14.68	
Annual average	9.62	11.10	6.22	6.59	.65

Year	Oliver Farm Equipment	Minneapolis-Moline Power Implement Co. ¹	The Massey-Harris Co.	B. F. Avery & Sons Co.	Long-line farm-machinery manufacturers combined
	Percent	Percent	Percent	Percent	Percent
1913		7.31		7.06	10.05
1914		3.79		9.12	6.62
1915		3.33		1.11	7.30
1916		5.48		7.66	10.32
1917		9.42		13.98	15.72
1918		10.21		25.46	16.92
Annual average		6.65		11.30	11.18
1919				21.55	10.43
1920				18.67	11.14
1921				³ 3.24	.61
1922				³ 12.76	.07
1923				2.65	5.12
1924				5.96	6.47
1925				4.14	12.56
1926				6.40	15.61
Annual average				4.89	7.77
1927			0.71	6.26	14.55
1928			² 2.05	11.09	17.02
1929	7.25	8.93	.61	4.38	16.23
1930	1.32	2.33	³ 5.44	³ 11.70	8.26
1931	.04	³ 6.51	³ 5.20	³ 19.23	.01
1932	³ 9.54	³ 11.19	³ 10.70	³ 5.28	³ 4.28
1933	³ 7.84	³ 8.04	³ 11.16	1.20	³ 2.04
1934	³ 8.68	³ 7.59	³ 11.96	7.14	3.11
1935	³ 2.50	³ 1.14	³ 11.56	8.17	10.54
1936	5.81	5.12	² 2.75	14.79	13.56
Annual average	1.54	² 2.00	³ 5.54	1.11	7.40
1937	14.62	³ 16.98			15.10
Annual average	³ 5.55	2.63	² 5.54	4.26	7.69

¹ Rates of return for J. I. Case Threshing Machine Co., a predecessor company, 1919 to 1928, inclusive, and for Emerson-Brantingham Corporation consolidated with J. I. Case Co. in 1928.

² Rates of return for Moline Plow Co., a predecessor company, 1913 to 1918, inclusive.

³ Loss.

⁴ Based on net profit for 11 months.

⁵ Based on net profit for 10 months.

Throughout the 25-year period, rates of return were higher for the long-line manufacturers as a group than for the short-line manufacturers as a group. During this period the average return on the basis of total investment was 7.69 percent for the long-line manufacturers as compared with 4.57 percent for the short-line manufacturers. The following tabulation compares the rates of return for each group for each of the years 1913-37.

Comparison of rates of return on total investment for long-line and short-line farm-machinery manufacturers, 1913-37¹

Year	Number of farm-machinery manufacturers in each class		Rates of return on total investment		Year	Number of farm-machinery manufacturers in each class		Rates of return on total investment	
	Principal long-line manufacturers	Short-line manufacturers	Principal long-line manufacturers	Short-line manufacturers		Principal long-line manufacturers	Short-line manufacturers	Principal long-line manufacturers	Short-line manufacturers
1913.....	5	21	Percent 10.09	Percent 6.06	1919-26 ¹	-----	-----	Percent 7.77	Percent 4.61
1914.....	5	21	6.62	3.54	1927.....	6	52	14.55	4.59
1915.....	5	21	7.30	2.46	1928.....	6	56	17.02	7.09
1916.....	5	21	10.32	5.90	1929.....	8	58	16.23	6.30
1917.....	5	21	15.72	10.60	1930.....	8	60	8.26	1.01
1918.....	5	17	16.92	21.75	1931.....	8	61	.01	² 4.77
1913-18 ²	-----	-----	11.18	8.17	1932.....	8	62	³ 4.28	³ 8.00
1919.....	5	11	10.43	14.90	1933.....	8	62	³ 2.04	³ 2.58
1920.....	5	11	11.14	7.30	1934.....	8	63	3.11	2.14
1921.....	5	13	.61	³ 9.45	1935.....	8	62	10.54	5.57
1922.....	5	14	³ .07	³ 4.90	1936.....	8	61	¹ 13.56	8.71
1923.....	5	14	5.12	7.01	1927-36 ¹	-----	-----	7.40	1.78
1924.....	5	14	6.47	5.49	1937.....	6	11	¹ 15.10	16.73
1925.....	5	14	12.56	7.87	1913-37 ²	-----	-----	7.69	4.57
1926.....	5	15	15.61	9.84					

¹ Due to change in fiscal year closings the return for 1936 reflects 11 months operations for International Harvester Co.; and for 1937 the return reflects 10 months operations for J. I. Case Co. and Oliver Farm Equipment Co.

² Annual average.

³ Denotes loss.

Attention is called to the fact that Caterpillar Tractor Co. is not included in this tabulation, since it could not be classified in either group without distortion because so much of its large investment is devoted to the manufacture of products other than those for agricultural purposes. The tabulation shows that for each period throughout the years 1913-37 the returns for the long-line manufacturers as a group were larger than those for the short-line manufacturers except for the year 1937, when the returns for the short-line manufacturers were somewhat higher than those for the long-line manufacturers. This is accounted for by the fact that the returns for the short-line manufacturers in that year are materially influenced by the profits of 1 company, namely, New Idea, Inc., whose profits were equivalent to 30.49 percent of its investment. Excluding this company, the returns for the other 10 short-line companies as a group would average 11.15 percent in that year.

Many of the companies under review are engaged in operations other than the manufacture of farm implements and machines. For a number of these companies, including Caterpillar Tractor Co. and Allis-Chalmers Manufacturing Co., the manufacturing business other than the farm-machinery business could not be segregated as to investments and profits for the purpose of showing rates of return on the farm machine business only. However, for those companies for which such a segregation could be made, rates of return are presented in the following tabulation for each of the years 1927-36 for the long-time companies as a group and for the short-line companies as a group.

Rates of return on investment in farm-machinery business only for long-line and short-line manufacturers 1927-36

Year	Long-line companies		Short-line companies		Total	
	Number of companies	Rate return	Number of companies	Rate return	Number of companies	Rate return
		<i>Percent</i>		<i>Percent</i>		<i>Percent</i>
1927.....	5	16.12	47	3.58	52	14.98
1928.....	5	20.03	50	7.41	55	18.90
1929.....	7	18.41	52	5.53	59	17.52
1930.....	7	9.14	51	1.37	61	8.52
1931.....	7	.40	55	16.28	62	1.09
1932.....	7	15.71	56	10.68	63	16.07
1933.....	7	13.06	56	4.18	63	13.14
1934.....	7	3.43	57	1.79	64	3.31
1935.....	7	12.31	56	6.01	63	11.90
1936.....	7	15.62	55	8.57	62	15.25
Average.....		8.50		.91		7.98

¹ Denotes loss.

The degree of concentration of the farm-machinery business from the standpoint of volume of sales is indicated in the following tabulation. This tabulation presents the results of an analysis of the sales of 63 companies for the year 1936 in order to determine the amounts of their sales of farm machinery only. The tabulation shows the relative importance of the farm-machinery sales of each of the long-line companies and compares their total sales with the total for the short-line companies for which the information was available:

Company	Net sales of farm machinery, 1936	Percent of total net sales of 63 companies
International Harvester Co.....	\$124,832,407	41.26
Deere & Co.....	64,985,395	21.48
J. I. Case Co.....	21,905,648	7.24
Oliver Farm Equipment Co.....	18,171,169	6.01
Allis-Chalmers Manufacturing Co.....	31,440,290	10.39
Minneapolis-Moline Power Implement Co.....	10,419,474	3.44
Massey-Harris Co.....	4,955,029	1.64
B. F. Avery & Sons Co.....	2,797,918	.92
Total 8 long-line companies.....	279,507,330	92.38
Total 55 short-line companies.....	23,064,579	7.62
Total 63 companies, 1936.....	302,571,909	100.00

The figures for International Harvester Co. do not include its sales of motor-trucks and binder twine. Although these products are used on the farm, a considerable portion of International's sales are for industrial use primarily. Since this company is the only one for which the figures are submitted who manufactures these products, its sales of motortrucks and binder twine were not included in order to afford a better comparison of the farm machinery sales of all companies. If the sales of these products were included, International's sales would represent 56.43 percent of the total for the long-line companies and 52.99 percent of the total for all companies, instead of 44.66 percent and 41.26 percent, respectively, as shown in the tabulation. However, on either of the bases of comparison, it is evident that International Harvester Co. sales predominate. That its sales have predominated throughout the period under review is indicated by the fact that its total sales of all products averaged 58.68 percent of the total sales for all companies under review during the years 1913-18; 69.29 percent of the total for the years 1919-26; 57.86 percent of the total for the years 1927-36, excluding the sales of Caterpillar Tractor Co. for the reasons already given; and 55.94 percent of the total sales for all companies in the year 1937.

Further indication of the relative importance and profitableness of the two largest companies—International Harvester Co. and Deere & Co.—is presented from the standpoint of sales and operating results. The following tabulation summarizes the net sales, net income, dividend payments, and net increase in surplus for each of these companies. The upper part of the tabulation gives the totals for these items for all of the years 1913-37. The lower part of the tabulation gives for each company the annual averages of the net sales, net income, dividend payments, and net income remaining after the payment of dividends.

Total and average of annual net sales, net income, dividend payments, and changes in surplus of International Harvester Co. and Deere & Co., 1913-37

	International Harvester Co.	Deere & Co.
Total for entire period 1913-37:		
Net sales.....	¹ \$4, 630, 842, 896	\$992, 818, 891
Net income, after Federal income tax.....	564, 109, 599	135, 580, 344
Cash dividends on preferred stock.....	118, 990, 049	59, 064, 885
Cash dividends on common stock.....	149, 621, 548	6, 000, 619
Stock dividends on common stock.....	29, 758, 924	11, 139, 267
Total dividends paid.....	298, 370, 521	76, 204, 771
Net income after dividends.....	265, 739, 078	59, 375, 573
Other deductions from surplus.....	222, 537, 521	44, 995, 399
Net increase in surplus.....	43, 201, 557	14, 380, 174
Annual average:		
Net sales.....	¹ 185, 233, 716	39, 712, 756
Net income, after Federal income tax.....	22, 564, 384	5, 423, 214
Cash dividends on preferred stock.....	4, 759, 602	2, 362, 595
Cash dividends on common stock.....	5, 984, 862	240, 025
Stock dividends on common stock.....	1, 190, 357	445, 571
Total dividends paid.....	11, 934, 821	3, 048, 191
Net income after dividends.....	10, 629, 563	2, 375, 023

Includes sales of all products.

The tabulation shows that during the 25-year period the reinvested earnings remaining in the surplus account of International Harvester Co. were \$43,201,557 at the end of 1937; and for Deere & Co. the amount remaining in its surplus account at the end of that year was \$14,380,174. However, stock dividends paid by International Harvester Co. in the amount of \$29,758,924, together with \$66,137,770 of surplus transferred to capital-stock account during the period, account for at least \$139,098,251 of earnings reinvested in that company's business. The net increase in surplus of \$14,380,174 for Deere & Co., together with \$11,139,267 of stock dividends paid by that company during the period, account for at least \$25,519,441 of earnings reinvested in its business. The reinvested earnings of these companies accounted for about 86 percent of the net increase in total investment since 1913 in the case of International Harvester Co. and about 58 percent of the net increase in total investment since that date in the case of Deere & Co.

An analysis of salaries and other compensation paid to executives of the principal companies in the industry during the years 1927-36 developed that the average compensation paid by International Harvester Co. and Deere & Co. was higher than for any of the other companies. The average per officer compensation paid by the principal companies during these years was as follows:

	Average	
	Amount	Number of officers
International Harvester Co.....	\$71,074	13
Deere & Co.....	32,062	7
Oliver Farm Equipment Co.....	24,712	6
Caterpillar Tractor Co.....	23,540	12
Allis-Chalmers Manufacturing Co.....	19,012	9
Minneapolis-Moline Power Implement Co.....	18,271	7
J. I. Case Co.....	17,025	8
B. F. Avery & Sons Co.....	12,685	4

The average per officer compensation was highest for International Harvester Co. in all years except 1931, 1932, and 1933, when it was highest for Oliver Farm Equipment Co. The average total compensation per officer paid by International Harvester Co. was \$142,940 in 1927, \$147,524 in 1928, \$161,193 in 1929, \$124,674 in 1930, \$26,329 in 1934, \$24,307 in 1935, and \$37,259 in 1936. Oliver Farm Equipment Co. paid average total compensation per officer of \$36,265 in 1931, \$35,652 in 1932, and \$27,947 in 1933. Deere & Co. also paid substantial compensation per officer during the years 1927-30. These payments averaged \$31,171 in 1927, \$55,314 in 1928, \$75,867 in 1929, and \$59,838 in 1930.

The largest amount paid to any individual officer of the companies referred to herein was paid by International Harvester Co. in the years 1927-30 and 1935-36 and by Oliver Farm Equipment Co. in the years 1931-34. International Harvester Co. paid its president \$353,386 in 1927, \$405,909 in 1928, and \$412,860 in 1929. In 1930 it paid its first vice president \$252,460. In 1935 and 1936 it paid its president \$54,033 and \$94,812, respectively. Oliver Farm Equipment Co. paid its president \$148,031 in 1931, \$115,980 in 1932, \$81,270 in 1933, and \$76,152 in 1934.

SULFUR INDUSTRY

At hearings before the Temporary National Economic Committee,³ it was developed that only four companies, namely, Texas Gulf Sulphur Co., Freeport Sulphur Co., Jefferson Lake Oil Co., and Duval Texas Sulphur Co. produce practically all of the sulfur mined in the United States. In terms of production, capital investment, and volume of sales, the first two companies have dominated the industry for many years. During the past 10 years the two major companies have produced about 90 percent of the total production of sulfur by the four companies. In 1937 Texas Gulf Sulphur Co. and Freeport Sulphur Co. produced about 90 percent of the United States production of sulfur and over 70 percent of the world production of sulfur. Texas Gulf Sulphur Co., operating two properties, both in Texas, produced 1,743,829 long tons, and the Freeport Sulphur Co., operating one property in Texas and one in Louisiana, produced 711,520 long tons. The total for the two companies amounted to 2,455,349 long tons out of 2,741,970 long tons produced in the United States in that year.

In addition to this high degree of concentration in the business by the two major companies, it was also developed that rigid prices for the product were maintained for a considerable time even in the face of large stock surpluses during the prolonged business depression, and exceptionally large profits were earned by these companies for many years.

Financial reports for Texas Gulf Sulphur Co. and Freeport Sulphur Co. were prepared by the Federal Trade Commission from data secured from the companies' files and were offered for the record as exhibits 388 and 389 at the hearings. The significant features of these reports relative to investments, profits, and rates of return for each company are summarized below.

³ Investigation of Concentration of Economic Power, pt. V, pp. 1983-2009 and 2200-2275.

Texas Gulf Sulphur Co. was organized in 1909 as Gulf Sulphur Co., the name of which was changed to the present title in July 1918. The company has been actively engaged in the production of sulfur since March 1919. The following tabulation summarizes the investments, profits, and rates of return for that company for each of the years 1919 to 1938, inclusive.

Year	Average ¹ invested capital	Profit ²	Rate of return on investment	Year	Average ¹ invested capital	Profit ²	Rate of return on investment
			<i>Percent</i>				<i>Percent</i>
1919	\$5,158,964	\$993,605	19.26	1931	\$35,790,836	\$9,772,047	27.30
1920	5,981,444	3,519,138	39.18	1932	36,179,402	6,373,813	17.62
1921	11,260,709	1,941,499	17.24	1933	37,506,165	7,956,893	21.21
1922	12,193,447	3,998,978	32.80	1934	49,238,364	7,336,795	14.90
1923	12,867,376	4,972,240	38.64	1935	59,739,207	8,178,017	13.69
1924	13,227,287	5,088,585	38.48	1936	59,132,509	10,843,015	18.34
1925	13,259,817	6,027,637	45.46	1937	59,130,899	12,864,281	21.76
1926	14,789,940	10,036,033	67.86	1938	59,353,227	7,633,633	12.86
1927	17,686,647	13,109,692	74.12	Annual average	29,401,327	8,451,600	28.75
1928	21,672,752	15,661,051	72.26				
1929	27,588,956	17,624,073	63.88				
1930	33,271,583	15,100,977	45.39				

¹ Average of investment at beginning and end of year.

² Before deducting provisions for Federal income and profits taxes.

The tabulation shows that the company earned an average rate of return on the investment of 28.75 percent during the 20 years 1919-38. It will be noted that the company's operations were profitable in every year during this period and reflect rates of return ranging from highs of 67.86 percent in 1926, 74.12 percent in 1927, 72.26 percent in 1928, and 63.88 percent in 1929 to a low of 12.86 percent in 1938.

The tabulation shows that the average invested capital increased from \$5,158,964 in 1919 to \$59,353,227 in 1938, an increase of \$54,194,263. The average invested capital shown in the tabulations for each year represents the total investment consisting of common stock, earned surplus, and surplus reserves. The increase in average invested capital during the period is accounted for principally by increases of \$30,737,215 in earned surplus and \$19,825,000 in outstanding stock. This stock, together with \$650,000 in cash, was issued in 1934 in payment for sulfur properties and contract rights acquired under an agreement with Delaware Gulf Oil Co.

The following summarizes the income and expenses, dividend payments, and surplus of Texas Gulf Sulphur Co. during the period under review:

	Total for years 1919-38	Annual average	Percentage of sales
Net sales	\$297,051,729	\$14,852,586	100.00
Costs and expenses	131,445,993	6,572,299	44.25
Net profit from sales	165,605,736	8,280,287	55.75
Miscellaneous income	3,426,266	171,313	1.15
Net income before Federal taxes	169,032,002	8,451,600	56.90
Provision for Federal taxes	13,209,359	660,468	4.45
Net income	155,822,643	7,791,132	52.45
Dividend payments	124,117,500		
Surplus Dec. 31, 1938	31,705,143		

As indicated above, costs and expenses average 44.25 cents out of every dollar of sales, net profits from sales averaged 55.75 cents per dollar of sales, and net income averaged 52.45 cents per dollar of sales. Stated in another way, the average net profit from sales was 126 percent of costs and expenses, and the average net income was 119 percent of costs and expenses. The only other large company, Freeport Sulphur Co., was organized in 1913 as Freeport Texas Co., the name of which was changed to the present title in 1936. In addition to its sulfur operations, the company in 1931 acquired control of Cuban-American Mangarese

Corporation, which is engaged in the production of manganese from properties located near Santiago, Cuba. The following tabulation summarizes the investments, profits, and rates of return for the company and its subsidiaries for each of the years 1919 to 1938, inclusive:

Year	Average invested capital ¹	Profit ²	Rate of return on investment	Year	Average invested capital ¹	Profit ²	Rate of return on investment
			Percent				Percent
1919	\$9,631,671	\$1,184,625	12.30	1930	10,453,528	3,456,569	33.07
1920	8,406,008	981,884	11.68	1931	10,634,791	2,635,343	24.78
1921	8,466,241	³ 181,407	³ 2.14	1932	11,452,762	2,443,098	21.33
1922	10,004,790	³ 115,653	³ 1.16	1933	13,837,058	2,773,840	20.05
1923	12,174,607	1,013,225	8.32	1934	15,465,861	1,625,089	10.51
1924	12,277,902	162,465	1.32	1935	15,635,913	1,642,108	10.50
1925	11,772,321	891,172	7.57	1936	16,587,844	2,487,969	15.00
1926	12,566,491	1,919,552	15.28	1937	17,756,282	2,897,660	16.32
1927	13,829,505	4,061,381	29.37	1938	17,974,093	1,677,630	9.33
1928	13,318,293	3,645,047	27.37				
1929	11,621,350	⁴ 5,080,777	⁴ 43.72	Annual average	12,693,365	2,014,120	15.87

¹ Average of total investment at beginning and end of year, consisting of common and preferred stocks surplus, and surplus reserves.

² Before deducting provisions for Federal income and profits taxes.

³ Denotes loss.

⁴ 13 months.

The tabulation shows that during the 20 years 1919-38 the company earned average rate of return of 15.87 percent on the investment. The operations of the company were profitable in all years except 1921 and 1922 when losses were sustained equivalent to 2.14 percent and 1.16 percent, respectively, on the investment. During the years 1927-31 large profits were earned equivalent to 29.37 percent on the investment in 1927; 27.37 percent in 1928; 43.72 percent in 1929 (13 months); 33.07 percent in 1930; and 24.78 percent in 1931. Thereafter the rates of return declined to 10.50 percent in 1935, then increased to 16.32 percent in 1937 and again declined to 9.33 percent in 1938.

A summary of the income and expenses, dividend payments, and surplus of Freeport Sulphur Co. follows:

	Total for years 1919-38	Annual average	Percentage of sales
Net sales	\$174,546,023	\$8,727,301	100.00
Costs and expenses	135,351,195	6,767,660	77.54
Net profit from sales	39,194,828	1,959,741	22.46
Miscellaneous income	1,087,576	54,379	.62
Net income before Federal taxes	40,282,404	2,014,120	23.08
Provision for Federal taxes	4,452,254	222,613	2.55
Net income	35,830,150	1,791,507	20.53
Surplus beginning of period	7,663,780		
Total	43,493,930		
Dividend payments	28,147,584		
Other net deductions from surplus	8,081,559		
Total	7,264,787		

Unlike Texas Gulf Sulphur Co., the costs and expenses for Freeport Sulphur Co. contain large amounts for royalties under sulfur leases. In connection with the two properties from which sulfur is now produced, Freeport Sulphur Co. paid royalties to the Texas Co. during the years 1924-38 of \$29,046,250 relating to the Hoskins Mound property in Texas, and paid royalties to Gulf Refining Co. of Louisiana, Shell Petroleum Corporation, and Humble Oil & Refining Co. during the years 1934-38 aggregating \$4,144,979 relating to the lease of properties at Grand Ecaille in Louisiana. These latter payments were in addition to a cash consideration aggregating \$500,000 for this lease.

CEMENT INDUSTRY

The report on "Investments, Profits, and Rates of Return for Cement Companies" deals with the operating results of a representative group of 18 cement companies which had 59 percent of the cement-producing capacity of the country in 1938. Seven of the larger companies account for approximately 45 percent of the total capacity of the industry. This concentration has come about through consolidations, mergers, and acquisitions of competing companies. The 18 companies are as follows:

Aetna Portland Cement Co.
 Alpha Portland Cement Co.
 Great Lakes Portland Cement Co.
 Huron Portland Cement Co.
 Ideal Portland Cement Co.
 Lawrence Portland Cement Co.
 Lehigh Portland Cement Co.
 Lone Star Cement Corporation.
 Marquette Cement Manufacturing Co.
 Medusa Portland Cement Co.
 Missouri Portland Cement Co.
 Nazareth Cement Co.
 North American Cement Co.
 Oregon Portland Cement Co.
 Pennsylvania-Dixie Cement Corporation.
 Riverside Cement Co.
 Superior Portland Cement, Inc.
 Universal-Atlas Cement Co.

All of these companies or their subsidiaries, and other members of the Cement Institute, were charged with certain monopolistic practices by the Federal Trade Commission in a complaint served July 2, 1937. The Commission's complaint charges, in part:

"* * * For more than 8 years past, respondents have maintained and now have in effect a combination among themselves to hinder, lessen, restrict, and restrain competition in price, among producing respondents in the course of their aforesaid commerce among the States * * *"

In the past certain trade practices in the industry have also been the subject of investigation by the Federal Trade Commission which are set forth in two reports; namely, Price Bases Inquiry, the Basing-Point Formula and Cement Prices, 1932; and Cement Industry, 1933. These reports deal largely with cement prices including uniformity and inflexibility of delivered prices and pricing policies.

The financial information which is the basis for the present study was obtained from the files of the Income Tax Unit of the Bureau of Internal Revenue, except in some instances when published reports were used, largely because of the inability to obtain information on a consolidated basis from the tax returns of some of the companies and their subsidiaries in the later years. Since the information was obtained primarily from tax returns, the operating results for the individual companies are presented in such a manner as to avoid disclosure of identity in view of the regulations of the Treasury Department governing the publicity of tax returns.

Rates of return on invested capital have been computed for each of the years 1917-36, on two bases; namely, the stockholders' investment and the common stockholders' equity after deducting appreciation. The combined stockholders' investments of all companies as a group increased each year from \$104,608,687 in 1917 to \$269,996,548 in 1929. Thereafter the trend was downward to \$170,471,267 in 1936. The annual average was \$188,407,014. The trend in common stockholders' equity followed that for the stockholders' investment, the annual average being \$154,712,804. The amounts of investments on which rates of return were computed are the average of the investments at the beginning and end of each year for each company. The amount of appreciation which was eliminated in arriving at investment ranged in the aggregate from \$12,734,344 in 1917 to \$52,401,690 in 1929, and to \$49,989,789 in 1936.

The profits used in computing rates of return represent the taxable net income as finally determined by the Bureau of Internal Revenue in all cases where tax returns were used. In those instances where the basic information was obtained from published reports, the net income as reported by the companies in such reports, before provisions for Federal taxes, was used.

Rates of return on the investments of all companies combined, for which information is available, are presented for each of the years 1917-36, in the following tabulation:

Year	Number of companies	Rate of return on the stockholders' investment	Rate of return on the common stockholders' equity	Year	Number of companies	Rate of return on the stockholders' investment	Rate of return on the common stockholders' equity
		<i>Percent</i>	<i>Percent</i>			<i>Percent</i>	<i>Percent</i>
1917.....	28	14.35	15.76	1928.....	22	11.94	12.93
1918.....	28	9.47	10.00	1929.....	19	10.24	11.42
1919.....	28	12.66	13.52	1930.....	18	9.04	10.32
1920.....	24	12.86	13.41	1931.....	18	12.36	14.65
1921.....	24	7.66	7.74	1932.....	18	18.04	112.44
1922.....	24	14.22	15.12	1933.....	18	13.30	15.45
1923.....	25	25.04	27.08	1934.....	18	2.53	2.21
1924.....	25	21.82	23.22	1935.....	18	.07	1.70
1925.....	26	20.38	22.10	1936.....	18	11.05	12.99
1926.....	21	16.66	18.74				
1927.....	22	13.14	14.53	Average.....		9.99	11.04

¹ Indicates loss.

As shown above, the average annual returns earned by the companies as a group were approximately 10 percent on the stockholders' investment and 11 percent on the common stockholders' equity during the 20-year period. Except for the depression years when losses were sustained, which reduced the averages for the period, high returns were earned in most years.

Prior to 1931, the first year in which losses were sustained, the average return on the stockholders' investment during the years under review was 14.32 percent as compared with a loss of 0.27 percent for the later years. Likewise, during the years 1917-30, the average return on the common stockholders' equity for the companies as a group was 15.72 percent as compared with a loss of 1.47 percent for the years 1931-36. The slightly higher average returns on the common stockholders' equity than on the stockholders' investment are accounted for by the fact that the margin of capital represented by preferred stock produced earnings in excess of the dividends paid or accrued thereon. It was not practicable to compute rates of return on the total investment including long-term debt because of the inability to segregate interest charges on such debt from total charges for all interest payments reported on tax returns. However, it appears that the proportion of long-term debt to the total capitalization was not large so that the average return on the total investment would not be materially lower than the average return on the stockholders' investment.

It will be noted in the preceding tabulation that the number of companies for which returns were computed range in number from 28 in 1917 down to 18 in 1936. The larger number of companies in the earlier years included those acquired by merger or consolidation during the 1920's by a number of the 18 companies. However, in the following tabulation, all such predecessor companies have been grouped according to their present affiliation in order to show comparative returns for each company and its predecessors throughout the 20-year period under review. The average returns earned during the period by each company and its predecessors, designated by number, in order to avoid disclosure of identity, are as follows:

Average annual rate of return during 20-year period 1917-36

Company No.	On stockholders' investment	On common stockholders' equity	Company No.	On stockholders' investment	On common stockholders' equity
	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
1.....	6.81	6.81	11.....	5.88	6.55
2.....	(1)	(1)	12.....	12.07	12.07
3.....	14.98	24.15	13.....	15.02	31.03
4.....	7.80	7.80	14.....	13.23	13.51
5.....	9.02	(2)	15.....	7.79	7.87
6.....	15.63	(2)	16.....	7.22	7.25
7.....	22.67	22.67	17.....	8.74	9.12
8.....	10.82	11.35	18.....	15.21	15.93
9.....	4.56	4.56			
10.....	7.28	7.55	Average.....	9.99	11.04

¹ Omitted to avoid disclosure of identity since company No. 2 was not in operation during all of the years 1917-36. However, the results of its operations are reflected in the annual averages for the 18 companies.

² Not available.

The tabulation shows that on the average substantial returns were earned by each of the 17 companies and their predecessors, despite losses sustained during the depression years. On the basis of stockholders' investment, the lowest average return earned by any company during the 20-year period was 4.56 percent and the highest return was 22.67 percent. The next highest returns were earned by four other companies averaging approximately 15 percent per annum; four earned from 9 to over 14 percent; and seven earned from nearly 6 to 8 3/4 percent. As a group all companies earned an average return of about 10 percent. On the basis of common stockholders' equity the respective returns were higher, averaging just over 11 percent.

While the returns of the respective companies and their predecessors indicate substantial variation, the returns are quite comparable when the companies are grouped by size. On the basis of plant capacity, the 18 companies represented 59 percent for the industry in 1938. Each of 3 of the 18 companies represented over 5 percent of the total capacity for the industry; 4 represented from 3 to 5 percent each; 6 represented from 1 to 3 percent each; and 5 represented under 1 percent each. According to this grouping, the 2 groups of medium-sized companies earned higher average returns than either of the other 2 groups, followed by the group of largest companies. The average returns earned by each group during the 20-year period, 1917-36, are as follows:

Average annual rates of return, 1917-36

	On stock- holders' invest- ment	On com- mon stock- holders' equity
	<i>Percent</i>	<i>Percent</i>
Group 1. 3 companies each with over 5 percent of total plant capacity.....	9.71	10.19
Group 2. 4 companies each with from 3 to 5 percent of total plant capacity.....	10.65	12.57
Group 3. 6 companies each with from 1 to 3 percent of total plant capacity.....	10.43	12.53
Group 4. 5 companies each with under 1 percent of total plant capacity.....	8.26	8.73
All groups with 59 percent of total plant capacity in 1938.....	9.99	11.04

RAYON INDUSTRY

The report on investments, profits, and rates of return for rayon companies deals with the operating results of eight of the principal rayon companies, their position in the industry, the tremendous growth in the use of the product, and the price trends of this and competitive yarns. The eight companies are as follows:

- American Viscose Corporation.
- E. I. du Pont de Nemours & Co. (Rayon department).
- Celanese Corporation of America.
- Industrial Rayon Corporation.
- The American Enka Corporation.
- North American Rayon Corporation.
- Tubize-Chatillon Corporation.
- American Bemberg Corporation.

American Viscose Corporation, the largest producer in the industry, had a monopoly of the rayon business in this country prior to 1920 through control of patents on manufacturing processes. After the expiration of these patents other companies entered this field so that in 1938 there were 29 rayon yarn and staple fiber producers. However, these eight companies were the principal producers.

There has been a remarkable growth in the production of rayon yarn and staple fiber. The last year that American Viscose Corporation was the sole producer was 1919 when over 8,000,000 pounds were produced. Thereafter, the domestic production increased rather consistently to 342,000,000 pounds in 1937 and decreased to about 288,000,000 pounds in 1938. Although other companies entering the field have accounted for a substantial portion of the increase, American Viscose Corporation remained the principal producer. Its proportion of the total had decreased from time to time to 30 percent of the domestic production in 1938.

In 1938 the eight companies under study produced 91 percent of the total United States production of rayon yarn and staple fiber by all processes. Three of the

largest companies accounted for 67 percent of the total. The following tabulation shows the proportions of the annual domestic production since 1919 of each of the three largest companies and of the five smaller companies as a group. Prior to 1920 American Viscose Corporation accounted for all of the production.

Proportion of the total United States production of rayon yarn and staple fiber by all processes accounted for by each of the 3 large companies and by 5 smaller companies combined, from 1920 to 1938, inclusive

Year	Number of companies	American Viscose Corporation ¹	E. I. du Pont de Nemours & Co.	Celanese Corporation of America	5 smaller companies combined ²	Combined percentage of total United States production
		Percent	Percent	Percent	Percent	Percent
1920.....	1	99				99
1921.....	4	92	2		4	98
1922.....	5	82	6		12	100
1923.....	5	78	8		13	99
1924.....	5	73	10		17	100
1925.....	6	68	13	1	16	98
1926.....	6	59	17	1	16	93
1927.....	7	54	20	3	16	93
1928.....	7	56	19	3	14	92
1929.....	9	52	21	4	17	94
1930.....	8	42	17	5	26	90
1931.....	8	39	17	6	28	90
1932.....	8	34	16	7	29	86
1933.....	8	35	16	10	25	86
1934.....	8	34	20	11	27	92
1935.....	8	35	20	14	23	92
1936.....	8	33	21	14	23	91
1937.....	8	32	22	14	20	88
1938.....	8	30	22	15	24	91

¹ Prior to 1920, American Viscose Corporation produced 100 percent of the total domestic production.

² 5 companies combined include Industrial Rayon Corporation, 1922-38; the American Enka Corporation, 1929-38; North American Rayon Corporation, 1929-38; American Bemberg Corporation, 1927-38; and Tubize-Chatillon Corporation, 1930-38; together with the latter company's predecessors, namely, Tubize Artificial Silk Co. and American Chatillon Corporation from 1921 to 1929, inclusive.

Rayon is a synthetic textile fiber, that for many years was referred to as artificial silk, and whose basic raw material is cellulose. The principal commercial sources of cellulose are spruce, western hemlock and cotton linters, although it may be obtained from many other less economical sources. Rayon is produced by chemical and mechanical processes which first make a fine filament that is spun into yarns suitable for weaving into many kinds of fabrics. For many years, rayon was primarily a substitute for silk but recently a staple fiber has been developed which can be used in woven and knit goods similar to wool in heavier fabrics.

Experiments were first made as early as 1735 to manufacture a textile fiber but it was not until about 1890 that successful processes were developed. The nitrocellulose and cuprammonium process were perfected first and soon thereafter the viscose process was discovered. The latter process became the most widely used. Another process, namely, the acetate process, was not discovered until the time of the World War, but in recent years the production of rayon by this process has become increasingly important.

The following tabulation indicates the tremendous growth in the industry and shows that the domestic production of rayon yarn and staple fiber combined increased from 363,000 pounds in 1911 to 287,749,000 pounds in 1938. Production in 1936 and 1937 exceeded the production for the year 1938.

United States production of rayon yarn and staple fiber, 1911-38 (units are thousands of pounds)¹

Year	Viscose, cuprammonium and nitrocellulose yarns ²	Acetate yarn	Total rayon yarn	Staple fiber	Total rayon yarn and staple fiber
1911	363		363		363
1912	1,111		1,111		1,111
1913	1,816		1,816		1,816
1914	2,422		2,422		2,422
1915	3,885		3,885		3,885
1916	5,778		5,778		5,778
1917	6,544		6,544		6,544
1918	5,846		5,846		5,846
1919	8,228	50	8,278		8,278
1920	10,005	120	10,125		10,125
1921	14,866	120	14,986		14,986
1922	23,947	120	24,067		24,067
1923	34,839	120	34,959		34,959
1924	36,208	120	36,328		36,328
1925	49,429	1,620	51,049		51,049
1926	60,073	2,620	62,693		62,693
1927	70,408	5,147	75,555		75,555
1928	91,232	6,000	97,232	165	97,397
1929	112,954	8,445	121,399	500	121,899
1930	117,543	9,790	127,333	350	127,683
1931	135,249	15,630	150,879	880	151,759
1932	116,379	18,291	134,670	1,100	135,770
1933	172,402	41,096	213,498	2,100	215,598
1934	170,307	38,014	208,321	2,200	210,521
1935	202,010	55,547	257,557	4,600	262,157
1936	214,926	62,712	277,638	12,300	289,938
1937	239,316	82,365	321,681	20,244	341,925
1938	181,795	76,121	257,916	29,833	287,749

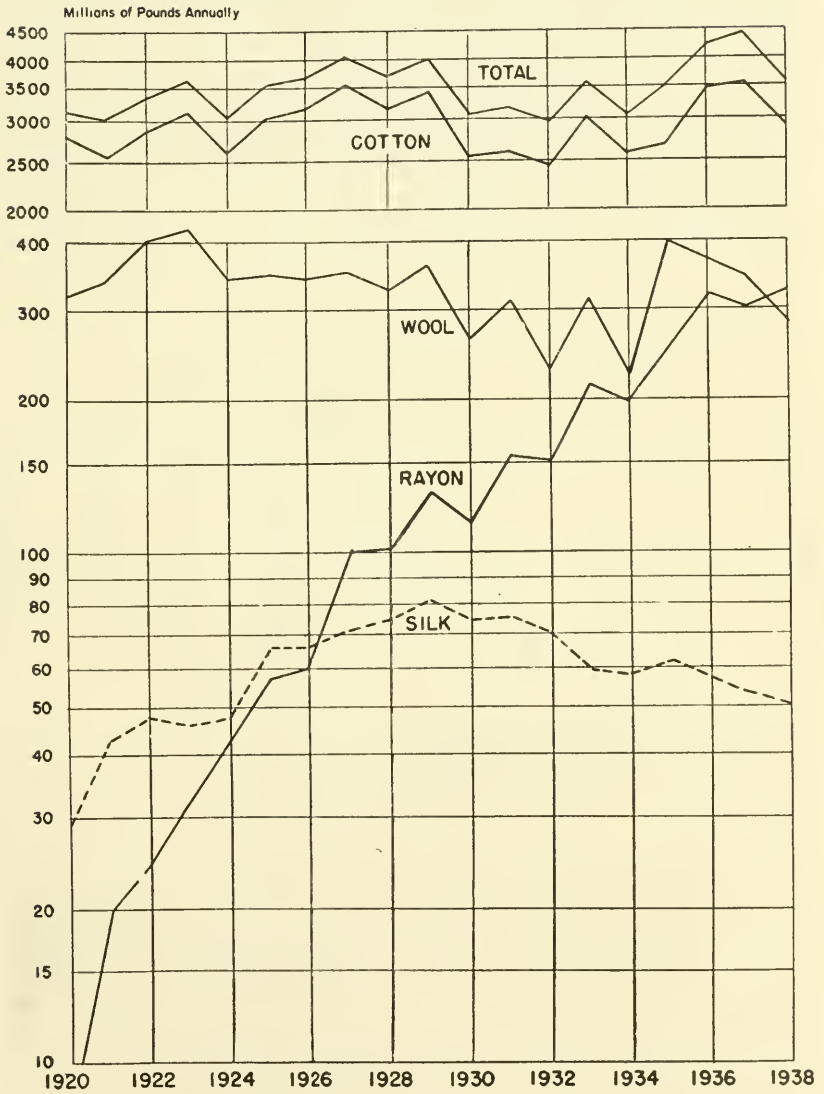
¹ Source: Textile Economics Bureau, Inc., Rayon Organon.

² Production of nitrocellulose yarn was discontinued in 1934.

In 1938 acetate yarn accounted for 29.5 percent of the total domestic rayon yarn, but accounted for a lesser proportion of the world production. Rayon yarn produced by this process has accounted for a larger proportion of the total each year. The production of rayon staple fiber has not been as extensively developed in this country as in other countries, particularly Italy, Germany, and Japan. In 1930 the world production of rayon yarn amounted to 451,000,000 pounds and the rayon staple fiber amounted to 6,000,000 pounds, whereas in 1937 the world rayon-yarn production was 1,205,000,000 pounds as compared to 618,000,000 pounds of rayon staple fiber. In 1938 the world production of staple fiber practically equaled the yarn production, as estimated figures give the world production of rayon yarn as 975,000,000 pounds and of rayon staple fiber as 925,000,000 pounds. This compares with the domestic production of rayon yarn of 258,000,000 pounds and of rayon staple fiber of 30,000,000 pounds. Thus, it is evident that rayon staple fiber, which to some extent is a substitute for cotton and wool, is used more widely in other countries than in the United States. The domestic production of staple fiber does not equal the consumption although there has been a continuous increase in the domestic production. For instance, in 1938 the domestic production increased nearly 50 percent over 1937, whereas imports increased only about 15 percent. In 1938 the imports of rayon staple fiber amounted to about 24,000,000 pounds as compared to 30,000,000 pounds of domestic production.

The remarkable growth of the domestic use of rayon as compared to other textiles is illustrated heretofore in the production data and is also forcefully portrayed in the following chart, showing the quantities consumed of rayon yarn and competing yarns. In recent years there have been relatively small amounts of rayon yarn exported or imported, except there have been some imports of staple fiber. Thus, the relative quantities of domestic production and consumption in the aggregate are not greatly different. However, sometimes there were rather large differences between the annual amounts produced and the amounts consumed, for the reason that in certain years the anticipated demand did not materialize and part of the production was carried over to the next year. The following chart shows the pounds consumed domestically of cotton, wool, rayon, and silk, from 1920 to 1938, inclusive.

Chart UNITED STATES CONSUMPTION OF COTTON, WOOL, RAYON AND SILK FIBERS
1920-1938



It is of interest to correlate the consumption of rayon, shown in the foregoing chart, and the production of rayon, shown heretofore, with the price of rayon yarn. The trend of the price of rayon yarn definitely reflects the influence of the earlier monopolistic position of American Viscose Corporation and the later competitive conditions in the industry. Prior to 1920, there were only moderate increases in production which never exceeded 10,000,000 pounds annually. During the period from 1911 to February 1920, the list price of rayon yarn, 150 denier, increased from \$1.85 to \$6 per pound. From February 1920 to October 1920, the list price dropped from \$6 to \$2.55 and from 1921 to 1932, inclusive, ranged downward from \$2.80 to 55 cents. From 1933 to 1938, inclusive, the list price ranged from 49 cents to 65 cents per pound. After 1920, the growth in production of rayon was sensational, increasing from 10,125,000 pounds in 1920 to 341,925,000 pounds in 1937. There was a considerable decline in 1938 production but there was an increase in consumption over 1937.

It is also of interest to compare the wholesale prices of cotton, wool, silk, and rayon yarns. It will be noted from the following tabulation that the trends of prices of rayon and silk were quite comparable and even cotton followed somewhat the same trend. The following tabulation is copied from page 26 of a report on Development and Use of Rayon and Other Synthetic Fibers by Bureau of Agricultural Economics.

Prices and index numbers ¹ of cotton, wool, silk, and rayon yarns, United States, 1921 to 1937

Calendar year	Cotton ²		Wool ³		Silk ⁴		Rayon ⁵	
	Price	Index	Price	Index	Price	Index	Price	Index
	Dollars per pound	Percent	Dollars per pound	Percent	Dollars per pound	Percent	Dollars per pound	Percent
1921	0.66	90	1.18	69	6.57	92	2.67	116
1922	.72	99	1.41	82	7.65	107	2.80	122
1923	.77	106	1.73	101	8.65	121	2.80	122
1924	.72	99	1.69	99	6.25	87	2.11	92
1925	.70	96	1.72	100	6.57	92	2.00	87
1926	.58	79	1.44	84	6.19	86	1.81	79
1927	.55	75	1.37	80	5.44	76	1.49	65
1928	.54	74	1.55	91	5.07	71	1.50	65
1929	.54	74	1.49	87	4.93	69	1.24	54
1930	.47	64	1.24	72	3.42	48	1.05	46
1931	.37	51	1.00	58	2.40	34	.75	33
1932	.31	42	.84	49	1.56	22	.64	28
1933	.41	56	1.08	63	1.61	22	.61	26
1934	.46	63	1.25	73	1.30	18	.59	26
1935	.45	62	1.13	66	1.63	23	.57	25
1936	.42	58	1.31	77	1.77	25	.59	26
1937	.44	60	1.38	81	1.86	26	.62	27

¹ Base is the average of the 3 years 1923, 1924, and 1925.

² Average midmonth contract prices of 40's single combed peeler yarn, New York.

³ Worsted yarn, 32's white, crossbred stock, factory.

⁴ Japanese silk yarn, 78 percent, crack, xx, 13/15 denier, white, New York.

⁵ A grade, 150 denier, continuous filament rayon, first quality, New York.

Source: Bureau of Agricultural Economics. Prices are Bureau of Labor Statistics wholesale prices except cotton-yarn prices.

American Viscose Corporation or its predecessor company, was originally formed in 1909, by Courtauld's, Ltd., and has since been controlled by that firm. Prior to 1915, it used patented processes owned by Courtauld's, Ltd., and paid royalties for their use but in 1915, those patents were acquired outright for \$5,000,000. American Viscose Corporation is engaged almost solely in the production of rayon yarns and staple fiber by the viscose and acetate processes. Prior to 1920, this company had a monopoly in this country in the production of rayon yarn. This company is still the largest producer but now accounts for only about 30 percent of the total.

E. I. du Pont de Nemours & Co. is the second largest producer of rayon yarn. Its rayon business, however, is only a small portion of its total business. The history of this company's business extends back to 1802 but its rayon business was not started until 1920. This company produces rayon yarn and staple fiber by the viscose and acetate processes. From 1926 to 1933, inclusive, this company was the only domestic producer of staple fiber. It has recently completed a plant for the production of "Nylon" yarn, an extremely tough synthetic material, that

has many uses, such as for hosiery, sheets, and other fabrics, for which rayon yarn is not adaptable.

Celanese Corporation of America was incorporated in 1918 but was not very active in this field until 1925 and has since become the third largest producer. This company makes rayon yarn and staple fiber by the acetate process and claims to have recently developed a new yarn, four or five times as strong as rayon for use in hosiery and tire fabrics.

The profitability of the rayon producers, expressed in rates of return on investments, are presented for all eight companies under review, individually and as a group, from 1915 to 1938, inclusive, on two bases; namely, total investment and stockholders' investment, before deducting provisions for Federal income taxes from earnings. The total investment consists of long-term borrowings, stocks outstanding, surplus, and surplus reserves. The stockholders' investment included all these items except long-term borrowings. Inasmuch as some of these rayon companies had only small bond issues or other long-term debt, the total investment is only slightly greater than the stockholders' investment and the rates of return are only slightly higher on the stockholders' investment.

Since American Viscose Corporation was the only domestic producer prior to 1920 by reason of its patent monopoly, it is the only company for which rates of return are presented prior to that time. Following that time, rates of return are presented for other companies as they entered the business. The following tabulation gives the rates of return on the basis of total investment and stockholders' investment for the companies as a group in all years for which the information was available during 1915-1938:

Year	Number of companies	Rates of return on—		Year	Number of companies	Rates of return on—	
		Total investment	Stockholders' investment			Total investment	Stockholders' investment
		Percent	Percent			Percent	Percent
1915.....	1	26.32	26.32	1928.....	5	24.49	24.57
1916.....	1	109.19	109.19	1929.....	6	18.05	18.07
1917.....	1	95.96	95.96	1930.....	7	4.96	4.96
1918.....	1	69.49	69.49	1931.....	7	3.35	3.35
1919.....	1	97.02	97.02	1932.....	7	1.47	1.46
1920.....	1	64.21	64.21	1933.....	3	12.16	12.21
1921.....	2	41.99	41.99	1934.....	8	6.88	6.91
1922.....	2	50.12	50.12	1935.....	8	6.74	6.80
1923.....	2	43.15	43.15	1936.....	8	11.47	11.65
1924.....	2	26.73	26.73	1937.....	8	12.14	12.31
1925.....	3	30.60	31.00	1938.....	8	2.52	2.44
1926.....	4	20.14	20.46				
1927.....	4	25.76	26.07	Average.....		13.99	14.18

The tabulation shows that all eight companies as a group earned profits equivalent to approximately 14 percent on each basis of investment during the 24-year period. Exceptionally high rates of return were earned from 1916 to 1920, inclusive, ranging from 64.21 to 109.19 percent on the total investment and the same on the stockholders' investment. During the period from 1921 to 1929, inclusive, they ranged from 18.05 percent to 50.12 percent on the total investment. The returns decreased to 4.96 percent in 1930 and continued to decline to 1.47 percent in 1932. They recovered sharply in 1933 when 12.16 percent was earned on the total investment. During the next 2 years the returns were 6.88 percent and 6.74 percent of the total investment, while during 1936 and 1937 they were 11.47 percent and 12.14 percent, respectively. During 1938, profits were much lower, amounting to 2.52 percent on the total investment and 2.44 percent on the stockholders' investment.

The annual and average returns earned by each company during the years 1915-38 are given in the two tabulations which follow. These tabulations show that the average returns earned by each of the three largest companies were higher than for any of the other eight companies, and the returns for American Viscose Corporation, the largest company, were considerably higher than for any of the other companies. On each basis of investment the average profits of American Viscose Corporation were equivalent to 21.27 percent. This high average return is attributable to the phenomenal profits earned during the earlier years when the company held the patent monopoly. The next largest two companies, the du

Pont Co. and Celanese Corporation of America, followed in the order of high returns. The average return earned by the rayon department of the du Pont Co. was 11.52 percent on each basis of investment, and the average return earned by the Celanese Corporation of America was 9.75 percent on the total investment and 10.19 percent on the stockholders' investment. Good returns were earned by each of the other companies except American Bemberg Corporation, the smallest company. Its average return was only moderate being slightly over 3 percent on each basis of investment.

However, this is not to say that the smaller companies were the least profitable under normal competitive conditions. Most of the smaller companies had higher rates of return during 1936, 1937, and 1938 than did the larger companies; and the smallest company had the highest rates of return of any of the companies in 1937 and 1938. In those years its returns were over 29 and 18 percent, respectively, on each basis of investment. The tables show that the returns for the respective companies during recent years were completely contradictory to the annual averages. An impelling factor for the higher average returns for the larger companies was the larger profits earned during the earlier years when they had the field to themselves.

Annual rate of return on total investment for principal rayon companies, 1915-38

Year	American Viscose Corporation	Rayon department of E. I. du Pont de Nemours & Co.	Celanese Corporation of America	Industrial Rayon Corporation	The American Enka Corporation	North American Rayon Corporation	Tubize-Cha-tillon Corporation	American Bemberg Corporation	Average for group
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1915	26.32								26.32
1916	109.19								109.19
1917	95.96								95.96
1918	69.49								69.49
1919	97.02								97.02
1920	64.21								64.21
1921	44.62	¹ 2.13							41.99
1922	51.16	34.11							50.12
1923	43.47	38.91							43.15
1924	26.63	27.88							26.73
1925	32.39	34.19	1.15						30.60
1926	21.75	15.23	12.60	12.80					20.14
1927	26.19	27.01	20.76	25.48					25.76
1928	28.79	26.63	9.09	22.03				8.34	24.49
1929	23.43	19.04	9.88	12.42		¹ 0.96		¹ 0.04	18.05
1930	8.07	1.90	5.98	13.38	¹ 4.28	1.30		¹ 7.25	4.96
1931	4.44	4.45	3.03	6.43	1.55	1.32		¹ 9.72	3.35
1932	2.35	1.21	3.47	2.10	1.29	¹ 3.50		¹ 10.43	1.47
1933	10.55	12.65	20.37	14.35	8.86	12.58	4.73	14.64	12.16
1934	6.97	8.58	10.91	9.33	1.84	5.88	1.27	¹ 9.90	6.88
1935	6.53	5.27	12.13	4.25	5.03	10.06	5.86	¹ 11.10	6.74
1936	9.67	11.00	11.98	9.66	17.12	21.75	12.27	17.27	11.47
1937	10.16	13.10	10.96	1.68	21.19	24.75	16.60	-29.45	12.14
1938	¹ 1.66	4.15	6.00	1.67	8.46	4.48	3.55	18.44	2.52
Average...	21.27	11.52	9.75	8.37	6.31	7.33	6.82	3.15	13.99

¹ Denotes loss.

Annual rate of return on stockholders' investment for principal rayon companies, 1915-38

Year	American Viscose Corporation	Rayon department of E. I. du Pont de Nemours & Co.	Celanese Corporation of America	Industrial Rayon Corporation	The American Enka Corporation	North American Rayon Corporation	Tubize-Chatillon Corporation	American Bemberg Corporation	Average for group
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1915	26.32								26.32
1916	109.19								109.19
1917	95.96								95.96
1918	69.49								69.49
1919	97.02								97.02
1920	64.21								64.21
1921	44.62	12.13							41.99
1922	51.16	34.11							50.12
1923	43.47	38.91							43.15
1924	26.63	27.88							26.73
1925	32.39	34.19	0.36						31.00
1926	21.75	15.23	13.68	18.47					20.46
1927	26.19	27.01	22.11	33.81					26.07
1928	28.79	26.63	9.09	23.43				8.45	24.57
1929	23.43	19.04	9.88	12.61		10.96		1.25	18.07
1930	8.07	1.90	5.98	13.56	14.28	1.30		17.42	4.96
1931	4.44	4.45	3.03	6.45	11.55	1.32		19.77	3.35
1932	2.35	1.21	3.47	2.08	11.29	13.51		110.49	1.46
1933	10.55	12.65	20.37	14.41	8.86	12.58	4.36	14.68	12.21
1934	6.97	8.58	11.18	9.33	1.84	5.88	11.47	10.96	6.90
1935	6.53	5.27	12.98	4.25	5.03	10.07	6.10	11.17	6.80
1936	9.67	11.00	13.07	9.66	17.12	21.76	12.75	17.32	11.65
1937	10.16	13.10	11.87	1.67	21.19	24.57	17.08	29.84	12.31
1938	11.66	4.15	6.63	1.16	8.46	4.48	3.02	18.48	2.44
Average	21.27	11.52	10.19	8.55	6.31	7.33	6.87	3.14	14.18

¹ Denotes loss.

The rank in size of the various companies under review has been indicated in terms of production. The following tabulation shows the position of each of the eight companies in terms of investment, and also shows the deviations of the relative proportions of their combined investments in 1938 from those based on the 1915-38 average.

Ratios of total investment

	Annual average 1915-38	Average 1938
Combined investments	\$206,493,948	\$298,603,637
	<i>Percent</i>	<i>Percent</i>
American Viscose Corporation	41.74	38.30
Rayon department of E. I. du Pont de Nemours & Co.	14.63	20.65
Celanese Corporation of America	15.66	18.02
Industrial Rayon Corporation	6.51	7.90
The American Enka Corporation	7.49	5.63
North American Rayon Corporation	5.74	4.09
Tubize-Chatillon Corporation	5.52	3.79
American Bemberg Corporation	2.71	1.62
Total	100.00	100.00

The investments shown above include quite large amounts that were not devoted directly to the rayon business with respect to American Viscose Corporation. This company reinvested a substantial proportion of its earnings from time to time in stocks and bonds of other companies and nontaxable Government securities and obligations, particularly the latter. These outside investments averaged \$41,738,385 for the years 1915-38 and \$42,078,331 in 1938. The return on such investments was much lower than the investment in the rayon business. This is indicated in the following tabulation which shows that the average return to the company on that portion of its capital devoted solely to the rayon business was 37.52 percent as compared with average earnings from all sources equivalent to 21.27 percent on the entire investment.

Rates of return

Year	On total investment ¹	On investment in the rayon business	Year	On total investment ¹	On investment in the rayon business
	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
1915	26.32	26.32	1928	28.79	59.36
1916	109.19	109.19	1929	23.43	44.55
1917	95.96	95.96	1930	8.07	10.95
1918	69.49	100.56	1931	4.44	4.83
1919	97.02	268.96	1932	2.35	1.32
1920	64.21	156.83	1933	10.55	17.01
1921	44.62	87.16	1934	6.97	10.12
1922	51.16	97.00	1935	6.53	9.22
1923	43.47	88.13	1936	3.67	14.78
1924	26.63	54.18	1937	10.16	15.36
1925	32.39	72.64	1938	² 1.66	² 4.34
1926	21.75	46.01			
1927	26.19	52.82	Average	21.27	37.52

¹ Total investment and stockholders' investment are identical.

² Denotes loss.

The table indicates strikingly the effects of competition on the operating results of American Viscose Corporation as other companies entered the business following the expiration of its patent monopoly. Prior to 1920 it was the sole producer and the entrance of other companies thereafter was gradual. This is reflected in exceptionally high net returns for the company during the earlier years and in lower returns in later years. This is emphasized in the following tabulation which summarizes the company's investments, profits, and rates of return, on the basis of its total investment and on the basis of its investment in the rayon business only, for the years 1915-20, 1921-29, and 1930-38:

American Viscose Corporation

	Based on total investment	Based on investment in rayon business only
Average annual investments:		
1915 to 1920	\$20,516,262	\$11,886,090
1921 to 1929	100,845,419	45,580,534
1930 to 1938	115,341,886	65,057,559
1915 to 1938	86,199,305	44,460,920
Average annual net profit:		
1915 to 1920	15,919,824	15,479,808
1921 to 1929	30,940,201	28,633,845
1930 to 1938	7,328,580	5,534,835
1915 to 1938	18,330,749	16,683,207
Average annual rate of return:	<i>Percent</i>	<i>Percent</i>
1915 to 1920	77.60	130.23
1921 to 1929	30.68	62.82
1930 to 1938	6.35	8.51
1915 to 1938	21.27	37.52

During the 24-year period the net sales of American Viscose Corporation amounted to \$1,024,509,135, an annual average of \$42,687,881. In 1938 its sales amounted to \$42,074,969. The average of the annual net sales of the next largest company—du Pont—since its entry into the business in 1920 was a little less than half the average sales of the Viscose Corporation. However, its sales in 1938 more nearly approximated those of the Viscose Corporation, amounting to \$34,525,988. In that year the sales of the third largest outstanding company—Celanese Corporation of America—amounted to \$28,685,282.

The profitableness of the American Viscose Corporation to its organizers and owners is further emphasized in the following tabulation which summarizes the company's net sales, net profits after providing for the payment of Federal income and profits taxes, dividend payments, and surplus for the period 1915-38:

American Viscose Corporation

	Total, 1915-38	Annual average
Net sales.....	\$1,024,509,135	\$42,687,881
Net profit after provision for Federal income tax.....	354,455,728	14,768,989
Dividends paid:		
In cash on preferred stock.....	13,689,696	570,404
In cash on common stock.....	182,472,259	7,603,012
Stock dividends consisting of preferred stock issued to common stockholders later retired for cash.....	40,568,456	1,690,353
Total dividends.....	236,730,451	9,863,769
Net profit after dividends.....	117,725,277	4,905,220
Surplus transferred to surplus reserves.....	42,000,000	
Surplus transferred to capital stock.....	20,914,789	
Amortization of goodwill.....	25,682,470	
Premium and dividends on stock repurchased.....	7,029,482	
Other additions to surplus—net.....	284,798	
Balance in surplus at the end of 1938.....	22,383,334	

In 1915, when the predecessor company of American Viscose Corporation was formed, the net worth of the assets of the original American Viscose Co. was \$3,632,082. This amount represents practically all the capital invested at that time or since by Courtaulds, Ltd., in American Viscose Corporation. At December 31, 1938, the invested capital consisting of common-stock holders' equity amounted to \$113,538,834. About 95 percent of the common stock is still retained by Courtaulds, Ltd. Practically all of the \$113,538,834 represents reinvested earnings, with the exception of the \$3,632,082 previously mentioned and it is very probable that a substantial portion of this amount consisted of reinvested earnings as the original company had been organized in 1909 and had been operating successfully. The invested capital at the end of 1938, amounting to \$113,538,834, consisted of \$49,155,500 of common stock, \$22,383,334 of surplus, and \$42,000,000 of surplus reserves. The latter amount includes reserve for fire insurance of \$25,000,000 and reserve for contingencies, etc., of \$17,000,000.

The preceding tabulation illustrates the source of the reinvested earnings classified as surplus and surplus reserves. Also from that tabulation it may be seen that \$25,682,470 was used to write off goodwill which originally had been reflected in the capital stock account and that \$20,914,789 of surplus was transferred to the capital stock account. These amounts plus the original \$3,632,082 more than account for the capital stock amounting to \$49,155,500; the difference may be accounted for by repurchases by the company of small amounts of capital stock for cash.

On the original investment of \$3,632,082, in 1915, the investors—primarily Courtaulds Ltd.—received \$236,730,451 of dividends in cash and in preferred, stock, later redeemed for cash, together with \$7,029,482 premium and accrued dividends on the stock redeemed, and they also retained an equity in the business valued at \$113,538,834 at the end of 1938.

PART II

INVESTMENTS, PROFITS, AND RATES OF RETURN
FOR TOBACCO PROCESSORS

17649

SCHEDULE OF TABLES

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INVESTMENTS PROFITS, AND RATES OF RETURN FOR TOBACCO PROCESSORS

INTRODUCTION

This report deals with the investments, profits, and rates of return of the principal tobacco processors engaged in the manufacture and sale of tobacco products, such as cigarettes, cigars, smoking and chewing tobacco, and snuff. The companies concerned include the American Tobacco Co., Liggett & Myers Tobacco Co., R. J. Reynolds Tobacco Co., P. Lorillard Co., Brown & Williamson Tobacco Co., the Axton-Fisher Tobacco Co., American Snuff Co., George W. Helme Co., United States Tobacco Co., General Cigar Co., Inc., Porto Rican American Tobacco Co., Consolidated Cigar Corporation, and Bayuk Cigars, Inc.

The investments, profits, and rates of return are presented for these companies individually and by groups for all years during the period 1917-37, for which the information is available. Comparisons are made of the investments, sales, and operating results for all companies combined, and for individual companies functionally grouped according to (1) those who manufacture and sell on a large scale, cigarettes and other tobacco products, (2) those who are primarily cigar manufacturers, and (3) those who are primarily snuff manufacturers. The relative importance of the various companies is pointed out and the degree of concentration of the business indicated. Information concerning salaries and other compensation paid to officers of the larger companies is presented for the more recent years.

The financial information, which is the basis for the discussion of investments, profits, and rates of return, was obtained from certified written reports submitted by the companies in answer to questionnaires. Such information for the years 1917-28 and 1935-37 was obtained by questionnaire specifically for use in this inquiry, and the information for the intervening years was obtained from reports submitted by the companies in connection with the Federal Trade Commission's agricultural income inquiry.

HISTORY AND BUSINESS OF THE AMERICAN TOBACCO CO.

The history of the American Tobacco Co. dates from 1890, when the company was organized as a consolidation of the five principal cigarette manufacturers who among them controlled approximately 90 percent of the country's cigarette business.¹

According to the report of the Commissioner of Corporations on the tobacco industry, the American Tobacco Co., in 1891, extended its business along other lines by acquiring two important smoking tobacco concerns and by entering the plug and cheroot branches of the business. From 1894 to 1897, the company developed its plug tobacco business by methods which succeeded in forcing its leading competitors to combine their interests with those of American Tobacco Co. This resulted late in 1898 in the organization, substantially under its control, of the Continental Tobacco Co. This company took over the plug tobacco business of American Tobacco Co. and also that of several leading competitors, and shortly after its organization acquired Liggett & Myers Tobacco Co., the largest and most important plug tobacco concern of the country.

The Continental, by this and subsequent acquisitions, acquired substantial control of the plug-tobacco business of the country. The acquisition of Liggett & Myers Tobacco Co. brought into the combination another group of powerful financial interests.

Shortly after the organization of Continental Tobacco Co., the combined interests obtained control of practically all of the leading snuff concerns of the country. This led to the formation of American Snuff Co. and placed the combination in a dominant position in the manufacture of all of the important kinds of tobacco except cigars. In 1900 the combination had 62 percent of the national

¹ Report of the Commissioner of Corporations on the Tobacco Industry, pt. III, p. 41.

output of plug tobacco and 59.2 percent of smoking tobacco, and in 1901, the first full year of American Snuff Co., it had 80.2 percent of the total output of snuff. Moreover the combination still retained an almost complete monopoly of the cigarette business.²

The combination then turned its attention to the cigar business, at that time the most important of all the branches, but also the most difficult one in which to effect a combination. There were a very large number of small manufacturers and comparatively few large ones. Except for the cheaper type of cigars, machine production had been of little consequence. However, in 1901 the American Tobacco Co. entered extensively into the cigar business by organizing the American Cigar Co. The acquisition of competing cigar companies by the American Cigar Co. immediately made it the largest single manufacturer of cigars in the country, but it did not then possess and never succeeded in acquiring any large proportion of the total cigar business of the United States.

The report of the Commissioner of Corporations on the tobacco industry also states that the power of the American Tobacco Co. and associated companies was further greatly increased by the organization in 1901 of the Consolidated Tobacco Co., a holding company. The Consolidated was the means of concentrating control within the combination. It acquired practically all of the common stock of the American and Continental companies in exchange for bonds. The report states that the organization of Consolidated Tobacco Co. was planned by leading interests in the American and Continental tobacco companies. The stockholders of these companies were induced to exchange their common stock for bonds of the new company bearing a fixed rate of interest. The report further states that as a result the greatly increased profits in the business from the reduction in the internal-revenue tax soon afterward, which increase the stockholders generally could not foresee, accrued in large part to the advantage of the inside interests as the chief holders of the Consolidated stock.

In 1904, the American, Continental, and Consolidated companies were merged into the present the American Tobacco Co., the central concern of the combination. The company formerly owned approximately two-thirds of the capital stock of the British-American Tobacco Co., Ltd. (the Imperial Tobacco Co. owning the other one-third); a majority of the stock of the American Cigar Co., the P. Lorillard Co., United Cigar Stores Co., the R. J. Reynolds Tobacco Co., the MacAndrews & Forbes Co., the Conley Foil Co., and a majority of the common stock (but not a majority of all voting stock) of the American Snuff Co. The American Tobacco. also owned in fee various plants and properties, which for the most part had been acquired from competitors, and controlled, directly or indirectly, a number of small concerns. Through the American Cigar Co., the company also controlled the entire capital stock of Federal Cigar Co., one-third of the stock of the Puerto Rican American Tobacco Co. (American Tobacco Co. also owning one-third), a majority of the common stock of Havana Tobacco Co. (now Cuban Tobacco Co., Inc.), and of American Stogey Co., and one-half the stock of Puerto Rican Leaf Tobacco Co.

In May 1911 the Supreme Court of the United States found the American Tobacco Co. to be a monopoly violating the provisions of the Sherman Anti-trust Act. At that time the company produced from more than 76 to over 96 percent of the various tobacco products except large cigars, of which it produced nearly 14½ percent.³ In addition to monopoly in the manufacture of tobacco products, the company exercised control over other products such as licorice paste, used in chewing tobacco; and tinfoil, cotton smoking-tobacco bags, wooden shipping boxes, tin, and pasteboard boxes and other containers.

A decree of dissolution handed down by the Circuit Court for the Southern District of New York in November 1911 provided that practically the entire business of the American Tobacco Co. and its subsidiary and affiliated companies, comprising the combination, should be divided among 14 separate companies. The apportionment of the assets and business among the 14 companies was devised with the express intention that no company should obtain a controlling position in any of the chief branches of the business. Stock ownership of the 14 companies was so arranged by the terms of the decree that none of the stock of any of the 14 corporations was to be owned by any other of the 14. The 14 companies, with the nature of the business of each, were as follows:

1. The American Tobacco Co.—General tobacco manufacturing business (except snuff).

² Report of the Commissioner of Corporations on the Tobacco Industry, pt. III, p. 41.

³ Report of the Commissioner of Corporations on the Tobacco Industry, pt. III, pp. 192, 221, 250, 295, 307, 322, and 352.

2. Liggett & Myers Tobacco Co.—General tobacco manufacturing business (except snuff).
3. P. Lorillard Co.—General tobacco manufacturing company (except snuff).
4. R. J. Reynolds Tobacco Co.—General tobacco manufacturing business (except snuff, cigars, and cigarettes).
5. American Snuff Co.—Snuff-manufacturing business.
6. George W. Helme Co.—Snuff-manufacturing business.
7. Weyman-Bruton Co. (now United States Tobacco Co.)—Snuff manufacturing business.
8. British-American Tobacco Co., Ltd.—General manufacturing business (foreign).
9. Porto Rican-American Tobacco Co.—Cigar manufacturing business (Porto Rican and foreign).
10. MacAndrews & Forbes Co.—Licorice-paste-manufacturing business.
11. J. S. Young Co.—Licorice-paste-manufacturing business.
12. The Conley Foil Co.—Tinfoil manufacturing business.
13. The Johnston Tin Foil & Metal Co.—Tinfoil manufacturing business.
14. United Cigar Stores Co.—General retail tobacco business.

The businesses of R. J. Reynolds Tobacco Co., British-American Tobacco Co., Porto Rican-American Tobacco Co., and United Cigar Stores Co. remained intact, though their stocks, so far as held by American Tobacco Co., were distributed to the common stockholders of that company. This detached the companies from the corporate control of American Tobacco Co.

The business of American Snuff Co. was divided into three parts, and the ownership of the company was detached from the control of American Tobacco Co. American Snuff Co. retained a part of the business, while the rest was apportioned between the George W. Helme Co. and Weyman-Bruton Co. (now United States Tobacco Co.), two new companies organized for this purpose.

The business of MacAndrews & Forbes Co., which had control of the licorice branch of the combination's business, was divided into two parts. One part was transferred to the J. S. Young Co., a new company organized for the purpose, and the remainder was retained by MacAndrews & Forbes Co.

The business of the Conley Foil Co. was divided into two parts. One part was retained by that company and the rest was assigned to the Johnston Tin Foil & Metal Co., which previously had been a subsidiary of the Conley Foil Co.

The American Cigar Co., though not detached from the control of American Tobacco Co., was required to transfer part of its business to other defendant companies.

Practically all of the remainder of the assets of the combination that was applicable to the business of manufacturing tobacco for the domestic market, except for snuff, was divided between the American Tobacco Co., R. J. Reynolds Tobacco Co., Liggett & Myers Tobacco Co., and P. Lorillard Co. The last two companies were newly organized for the purpose.

The American Tobacco Co. formerly owned the entire capital of the Tin Decorating Co. of Baltimore, with a factory in that city manufacturing plain and lithographed containers, tags, etc., but the assets of this company were sold as of December 31, 1935. The company also owns the stock of the Golden Bell Manufacturing Co. of Durham, N. C., manufacturers of cotton bags and pure silk hosiery. The company likewise owns a majority interest in the American Cigarette & Cigar Co. (formerly American Cigar Co.), which controls the Cuban Tobacco Co., Inc.

On October 26, 1923, the Tobacco Products Corporation leased and licensed all of its brands of cigarettes and smoking tobacco to the American Tobacco Co. for a period of 99 years, commencing November 1, 1923, for which it was paid \$2,500,000 annually until January 31, 1935, when the lease was commuted and the American Tobacco Co. became the owner of the brands previously leased, for an outlay of \$36,748,873. At the time the lease was executed the American Tobacco Co. acquired all of the tangible manufacturing assets of the Tobacco Products Corporation, including leaf tobacco, machinery and plants, for an approximate sum of \$12,000,000. Tobacco Products Corporation had been organized in 1912 by United Cigar Stores interests to build up a large cigarette manufacturing business. According to the Federal Trade Commission's Agricultural Income Inquiry Report,⁴ Tobacco Products Corporation soon acquired a large part of the "independent" cigarette output through acquisitions of many tobacco-manufacturing concerns. The history of the corporation with

⁴ Pp. 274-275.

the United Cigar Stores was one of complicated financial manipulation. Among the leading brands acquired by American Tobacco Co. from the corporation were Herbert Tareyton and Melachrino.

Effective January 1, 1932, the American Tobacco Co. leased the business of American Cigar Co. (the name was changed to American Cigarette & Cigar Co. in 1936), together with its plants and manufacturing facilities and real estate (except that located in Missouri and Connecticut) and its brands, trade-marks, etc., and purchased from American Cigar Co. all leaf tobacco, tobacco in process, manufactured tobacco, supplies, accounts receivable, treasury stock, and the investment of American Cigar Co. in Porto Rican Leaf Tobacco Co., and certain other assets, including real estate in Missouri. The term of the lease was 99 years, at an annual rental of \$1,800,000, plus insurance and taxes on the leased property. For its assets thus sold American Cigar Co. received 70,500 common shares and 129,500 common B shares of American Tobacco Co., and \$11,672 in cash. In addition, the American Tobacco Co. assumed debts of American Cigar Co. amounting to \$13,024,727.

At December 31, 1937, the American Tobacco Co. directly owned or controlled the following active subsidiaries:

<i>Name of company</i>	<i>Nature of business</i>
American Cigarette & Cigar Co.-----	Cigars and cigarettes.
Golden Belt Manufacturing Co.-----	Cloth bags and silk hosiery.
The American Tobacco Co. of the Pacific Coast.	Distributors of tobaccos and cigarettes.
The American Tobacco Co. of the Orient, Inc.	Buyers, handlers, and shippers of Turkish leaf tobacco.
American Suppliers, Inc.-----	Buyers, handlers, and shippers of domestic leaf tobacco.
De Mauduit Paper Corporation.-----	Importers and distributors of cigarette papers.
The Hatheway-Steane Corporation.-----	Growers, handlers, and shippers of domestic cigar leaf.
2 foreign subsidiaries ¹ -----	

¹ The company considers the disclosure of the names of these foreign subsidiaries would be prejudicial to the interest of its stockholders and states that its investment in and advances to these subsidiaries are not considered to be of significant amount in relation to the consolidated balance sheet of the company and its subsidiaries. Likewise, that the operations of these foreign subsidiaries are not considered significant in relation to the consolidated income account of the company and its subsidiaries.

At December 31, 1937, the company's principal plants for the manufacture of cigarettes were located in Richmond, Va., and Reidsville and Durham, N. C. Plants for the manufacture of cigars were located in Charleston, S. C., Philadelphia, Pa., and Trenton, N. J. Plants for the manufacture of other tobacco products were located in Louisville, Ky., Nashville, Tenn.; Richmond, Va.; and Durham, N. C.

The company's principal brands include Lucky Strike, Sweet Caporal, Omar, Lord Salisbury, Melachrino, Herbert Tareyton, and Johnny Walker cigarettes; Blue Boar, Half and Half, Tuxedo, Bull Durham, Ivanhoe, Long Cut, Lucky Strike, U. S. Marine, and Old English Curve Cut smoking tobaccos; American Navy, Battle Ax, Boot Jack, Penn's Natural Leaf, Piper Heidsieck, Red J, Spear Head, Square Deal, and Town Talk, plug cut tobaccos; and Cremo, Antonio Cleopatra, Chancellor, and El Roi Tan cigars.

HISTORY AND BUSINESS OF OTHER IMPORTANT TOBACCO PROCESSORS

In addition to the American Tobacco Co., this report deals with 12 other important companies, of which 5 are engaged in the manufacture and sale of cigarettes and other tobacco products, 3 are snuff companies, and 4 are cigar companies. The 5 companies referred to include Liggett & Myers Tobacco Co., R. J. Reynolds Tobacco Co., P. Lorillard Co., Axton-Fisher Tobacco Co., and Brown & Williamson Tobacco Corporation. The 3 snuff companies include American Snuff Company, United States Tobacco Co., and George W. Helme Co. The 4 cigar manufacturers are Porto Rican American Tobacco Co., General Cigar Co., Inc., Consolidated Cigar Co., and Bayuk Cigars, Inc. From the standpoint of investments and sales, American Tobacco Co., Liggett & Myers Tobacco Co., and R. J. Reynolds Tobacco Co. are the largest of the companies included for discussion.

As previously explained, Liggett & Myers Tobacco Co. was organized in 1911 to acquire certain assets of the American Tobacco Co. as provided for by the court

decree ordering the segregation of the assets of the latter company. Liggett & Myers Tobacco Co. owns, directly or indirectly, plants for the manufacture of its tobacco products, located in Durham, N. C., Richmond, Va., Chicago, Ill., Toledo, Ohio, and San Francisco, Calif. The brands manufactured include Chesterfield, Fatima, and Piedmont cigarettes, Dukes' Mixture, Velvet, and Granger smoking tobaccos, and Star, Horseshoe, Masterpiece, Drummond Natural Leaf, Tinsley's Natural Leaf, and Spark Plug chewing tobaccos.

R. J. Reynolds Tobacco Co. was organized in April 1899. It manufactures and sells cigarettes, smoking tobaccos, and chewing tobaccos. It was formerly a subsidiary of American Tobacco Co. but control was relinquished by the latter company under the court decree. In addition, the Reynolds Co. received certain assets of the combination to round out its business, but no cigarette business. However, in 1913 and 1914 it entered the cigarette business and introduced its immensely popular Camel cigarettes. Other tobacco brands manufactured by the company include Prince Albert, George Washington, Stud, and Our Advertiser smoking tobaccos, and Apple, Brown's Mule, Day's Work, Torchlight, Schnapps, Mickey, Reynold's Sun Cured, and Sweepstakes chewing tobaccos. The company's plants are located at Winston-Salem, N. C., Richmond, Danville, and South Boston, Va., and Louisville, Lexington, and Marysville, Ky.

The business of P. Lorillard Co. was established in 1760, but it was part of American Tobacco Co. at the time of the reorganization of that company under the court decree. However, under the decree, a new P. Lorillard Co. was organized to which was transferred certain assets of American Tobacco Co. The company manufactures cigarettes, cigars, and smoking and chewing tobacco at its various plants. Its principal brands include Old Gold, Sensation, Deities, Murad, Helmar, and Tally-ho cigarettes Union Leader, Brigg's Pipe Mixture, Friends, Ripple, Tiger, and Century smoking and fine cut tobaccos, Beech-Nut, Havana Blossom, Bagpipe, Climax, and Planet chewing and plug tobaccos, VanBibber, Between the Acts, Lyceum, Royal Bengals, and LeRoy Majors little cigars, Muriel, Rocky Ford, New Currency, and Old Virginia Cheroots cigars. Its sales of cigarettes account for about one-half of its revenues.

The Axton-Fisher Tobacco Co., Inc., was incorporated March 1, 1928, in Kentucky and took over the assets and business of Axton-Fisher Tobacco Co. which was organized in 1905, succeeding the Axton-Hilton Tobacco Co. During 1928, the company acquired all of the assets, except real estate, of Smith & Scott Tobacco Co. of Paducah, Ky. The company, in its plant at Louisville, Ky., manufactures various brands of pipe and chewing tobacco, among which are Old Hillside, Old Loyalty, White Mule, Booster, Axton Natural Leaf, 8 Hour, Wage Scale, and Hummer; also Clown, Spud, and Twenty Grand cigarettes. The company has had a rapid growth in recent years. It is controlled by the Standard Commercial Tobacco Co., Inc.

Brown & Williamson Tobacco Corporation was incorporated March 16, 1927, in Delaware, and acquired by purchase certain assets and the brands and goodwill of an earlier company of that name which was dissolved. The present company was organized and is controlled by the British-American Tobacco Co., Ltd. Its growth since organization has been rapid. Its sales of cigarettes, like those of American Tobacco, Liggett & Myers, Reynolds, and Axton-Fisher account for the bulk of its revenues. Its leading cigarette brands include Raleigh, Wings, and Kool.

American Snuff Co., was organized in March 1900 by the tobacco combination interests to acquire the business of manufacturing and selling snuff previously carried on by American Tobacco Co., Continental Tobacco Co., P. Lorillard Co., and certain other companies. This centered the combination's snuff business in American Snuff Co., which in 1901, the first full year of its operation, had about 80 percent of the country's output of snuff. As previously explained, the control of American Snuff Co., was detached from American Tobacco Co. under the court decree and part of its assets were transferred to two new companies organized for the purpose, namely, the George W. Helme Co. and Weyman-Bruton Co. The name of the latter company was changed to United States Tobacco Co. in 1922. At the present time the American Snuff Co., George W. Helme Co., and United States Tobacco Co., together account for nearly all of the country's output of snuff. The sole product of American Snuff Co. and George W. Helme Co. is snuff. In addition to snuff the United States Tobacco Co. manufactures smoking tobaccos.

Porto Rican American Tobacco Co. was organized in 1899 and was controlled by American Tobacco Co. up to the time of the segregation of the assets of the latter company in 1911 pursuant to the decree of dissolution. As previously stated, the stocks of Porto Rican American Tobacco Co. held by American

Tobacco Co. were distributed pro rata to the holders of the common stock of the latter company as a result of the court decree. Porto Rican American Tobacco Co. sells cigars, cigarettes, and little cigars manufactured by a wholly owned subsidiary, Porto Rican American Tobacco Co. of Delaware. The latter company operates factories in Puerto Rico and carries on the local business there. Its best known brands of cigars are Ricora, El Toro, Portina, Nurica, and La Restina, which are widely distributed in the United States by the parent company. The parent company also controls the Congress Cigar Co., Inc., makers of La Palina cigars and Waitt & Bond, Inc., makers of Blackstone cigars.

General Cigar Co., Inc., was organized in 1906 as United Cigar Manufacturing Co. Its name was changed to the present title in 1917. It controls the General Cigar Co. of Cuba, Ltd., which is engaged in buying, packing, and stripping tobacco. The parent company manufactures and distributes cigars including the following brands: Robert Burns, White Owl, Van Dyck, William Penn, Little Bobbie, and Laddies.

Consolidated Cigar Corporation was organized in 1915 to acquire the business and properties of E. M. Schwarz & Co., Inc., and T. J. Dunn & Co., New York; Lilies Cigar Co., Detroit; and Jose Lavera Co., L. Sidelo Cigar Co., and Samuel I. Davis Co., Tampa, Fla. The company has since acquired other companies in other cities. It manufactures a number of popular brands of cigars, including Henry George, Harvester, El Sidelo, Mozart, Adlon, El Producto, La Azora, Dutch Masters, and 44.

Bayuk Cigars, Inc., was incorporated in 1920 as Bayuk Bros., Inc., to acquire the property and business of Bayuk Bros., Co., Mapacuba Cigar Co., and Merchants Real Estate Co. The name was changed to the present one in July 1923. The brands of cigars manufactured in the company's numerous plants include Bayuk Phillies, Havana Ribbon, Mapacuba, Charles Thomson, Little Phillies, and Prince Hamlet.

CHANGES IN CONTROL OF MANUFACTURED PRODUCTS

The segregation of the assets of the combination under the decree of dissolution resulted in radical changes in the proportions of the various products formerly produced by American Tobacco Co. and its subsidiaries as compared with the business remaining with that company after its reorganization. The division of the combination's business not only involved the readjustment of the financial structure but also the distribution of brands and plants to the various companies which were to carry on the business. There have also been important changes in the proportions of the various branches of the business carried on by individual companies since that time.

At the time of the dissolution of the combination, American Tobacco Co. and subsidiaries produced about 84 percent of the country's output of cigarettes, 76 percent of the output of smoking tobacco, over 84 percent of the output of chewing tobacco, more than 96 percent of the output of snuff, and nearly 14½ percent of the cigar business.⁵

The cigarette business was divided between American Tobacco Co., Liggett & Myers Tobacco Co., and P. Lorillard Co. On the basis of total cigarette sales in the United States in 1910, 38.8 percent of the cigarette business went to American Tobacco Co., 29.1 percent to Liggett & Myers Tobacco Co., and 15.9 percent to P. Lorillard Co.

The smoking tobacco business was divided between four companies, of which American Tobacco Co. received the equivalent of 32 percent of the country's output, Liggett & Myers Tobacco Co. received 19.4 percent, P. Lorillard Co. received 22.1 percent, and R. J. Reynolds Tobacco Co. received 2.6 percent.

The chewing tobacco business was divided, 25.4 percent to American Tobacco Co., 35.7 percent to Liggett & Myers Tobacco Co., 5.4 percent to P. Lorillard Co., and 17.7 percent to R. J. Reynolds Tobacco Co.

As previously explained, the combination's snuff business was divided between American Snuff Co., George W. Helme Co., and Weyman-Bruton Co. (now United States Tobacco Co.). The snuff business of the combination, which was over 96 percent of the country's output, was divided between these three companies in the proportion of 34.8 percent for American Snuff Co., 33.5 percent for George W. Helme Co., and 31.7 percent for Weyman-Bruton Co.

The combination's cigar business, which, it will be noted, was relatively small in relation to the country's output, was retained in part by American Tobacco Co.,

⁵ Report of the Commissioner of Corporations on the Tobacco Industry, pt. III, pp. 192, 221, 250 295, 307, 322, and 352.

part was allotted P. Lorillard Co., and the remainder was sold to outside interests. Of the total cigar business formerly carried on by the combination, 45.4 percent went to American Tobacco Co. and 42.8 percent to P. Lorillard Co.

There has been a marked change in the proportions of leaf tobacco used in the manufacture of cigars, cigarettes, and other tobacco products since 1910. The following tabulation shows the quantity of leaf tobacco used in the production of cigarettes, cigars, and smoking and chewing tobacco and snuff in 1910 and 1937, and indicates the changes in the habits of the American public with regard to the use of tobacco.

	1937		1910	
	Pounds leaf tobacco used ¹	Percent of total	Pounds leaf tobacco used ¹	Percent of total
Cigarettes.....	479,961,364	54.98	31,272,319	5.98
Cigars.....	128,653,260	14.74	141,116,460	26.99
Other tobacco products.....	264,309,344	30.28	350,480,900	67.03
Total.....	872,923,968	100.00	522,869,679	100.00

¹ From annual reports of the Commissioner of Internal Revenue, 1937 figures are from p. 114 of 1938 report and 1910 figures are from p. 150 of 1914 report.

The tabulation shows that the increase in the use of leaf tobacco for cigarettes, cigars and other tobacco products occurred in the manufacture of cigarettes. In 1937, nearly 55 percent of the total was used in the manufacture of cigarettes as compared with 6 percent in 1910. On the other hand, leaf tobacco used in the manufacture of cigars declined from 27 percent in 1910 to less than 15 percent in 1937, and during this period leaf tobacco used in the manufacture of smoking and chewing tobacco and snuff declined from 67 percent in 1910 to 30 percent in 1937.

According to the latest available information, the 13 manufacturers covered by this inquiry sold over 97 percent of the total United States production of cigarettes in the calendar year 1934, over 89 percent of the smoking tobacco, over 75 percent of the chewing tobacco, and over 98 percent of the snuff.⁶ The combined cigar sales of the 13 companies, while large in the aggregate, were small in relation to the total United States production. As previously indicated, the cigar business is a rather highly decentralized industry carried on by many separate establishments, and because of the nature of the business the old tobacco combination and its successors never succeeded in acquiring any large proportion of the total cigar business of the country.

The four largest tobacco processors, from the standpoint of invested capital and sales, are American Tobacco Co., Liggett & Myers Tobacco Co., R. J. Reynolds Tobacco Co., and P. Lorillard Co. Together, these companies in 1934 sold 84.2 percent of the total United States production of cigarettes, 74.1 percent of the smoking tobacco, and 70.4 percent of the chewing tobacco. The net changes in the control of manufactured products from 1910 to 1934 of these four companies as they appear at page 275 of the Federal Trade Commission's report on the Agricultural Income Inquiry are presented below:

Percent of United States total production

	Cigarettes		Smoking tobacco		Chewing tobacco ¹	
	1910	1934	1910	1934	1910	1934
American Tobacco Co.....	38.8	27.2	32.0	19.7	25.4	1.6
Liggett & Myers Tobacco Co.....	29.1	27.3	19.4	21.9	35.7	26.5
R. J. Reynolds Tobacco Co.....		25.6	2.6	23.2	17.7	25.1
P. Lorillard Co.....	15.9	4.1	22.1	9.3	5.4	17.2
Total.....	83.8	84.2	76.1	74.1	84.2	70.4

¹ Includes plug and twist and fine-cut chewing tobacco.

⁶ Report of the Federal Trade Commission on the Agricultural Income Inquiry, pt. 1, pp. 260-261.

In regard to the above comparisons in the foregoing tabulation, it should be noted that in 1910 all four companies were units of the tobacco combination. Therefore, the reductions in the proportion of the total business of American Tobacco Co. from 1910 to 1934 were not merely from 38.8 to 27.2 percent on cigarettes, for example, but were 83.8 to 27.2 percent. Nevertheless, the figures in the tabulation do represent the proportions of the total production by lines or brands of products. Thus, the 38.8 percent shown for cigarettes produced by American Tobacco Co. in 1910 represents the production in the lines of cigarettes which were retained by American Tobacco Co. after the dissolution. These companies show that the proportion of production decreased in each line retained by American Tobacco Co. and that there was a marked decrease in the chewing tobacco lines. The principal change in the lines of business assigned to Liggett & Myers Tobacco Co. was in the chewing-tobacco lines which decreased from 35.7 to 26.5 percent.

It will be noted that the most striking change in the proportions of the business of any of the companies occurred in the cigarette business of R. J. Reynolds Tobacco Co. which grew from nothing in 1910 to 25.6 percent of the total cigarette production in 1934. This company received no cigarette business under the decree of dissolution of the tobacco combination. It entered the cigarette business in 1913 and 1914 and introduced its Camel brand of cigarettes which has become immensely popular. The company, with its popular brand of Prince Albert smoking tobacco, increased its proportion of the total production of smoking tobacco from 2.6 percent in 1910 to 23.2 percent in 1934. It also substantially increased its proportion of the total production of chewing tobacco during this period.

The tabulation also shows that P. Lorillard Co.'s proportion of the total cigarette business decreased to one-fourth of its 1910 proportion and its smoking tobacco business decreased to less than one-half. On the other hand, its chewing tobacco business increased to more than three times its 1910 proportion. The falling off in this company's proportion of the total cigarette business was due primarily to the decrease in the demand for Turkish cigarettes following the World War in favor of blended cigarettes of predominantly domestic tobacco. This company's leading brands were of Turkish tobacco which was difficult to obtain during the war. Because of this difficulty, and the resulting increase in the price of such cigarettes, there was a tremendous increase in demand for blended cigarettes. Advantage of this situation was taken by the Reynolds Co. with its Camels, Liggett & Myers with its Chesterfields and American Tobacco Co. with its Lucky Strikes, which were already on the market, whereas it was not until 1926 that the Lorillard Co. introduced its Old Golds.

Notwithstanding the shifts in the proportions of the various products manufactured by the individual companies, the only important change in the combined control of the production of any of the products by the four companies was in chewing tobacco, which fell from 84.2 percent in 1910 to 70.4 percent in 1934. The tabulation shows that in cigarettes their combined business amounted to 83.8 percent of the total production in 1910 and 84.2 percent of the total in 1934; in smoking tobacco the proportion was 76.1 percent of the total in 1910 and 74.1 percent of the total in 1934. There were fluctuations in the proportions from year to year, however, which are not reflected in the tabulation. The proportion of the cigarette business of the four companies, for example, was considerably higher before the rapid growth in this field in recent years of Brown & Williamson Tobacco Co. and Axton-Fisher Tobacco Co. with their 10-cent cigarettes and other popular brands.

However, with the tremendous growth in the consumption of cigarettes since the dissolution of the tobacco trust in 1911, these four companies have actively developed the cigarette phase of their businesses. They have been aided in the maintenance of their dominant positions in the tobacco industry by ownership of established brands and the financial resources at their command. The difficulty, uncertainty, and cost of popularizing new brands have been important deterrents to new competition.

As previously stated, over 98 percent of the United States production of snuff in 1934 was produced by American Snuff Co., George W. Helme Co., and the United States Tobacco Co. This high degree of concentration of this branch of the business represents a continuation of the almost complete control by the tobacco combination which was partitioned among these three companies pursuant to the dissolution decree in 1911. The continuation of this control has been materially aided by the same factors applying to the cigarette branch of the business. The current trend toward concentration of cigar manufacture and fewer

companies is due in part to the introduction of cigar-making machinery, to the gradual decrease in cigar consumption, and to the use of national and regional advertising promotion in the merchandising of this product.

In the Federal Trade Commission's report on Agricultural Income Inquiry, it is stated at pages 550 and 551:

"The inquiry has disclosed that four brands of cigarettes dominate the cigarette industry; that the manufacturers of those brands, with minor exceptions, maintain identical prices on them; and that the prices are almost simultaneously changed upward or downward with little regard to leaf tobacco or general commodity price levels. The history of the price changes on the four leading brands demonstrates the exercise of the power concentrated in the hands of the manufacturers of those brands. The sales volume of 10-cent cigarettes indicates the existence of a popular demand for them. It is believed that competition within the cigarette industry would be increased by popular cigarettes selling in various price ranges and that new or more important competition in manufacturing would result in increased competition in the purchase of leaf tobacco. The uniform internal revenue tax of \$3 per thousand on small cigarettes has tended to restrict the most active and substantial new competition that has manifested itself in the industry in many years. It is, therefore, recommended that Congress consider the advisability of levying a graduated tax on cigarettes in lieu of the present uniform tax. It is further recommended that the graduated scale be based upon the manufacturers' net selling prices."

INVESTMENTS AND PROFITS FOR ALL COMPANIES COMBINED

As explained in the preceding pages, the 13 manufacturers which are the subject of this report produced over 97 percent of the total United States production of cigarettes in the year 1934, over 89 percent of the smoking tobacco, more than 75 percent of the chewing tobacco, and over 98 percent of the snuff. In view of these large proportions, the operating results of the 13 companies are significant for the industry. Analysis of the financial information obtained from these companies shows that as a group their operations have been highly profitable over a long period of time.

Table 1, which follows, summarizes the investments, profits, and rates of return for the 13 companies as a group for the years 1917 to 1937, inclusive. Rates of return have been computed on three bases of investment; namely, the total investment, the stockholders' investment, and the common stockholders' equity, before deducting provisions for Federal income and profits taxes from earnings and after eliminating goodwill, appreciation, and other intangibles from investments.

The total investment includes the outstanding common and preferred stocks and long-term debt, surplus, surplus and contingency reserves, and reserves for Federal income and profits taxes. The stockholders' investment includes all of these elements except long-term debt. The common stockholders' equity is made up of the outstanding common stocks, surplus, surplus and contingency reserves, and reserves for Federal income and profits taxes. On each basis, the investments were averaged as of the beginning and end of the year and they do not include goodwill, appreciation, and other intangibles.

The profits used in computing the rates of return shown in the table are before deductions for Federal income and profits taxes, since such taxes are wholly contingent upon profits and represent a division of the earnings of the business. Subject to this qualification, the profits applicable to the total investment represent the net income from all sources before deducting interest on long-term debt. The profits applicable to the stockholders' investment represent the net income after deducting interest on long-term debt. The further deduction of dividends on preferred stocks gives the net income applicable to the common stockholders' equity.

TABLE 1.—Summary of investments, profits, and rates of return on the total investment, stockholders' investments, and common stockholders' equity for tobacco processors, 1917-37

Year	Average investment ¹			Net profit ² applicable to—			Rates of return on—			
	Number of companies	Total investment	Stockholders' investment	Common stockholders' equity	Total investment	Stockholders' investment	Common stockholders' equity	Total investment (percent)	Stockholders' investment (percent)	Common stockholders' equity (percent)
1917	9	\$232,916,992	\$179,804,416	\$73,045,716	\$50,686,747	\$47,527,842	\$40,702,276	21.76	26.13	55.72
1918	10	305,347,964	226,309,272	112,191,072	72,194,509	68,368,597	60,948,381	23.64	30.21	54.33
1919	11	375,554,615	263,524,024	145,140,747	68,353,837	56,697,455	48,991,435	16.87	21.52	33.75
1920	12	421,033,130	306,993,424	178,191,616	68,100,945	61,359,822	52,503,968	16.17	19.99	29.46
1921	12	438,868,306	345,527,965	210,539,559	76,980,778	70,988,658	62,072,028	17.54	20.54	29.48
1922	12	437,699,497	367,838,165	232,453,319	81,562,695	77,257,337	68,804,084	18.64	21.00	29.47
1923	12	458,881,304	397,445,848	261,877,912	79,080,589	75,873,614	66,901,947	17.23	19.09	25.00
1924	12	491,870,190	431,356,539	295,705,923	83,619,182	79,982,167	71,015,591	17.00	18.54	24.02
1925	12	516,927,225	455,874,232	331,147,082	93,769,747	90,016,600	80,834,171	18.14	19.75	24.44
1926	12	546,543,432	482,131,778	367,145,028	99,642,455	95,942,110	87,641,590	18.23	19.90	23.87
1927	12	593,648,420	527,166,905	406,558,155	107,097,538	102,237,907	94,596,677	17.86	19.39	23.27
1928	13	644,931,252	566,027,966	436,646,416	105,651,551	101,044,529	92,921,741	16.38	17.85	21.28
1929	13	687,574,885	604,429,343	475,895,843	119,669,802	113,956,471	105,911,665	17.41	18.45	23.85
1930	13	747,645,637	661,409,422	533,787,072	140,339,990	135,278,577	127,292,982	18.77	20.45	33.72
1931	13	776,031,534	695,765,877	570,693,427	148,080,260	143,082,451	135,348,428	19.08	20.56	32.92
1932	13	792,727,850	718,730,272	595,890,572	142,190,984	138,460,894	130,816,799	17.94	19.27	21.99
1933	13	782,612,881	716,965,140	595,704,840	78,810,663	75,927,436	68,519,462	10.59	10.59	11.50
1934	13	764,109,326	697,760,157	578,870,407	101,806,032	99,152,699	91,665,203	13.32	14.21	15.84
1935	13	756,427,031	683,439,433	565,676,983	101,380,831	97,476,592	87,765,174	13.40	14.26	15.52
1936	13	740,076,374	669,573,207	552,842,157	115,297,984	111,950,913	104,453,172	15.58	16.72	18.89
1937	13	736,643,938	665,566,917	549,449,567	111,394,239	107,863,160	100,494,182	15.12	16.21	18.29
Average	-----	593,300,772	514,320,237	390,245,374	98,358,523	93,808,081	85,476,644	16.44	18.22	21.90

¹ Average of investments at beginning and end of year for each company.

² Net profits before deducting provisions for Federal income and profits taxes.

The table shows that during the 21-year period 1917-37, all companies as a group averaged 16.44 percent on the total investment, 18.22 percent on the stockholders' investment, and 21.9 percent on the common stockholders' equity. Consistently high rates of return were earned on each basis of investment during each year under review. The lowest returns in any year were earned in 1933 when 10.07 percent was earned on the total investment, 10.59 percent on the stockholders' investment, and 11.5 percent on the common stockholders' investment. It will be noted that exceptionally high rates of return were earned on each basis of investment in every other year, particularly during 1917 and 1918. While the returns for the last few years were not as high as those for the previous years, the trend has been upward.

GOOD WILL, APPRECIATION, AND OTHER INTANGIBLES

As previously explained, deductions were made for good will, appreciation, and other intangibles in computing rates of return on each basis of investment. The amount deducted from investments for such intangibles ranged from \$154,349,900 at the beginning of 1917 down to \$66,055,602 at the end of 1937. The amounts deducted from investments in each of the years 1917-37 were as follows:

Year:	Amount	Year—Continued.	Amount
1917	\$154, 592, 860	1928	\$136, 330, 180
1918	154, 636, 493	1929	95, 616, 191
1919	155, 129, 407	1930	95, 050, 936
1920	155, 227, 690	1931	94, 539, 210
1921	157, 072, 039	1932	90, 078, 832
1922	152, 757, 185	1933	66, 106, 752
1923	152, 704, 943	1934	66, 107, 801
1924	152, 708, 514	1935	66, 052, 861
1925	152, 485, 526	1936	66, 052, 861
1926	137, 545, 606	1937	66, 055, 602
1927	136, 344, 487		

As indicated above, the companies have written off in recent years a substantial portion of the good will, appreciation, and other intangibles carried on their books. Most of the amounts shown above were carried on the books of the successor companies to the old American Tobacco Co. and originated many years ago. The distribution of the assets of the American Tobacco Co., under the dissolution decree, was based on their book values, both tangible and intangible. According to the report of the Commissioner of Corporations on the tobacco industry, over one-half of the amount for good will and other intangibles transferred to the successor companies represented appreciation and overvaluation, which occurred principally in connection with four specific transactions: (a) The organization of the American Tobacco Co. in 1890; (2) the acquisition of the Union Tobacco Co. by the American Tobacco Co. in 1899, (3) the organization of the Continental Tobacco Co. in 1898 and its acquisition of Liggett & Myers Tobacco Co. in 1899; and (4) the merger of Consolidated Tobacco Co. and the American and Continental Tobacco Cos. in 1904.

Obviously such appreciation and overvaluation did not represent actual investment and should not be considered in computing rates of return. Also, the investment value of the good will, as represented by the purchase cost, should long since have been amortized. According to good accounting practice, the cash purchase cost of good will and other intangibles should be amortized as rapidly as possible to conform to the process of valuation employed in setting up the charges. If such a schedule of amortization had been followed, all of the good will would have long since been written off. For this reason the entire amount for good will, appreciation, and other intangibles shown above for each of the years 1917-37 was eliminated from the investments in computing rates of return.

On the average, nearly 90 percent of the amounts shown in the preceding tabulation for the years 1917-25 and nearly all of the amounts thereafter represented goodwill, appreciation, and other intangibles on the books of the successor companies. The remainder of such amounts, applying to companies which had no connection with the old tobacco combination, for the most part did not appear to reflect actual investment. Also, in no case did any of the companies for which the amounts apply follow any plan for periodically amortizing such intangibles. The reductions in the amounts shown in the tabulation reflected lump-sum write-offs, occurring principally in 1926, 1929, and 1933, by some of the companies and indicates their recognition, even if belated, of the propriety of writing off intangibles as rapidly as possible.

The amounts shown in the tabulations do not include all of the goodwill and other intangibles carried on the books of all of the 13 companies covered by this inquiry. In those cases where such intangibles reflected actual investment as nearly as could be determined and where such investment was being amortized periodically, the unamortized portion was not deducted from investments in computing rates of return. However, such unamortized portions represented a relatively small part of the total for all companies in any year.

Appendix tables 1 to 13, which summarize the investments, profits, and rates of return for individual companies for the years 1917-37, show the amounts of goodwill, appreciation, and other intangibles deducted from the investments of each company in computing rates of return.

COMPARISON OF AVERAGE ANNUAL INVESTMENTS, PROFITS, AND RATES OF RETURN FOR INDIVIDUAL COMPANIES, FUNCTIONALLY CLASSIFIED

In table 1 preceding, the investments, profits, and rates of return for all companies combined for which the information was available were presented for each of the years 1917 to 1937, inclusive, on the basis of the total investment, stockholders' investment, and common stockholders' equity. The table shows that the average of the annual profits during the 21-year period for all companies combined was equivalent to 16.44 percent on the total investment, 18.22 percent on the stockholders' investment, and 21.9 percent on the common stockholders' equity.

Table 2, which follows, compares the average annual investments, profits, and rates of return during the period under review on each basis of investment for the individual companies, classified according to the principal products manufactured.

TABLE 2.—Comparison of average annual investments, profits, and rates of return for the period 1917-37 for individual tobacco processors functionally classified

	Average annual investments			Average annual profits ¹ applicable to—			Average annual rates of return on—		
	Total investment	Stockholders' investment	Common stockholders' equity	Total investment	Stockholders' investment	Common stockholders' equity	Total investment	Stockholders' investment	Common stockholders' equity
Manufacturers of cigarettes and other tobacco products:									
The American Tobacco Co.....	\$161,893,841	\$152,441,580	\$99,741,880	\$27,788,342	\$27,303,591	\$24,141,609	17.16	17.91	24.20
Liggett & Myers Tobacco Co.....	120,973,952	90,609,983	68,543,504	20,197,762	18,401,900	16,861,186	16.70	20.31	24.60
R. J. Reynolds Tobacco Co.....	123,269,056	121,755,389	115,505,389	28,418,071	28,350,613	27,841,080	23.05	23.27	24.10
Total (Big Three).....	406,136,489	364,806,952	283,790,773	76,404,175	74,036,104	68,843,825	18.81	20.29	24.26
P. Lorillard Co.....	60,404,420	38,881,334	27,984,525	6,228,727	4,922,910	4,158,627	10.31	16.66	14.86
Axton-Fisher Tobacco Co. ²	2,812,722	2,812,722	2,086,812	550,488	550,488	513,778	19.57	19.57	24.62
Brown & Williamson Tobacco Co. ³	20,793,535	7,429,471	5,237,979	1,801,293	1,407,729	1,106,729	8.66	18.95	21.13
Total cigarette and tobacco manufacturers.....	490,147,166	413,930,479	319,100,089	84,984,083	80,917,231	74,622,959	17.34	19.55	23.39
Cigar manufacturers:									
General Cigar Co., Inc.....	23,789,583	21,414,675	15,077,901	3,059,025	2,909,649	2,457,410	12.86	13.59	16.30
Puerto Rican American Tobacco Co. ⁴	14,504,406	10,624,093	10,624,093	326,343	60,354	60,354	2.25	5.57	5.57
Consolidated Cigar Co. ⁵	17,599,849	16,737,764	8,317,288	1,721,955	1,662,177	1,068,539	9.78	9.93	12.85
Bayuk Cigars, Inc.....	7,496,152	7,349,655	4,692,119	799,921	792,074	604,087	10.67	10.78	12.87
Total.....	63,389,990	56,126,187	38,711,401	5,907,244	5,424,254	4,190,390	9.32	9.66	10.82
Snuff manufacturers:									
United States Tobacco Co.....	20,671,615	20,671,615	16,299,348	3,071,866	3,071,866	2,771,498	14.86	14.86	17.00
American Snuff Co.....	11,420,737	11,420,737	7,463,317	2,194,544	2,194,544	1,957,376	19.22	19.22	26.23
George W. Helme Co.....	12,671,219	12,671,219	8,671,219	2,200,186	2,200,186	1,934,421	17.36	17.36	22.31
Total.....	44,763,571	44,763,571	32,433,884	7,466,596	7,466,596	6,663,295	16.68	16.68	20.54
Total all manufacturers.....	598,300,727	514,820,237	390,245,374	98,358,523	93,808,081	85,476,644	16.44	18.22	21.90

¹ Net profits before deducting Federal income and profits taxes.

² Data are annual averages for 1918-37.

³ Data are annual averages for 1928-37.

⁴ Data are annual averages for 1920-37.

⁵ Data are annual averages for 1919-37.

Table 2 shows that as a group the manufacturers of cigarettes and other tobacco products had the highest average annual rates of return during the period under review, followed closely by the snuff manufacturers. The operations of the cigar manufacturers were very much less profitable, their returns averaging only a little over half of those for the other two groups. Their average profits were equivalent to 9.32 percent of the total investment, 9.66 percent of the stockholder's investment, and 10.82 percent of the common stockholder's equity, as compared with 17.34 percent, 19.55 percent, and 23.39 percent of the respective investments of the manufacturers of cigarettes and other tobacco products, and 16.68 percent, 16.68 percent, and 20.54 percent, respectively, for the snuff manufacturers.

The showing for all companies as a group is influenced considerably by the preponderant investments and large profits of the three largest manufacturers. For example, on the basis of total investment, the combined investments of American Tobacco Co., Liggett & Myers Tobacco Co., and R. J. Reynolds Tobacco Co. averaged nearly 70 percent of the investments of all companies combined and about 80 percent of the investments of the companies comprising the manufacturers of cigarettes and other tobacco products. The relative importance of the various groups of manufacturers from the standpoint of investment is shown as follows:

Ratios of total investment

	Annual average, 1917-37	Average, 1937
Manufacturers of cigarettes and other tobacco products:	<i>Percent</i>	<i>Percent</i>
Big Three.....	67.88	68.50
Little Three.....	14.04	14.30
Total.....	81.92	82.80
Cigar manufacturers.....	10.60	9.32
Snuff manufacturers.....	7.48	7.88
Total.....	100.00	100.00
Combined investments.....	\$598,300,727	\$736,643,988

It will be observed that there was comparatively little change in the relative proportions of the combined investments for each group during the two periods shown in the tabulation, the decline in the 1937 proportion for the cigar companies being offset by slight increases in the proportions for each of the other groups during that year. The tabulation which follows presents a similar comparison for the individual companies within each group and shows the deviations of their relative proportions in 1937 from those based on the average of the annual investments throughout the entire period.

Ratios of total investment

	Annual average, 1917-37	Average, 1937
Manufacturers of cigarettes and other tobacco products:	<i>Percent</i>	<i>Percent</i>
American Tobacco Co.....	33.03	31.74
Liggett & Myers Tobacco Co.....	24.68	27.91
R. J. Reynolds Tobacco Co.....	25.15	23.07
Total (Big Three).....	82.86	82.72
P. Lorillard Co.....	12.32	9.03
Axton-Fisher Tobacco Co.....	1.58	1.16
Brown & Williamson Tobacco Co.....	24.24	7.09
Total.....	100.00	100.00
Combined investment.....	\$490,147,166	\$609,955,640
Cigar manufacturers:	<i>Percent</i>	<i>Percent</i>
General Cigar Co., Inc.....	37.53	35.73
Porto Rican American Tobacco Co.....	³ 22.88	26.76
Consolidated Cigar Co.....	⁴ 27.76	22.65
Bayuk Cigars, Inc.....	11.83	14.86
Total.....	100.00	100.00
Combined investment.....	\$63,389,990	\$68,612,389
Snuff manufacturers:	<i>Percent</i>	<i>Percent</i>
United States Tobacco Co.....	46.18	47.90
American Snuff Co.....	25.51	26.06
George W. Helme Co.....	28.31	26.04
Total.....	100.00	100.00
Combined investment.....	\$44,763,571	\$58,075,959

¹ Annual average, 1918-37.
² Annual average, 1928-37.

³ Annual average, 1920-37.
⁴ Annual average, 1919-37.

The above tabulation shows that the combined investments for each group in 1937 exceeded the average of the annual investments for each group during the period 1917-37. This is indicative of the general growth of the companies throughout the period under review. For example, the combined investments of the three largest companies, which account for the greater portion of the total investments for all companies, increased over 200 percent, from \$165,485,477 in 1917 to \$504,588,788 in 1937. The combined investments of these three companies increased steadily from 1917 to 1933, reaching a maximum of \$560,755,492 in the latter year, then decreasing each year to \$504,588,788 in 1937. The year-to-year changes for these and all of the other companies, together with a breakdown of the investments, appear in appendix tables 1 to 13, which summarize the investments, profits, and rates of return for individual companies for the years 1917-37.

COMPARISON OF RATES OF RETURN FOR INDIVIDUAL COMPANIES,
FUNCTIONALLY CLASSIFIED

The preceding table 2 compared the average annual investments, profits, and rates of return for the years 1917-37 for individual companies, functionally classified. Tables 3, 4, and 5, which follow, show for each company the rates of return for each year during this period on the basis of the total investment, the stockholders' investment, and the common stockholders' equity. As previously explained, the total investment includes all classes of outstanding stocks and long-term debt, surplus, surplus and contingency reserves, and reserves for Federal income and profits taxes. The stockholders' investment includes all these elements, except long-term debt. The common stockholders' equity consists of the common stocks, surplus, and the reserves referred to above.

Table 3, immediately following, compares the rates of return on total investment for each of the years 1917-37 for individual companies, functionally classified.

TABLE 3.—Percentage comparison of rates of return on total investment for individual companies, functionally classified, 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924
Manufacturers of cigarettes and other tobacco products:								
The American Tobacco Co.....	17.61	22.91	15.61	14.94	16.94	17.28	16.07	17.50
Liggett & Myers Tobacco Co.....	20.85	22.71	12.95	15.86	17.28	16.81	15.99	17.71
R. J. Reynolds Tobacco Co.....	33.17	28.10	21.03	15.38	24.63	23.64	23.31	19.71
Average (Big Three).....	21.99	24.12	16.33	14.78	19.45	19.32	18.65	18.37
P. Lorillard Co.....	23.48	21.01	14.99	17.17	15.34	16.08	12.05	12.42
Axton-Fisher Tobacco Co.....	21.96	15.58	12.20	18.71	21.30	14.32	13.19	
Brown & Williamson Tobacco Co.....								
Average for cigarette and tobacco manufacturers.....	22.25	23.62	16.14	15.12	18.84	18.82	17.63	17.52
Cigar manufacturers:								
General Cigar Co., Inc.....	17.83	25.54	25.89	24.13	13.61	17.07	14.70	13.55
Porto Rican American Tobacco Co.....				13.19	31.88	2.29	6.61	1.15
Consolidated Cigar Co.....			13.07	25.48	3.01	13.59	5.48	12.20
Bayuk Cigars, Inc.....	24.00	18.80	21.40	25.56	23.89	37.85	21.02	15.63
Average.....	18.48	24.80	22.58	22.19	2.13	14.25	12.11	11.86
Snuff manufacturers:								
United States Tobacco Co.....	16.28	24.15	20.05	18.25	17.93	16.69	15.76	15.14
American Snuff Co.....	22.77	26.56	26.83	27.59	24.74	28.69	23.65	20.89
George W. Helme Co.....	17.11	19.31	18.51	20.52	19.48	21.45	20.60	20.89
Average.....	18.78	23.40	21.63	21.64	20.34	21.48	19.37	18.27
Average for all manufacturers.....	21.76	23.64	16.87	16.17	17.54	18.64	17.23	17.00

¹ Denotes loss.

TABLE 3.—Percentage comparison of rates of return on total investment for individual companies, functionally classified, 1917-37—Continued

	1925	1926	1927	1928	1929	1930	1931
Manufacturers of cigarettes and other tobacco products:							
The American Tobacco Co.....	18.68	18.75	18.46	18.87	19.65	23.79	24.44
Liggett & Myers Tobacco Co.....	18.23	19.07	18.78	17.94	19.58	19.29	17.15
R. J. Reynolds Tobacco Co.....	22.17	23.71	24.07	22.24	26.82	28.88	29.07
Average (Big Three).....	19.78	20.53	20.51	19.76	21.91	23.92	23.55
P. Lorillard Co.....	13.26	10.31	6.77	5.54	4.49	7.19	9.10
Axton-Fisher Tobacco Co.....	31.37	30.12	52.24	9.69	22.68	28.71	21.93
Brown & Williamson Tobacco Co.....				133.58	56.67	137.36	12.48
Average for cigarette and tobacco manufacturers.....	18.93	19.21	18.68	17.12	18.39	20.73	21.34
Cigar manufacturers:							
General Cigar Co., Inc.....	13.25	12.81	15.97	14.34	17.09	11.86	9.82
Porto Rican American Tobacco Co.....	8.50	4.81	5.93	5.02	7.13	6.71	3.07
Consolidated Cigar Co.....	15.37	13.57	13.19	13.95	12.44	9.17	8.40
Bayuk Cigars, Inc.....	10.41	13.81	15.34	11.88	11.76	5.31	2.34
Average.....	12.75	12.46	13.30	11.87	12.70	9.04	6.97
Snuff manufacturers:							
United States Tobacco Co.....	14.45	14.25	14.14	13.02	12.41	12.15	12.46
American Snuff Co.....	18.04	18.10	20.56	21.95	19.03	16.92	17.26
George W. Helme Co.....	19.76	19.29	19.31	18.94	18.58	17.61	15.45
Average.....	16.96	16.69	17.17	16.80	15.63	14.67	14.37
Average for all manufacturers.....	18.14	18.23	17.86	16.38	17.41	18.77	19.08

	1932	1933	1934	1935	1936	1937	Average
Manufacturers of cigarettes and other tobacco products:							
The American Tobacco Co.....	21.53	8.37	12.21	12.93	12.20	16.35	17.16
Liggett & Myers Tobacco Co.....	16.84	12.33	14.60	12.25	17.62	15.52	16.70
R. J. Reynolds Tobacco Co.....	26.11	12.41	17.67	20.74	25.02	23.87	23.05
Average (Big Three).....	21.42	10.70	14.45	14.82	17.53	18.17	18.81
P. Lorillard Co.....	8.69	5.36	7.17	7.61	8.47	6.13	10.31
Axton-Fisher Tobacco Co.....	39.20	33.59	74.70	8.20	8.46	3.42	19.57
Brown & Williamson Tobacco Co.....	24.42	14.88	16.27	14.64	17.81	9.42	8.66
Average for cigarette and tobacco manufacturers.....	20.17	10.47	13.95	14.07	16.61	16.29	17.34
Cigar manufacturers:							
General Cigar Co., Inc.....	7.91	3.04	10.36	9.69	8.51	7.97	12.86
Porto Rican American Tobacco Co.....	1.41	.88	.60	2.07	.63	1.63	2.25
Consolidated Cigar Co.....	4.14	3.33	5.17	3.96	6.39	7.15	9.78
Bayuk Cigars, Inc.....	12.16	7.18	10.90	12.27	12.28	12.27	10.67
Average.....	2.90	3.05	6.57	6.63	6.42	6.12	9.32
Snuff manufacturers:							
United States Tobacco Co.....	14.69	13.85	14.09	14.85	17.65	14.41	14.86
American Snuff Co.....	16.30	17.16	16.30	13.35	13.18	12.35	19.22
George W. Helme Co.....	14.15	14.57	15.03	14.15	14.22	12.83	17.36
Average.....	14.92	14.83	14.90	14.28	15.59	13.46	16.68
Average for all manufacturers.....	17.94	10.07	13.32	13.40	15.58	15.12	16.44

¹ Denotes loss.

Table 3 shows exceptionally high rates of return on the total investment for each year by the manufacturers of cigarettes and other tobacco products as a group, and by the snuff manufacturers as a group. The operations of the cigar companies as a group were less profitable throughout the period under review, although high rates of return were earned by some of these companies during certain years.

The returns for American Tobacco Co., Liggett & Myers Tobacco Co., and R. J. Reynolds Tobacco Co., the three largest companies, as a group averaged 18.81 percent for the years 1917-37, and the returns for all manufacturers of cigarettes and other tobacco products averaged 17.34 percent during this period. For individual companies the highest average return was earned by R. J. Reynolds Tobacco Co. with 23.05 percent, followed by Axton-Fisher Tobacco, the smallest of any of the companies in the group, with 19.57 percent, American Tobacco Co. with 17.16 percent, Liggett & Myers Tobacco Co. with 16.70 percent, P. Lorillard Co. with 10.31 percent, and Brown & Williamson Tobacco Co. with 8.66 percent.

For the snuff manufacturers, the highest average rates of return were earned by American Snuff Co., followed by Geo. W. Helme Co. and United States Tobacco Co. The returns for these companies averaged 19.22 percent, 17.36 percent, and 14.86 percent, respectively, the average for the group being 16.68 percent.

For the cigar companies, the average returns in the order of size were 12.86 percent for General Cigar Co., Inc., 10.67 percent for Bayuk Cigars, Inc., 9.78 percent for Consolidated Cigar Co., and 2.25 percent for Porto Rican American Tobacco Co., the average for the group being 9.32 percent.

The average rate of return on total investment for all companies in all groups was 16.44 percent for the period. It will be noted that exceptionally high rates of return were earned in each of the years 1917-32 by all companies combined, the highest being 23.64 percent in 1918 and the lowest being 16.17 percent in 1920. In 1933, however, the average return dropped to a low of 10.07 percent as compared with 17.94 percent for the previous year, but increased thereafter to 15.58 percent in 1936 and fell off slightly to 15.12 percent in 1937. However, as previously explained, these high returns were considerably influenced by the preponderent investments and large profits of the three largest manufacturers.

The stockholders' investment for all companies combined averaged about 86 percent of the total investment during the 21-year period. However, the margin of capital represented by long-term debt produced earnings in excess of the interest cost thereof, so that the average of the annual returns on the stockholders' investment for all companies was generally higher than were the returns on the total investment.

Table 4, which follows, compares the rates of return on the stockholders' investment for individual companies, functionally classified, for each of the years 1917-37.

TABLE 4.—Percentage comparison of rates of return on stockholders' investment for individual companies, functionally classified, 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924
Manufactures of cigarettes and other tobacco products:								
The American Tobacco Co.....	17.94	26.91	19.16	17.56	19.32	18.83	16.80	17.64
Liggett & Myers Tobacco Co.....	47.41	50.82	25.13	25.47	26.79	23.73	21.88	23.45
R. J. Reynolds Tobacco Co.....	33.17	28.10	22.70	17.20	26.25	23.82	23.31	19.71
Average (Big Three).....	25.84	30.93	21.33	18.68	23.24	21.67	20.31	19.58
P. Lorillard Co.....	49.49	35.08	21.99	25.02	21.00	21.89	15.47	16.14
Axton-Fisher Tobacco Co.....		21.96	15.58	12.20	18.71	21.30	14.32	13.19
Average for cigarette and tobacco manufacturers.....	28.12	31.40	21.41	19.45	22.95	21.69	19.74	19.21
Cigar manufacturers:								
General Cigar Co., Inc.....	17.83	25.54	25.89	24.13	13.61	17.07	17.43	16.32
Porto Rican American Tobacco Co.....				13.19	40.33	7.31	5.88	1.37
Consolidated Cigar Co.....			13.07	25.75	2.93	13.77	5.46	12.31
Bayuk Cigars, Inc.....	24.00	18.89	21.40	25.83	24.12	38.05	21.06	15.64
Average.....	18.48	24.80	22.58	22.26	1.78	14.72	13.44	13.03
Snuff manufacturers:								
United States Tobacco Co.....	16.28	24.15	20.05	18.25	17.93	16.69	15.76	15.14
American Snuff Co.....	22.77	26.54	26.83	27.59	24.74	28.69	23.65	20.39
George W. Helme Co.....	17.11	19.31	18.51	20.52	19.48	21.45	20.60	20.89
Average.....	18.78	23.40	21.63	21.64	20.34	21.48	19.37	18.27
Average for all manufacturers.....	26.43	30.21	21.52	19.99	20.54	21.00	19.09	18.54

¹ Deficit.

TABLE 4.—Percentage comparison of rates of return on stockholders' investment for individual companies, functionally classified, 1917-37—Continued

	1925	1926	1927	1928	1929	1930	1931
Manufacturers of cigarettes and other tobacco products:							
The American Tobacco Co.....	18.83	18.89	18.57	18.98	19.52	23.88	24.51
Liggett & Myers Tobacco Co.....	22.92	23.36	22.62	21.29	23.17	22.38	19.48
R. J. Reynolds Tobacco Co.....	22.17	23.71	24.07	22.24	26.82	28.88	29.07
Average (Big Three).....	21.04	21.78	21.66	20.80	22.94	25.04	24.56
P. Lorillard Co.....	17.39	12.68	7.37	5.24	3.31	8.06	10.28
Axton-Fisher Tobacco.....	31.37	30.12	52.24	9.69	22.68	28.71	21.93
Average for cigarette and tobacco manufacturers.....	20.71	20.93	20.43	18.82	20.11	22.89	23.25
Cigar manufacturers:							
General Cigar Co., Inc.....	15.69	14.79	18.54	16.28	19.03	12.58	10.19
Porto Rican American Tobacco Co.....	8.49	3.71	3.26	4.14	7.46	6.84	1.74
Consolidated Cigar Co.....	15.94	18.25	13.56	14.07	12.54	9.22	8.43
Bayuk Cigars, Inc.....	10.76	14.23	15.72	12.08	11.91	5.29	2.25
Average.....	14.08	14.51	14.17	12.84	13.63	9.39	7.05
Snuff manufacturers:							
United States Tobacco Co.....	14.45	14.25	14.14	13.02	12.41	12.15	12.46
American Snuff Co.....	18.04	18.10	20.56	21.95	19.03	16.92	17.26
George W. Helme Co.....	19.76	19.29	19.31	18.94	18.58	17.61	15.45
Average.....	16.96	16.69	17.17	16.80	15.63	14.67	14.37
Average for all manufacturers.....	19.75	19.90	19.39	17.85	18.85	20.45	20.56

	1932	1933	1934	1935	1936	1937	Average
Manufacturers of cigarettes and other tobacco products:							
The American Tobacco Co.....	21.58	8.34	12.23	13.43	13.43	18.00	17.91
Liggett & Meyers Tobacco Co.....	18.91	13.44	15.99	13.24	19.45	17.00	20.31
R. J. Reynolds Tobacco Co.....	26.11	12.41	17.67	20.74	25.02	23.87	23.27
Average (Big Three).....	22.23	10.92	14.84	15.49	18.85	19.48	20.29
P. Lorillard Co.....	9.54	5.14	7.53	8.11	9.20	6.18	16.63
Axton-Fisher Tobacco Co.....	39.20	33.59	24.70	8.20	8.46	3.42	19.57
Brown & Williamson Tobacco Co.....			169.74	24.91	20.86	10.97	18.95
Average for cigarette and tobacco manufacturers.....	21.89	11.10	15.02	15.14	18.06	17.71	19.55
Cigar manufacturers:							
General Cigar Co., Inc.....	7.79	3.04	10.36	9.69	8.51	7.97	13.59
Porto Rican American Tobacco Co.....	1.44	11.13	1.41	.78	1.86	12.25	.57
Consolidated Cigar Co.....	4.11	3.26	5.12	3.96	6.39	7.15	9.93
Bayuk Cigars, Inc.....	12.56	7.20	10.98	12.37	12.29	12.30	10.78
Average.....	2.51	2.80	6.63	6.68	6.45	6.14	9.66
Snuff manufacturers:							
United States Tobacco Co.....	14.69	13.85	14.09	14.85	17.65	14.41	14.86
American Snuff Co.....	16.30	17.16	16.30	13.35	13.18	12.35	19.22
George W. Helme Co.....	14.15	14.57	15.03	14.15	14.22	12.83	17.36
Average.....	14.92	14.83	14.90	14.28	15.59	13.46	16.68
Average for all manufacturers.....	19.27	10.59	14.21	14.26	16.72	16.21	18.22

¹ Deficit.

Table 4 shows that the average rates of return on the stockholders' investment for the years 1917-37 were 19.55 percent for the manufacturers of cigarettes and other tobacco products as a group, 16.68 percent for the snuff manufacturers and 9.66 percent for the cigar manufacturers, the average for all groups being 18.22 percent. It will be noted that the average return for the three largest companies was the highest of any group, being 20.29 percent for the period. The returns for these companies were unusually high in every year during 1917-32, the highest being 30.93 percent in 1918 and the lowest 18.68 percent in 1920. Earnings declined sharply in 1933 as compared with previous years so that the average return for the three companies in that year fell to 10.92 percent as com-

pared with 22.23 percent for the year before. However, the rates of return increased in each subsequent year to 19.48 percent in 1937.

The investment of the common stockholders alone averaged about 65 percent of the total investment for all companies combined. However, that part of the total investment represented by preferred stock and long-term debt produced earnings in excess of dividend payments on the preferred and interest cost on the debt so that the average of the annual returns on the common stockholders' equity for all companies was generally higher than were the returns on the total investment. For example, throughout the years 1917-37, the returns for the three largest companies combined averaged 24.26 percent on the common stockholders' equity as compared with 18.81 percent on the total investment. Table 2, which has been presented and commented upon, compares the average of the annual returns for individual companies on each basis of investment, and table 3, when compared with table 5, which follows, shows the differences on a yearly basis.

Rates of return on the common stockholders' equity for individual companies, functionally classified, are presented on the following table 5 for each year during the period 1917-37. This table shows that throughout this period all companies earned an average of 21.90 percent on the common stockholders' equity, and that the earnings of the respective groups were equivalent to 23.39 percent for the manufacturers of cigarettes and other tobacco products, 20.54 percent for the snuff manufacturers and 10.82 percent for the cigar manufacturers. As was the case for the other two bases of investment, the average return on this basis for the three largest companies combined was higher than that for any group, amounting to 24.26 percent for the period. During 1917-32, the average returns for these companies ranged from highs of 53.35 percent and 56.22 percent in 1917 and 1918 to 24.19 percent in 1928. In 1933 the average return was 11.66 percent as compared with 24.86 percent for the preceding year, but increased each year thereafter to 21.99 percent in 1937

TABLE 5.—Percentage comparison of rates of return on common stock equity for individual companies, functionally classified, 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924
Manufacturers of cigarette and other tobacco products:								
The American Tobacco Co.....	41.10	59.01	36.49	30.33	31.77	30.25	25.32	25.85
Liggett & Myers Tobacco Co.....		383.89	94.27	62.68	49.29	39.77	34.18	33.46
R. J. Reynolds Tobacco Co.....	38.37	32.74	25.39	19.08	31.59	27.85	26.78	22.08
Average (Big Three).....	53.35	56.22	33.56	27.50	34.02	30.39	27.33	25.29
P. Lorillard Co.....	215.53	63.53	32.82	36.06	27.88	28.73	19.23	20.38
Axton-Fisher Tobacco Co.....		21.95	15.58	12.20	18.71	27.83	18.46	16.69
Brown & Williamson Tobacco Co.....								
Average for cigarette and tobacco manufacturers.....	61.37	56.98	33.41	28.58	33.16	30.17	26.35	24.78
Cigar manufacturers:								
General Cigar Co., Inc.....	32.27	45.51	48.92	45.51	20.93	27.26	25.46	22.90
Porto Rican American Tobacco Co.....				13.19	140.33	7.31	5.88	1.37
Consolidated Cigar Co.....			17.33	43.38	1.33	24.68	4.34	15.88
Bayuk Cigars, Inc.....	24.00	18.89	21.40	41.81	90.60	96.77	38.08	24.43
Average.....	30.47	40.06	37.26	32.92	2.48	21.64	17.81	16.62
Snuff manufacturers:								
United States Tobacco Co.....	31.26	42.58	29.93	25.21	24.28	22.15	20.40	18.95
American Snuff Co.....	40.57	46.39	45.43	45.49	39.21	44.65	34.97	29.21
George W. Helme Co.....	29.72	32.34	28.87	31.16	27.92	29.91	27.71	27.56
Average.....	34.30	40.69	34.17	32.50	29.36	30.47	26.42	24.15
Average for all manufacturers.....	55.72	54.33	33.75	29.46	29.48	29.47	25.60	24.02

	1925	1926	1927	1928	1929	1930	1931
Manufacturers of cigarette and other tobacco products:							
The American Tobacco Co.....	27.53	27.22	26.18	26.34	25.51	30.17	30.58
Liggett & Myers Tobacco Co.....	29.63	28.99	27.42	25.34	27.43	25.85	21.96
R. J. Reynolds Tobacco Co.....	22.86	23.71	21.07	22.24	26.82	28.88	29.07
Average (Big Three).....	25.76	26.00	25.49	24.19	26.53	28.61	27.76

¹ Denotes loss.

TABLE 5.—Percentage comparison of rates of return on common stock equity for individual companies, functionally classified, 1917-37—Continued

	1925	1926	1927	1928	1929	1930	1931
Manufacturers of cigarette and other tobacco products—Continued.							
P. Lorillard Co.....	22.12	15.13	7.52	4.53	2.04	8.37	11.15
Axton-Fisher Tobacco Co.....	42.42	32.39	71.89	13.69	35.01	41.09	28.63
Brown & Williamson Tobacco Co.....							
Average for cigarette and tobacco manufacturers.....	25.47	25.07	24.13	22.14	23.50	26.48	26.64
Cigar manufacturers:							
General Cigar Co., Inc.....	21.00	19.24	23.08	19.04	21.97	13.73	10.83
Porto Rican American Tobacco Co.....	8.49	3.71	3.26	4.14	7.46	6.84	1.74
Consolidated Cigar Co.....	18.14	15.10	19.32	21.46	18.03	11.51	9.93
Bayuk Cigars, Inc.....	13.99	20.97	24.70	15.88	14.55	4.47	.01
Average.....	17.01	15.55	18.09	15.82	16.45	10.33	7.15
Snuff manufacturers:							
United States Tobacco Co.....	17.57	16.98	16.54	14.82	13.86	13.41	13.81
American Snuff Co.....	25.21	25.13	28.62	30.02	25.16	21.92	22.34
George W. Helme Co.....	25.64	24.69	24.46	23.71	23.10	21.65	18.50
Average.....	21.80	21.09	21.43	20.54	18.68	17.24	16.71
Average for all manufacturers.....	24.44	23.87	23.27	21.28	22.26	23.85	23.72
	1932	1933	1934	1935	1936	1937	Average
Manufacturers of cigarette and other tobacco products:							
The American Tobacco Co.....	26.25	9.02	14.14	16.06	16.62	23.31	24.20
Liggett & Myers Tobacco Co.....	21.15	14.59	17.55	14.32	21.52	18.65	24.60
R. J. Reynolds Tobacco Co.....	26.11	12.41	17.67	20.74	25.02	23.87	24.10
Average (Big Three).....	24.86	11.66	16.27	17.13	21.23	21.99	24.26
P. Lorillard Co.....	10.31	4.77	7.69	8.43	9.84	5.49	14.86
Axton-Fisher Tobacco Co.....	54.65	45.28	30.61	8.77	9.08	4.30	24.62
Brown & Williamson Tobacco Co.....				15.24	22.70	11.54	21.13
Average for cigarette and tobacco manufacturers.....	24.84	12.02	16.67	16.34	20.33	19.94	23.39
Cigar manufacturers:							
General Cigar Co., Inc.....	7.94	2.21	10.32	10.36	8.89	8.22	16.30
Porto Rican American Tobacco Co.....	4.44	1.13	1.41	.78	1.86	1.25	1.57
Consolidated Cigar Co.....	1.08	3.73	2.16	1.30	6.00	8.15	12.85
Bayuk Cigars, Inc.....	21.92	7.35	12.56	14.20	13.95	13.71	12.87
Average.....	.95	1.29	6.22	6.65	6.35	5.93	10.02
Snuff manufacturers:							
United States Tobacco Co.....	15.48	14.56	14.90	15.66	18.63	15.09	17.00
American Snuff Co.....	20.73	21.69	20.23	16.09	15.77	14.59	26.23
George W. Helme Co.....	16.66	18.03	18.57	17.06	17.16	15.31	22.31
Average.....	16.83	16.90	16.97	16.09	17.62	15.03	20.54
Average for all manufacturers.....	21.99	11.50	15.84	15.52	18.89	18.29	21.90

¹ Denotes loss.

COMPARISON OF SALES AND OPERATING RESULTS

Further indication of the relative importance and profitability of the various companies is presented below from the standpoint of sales and operating results.

Table 6, immediately following, summarizes the net sales, net income, dividend payments, and net increase in surplus for each of the 13 companies. The upper part of the table gives the total for each item for all years for which the information was available during the period 1917-37. The lower part of the table gives for each company the annual averages of the net sales, net income, dividend payments, and net income remaining after the payment of dividends.

The information in table 6, including the information on which the succeeding tables of operating ratios are based, appears in greater detail for each company in appendix tables 1 to 13 and 1a to 13a, which summarize for each company the details of investments and costs and profits for each year during the period 1917-37.

TABLE 6.—Summary of net sales, net income, dividends, and net increase in surplus for all years within the period 1917-37, and the annual averages thereof for individual companies, functionally classified

Manufacturers of cigarettes and other tobacco products:	Years	Net sales	Net income	Dividends paid on—			Net income after dividends	Other net deductions	Net increase in surplus
				Preferred stock in cash	Common stock in cash	Common stock in stock				Total
The American Tobacco Co.	1917-37	\$4,010,995,492	\$505,150,172	\$66,401,622	\$345,239,184	\$62,757,136	\$30,752,230	\$7,809,627	\$22,942,603
Liggett & Myers Tobacco Co.	1917-37	3,985,392,987	333,837,184	32,335,024	217,711,038	11,342,730	72,428,372	143,253,137	29,165,235
R. J. Reynolds Tobacco Co.	1917-37	4,735,995,263	500,521,996	10,281,250	384,350,000	80,000,000	474,631,250	1,737,453	24,103,293
F. Lorillard Co.	1917-37	1,496,946,247	88,821,144	16,049,943	49,579,730	4,999,348	18,191,523	10,147,666	8,043,857
Brown & Williamson Tobacco Co.	1923-37	4,94,171,335	10,166,720	3,010,000	11,730,000	14,730,000	4,563,280	22,970,000	18,406,720
Axton-Fisher Tobacco Co.	1918-37	171,732,375	9,568,290	734,195	2,885,160	1,399,500	5,018,855	4,549,435	3,969,825
Cigar manufacturers:									
General Cigar Co., Inc.	1917-37	699,959,347	52,334,713	9,497,030	33,424,255	---	9,413,423	382,585	9,030,843
Consolidated Cigar Co.	1919-37	321,015,895	27,922,154	11,279,136	9,061,839	540,000	20,880,975	4,360,012	2,861,177
Bayuk Cigars, Inc.	1917-37	229,903,074	13,921,284	3,947,732	2,445,439	358,348	6,751,519	7,169,765	5,008,198
Porto Rican American Tobacco Co.	1920-37	97,712,404	951,051	---	3,522,683	---	3,522,683	31,956,362	3,615,270
Snuff manufacturers:									
United States Tobacco Co.	1917-37	303,902,835	54,492,673	6,307,731	35,954,720	9,239,620	51,502,071	41,653,732	4,645,334
American Snuff Co.	1917-37	168,885,836	39,207,759	4,980,528	28,820,000	2,000,000	33,800,528	5,407,231	6,608,833
George W. Helme Co.	1917-37	150,699,280	39,338,597	5,581,081	29,183,715	---	36,764,796	2,573,801	2,971,654
Manufacturers of cigarettes and other tobacco products:									
The American Tobacco Co.	(6)	190,999,785	24,054,770	3,161,982	16,439,961	2,988,435	22,590,378	1,464,391	---
Liggett & Myers Tobacco Co.	(6)	189,780,618	15,897,008	1,540,715	10,367,192	540,131	12,448,038	3,448,970	---
R. J. Reynolds Tobacco Co.	(6)	225,253,584	23,834,380	4,899,583	18,302,381	3,809,523	22,601,488	1,232,892	---
F. Lorillard Co.	(6)	71,283,154	4,229,578	784,283	2,260,939	288,092	3,363,310	896,263	---
Brown & Williamson Tobacco Co.	(6)	48,417,133	1,016,672	301,000	1,172,000	---	1,473,000	3,456,328	---
Axton-Fisher Tobacco Co.	(6)	8,586,618	478,414	36,709	144,258	69,975	250,942	227,471	---
Cigar manufacturers:									
General Cigar Co., Inc.	(6)	33,331,397	2,492,128	452,239	1,591,631	---	2,043,870	448,258	---
Consolidated Cigar Co.	(6)	16,895,573	1,460,587	476,938	593,398	28,421	1,098,998	370,588	---
Bayuk Cigars, Inc.	(6)	10,947,765	662,918	187,987	116,449	17,054	321,500	341,417	---
Porto Rican American Tobacco Co.	(6)	5,428,466	52,836	---	195,704	---	195,704	3142,868	---
Snuff manufacturers:									
United States Tobacco Co.	(6)	14,471,563	2,594,889	300,368	1,712,129	499,981	2,452,479	142,409	---
American Snuff Co.	(6)	8,042,182	1,867,036	1,372,381	1,372,381	---	1,699,549	237,487	---
George W. Helme Co.	(6)	7,176,156	1,873,266	265,765	1,389,700	95,238	1,750,704	122,562	---

1 Includes \$40,764,710 for goodwill and other intangibles written off.
 2 Includes \$6,000,000 of dividends paid in 6 percent unsecured notes.
 3 Denotes deficit.
 4 Net addition.
 5 Net additions.
 6 Annual average.
 Includes paid-in surplus through release of indebtedness of \$23,790,000 by stockholder² British-American Tobacco Co.

Table 6 shows that American Tobacco Co., Liggett & Myers Tobacco Co., and R. J. Reynolds Tobacco Co. were also the largest from the standpoint of sales. During the 21 years, 1917-37, the sales of the Reynolds Co. were largest, amounting to nearly 4½ billion dollars, followed by American Tobacco Co. with a little over 4 billion dollars, and Liggett & Myers with nearly 4 billion dollars of sales. It will be noted that in the order of profits, American Tobacco Co. was first with a little over one-half billion dollars, followed closely by the Reynolds Co. with almost the same amount and Liggett & Myers with one-third of a billion. These profits represent the net income after providing for all of the costs of doing business, including provisions for Federal income and profits taxes.

American Tobacco Co. and R. J. Reynolds Tobacco Co. each paid out about the same amount in dividends during the period. American Tobacco Co. paid out a total of \$474,397,942 as compared with \$474,631,250 for the R. J. Reynolds Co. The total for Liggett & Myers was \$261,408,812. After taking into account other charges to surplus, the net increase in surplus during the period was \$22,942,603 for American Tobacco Co., \$29,165,235 for Liggett & Myers Tobacco Co., and \$24,103,293 for R. J. Reynolds Tobacco Co. These net increases, together with the amounts for dividends paid in common stock on common stock, reflect earnings retained in the business by each company in the amount of \$85,699,739 for American Tobacco Co., \$40,507,985 for Liggett & Myers Tobacco Co., and \$104,103,293 for R. J. Reynolds Tobacco Co. The comparatively smaller amount for Liggett & Myers is accounted for by the fact that the company reduced the value at which it had been carrying goodwill and other intangibles on its balance sheet to \$1 by charges to surplus of \$40,709,710 in 1929 and \$55,000 in 1935.

The reinvested earnings contributed importantly to the growth of each of the three companies. During the period under review they amounted to nearly 80 percent of the net increase in capitalization of American Tobacco Co. and about 90 percent of the net increase for R. J. Reynolds Tobacco Co. For Liggett & Myers Tobacco Co. they amounted to nearly half the net increase before any adjustments for goodwill, appreciation, and other intangibles prior to the time they were written off by the company as explained above. Further details concerning invested capital, including earnings, for these and all other companies under review appear in appendix tables 1 to 13 and 1a to 13a.

Throughout the period under review, the annual sales of the three largest companies averaged 73 percent of the sales for all companies and 88 percent of the combined sales of the manufacturers of cigarettes and other tobacco products. The relative importance of the various groups of manufacturers from the standpoint of sales is shown by the following tabulation which compares the sales for each group in 1937 with the average of the annual sales for the years 1917 to 1937

Ratios of sales

	Annual average 1917-37	Total 1937
Manufacturers of cigarettes and other tobacco products:	<i>Percent</i>	<i>Percent</i>
Big Three.....	72.97	73.93
Little Three.....	15.44	18.37
Total.....	88.41	92.30
Cigar manufacturers.....	8.02	4.74
Snuff manufacturers.....	3.67	2.96
Total.....	100.00	100.00
Combined sales.....	\$830,883,994	\$1,063,327,917

It will be noted that there was comparatively little change in the relative proportions of the combined sales of the three largest companies in the two periods shown in the tabulation, but the 1937 proportion of the combined sales of the three smaller manufacturers of cigarettes and other tobacco products was somewhat higher than their proportion based on the average of the annual sales throughout the period. The sales of all manufacturers of cigarettes and other tobacco products amounted to 92.3 percent of the total sales of all companies during the year 1937 as compared with 88.41 percent of the average of the annual sales for all of the companies throughout the years 1917-37. On the other hand the sales for each of the groups of cigar and snuff manufacturers were proportionately smaller in 1937 than for the entire period. The tabulation which follows presents a similar comparison for the individual companies within each group and shows the deviations of their relative proportions in 1937 from those based on the average of the annual sales throughout the period 1917-37.

Ratios of sales

	Annual average 1917-37	Total 1937
Manufacturers of cigarettes and other tobacco products:	<i>Percent</i>	<i>Percent</i>
American Tobacco Co.....	26.00	24.72
Liggett & Myers Tobacco Co.....	25.84	24.50
R. J. Reynolds Tobacco Co.....	30.70	30.88
Total (Big Three).....	82.54	80.10
P. Lorillard Co.....	9.70	7.74
Brown & Williamson Tobacco Co.....	¹ 6.59	10.20
Axton-Fisher Tobacco Co.....	² 1.17	1.96
Total.....	100.00	100.00
Combined sales.....	\$734,590,892	\$981,506,371
Cigar manufacturers:	<i>Percent</i>	<i>Percent</i>
General Cigar Co., Inc.....	50.04	43.10
Consolidated Cigar Co.....	³ 25.37	21.83
Bayuk Cigars, Inc.....	16.44	32.48
Porto Rican American Tobacco Co.....	⁴ 8.15	2.59
Total.....	100.00	100.00
Combined sales.....	\$66,603,201	\$50,399,958
Snuff manufacturers:	<i>Percent</i>	<i>Percent</i>
United States Tobacco Co.....	48.74	57.21
American Snuff Co.....	27.09	24.03
George W. Helme Co.....	24.17	18.76
Total.....	100.00	100.00
Combined sales.....	\$29,689,901	\$31,421,588

¹ Annual average 1928-37.² Annual average 1918-37.³ Annual average 1919-37.⁴ Annual average 1920-37.

The average of the annual sales of the three largest companies amounted to \$606,303,987, which was equivalent to 82½ percent of the average for all manufacturers of cigarettes and other tobacco products and about 73 percent of the average for all companies covered in the inquiry. The annual sales of the three companies averaged \$225,523,584 for R. J. Reynolds Tobacco Co., \$190,999,785 for American Tobacco Co., and \$189,780,618 for Liggett & Myers Tobacco Co. The following comparison gives the sales for these companies for each of the years 1917-37 and indicates the trends throughout the period. Such information for all manufacturers appears in appendix tables 1a to 13a.

Net sales

Year	R. J. Reynolds Tobacco Co.	American Tobacco Co.	Liggett & Myers Tobacco Co.
1917	\$83,537,850	\$83,636,850	\$82,897,952
1918	128,496,211	137,854,588	123,698,335
1919	188,115,324	141,639,435	134,697,886
1920	195,312,210	138,530,584	151,503,211
1921	187,730,156	151,103,825	152,072,155
1922	190,658,527	138,961,567	145,051,719
1923	233,516,345	134,292,159	156,100,000
1924	238,745,043	149,208,903	180,475,851
1925	255,986,334	152,088,201	203,113,016
1926	279,815,715	149,446,876	227,703,529
1927	281,623,053	166,068,673	235,722,589
1928	262,257,472	202,293,220	216,188,517
1929	265,909,101	246,688,380	232,936,301
1930	266,591,068	288,167,322	226,558,711
1931	258,077,426	300,962,646	206,741,789
1932	192,714,619	278,215,273	190,726,536
1933	166,344,014	230,317,190	197,953,018
1934	217,616,507	225,646,543	226,123,458
1935	250,635,962	220,264,060	219,732,636
1936	289,313,165	232,964,682	234,892,347
1937	302,999,161	242,644,515	240,563,431
Annual average	225,523,584	190,999,785	189,780,618

The comparative profits of these three companies and of others in relation to investment have been indicated. The relation of profits to sales is indicated in tables 7 and 8 which follow. These tables compare ratios of costs, expenses and profits to net sales, expressed in cents per dollar of net sales, for individual companies, functionally classified. Table 7 presents such information on the basis of total sales for each company during the years 1917-37, and table 8 presents the information on the basis of operations during the year 1937. These ratios have been computed from information contained in appendix tables 1a to 13a which give the details of income and expenses for each company for each year during 1917-37.

TABLE 7.—Comparison of ratios of costs, expenses, and profits to net sales for the years 1917-37, expressed in cents per dollar of net sales, for individual companies functionally classified

Company	Total net sales 1917-37	Operating costs and expenses	Net profit on sales	Other income net	Total income before interest and Fed- eral taxes	Interest on long- term debt	Provision for Fed- eral in- come and profits taxes	Net income
Manufacturers of ciga- rettes and other to- bacco products:								
The American To- bacco Co.....	<i>Amount</i> \$4,010,995,492	<i>Cents</i> 87.35	<i>Cents</i> 12.65	<i>Cents</i> 1.90	<i>Cents</i> 14.55	<i>Cents</i> 0.26	<i>Cents</i> 1.70	<i>Cents</i> 12.59
Liggett & Myers Tobacco Co.....	3,985,392,987	89.69	10.31	.33	10.64	.95	1.32	8.37
R. J. Reynolds To- bacco Co.....	4,735,995,263	87.58	12.42	.18	12.60	.04	1.99	10.57
Total (Big Three)	12,732,383,742	88.17	11.83	.77	12.60	.39	1.69	10.52
P. Lorillard Co.....	1,496,946,247	91.98	8.02	.72	8.74	1.83	.98	5.93
Brown & William- son Tobacco Co. ¹	484,171,335	96.08	3.92	² 2.20	3.72	.73	.89	2.10
Axton-Fisher To- bacco Co. ³	171,732,375	93.88	6.12	.29	6.41	-----	.84	5.57
Total—cigarette and tobacco manufacturers.	14,885,233,699	88.87	11.13	.72	11.85	.54	1.58	9.73
Cigar manufacturers:								
General Cigar Co., Inc.....	699,959,347	91.08	8.92	.26	9.18	.45	1.25	7.48
Consolidated Cigar Co. ⁴	321,015,895	87.40	12.60	² 2.41	10.19	.35	1.14	8.70
Bayuk Cigars, Inc..	229,903,074	92.36	7.64	² 3.34	7.30	.07	1.18	6.05
Porto Rican Amer- ican Tobacco Co. ⁵	97,712,404	99.61	.39	5.62	6.01	4.90	.14	.97
Total.....	1,348,590,720	91.04	8.96	² 0.99	8.87	.69	1.13	7.05
Snuff manufacturers:								
United States To- bacco Co.....	303,902,835	81.45	18.55	2.68	21.23	-----	3.30	17.93
American Snuff Co.	168,885,836	79.45	20.55	6.74	27.29	-----	4.07	23.22
George W. Helme Co.....	150,699,289	73.96	26.04	4.62	30.66	-----	4.56	26.10
Total.....	623,487,960	79.10	20.90	4.25	25.15	-----	3.81	21.34

¹ Includes years 1928-37.² Denotes loss.³ Includes years 1918-37.⁴ Includes year 1919-37.⁵ Includes years 1920-37.

TABLE 8.—Comparison of ratios of costs, expenses, and profits to net sales for the year 1937, expressed in cents per dollar of net sales, for individual companies functionally classified

Company	Total net sales 1937	Operating costs and expenses	Net profit on sales	Other income net	Total income before interest and Federal taxes	Interest on long-term debts	Provision for Federal income and profits taxes	Net income
Manufacturers of cigarettes and other tobacco products:								
	<i>Amount</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
The American Tobacco Co.	\$242,644,515	88.06	11.94	1.11	13.05	0.30	1.77	10.98
Liggett & Myers Tobacco Co.	240,503,431	89.77	10.23	.76	10.99	.55	1.55	8.89
R. J. Reynolds Tobacco Co.	302,999,161	88.85	11.15	1.06	11.09	-----	1.78	9.31
Total (Big Three).....	786,147,107	88.89	11.11	.55	11.66	.26	1.70	9.70
P. Lorillard Co.	75,962,586	95.83	4.17	.27	4.44	.93	.50	3.01
Brown & Williamson Tobacco Co.	100,141,863	95.34	4.66	1.59	4.07	.54	.64	2.89
Axton-Fisher Tobacco Co.	19,254,815	98.84	1.16	.09	1.25	-----	.01	1.24
Total cigarette and tobacco manufacturers.....	981,506,371	90.28	9.72	.40	10.12	.34	1.47	8.31
Cigar manufacturers:								
General Cigar Co., Inc.	21,723,667	91.35	8.65	.34	8.99	-----	1.29	7.70
Consolidated Cigar Co.	11,001,394	87.75	12.25	1 2.15	10.10	-----	1.99	8.11
Bayuk Cigars, Inc.	16,372,273	93.35	6.65	1.00	7.65	-----	1.63	6.02
Porto Rican American Tobacco Co.	1,302,624	114.34	1 14.34	5.40	1 8.94	16.53	-----	1 25.47
Total.....	50,399,958	91.81	8.19	.15	8.34	.43	1.52	6.39
Snuff manufacturers:								
United States Tobacco Co.	17,976,214	80.60	19.40	2.90	22.30	-----	3.04	19.26
American Snuff Co.	7,550,634	82.80	17.20	7.55	24.75	-----	17.20	7.55
George W. Helme Co.	5,894,740	74.29	25.71	7.20	32.91	-----	4.44	28.47
Total.....	31,421,588	79.95	20.05	4.83	24.88	-----	3.39	21.49

¹ Denotes loss.

Tables 7 and 8 show that the ratios of costs, expenses, and profits to net sales were substantially the same in 1937 as for the entire period 1917-37. The significant ratios, expressed in cents per dollar of net sales, for the various groups for each period are summarized as follows:

Ratios to sales

	Operating costs and expenses	Profits applicable to total investment ¹	Net income ²
Average, 1917-37			
	Cents	Cents	Cents
Manufacturers of cigarettes and other tobacco products:			
Big Three.....	88.17	12.60	10.52
All companies ³	88.87	11.85	9.73
Cigar manufacturers ⁴	91.04	8.87	7.05
Snuff manufacturers ⁴	79.10	25.15	21.34
Year 1937			
Manufacturers of cigarettes and other tobacco products:			
Big Three.....	88.89	11.66	9.70
All companies ³	90.28	10.12	8.31
Cigar manufacturers ⁴	91.81	8.34	6.39
Snuff manufacturers ⁴	79.95	24.88	21.49

¹ Before provision for interest payments on long-term debt and Federal income and profits taxes.

² After provision for interest on long-term debt and Federal income and profits taxes.

³ 6 companies.

⁴ 4 companies.

⁵ 3 companies.

As shown above, the margins of profits in relation to sales were outstanding for the snuff manufacturers. Throughout the period under review their margin of net income of 21 cents out of every dollar of net sales was twice that of the three largest manufacturers of cigarettes and other tobacco products as a group and three times that of the cigar manufacturers. However, despite this showing in comparison with the margins for the other groups, their profits in relation to investment were somewhat smaller than those of the cigarette companies but nearly twice those of the cigar companies and indicates that the volume of business done per dollar of investment was much lower than for the other groups.

The relationship of the above factors is interestingly brought out in the following tabulation which shows for each group the total investment, sales, ratio of sales to investment, or capital turn-over, and the manner in which the profits per dollar of net sales applicable to the total investment is related, through the turn-over, to ratio of return on the investment. The upper part of the tabulation gives the information on the basis of the average of the annual investment and sales for 1917-37, and the lower part of the table gives the information for the year 1937 alone.

	Total investment	Net sales	Rate of capital turn-over in terms of sales	Profit per dollar of sales applicable to total investment	Rate of return on investment
Average, 1917-37					
Manufacturers of cigarettes and other tobacco products:					
Big Three.....	\$406,136,489	\$606,303,987	1.49	12.60	18.81
All companies ¹	490,147,166	734,590,892	1.50	11.85	17.34
Cigar manufacturers ²	63,389,990	66,603,201	1.05	8.87	9.32
Snuff manufacturers ³	44,763,571	29,689,901	.66	25.15	16.68
Year 1937					
Manufacturers of cigarettes and other tobacco products:					
Big Three.....	504,588,788	756,147,107	1.56	11.66	18.17
All companies ¹	609,955,640	981,506,371	1.61	10.12	16.29
Cigar manufacturers.....	68,612,389	50,399,958	.73	8.34	6.12
Snuff manufacturers.....	58,075,959	31,421,588	.54	24.88	13.46

¹ 6 companies.

² 4 companies.

³ 3 companies.

The capital turn-over reflects the time required for the sales to equal the investment. On the average, the sales of the three largest companies as a group equaled the amount of their investment about once every 8 months as compared with once every 11 months for the cigar companies and once every 18 months for the snuff companies. The tabulation shows the influence of the rapidity of turn-over on the rates of return on investment when related to margins of profits on sales. For example, twice the margin of profit was required for the slower moving products of the snuff companies than for the three largest companies in order to produce comparable rates of return on investment.

SALARIES AND OTHER COMPENSATION PAID TO CORPORATION OFFICERS AND DIRECTORS

Information concerning salaries and other compensation paid to the principal officers of important tobacco manufacturers was obtained from annual reports of the companies on file with the Securities and Exchange Commission. Such information was obtained for the years 1935 to 1938, inclusive, with regard to American Tobacco Co., Liggett & Myers Tobacco Co., R. J. Reynolds Tobacco Co., P. Lorillard Co., Axton-Fisher Co., General Cigar Co., Inc., Porto Rican American Tobacco Co., Consolidated Cigar Co., Bayuk Cigars, Inc., United States Tobacco Co., American Snuff Co., and George W. Helme Co.

Table 9, which follows, shows for each company for each of the years 1935-38 the total salaries and other compensation paid to officers and directors, the number of officers and directors, and the average compensation per officer and director.

TABLE 9.—Total salaries and other compensation paid to officers and directors of principal tobacco processors, 1935-38

	Manufacturers of cigarettes and other tobacco products				
	American Tobacco Co.	Liggett & Myers Tobacco Co.	R. J. Reynolds Tobacco Co.	P. Lorillard Co.	Axton-Fisher Tobacco Co.
Total salaries and other compensation:					
1935.....	\$1,020,776	\$539,645	\$299,499	\$306,925	\$38,448
1936.....	1,123,189	709,017	300,999	275,000	61,440
1937.....	1,409,863	704,971	304,749	279,918	49,115
1938.....	1,378,606	682,638	326,000	245,353	85,393
Annual average.....	1,233,108	659,067	307,811	276,799	58,599
Number of officers and directors:					
1935.....	19	12	12	16	7
1936.....	19	12	12	14	11
1937.....	17	12	12	14	7
1938.....	17	12	12	14	9
Average compensation per officer and director:					
1935.....	53,725	44,970	24,958	19,182	5,492
1936.....	59,115	59,084	25,083	19,642	5,585
1937.....	82,933	58,747	25,395	19,994	7,016
1938.....	81,094	56,886	27,166	17,525	9,488
Annual average (weighted).....	68,506	54,922	25,651	19,090	6,894

TABLE 9.—Total salaries and other compensation paid to officers and directors of principal tobacco processors, 1935-38—Continued

	Cigar manufacturers				-Snuff manufacturers		
	General Cigar Co.	Porto Rican American Tobacco	Consolidated Cigar Corporation Co.	Bayuk Cigars, Inc.	United States Tobacco Co.	American Snuff Co.	George W. Helme Co.
Total salaries and other compensation:							
1935.....	\$236,576	\$124,279	\$167,906	\$143,481	\$358,202	\$213,820	\$194,311
1936.....	190,756	80,000	154,474	185,962	448,928	209,282	185,575
1937.....	131,029	80,000	129,789	189,106	348,284	222,000	167,314
1938.....	130,630	89,836	135,420	199,973	343,308	260,320	175,911
Annual average.....	172,247	93,528	146,897	179,630	374,680	226,355	180,777
Number of officers and directors:							
1935.....	11	10	12	12	11	10	9
1936.....	11	8	13	11	11	10	9
1937.....	11	8	13	11	11	10	9
1938.....	10	12	13	10	11	15	9
Average compensation per officer and director:							
1935.....	21,506	12,427	13,992	11,956	32,563	21,382	21,590
1936.....	17,341	10,000	11,882	16,907	40,811	20,928	20,916
1937.....	11,911	10,000	9,983	17,191	31,662	22,200	18,590
1938.....	13,063	7,486	10,417	19,997	31,209	17,534	19,545
Annual average (weighted).....	16,023	9,845	11,521	16,330	34,062	20,120	20,086

Table 9 shows that for the three largest companies the average aggregate remuneration to the officers and directors of American Tobacco Co. of \$1,233,108 during the 4 years 1935-38 was nearly twice the average amount paid by Liggett & Myers Tobacco Co., and about four times the amount paid by R. J. Reynolds Tobacco Co. In terms of total compensation per officer and director, the average amount paid by these companies was \$68,506 for American Tobacco Co., \$54,922 by Liggett & Myers, and \$25,651 by the Reynolds Co. It will be noted that the average total compensation per officer and director of each of these companies was larger than for any of the other companies shown in the table.

It has been explained that each of the three largest companies are of about the same relative importance and size, and during the year 1937 their combined sales amounted to 74 percent of the total sales of all companies covered in the inquiry. It was also pointed out that the average rate of profit on total investment for each company during the years 1917-37 was 23.05 percent for R. J. Reynolds Tobacco Co., 17.16 percent for American Tobacco Co., and 16.7 percent for Liggett & Myers Tobacco Co. The following additional comparison is therefore significant with regard to the total compensation paid by each of these companies to its highest-paid officer during each of the years 1935-38:

Total salaries and other compensation

Year	President, ¹ American Tobacco Co.	President, ² Liggett & Myers To- bacco Co.	Chairman ³ of the board, R. J. Rey- nolds Tobac- co Co.
1935.....	\$212,199	\$74,340	\$60,000
1936.....	246,173	95,705	60,000
1937.....	380,976	90,378	70,000
1938.....	331,348	87,173	100,000
Average.....	292,674	86,899	72,500

¹ George W. Hill.

² C. W. Toms for 1935, and J. W. Andrews thereafter

³ S. Clay Williams.

The payments shown above for George W. Hill, president of American Tobacco Co., while large, do not compare with the compensation he received from the company in some of the earlier years. For instance, in 1929, he received \$605,613; in 1930, \$1,010,567; and in 1931, \$1,051,630. The huge salaries and bonuses received by Mr. Hill and other officers of the company, together with other emoluments received by them under an "employees' stock subscription plan" gave rise to a series of stockholders' suits as explained hereinafter.

The files of the Securities and Exchange Commission, from which the salary data for the years 1935-38 were obtained, did not give the segregation of the total remuneration paid to all of the officers and directors of the various companies as between salaries and other compensation. However, such a segregation was available in some instances for each person among the officers and directors receiving one of the three largest aggregate amounts of remuneration. Tables 10 to 21, which follow, show for each officer and director of each company for which the information was available the salaries and other compensation paid during the years 1935-38.

TABLE 10.—*Salaries and other compensation paid to principal officers of the American Tobacco Co., 1935-38*

Name and position	1935	1936	1937	1938
George W. Hill, president:				
Salary.....	\$120,000	\$120,000	\$120,000	\$120,000
Other compensation.....	92,199	126,173	260,976	211,348
Total.....	212,199	246,173	380,976	331,348
Thomas Taylor, vice president and auditor: ¹				
Salary.....	50,000			
Other compensation.....	55,669			
Total.....	105,669			
Charles F. Neiley, vice president:				
Salary.....	50,000	50,000	50,000	
Other compensation.....	55,369	75,692	156,585	
Total.....	105,369	125,692	206,585	
Paul M. Hahn, vice president:				
Salary.....		50,000	50,000	50,000
Other compensation.....		75,742	156,585	126,859
Total.....		125,742	206,585	176,859
Vincent Riggio, vice president:				
Salary.....				50,000
Other compensation.....				126,809
Total.....				176,809

¹ Resigned June 17, 1936.

TABLE 11.—*Salaries and other compensation paid to principal officers Liggett & Myers Tobacco Co., 1935-38*

Name and position	1935	1936	1937	1938
C. W. Toms, president: ¹				
Salary.....	\$35,000			
Other compensation.....	39,340	\$44,914		
Total.....	74,340	44,914		
J. W. Andrews, vice president: ²				
Salary.....	25,000	28,333	\$35,000	\$35,000
Other compensation.....	39,340	67,372	55,378	52,173
Total.....	64,340	95,705	90,378	87,173
W. D. Carmichael, vice president:				
Salary.....	25,000	25,000	25,000	25,000
Other compensation.....	39,340	67,372	55,378	52,173
Total.....	64,340	92,372	80,378	77,173

¹ Deceased.

² Became president in 1936.

TABLE 11.—Salaries and other compensation paid to principal officers
Liggett & Myers Tobacco Co., 1935-38—Continued

Name and position	1935	1936	1937	1938
W. W. Flowers, vice president: ³				
Salary.....	\$25,000			
Other compensation.....	39,340	\$44,914		
Total.....	64,340	44,914		
E. H. Thurston, vice president:				
Salary.....	25,000	25,000	\$25,000	\$25,000
Other compensation.....	39,340	67,372	55,378	52,173
Total.....	64,340	92,372	80,378	77,173
G. W. Whitaker, vice president:				
Salary.....	25,000	25,000	25,000	25,000
Other compensation.....	39,340	67,372	55,378	52,173
Total.....	64,340	92,372	80,378	77,173
Ben Carroll, vice president and treasurer: ⁴				
Salary.....			25,000	25,000
Other compensation.....		30,457	55,378	52,173
Total.....		30,457	80,378	77,173
B. F. Few, vice president:				
Salary.....			25,000	25,000
Other compensation.....			55,378	52,173
Total.....			80,378	77,173

³ Became chairman of the board in 1936.⁴ Was vice president in 1936 and became vice president and treasurer in 1937.TABLE 12.—Total compensation paid to principal officers, *R. J. Reynolds Tobacco Co., 1935-38*

Name and position	1935	1936	1937	1938
S. Clay Williams, chairman of board.....	\$60,000	\$60,000	\$70,000	\$100,000
Jas. A. Gray, president.....	50,000	50,000	50,000	50,000
T. H. Kirk, vice president ¹	35,000	35,000	23,750	
J. W. Glenn, vice president.....				25,000

¹ Deceased.TABLE 13.—Total compensation paid to principal officers of *P. Lorillard Co., Inc., 1935-38*

Name and position	1935	1936	1937	1938
Benjamin L. Belt, president ¹	\$50,000	\$50,000	\$37,500	
D. H. Ball, vice president ²	30,000	30,000		\$30,000
Everett Meyer, vice president ³	52,500			
G. H. Hummell, vice president.....		30,000	30,000	30,000
E. J. Bush, vice president and comptroller.....			27,500	30,000

¹ Mr. Belt died Sept. 15, 1937, and in accordance with the custom of the company it paid his widow \$25,000.² Elected president, 1938.³ Resigned, 1935.

TABLE 14.—*Total compensation paid to principal officers of Axton-Fisher Tobacco Co., 1935-38*

Name and position	1935	1936	1937	1938
E. D. Axton, president and secretary and treasurer	\$8,625			
F. J. Helck, vice president	5,750			
R. L. Axton, sales manager	5,750			
M. Amando, vice president		\$13,421	\$12,000	\$22,131
E. G. Weymouth, vice president		13,421	12,000	22,131
C. Palmer Parker, treasurer		13,013	12,000	22,131

TABLE 15.—*Total compensation paid to principal officers of General Cigar Co., 1935-38*

Name and position	1935	1936	1937	1938
Fred Hirschhorn, president ¹	\$75,182	\$59,879	\$22,738	\$20,000
William Best, vice president	37,591	29,939	23,452	24,000
Bernhardt G. Meyer, vice president ²	37,591	29,939	26,904	28,000
Milton H. Esberg, vice president	37,591	29,939	23,452	24,000
Richard C. Bondy, Jr., vice president	36,935	29,939	23,452	24,000

¹ Became chairman of board, 1937.² Became president, 1937.TABLE 16.—*Total compensation paid to principal officers of Porto Rican American Tobacco Co., 1935-38*

Name and position	1935	1936	1937	1938
W. E. Waterman, chairman, board of directors	\$31,666	\$25,000	\$25,000	
J. M. Porter, president	40,000	25,000	25,000	\$12,797
C. H. Knapp, vice president	18,000	16,000	16,000	
T. C. Breen, president ¹				20,850
D. A. Jenks, vice president				17,416

¹ Became president, 1938.TABLE 17.—*Total compensation paid to principal officers of Consolidated Cigar Corporation, 1935-38*

Name and position	1935	1936	1937	1938
Julius Lichteinstein, president	\$90,000	\$67,500	\$60,000	\$60,000
Frank P. Will, executive vice president	32,000	29,000	28,000	28,000
Louis Cahn, vice president and secretary	13,500	10,875		
Duncan Cameron Menzies, general sales manager			26,666	
Alfred M. Silverman, treasurer				14,100

TABLE 18.—*Total compensation paid to principal officers of Bayuk Cigars, Inc., 1935-38*

Name and position	1935	1936	1937	1938
Harry S. Rothchild, president	\$36,120	\$50,448	\$46,032	\$55,125
Samuel Bayuk, chairman, board of directors	22,153			
Harry P. Wurman, vice president	21,578	36,161	38,053	56,407
A. Joseph Newman, vice president		31,870	32,120	
Harry C. Carr, vice president				34,915

TABLE 19.—Salaries and other compensation paid to principal officers of United States Tobacco Co., 1935-38

Name and position	1935	1936	1937	1938
John M. Devoe, president:				
Salary.....	\$35,000	\$35,000	\$35,000	\$35,000
Other compensation.....	30,463	47,246	32,839	31,349
Total.....	65,463	82,246	67,839	66,349
J. W. Peterson, vice president:				
Salary.....	139,564	10,000	11,696	12,412
Other compensation.....		45,852	31,841	30,424
Total.....	39,564	55,852	43,537	42,836
C. C. Hank, vice president:				
Salary.....	141,824	20,500	143,496	142,424
Other compensation.....		33,072		
Total.....	41,824	53,572	43,496	42,424

¹ No segregation between salaries and other compensation.

TABLE 20.—Total compensation paid to principal officers of American Snuff Co., 1935-38

Name and position	1935	1936	1937	1938
Martin J. Condon, president.....	\$54,080	\$51,070	\$50,000	\$51,297
W. C. Hunt, vice president.....	29,080	26,070		
F. N. Smith, vice president.....	29,080	26,070	25,000	26,297
James E. Harwood, assistant manager.....	7,500	9,000	9,000	
Gilbert B. Wilson, Jr., department manager.....	8,350	8,350	8,350	8,900
Joseph Trinner, Jr., department manager.....	8,350	8,350	8,350	8,900
M. E. Finch, vice president.....			40,000	31,297
J. G. Brown, assistant auditor.....				8,020

TABLE 21.—Total compensation paid to principal officers of George W. Helme Co., 1935-38

Name and position	1935	1936	1937	1938
John C. Flynn, president.....	\$56,705	\$60,858		
C. W. Bumstead, president and vice president ¹	45,102	36,929	\$50,323	\$54,755
L. A. Bengert, vice president and treasurer.....	41,602	31,929	31,661	33,877
C. A. Jenny, vice president.....			26,661	26,878

¹ Became president, 1937.

STOCKHOLDER'S SUITS AGAINST AMERICAN TOBACCO CO., ITS PRESIDENT, GEORGE W. HILL, AND OTHERS

In 1931 Richard Reid Rogers, a stockholder, instituted a series of suits protesting the huge bonuses paid to George W. Hill and other officers of American Tobacco Co. and to a plan which had been initiated by them for the allotment of stock to them and other worthy employees, as determined by the president, under an "Employees' stock-subscription plan."

The stockholder complained that for many years the officers of the company had received large annual fixed salaries as well as large annual cash profit-sharing bonuses paid under a bylaw of the company adopted in 1912. The stockholder maintained that the bylaw was invalid and that even if valid the amounts paid in accordance with its provisions were unreasonably large and therefore subject to revision by the courts. He contended that the courts should determine the fair and reasonable compensation of each of the individual defendants for the years 1921-30, and that each be compelled to account for and pay over to the company any amounts received in excess of fair and reasonable compensation.

Rogers also sought to restrain the company from issuing stock pursuant to the employees' stock subscription plan. This plan was adopted at a stockholders' meeting on July 30, 1930; and the resolution of the board of directors recommend-

ing a reduction in the par value of the common stock from \$50 per share to \$20 per share was also adopted.

Under the stock-subscription plan, 56,712 shares of unissued common stock B of the corporation were distributed in accordance with the recommendations made by the president of the company. Of this number 32,370, or nearly 60 percent of the total, were allotted to the officers and directors, of which 13,440 shares, or 24 percent of the total, were allotted to the president. The remaining 24,342 shares were allotted in relatively small amounts to 525 employees. The subscription price was the par value of the stock, \$25 a share. On January 28, 1931, when the allotment of stock was made, its market price was \$112 per share, more than four times the subscription price. It was then paying and has since paid dividends at the annual rate of \$5 per share, sufficient to pay the subscription price in 5 years. Valuing the subscription privilege by the difference between the subscription price and the market value of the shares, the president received by the allotment \$1,169,280 in addition to his annual compensation of more than a million dollars. The stock subscription rights awarded the five vice presidents of the company, similarly valued, amounted to \$1,451,595.⁷

The stockholder's suits were carried to the Supreme Court of the United States. In the case of *Rogers v. Hill et al.*, with regard to the validity of the bylaw under which a percentage of the profits were paid as a bonus to officers of the company, the Supreme Court of the United States held (289 U. S. 591, 592):

While the amounts produced by the application of the prescribed percentages give rise to no inference of actual or constructive fraud, the payments under the bylaw have by reason of increase of profits become so large as to warrant investigation in equity in the interest of the company. Much weight is to be given to the action of the stockholders, and the bylaw is supported by the presumption of regularity and continuity. But the rule prescribed by it cannot, against the protest of a shareholder, be used to justify payments of sums as salaries so large as in substance and effect to amount to spoliation or waste of corporate property. The dissenting opinion of Judge Swan indicates the applicable rule: "If a bonus payment has no relation to the value of services for which it is given, it is in reality a gift in part and the majority stockholders have no power to give away corporate property against the protest of the minority." * * * The facts alleged by plaintiff are sufficient to require that the district court, upon a consideration of all the relevant facts brought forward by the parties, determine whether and to what extent payments to the individual defendant under the bylaw constitute misuse and waste of the money of the corporation. * * *

The decree of the circuit court of appeals is reversed, the decree of the district court dismissing the bills on the merits is vacated, and the case is remanded to the district court with directions to reinstate its decree granting injunction pendente lite and for further proceedings in conformity with this opinion.

In the case of *Rogers v. Guaranty Trust Company of New York, et al., Trustees*, the stockholder sought to enjoin the defendants from carrying out the employees' stock subscription plan and having the transaction declared void and canceled and restitution made to American Tobacco Co. The district court of New York dismissed the complaint without prejudice on the grounds that it did not have jurisdiction since American Tobacco Co. was a New Jersey corporation doing business in that State (60 Fed., 2d. 106). On appeal it appears that the circuit court of appeals decided the case on its merits and said the bill of complaint was properly dismissed by the district court (60 Fed., 2d, 114). The Supreme Court of the United States reversed the circuit court of appeals so far as its judgment on the merits of the case was concerned and affirmed the judgment of the district court that it was without jurisdiction. The Supreme Court of the United States held (288 U. S. 133):

"* * * As the circuit court of appeals considered and decided the merits of the case, its judgment is reversed, the judgment of the district court entered upon its mandate is vacated and the case will be remanded to the district court with directions to reinstate the earlier judgment dismissing the bills of complaint without prejudice."

According to the New York Times of July 14, 1933, litigation over the bonuses and stock allotments ended on July 13 when compromise settlements were reached. Under the settlements, it was stated that the allotment of 27,500 shares of the American Tobacco Co.'s stock to officers and employees was to be rescinded and the profit-sharing plan under which bonuses had been paid to the officers was to

⁷ Dissenting opinion of Mr. Justice Stone in *Rogers v. Guaranty Trust Company, et al.*, United States Reports, vol. 288, p. 133.

be modified. This modification provided for a graduated scaling down of the bonuses based on profits in the future.

Former Judge Martin T. Manton, who wrote the decisions by the circuit court of appeals favoring the company and its officers in these suits, was convicted in June 1939 of the charge of conspiracy to sell justice and was sentenced to 2 years in jail and fined \$10,000. According to the press, Manton testified that while the suits were pending in his court he approached Louis Sampter Levy, formerly of the law firm of Chadbourne, Stanchfield & Levy, counsel for the tobacco company in the suits, for a loan of \$25,000 and subsequently received the better part of a loan in 10 times that amount from Lord & Thomas, advertising agents for American Tobacco Co., through James J Sullivan, an associate of Manton's in certain business ventures.

These revelations led to disbarment proceedings against Levy and Paul M. Hahn, attorney and vice president of American Tobacco, who it is stated arranged for the loan to Manton. It was also stated in the press that Albert D. Lasker, president of Lord & Thomas, declared that he provided the \$250,000 for the loan at the request of Levy and Hahn, unaware of the true nature of the loan and with the understanding that it would be repaid by American Tobacco Co. The loan was never repaid according to a statement of John T. Cahill, United States prosecuting attorney.

In the disbarment proceedings it appears that Hahn testified that American Tobacco Co. spent almost \$1,000,000 in settlement of the stockholder's suits against the company. He explained that \$263,000 was paid by the company to Mr. Rogers, who brought the suits, and an additional \$262,601 was placed in escrow by the company to cover his income tax, and that \$320,000 was paid to the firm of Chadbourne, Stanchfield & Levy, counsel for the company.

APPENDIX

APPENDIX TABLE 1.—Summary investments, profits, and rates of return for the American Tobacco Co., 1917-37

	1910	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700
2. Common.....	40,242,400	40,242,400	40,242,400	40,242,400	89,542,600	89,586,600	89,589,000	97,611,800	97,630,950	97,639,600	97,641,500	97,644,200
3. Total.....	92,942,100	92,942,100	92,942,100	92,942,100	142,242,300	142,286,300	142,288,700	150,311,500	150,330,650	150,339,300	150,341,200	150,343,900
4. Surplus—earned and capital.....	97,081,633	39,181,756	44,584,333	49,346,443	14,655,900	14,749,667	19,070,407	22,845,869	28,296,081	31,233,096	34,948,276	39,421,241
5. Surplus and contingency reserves.....	2,373,682	2,188,164	2,220,641	2,074,253	3,463,754	3,539,501	3,017,962	3,060,076	2,573,707	789,786	2,753,451	3,875,678
6. Reserve for Federal income and profits taxes.....	214,732	1,002,811	7,175,469	2,356,791	1,826,381	3,526,381	2,901,381	3,104,836	2,687,083	2,895,886	3,198,140	3,172,422
7. Capital stock and surplus.....	132,612,047	135,314,331	146,922,543	146,749,587	162,188,335	164,101,849	167,878,450	179,322,281	183,857,521	185,258,068	191,241,067	196,813,241
Less:												
8. Treasury stock at cost—Common.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
9. Goodwill, appreciation, and other intangibles.....	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430
10. Stockholders' investment.....	78,512,617	81,215,401	92,828,113	92,650,157	108,088,905	110,002,419	113,779,020	125,222,851	129,758,091	131,158,638	137,141,637	142,549,598
11. Long-term debt 1.....	2,126,100	2,069,500	34,388,334	33,487,248	23,586,321	22,958,330	9,744,274	1,432,074	1,345,224	1,265,174	1,165,324	1,137,024
12. Total investment.....	80,638,717	83,284,901	127,211,447	126,137,405	131,675,226	132,960,749	123,523,294	126,654,925	131,103,315	132,423,812	138,306,961	143,686,622
13. Average of total investment 2.....	81,961,809	105,248,174	126,674,426	128,906,316	132,317,988	128,242,022	125,089,110	121,763,564	120,131,763	121,313,763	125,365,387	140,996,792
14. Average of stockholders' investment 2.....	79,854,009	87,019,257	92,736,635	100,369,531	109,045,662	111,890,720	119,500,930	127,490,471	130,458,365	134,150,138	139,845,618	145,618
15. Average of common-stock holders' equity 2.....	27,164,309	34,319,557	40,036,935	47,669,831	56,345,962	59,191,020	66,801,236	74,790,771	77,758,665	81,450,438	87,145,918	91,418
Net income before deducting Federal income and profits taxes:												
16. Applicable to total investment.....	14,436,425	24,108,506	19,773,677	19,253,092	22,408,163	22,155,805	20,101,120	24,617,213	25,385,623	26,026,781	26,026,781	26,026,781
17. Applicable to stockholders' investment.....	14,327,086	23,413,039	17,772,572	17,620,545	21,063,716	21,069,731	20,074,166	22,494,723	24,567,535	25,336,177	25,947,894	25,947,894
18. Applicable to common-stock holders' equity.....	11,165,104	20,251,057	14,610,590	14,488,566	17,901,734	17,907,749	16,912,184	19,332,741	21,405,552	22,174,195	22,812,912	22,812,912
Rate of return on total investment (16÷13).....	17.61	22.91	15.61	14.94	16.94	17.28	16.07	17.50	18.68	18.75	18.75	18.46
Rate of return on stockholders' investment (17÷14).....	17.94	26.91	19.16	17.56	19.32	18.83	16.80	17.64	18.83	18.89	18.89	18.57
Rate of return on common-stock holders' equity (18÷15).....	41.10	59.01	36.49	30.33	31.77	30.25	25.32	25.85	27.53	27.53	27.53	26.18

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:											
Preferred.....	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,700	\$52,699,000	
Common.....	97,645,850	117,175,400	117,176,350	118,522,625	118,523,650	118,595,775	118,595,975	118,596,100	118,596,200	118,596,500	
Total.....	150,345,550	169,875,100	171,222,325	171,222,325	171,223,350	171,295,475	171,295,675	171,295,800	171,295,900	171,296,200	
3. Surplus—earned and capital.....	45,650,521	80,869,832	91,865,675	106,448,051	118,107,616	108,627,695	105,251,117	65,537,385	59,922,812	60,024,136	
5. Surplus and contingency reserve.....	4,174,896	3,377,887	3,379,344	3,381,791	1,429,718	66,656	61,000	248,120	254,796	257,355	
6. Reserve for Federal income and profits taxes.....	2,838,861	3,351,717	5,228,121	5,926,839	6,542,807	2,539,204	3,838,967	3,568,499	4,027,235	5,041,534	
7. Less: Capital stock and surplus.....	203,009,828	257,474,039	270,349,188	286,978,976	297,303,492	292,030,280	280,446,759	240,689,804	235,500,743	236,619,225	
8. Treasury stock at cost—common.....	227,973	9,070,134	5,758,042	16,406,995	2,079,022	2,825,037	2,217,030	7,480,819	9,443,615	10,922,297	
9. Good will, appreciation, and other intangibles.....	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	54,099,430	
10. Stockholders' investment.....	148,682,425	194,304,742	210,491,716	216,472,551	241,125,040	225,604,563	224,130,299	179,109,551	187,698,171	197,498,000	
11. Long-term debt.....	1,122,374	1,097,974	1,074,024	1,029,499	996,874	1,000,289	970,740	24,338,445	22,724,604	20,946,355	
12. Total investment ¹	149,804,799	195,402,446	211,565,740	217,502,055	242,121,914	226,604,852	225,101,048	203,468,000	194,682,302	192,543,853	
13. Average total investment ²	146,745,711	172,603,623	203,484,093	214,533,895	229,811,982	234,313,883	225,852,950	214,284,524	199,075,151	193,613,078	\$161,891,100
14. Average stockholders' investment ²	145,015,987	171,493,449	202,398,094	213,482,134	228,798,796	233,314,802	224,867,431	401,619,927	175,533,627	171,777,598	152,441,580
15. Average of common stockholders' equity ²	92,916,827	118,793,749	149,698,394	160,782,434	176,099,096	180,615,102	172,167,731	148,920,227	122,853,927	119,077,898	99,744,880
Net income before deducting Federal income and profits taxes.....	27,692,216	33,919,348	48,398,994	52,422,532	49,467,174	19,606,079	27,575,249	27,702,807	24,290,017	31,663,822	27,788,342
16. Applicable to total investment.....	27,640,351	33,469,397	48,325,416	52,328,157	49,366,646	19,461,305	27,499,704	27,071,286	23,576,368	30,922,600	27,303,591
17. Applicable to stockholders' investment.....	24,478,369	30,307,415	45,163,434	49,166,175	46,230,646	16,299,323	24,387,722	23,909,304	20,414,386	27,760,618	24,141,609
18. Applicable to common stockholders' equity.....	18.87	19.65	23.79	24.44	21.53	8.37	12.21	12.93	12.20	16.35	17.16
Rate of return on stockholders' investment (17÷14) percent.....	18.98	19.52	23.88	24.51	21.58	8.34	12.23	13.43	13.43	18.00	17.91
Rate of return on common stockholders' equity (18÷15).....	26.34	25.51	30.17	30.58	26.24	9.02	14.14	16.06	16.62	23.31	24.20

¹ Less unamortized debt discount and expense.
² Average of investment at beginning and end of year.

CONCENTRATION OF ECONOMIC POWER

17691

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$202,293,220	\$246,688,380	\$288,167,322	\$300,962,646	\$278,215,273	\$230,317,190	\$225,646,543	\$220,264,060	\$232,964,683	\$242,644,515	\$4,010,995,492
Cost of goods sold.....	161,605,631	195,256,366	214,451,743	217,211,748	193,030,086	186,818,888	169,238,082	171,828,739	185,144,403	195,042,650	3,065,969,946
Distribution and administrative expenses.....	20,997,796	21,861,848	32,363,894	36,326,235	40,868,801	28,868,984	26,660,087	24,849,076	25,725,757	18,630,767	437,702,986
Total operating expenses.....	182,603,427	217,118,214	246,805,627	253,537,983	233,904,887	215,687,872	195,898,169	196,677,835	210,870,160	213,673,417	3,503,672,882
Net profit on sales.....	19,789,793	29,570,166	41,361,698	47,424,603	44,310,386	14,620,318	29,748,374	23,586,228	22,094,522	28,971,088	507,322,610
Other income (net).....	7,902,423	4,349,182	7,037,289	4,997,869	5,156,788	4,976,761	1,217,125	4,116,672	2,196,395	1,692,724	76,232,570
Net income applicable to total investment.....	27,692,216	33,919,348	48,398,984	62,422,532	49,467,174	19,606,079	27,575,249	27,702,897	24,290,917	31,663,822	583,555,180
Less interest on long-term debt.....	51,865	449,951	73,578	94,375	100,528	144,774	75,545	631,611	714,549	741,222	10,179,763
Net income applicable to stockholders investment.....	27,640,351	33,469,397	48,325,416	62,328,157	49,366,646	19,461,305	27,499,704	27,071,286	23,576,368	30,922,600	573,375,417
Provision for Federal income and profits taxes.....	2,625,917	3,290,793	5,030,647	6,138,416	6,099,663	2,060,096	4,285,424	3,165,578	3,840,995	4,291,258	68,225,245
Net income for the year.....	25,014,434	30,178,604	43,294,769	46,189,741	43,267,083	17,401,209	23,214,280	23,905,708	20,235,773	26,631,342	605,150,172
Surplus at beginning of year.....	39,421,241	45,650,521	80,869,332	91,865,673	106,448,051	118,107,611	108,627,695	103,251,117	65,657,385	59,922,812	-----
Total.....	64,435,675	75,829,125	125,164,101	138,055,414	149,715,134	135,508,826	131,841,975	129,156,835	85,793,168	86,554,154	-----
Less dividends paid on common stock in cash.....	15,614,064	20,924,332	29,293,983	28,445,381	28,445,535	23,719,149	23,428,876	23,435,520	23,061,555	22,934,186	345,239,184
Common stock in stock.....	3,161,982	3,161,982	3,161,982	3,161,982	3,161,982	3,161,982	3,161,982	3,161,982	3,161,982	3,161,982	62,757,136
Preferred stock in cash.....	18,770,066	24,086,314	32,455,965	31,607,363	31,607,517	26,881,131	26,590,858	26,597,502	26,223,537	26,096,168	474,397,942
Premium on sale of common stock.....	-----	29,293,725	-----	-----	-----	-----	-----	-----	-----	-----	20,293,725
Payment in 1935, and refund of a portion thereof in 1936, in connection with acquisition of leased brands.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Other deductions (net).....	9,068	167,204	157,537	-----	-----	-----	-----	36,748,873	462,744	-----	36,286,129
Surplus end of the year.....	45,650,321	80,869,332	91,865,673	106,448,051	118,107,617	108,627,695	105,251,117	65,557,385	59,922,812	60,094,136	817,223

Total.....

1 Denotes loss.

2 Scrip exchangeable for common stock B.

3 Includes \$5,372,556 of scrip exchangeable for common stock B.

4 Includes \$2,684,725 of scrip exchangeable for common stock B and \$4,250,182 in common stock of a subsidiary company.

5 Additions to surplus.

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:											
1. Preferred.....	\$22,514,100	\$22,514,100	\$22,514,100	\$22,514,100	\$22,514,100	\$21,676,800	\$21,614,100	\$20,874,100	\$20,874,100	\$20,874,100	\$20,874,100
2. Common.....	65,463,366	65,463,366	78,530,391	78,530,391	78,530,391	78,530,891	78,584,409	78,423,475	78,423,475	78,423,475	78,423,475
3. Total.....	87,977,466	87,977,466	101,044,491	101,044,491	101,044,491	100,207,691	100,198,509	99,297,575	99,297,575	99,297,575	99,297,575
4. Surplus—earned and capital.....	53,987,708	20,739,403	28,447,720	34,273,920	40,128,100	39,498,617	42,696,771	40,262,751	41,050,623	42,143,362	42,143,362
5. Surplus and contingency reserves.....	400,000	400,000	.....	.....	1,224,004	1,582,036	2,715,434	2,715,434	2,715,434	3,727,731	3,727,731
6. Reserve for Federal income and profits taxes.....	2,632,501	2,780,407	3,273,684	3,162,156	3,682,783	2,477,454	3,200,156	2,957,607	4,200,439	3,727,731	3,727,731
7. Capital stock and surplus.....	144,997,675	111,897,276	132,770,895	138,480,567	146,079,878	143,765,798	148,800,930	144,843,367	147,264,071	147,884,102	147,884,102
8. Less good will, appreciation and other intangibles.....	40,764,711	55,001	55,001	55,001	55,001	55,001	55,001	1	1	1	1
9. Stockholders' investment.....	104,232,964	111,842,275	132,715,894	138,425,566	146,024,877	143,710,797	148,745,929	144,843,366	137,264,070	147,884,101	147,884,101
10. Long-term debt.....	28,431,200	28,306,200	28,176,200	28,054,200	25,739,200	23,227,200	22,900,200	22,782,200	22,666,200	22,551,400	22,551,400
11. Total investment.....	132,664,164	140,148,475	160,892,094	166,479,766	171,764,077	166,937,997	171,646,129	167,625,566	169,930,270	170,435,501	170,435,501
12. Average of total investment ¹	130,533,686	136,406,318	150,520,285	163,685,931	169,121,922	169,351,037	169,292,064	169,635,949	168,777,918	170,232,886	\$120,973,952
13. Average of stockholders' investment ¹	102,042,485	108,037,618	122,279,085	135,570,731	142,225,222	144,867,837	146,228,364	146,794,649	146,053,718	147,624,086	90,609,983
14. Average of common-stock holders' equity ¹	79,528,385	85,523,518	99,764,983	113,056,631	119,711,122	122,772,387	124,582,914	125,550,549	125,176,118	126,749,986	68,543,504
Net income before deducting Federal income and profits taxes:											
15. Applicable to total investment.....	23,416,629	26,713,406	29,038,157	28,066,776	28,452,083	20,882,023	24,724,797	20,782,221	29,733,505	26,426,645	20,197,762
16. Applicable to stockholders' investment.....	21,729,737	25,035,352	27,369,290	26,406,304	26,899,917	19,464,612	23,377,528	19,439,004	28,402,573	25,102,867	18,401,900
17. Applicable to common-stock holders' equity.....	20,153,750	23,459,365	25,793,303	24,830,322	25,323,930	17,915,306	21,862,297	17,977,517	26,941,386	23,641,680	16,861,186
Rate ² of return on total investment (15÷12) percent.....	17.94	19.58	19.29	17.15	16.84	12.33	14.60	12.25	17.62	15.52	16.70
Rate of return on stockholders' investment (16÷13) percent.....	21.29	23.17	22.38	19.48	18.91	13.44	15.99	13.24	19.45	17.00	20.31
Rate of return on common-stock holders' equity (17÷14) percent.....	25.34	27.43	25.85	21.96	21.15	14.59	17.55	14.32	21.52	18.65	24.60

¹ Average of investment of beginning and end of year.

² Denotes negative investment.

APPENDIX TABLE 2A.—Summary of income, expenses, and surplus for Liggett & Myers Tobacco Co. and subsidiaries, 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$82,897,952	\$123,698,335	\$134,697,886	\$151,503,211	\$152,072,155	\$145,051,719	\$156,100,000	\$180,475,851	\$203,113,016	\$227,703,529	\$235,722,689
Cost of goods sold.....	61,684,677	99,516,567	112,463,250	125,816,768	119,967,402	115,172,359	127,659,920	144,865,119	163,122,879	182,841,352	189,357,014
Distribution and administrative expenses.....	11,371,355	8,477,478	11,709,925	13,223,022	17,878,514	17,143,145	15,957,999	19,884,815	21,341,882	22,873,455	24,657,692
Total operating expenses.....	73,056,032	107,994,045	124,164,175	139,039,790	137,845,976	132,315,504	143,247,519	164,749,934	184,464,761	205,714,807	214,015,306
Net profit on sales.....	9,841,920	15,704,290	10,533,711	12,463,421	14,226,179	12,736,215	12,552,481	15,725,917	18,648,255	21,988,722	21,707,283
Other income (net).....	1,116,494	1,882,377	1,424,147	1,928,577	1,118,056	1,94,784	1,254,611	1,73,485	418,746	279,632	1,652,516
Less interest on long-term debt.....	7,925,426	14,821,913	10,109,564	11,534,844	14,108,123	12,641,431	12,597,870	15,652,432	19,067,001	22,268,354	23,359,799
Net income applicable to total investment.....	1,786,463	1,873,995	2,968,162	2,968,747	2,786,654	1,788,125	1,729,637	1,720,748	1,712,645	1,703,920	1,695,257
Net income applicable to stockholders' investment.....	7,938,963	12,947,918	7,141,402	8,576,097	11,321,469	10,903,306	10,868,233	13,931,684	17,354,356	20,564,434	21,864,542
Provision for Federal income and profits taxes.....	575,813	4,814,769	1,273,452	1,054,663	1,555,274	1,232,432	1,259,437	1,685,411	2,149,368	2,804,002	2,921,147
Net income for the year.....	7,363,150	8,133,149	5,867,950	7,521,434	9,766,195	9,670,874	9,608,796	12,246,273	15,204,988	17,760,432	18,743,395
Surplus beginning of year.....	12,978,127	15,700,219	18,817,964	19,670,510	22,230,052	26,525,958	30,655,075	34,648,891	40,420,722	46,163,328	47,818,268
Total.....	20,341,277	23,833,368	24,685,914	27,191,944	31,996,247	36,196,832	40,263,871	46,895,164	55,625,710	63,923,760	66,561,063
Less dividends paid on—											
Common stock in cash.....	3,439,424	3,439,424	3,439,424	3,414,513	3,894,309	3,965,775	4,038,993	4,898,455	8,026,395	9,128,205	10,041,050
Common stock in stock.....	1,201,634	1,575,980	1,579,967	1,579,967	1,586,480	1,587,982	1,587,987	1,587,987	1,590,720	1,575,987	5,941,450
Preferred stock in cash.....	4,641,038	5,015,404	4,994,480	4,994,480	5,480,789	5,563,757	5,626,980	6,486,442	9,617,115	16,105,492	17,558,487
Goodwill and other intangibles written off.....	-----	-----	-----	32,588	10,500	12,000	12,000	12,000	154,733	-----	-----
Other additions or deductions (net).....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Surplus end of year.....	15,700,219	18,817,964	19,670,510	22,230,052	26,525,958	30,655,075	34,648,891	40,420,722	46,163,328	47,818,268	49,003,176

CONCENTRATION OF ECONOMIC POWER

17695

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$216,188,517	\$232,936,301	\$226,558,711	\$206,741,789	\$190,726,536	\$197,953,018	\$226,123,458	\$219,732,636	\$234,892,347	\$240,503,431	\$3,985,392,987
Cost of goods sold.....	173,265,293	183,752,601	172,222,731	150,621,801	135,051,290	160,932,383	181,159,567	178,937,982	185,887,810	193,648,740	3,157,842,865
Distribution and administrative expenses.....	20,165,210	22,463,940	25,814,269	29,072,483	29,172,539	18,589,516	22,439,862	21,364,768	20,913,796	22,362,795	416,499,360
Total operating expenses.....	193,430,503	206,216,541	198,037,000	179,694,284	164,223,839	179,521,899	203,599,429	200,302,750	206,801,606	215,006,635	3,574,342,225
Net profit on sales.....	22,758,014	26,719,760	28,321,711	27,047,505	26,502,707	18,431,119	22,524,029	19,429,866	28,000,741	24,568,896	411,050,762
Other income (net).....	688,615	16,354	516,446	1,019,271	1,979,366	2,450,904	2,200,768	1,352,335	1,642,764	1,829,749	13,102,247
Net income applicable to total investment.....	23,416,629	26,713,406	29,038,157	28,066,776	28,482,063	20,882,023	24,724,797	20,782,221	29,733,505	26,428,645	424,153,009
Less interest on long-term debt.....	1,686,892	1,678,054	1,668,867	1,660,467	1,582,176	1,417,411	1,346,969	1,343,217	1,330,932	1,323,778	37,713,110
Net income applicable to stockholders' investment.....	21,729,737	25,035,352	27,369,290	26,406,309	26,899,917	19,464,612	23,377,828	19,439,004	28,402,573	25,102,867	386,439,893
Provision for Federal income and profits taxes.....	2,321,093	2,768,020	3,277,047	3,150,777	3,656,865	2,469,244	3,139,167	2,582,460	4,194,941	3,727,307	52,602,709
Net income for the year.....	19,408,644	22,277,332	24,092,243	23,255,532	23,243,032	16,995,368	20,238,661	16,856,544	24,207,632	21,375,560	333,837,184
Surplus beginning of year.....	49,003,176	53,987,708	20,739,403	28,447,720	34,273,920	40,128,100	39,498,617	42,686,771	40,262,751	41,050,623	-----
Total.....	68,411,820	76,265,040	44,831,646	51,703,252	57,516,952	57,123,468	59,737,278	59,543,315	64,470,383	62,426,183	-----
Less dividends paid on—											
Common stock in cash.....	13,071,190	15,071,190	14,639,180	15,684,895	15,684,615	15,684,695	15,684,895	15,684,895	21,958,573	18,821,634	217,711,038
Common stock in stock.....											11,342,750
Preferred stock in cash.....	1,575,987	1,575,987	1,575,987	1,575,987	1,575,987	1,549,306	1,615,531	1,461,187	1,461,187	1,461,187	32,355,024
Total.....	14,647,177	14,647,177	16,215,176	17,260,882	17,260,602	17,234,001	17,200,226	17,145,882	23,419,760	20,282,821	261,408,812
Goodwill and other intangibles written off.....		40,709,710						55,000			40,764,710
Other additions or deductions (net).....	223,065	168,750	168,750	168,750	128,250	390,850	149,719	2,079,682			2,498,427
Surplus end of year.....	53,987,708	20,739,403	28,447,720	34,273,920	40,128,100	39,498,617	42,686,771	40,262,751	41,050,623	42,143,307	-----

! Denotes loss.
? Additions to surplus.

APPENDIX TABLE 3.—Summary of investments, profits, and rates of return for R. J. Reynolds Tobacco Co., 1917-37

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$2,500,000	\$10,000,000	\$10,000,000	\$10,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
2. Common.....	10,000,000	10,000,000	20,000,000	20,000,000	60,000,000	60,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	\$80,000,000
3. Total.....	12,500,000	20,000,000	30,000,000	30,000,000	80,000,000	80,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
4. Surplus-earned and capital.....	16,747,369	23,806,464	27,999,227	36,171,981	2,064,102	12,122,425	4,915,221	16,955,097	29,732,814	39,154,393	50,203,796	40,696,775
5. Surplus and contingency reserves.....	717,485	305,505	710,109	1,271,323	1,321,912	1,321,912	742,837	1,540,717	1,165,449	1,764,490	1,686,784	1,909,060
6. Reserve for Federal income and profits taxes.....	173,785	1,888,756	6,528,256	4,214,217	2,831,485	7,203,653	3,108,103	3,555,327	3,647,301	3,775,461	4,468,673	5,177,460
7. Capital stock and surplus.....	30,138,639	46,000,725	67,237,592	71,657,521	86,217,499	100,647,990	108,766,161	122,051,141	134,545,564	124,694,344	136,359,253	147,783,295
Less:												
8. Treasury stock at cost (common).....												
9. Goodwill, appreciation, and other intangibles.....	1,222,795	1,179,047	1,222,926	1,207,416	1,307,583	1,357,737	1,362,907	1,313,291	1,319,091	1,317,891	1,316,691	1
10. Stockholders' investment.....	28,915,844	44,821,678	66,014,666	70,450,105	84,909,916	99,290,253	107,403,254	120,737,850	133,226,473	123,376,453	135,042,562	147,783,294
11. Long-term debt.....				15,000,000	15,000,000	1,700,000	87,000					
12. Total investment.....	28,915,844	44,821,678	66,014,666	85,450,105	99,990,916	100,990,253	107,490,254	120,737,850	133,226,473	123,376,453	135,042,562	147,783,294
13. Average of total investment 1.....	36,868,761	55,418,172	75,732,385	92,680,010	100,450,085	104,240,254	114,114,052	126,982,162	128,301,463	129,209,608	141,412,928	
14. Average of stockholders' investment 1.....	36,868,761	55,418,172	68,232,385	77,680,012	92,100,085	103,346,754	114,070,552	126,982,162	128,301,463	129,209,608	141,412,928	
15. Average of common stockholders' equity 1.....	30,618,761	45,418,172	58,232,385	62,680,012	72,100,085	83,346,754	94,070,552	106,982,162	118,301,463	120,209,608	141,412,928	
Net income before deducting Federal income and profits taxes:												
16. Applicable to total investment.....	12,229,101	15,571,019	15,923,471	14,267,273	24,642,984	24,646,565	26,895,203	25,024,989	26,443,272	30,633,073	34,041,242	
17. Applicable to stockholders' investment.....	12,229,101	15,571,019	15,486,971	13,367,273	24,177,021	24,612,410	26,895,203	25,024,989	26,443,272	30,633,073	34,041,242	
18. Applicable to common stockholders' equity.....	11,747,851	14,871,019	14,786,971	11,967,273	22,777,022	23,212,410	25,195,203	23,624,989	27,043,272	30,633,073	34,041,242	
Rate of return on total investment (16÷13).....percent.....	33.17	28.10	21.08	15.38	24.53	23.64	23.31	19.71	22.17	23.71	24.07	
Rate of return on stockholders' investment (17÷14).....percent.....	33.17	28.10	22.70	17.20	26.25	23.82	23.31	19.71	22.17	23.71	24.07	
Rate of return on common stockholders' equity (18÷15).....percent.....	38.37	32.74	25.39	19.08	31.59	27.85	26.78	22.08	22.86	23.71	24.07	

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual a ge
Capital stock:											
1. Preferred.....	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	
2. Common.....	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	
3. Total.....	41,869,338	51,570,859	55,838,524	62,233,341	65,908,141	57,061,863	48,598,757	42,405,155	41,748,290	40,850,662	
4. Surplus-earned and capital.....	1,851,139	1,823,523	1,739,725	2,403,711	8,149,446	3,102,397	3,839,489	2,339,475	3,433,229	4,388,110	
5. Surplus and contingency reserves.....	4,262,992	4,218,412	5,024,385	5,624,852	6,263,236	1,866,938	3,405,501	4,108,683	5,901,512	5,403,846	
6. Reserve for Federal income and profits taxes.....	150,983,469	157,627,794	162,600,634	170,261,904	180,320,823	162,031,218	155,643,747	148,943,313	151,083,031	150,642,618	
7. Capital stock and surplus.....	607,201	19,282,048	9,135,600	13,093,740	18,009,896	10,120,000	10,120,000	10,120,000	10,120,000	10,120,000	
8. Less: Treasury stock at cost (common).....											
9. Goodwill, appreciation, and other intangibles.....	1	1	1	1	1	1	1	1	1	1	
10. Stockholders' investment.....	150,376,267	138,345,745	153,465,033	157,168,163	162,310,926	151,911,217	145,723,746	138,823,312	140,963,030	140,522,617	
11. Long-term debt.....	150,376,267	138,345,745	153,465,033	157,168,163	162,310,926	151,911,217	145,723,746	138,823,312	140,963,030	140,522,617	
12. Total investment.....	149,079,781	144,361,006	145,005,389	155,316,598	159,739,545	157,111,072	148,817,482	142,273,529	139,893,171	140,742,824	\$123,269,056
13. Average of total investment.....	149,079,781	144,361,006	145,005,389	155,316,598	159,739,545	157,111,072	148,817,482	142,273,529	139,893,171	140,742,824	121,755,389
14. Average of stockholders' investment.....	149,079,781	144,361,006	145,005,389	155,316,598	159,739,545	157,111,072	148,817,482	142,273,529	139,893,171	140,742,824	115,505,389
15. Average of common stockholders' equity.....	149,079,781	144,361,006	145,005,389	155,316,598	159,739,545	157,111,072	148,817,482	142,273,529	139,893,171	140,742,824	115,505,389
Net income before deducting Federal income and profits taxes:											
16. Applicable to total investment.....	33,148,208	38,720,162	42,144,172	45,149,696	41,707,202	19,502,421	26,303,300	29,506,646	34,995,370	33,594,125	28,418,071
17. Applicable to stockholders' investment.....	33,148,208	38,720,162	42,144,172	45,149,696	41,707,202	19,502,421	26,303,300	29,506,646	34,995,370	33,594,125	28,330,613
18. Applicable to common stockholders' equity.....	33,148,208	38,720,162	42,144,172	45,149,696	41,707,202	19,502,421	26,303,300	29,506,646	34,995,370	33,594,125	27,841,030
Rate of return on total investment (16 ÷ 13).....percent.....	22.24	26.82	28.88	29.07	26.11	12.41	17.67	20.74	25.02	23.87	23.05
Rate of return on stockholders' investment (17 ÷ 14).....percent.....	22.24	26.82	28.88	29.07	26.11	12.41	17.67	20.47	25.02	23.87	23.27
Rate of return on common stockholders' equity (18 ÷ 15).....percent.....	22.24	26.82	28.88	29.07	26.11	12.41	17.67	20.74	25.02	23.87	24.10

1 Average of investment at beginning and end of year.

APPENDIX TABLE 3A.—Summary of income, expenses, and surplus for R. J. Reynolds Tobacco Co., 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$83,537,850	\$128,496,211	\$188,115,324	\$195,312,210	\$187,730,156	\$190,638,527	\$233,516,345	\$238,745,043	\$255,966,334	\$279,815,715	\$281,623,053
Cost of goods sold.....	67,407,150	109,218,997	162,609,398	169,427,629	149,189,709	155,938,191	195,669,335	201,299,881	212,832,305	225,364,173	221,151,837
Distribution and administrative expenses.....	3,636,672	3,090,975	8,969,209	10,992,416	14,007,809	10,919,091	11,658,385	13,281,773	15,640,183	24,242,769	28,460,885
Total operating expenses.....	71,043,822	112,309,972	171,578,607	180,420,045	163,197,518	166,855,282	207,327,720	214,581,654	228,472,488	249,606,942	249,612,722
Net profit on sales.....	12,494,028	16,186,239	16,506,717	14,892,165	24,532,638	23,803,245	26,188,625	24,163,389	27,513,846	30,208,773	32,010,331
Other income (net).....	1,254,927	1,615,220	1,613,246	1,634,892	1,110,346	843,320	406,578	861,600	929,426	424,300	2,039,911
Net income applicable to total investment.....	12,239,101	15,571,019	15,923,471	14,257,273	24,642,984	24,646,565	26,595,203	25,024,989	28,443,272	30,633,073	34,041,242
Less interest on long term debt.....			436,500	900,000	465,962	34,155					
Net income applicable to stockholders' investment.....	12,239,101	15,571,019	15,486,971	13,357,273	24,177,022	24,612,410	26,595,203	25,024,989	28,443,272	30,633,073	34,041,242
Provision for Federal income and profits taxes.....	1,888,756	8,528,256	4,214,217	2,831,455	7,203,653	3,108,103	3,555,327	3,647,301	3,775,461	4,468,674	4,917,771
Net income for the year.....	10,340,345	7,042,763	11,272,754	10,525,788	16,973,369	21,504,307	23,039,876	21,377,688	24,667,811	26,164,399	29,123,471
Surplus beginning of year.....	16,747,369	23,806,464	27,996,227	36,171,981	2,064,102	12,122,425	4,915,221	16,955,097	29,732,814	39,154,393	50,203,796
Total.....	27,087,714	30,849,227	39,271,981	46,697,769	19,037,471	33,626,732	27,955,097	38,332,785	54,400,625	65,318,792	79,327,267
Less dividends paid on—											
Common stock in cash.....	2,800,000	2,150,000	2,400,000	3,600,000	4,800,000	7,800,000	9,600,000	9,600,000	10,400,000	15,200,000	26,000,000
Common stock in stock.....				40,000,000		20,000,000					20,000,000
Preferred stock in cash.....	481,250	700,000	700,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000		
Total.....	3,281,250	2,850,000	3,100,000	45,000,000	6,200,000	29,200,000	11,000,000	11,000,000	11,800,000	15,200,000	46,000,000
Federal income-tax refunds.....				200,827		1,513,562					8,744,739
Loss from damaged tobacco.....					649,454	1,007,698					
Premium on retirement of preferred stock.....											
Goodwill and other intangibles written off.....											
Other additions or deductions (net).....				165,506	65,592	17,375		2,400,029	553,768	85,004	
Surplus end of the year.....	23,806,464	27,999,227	36,171,981	2,064,102	12,122,425	4,915,221	16,955,097	29,732,814	39,154,393	50,203,796	40,696,775

1 Denotes loss.

2 Additions to surplus.

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$282,257,472	\$265,909,101	\$266,591,068	\$258,077,426	\$192,714,619	\$166,344,014	\$217,616,507	\$250,635,962	\$289,313,165	\$302,996,161	\$4,735,965,263
Cost of good sold.....	207,581,381	211,764,722	205,033,370	191,956,793	136,145,881	134,707,970	173,268,137	202,279,882	230,383,088	244,581,642	3,808,101,461
Distribution and administrative expenses.....	22,542,334	15,971,460	20,002,145	20,927,821	15,510,855	12,961,317	18,668,549	19,408,529	24,291,857	24,330,988	339,516,022
Total operating expenses.....	230,123,705	227,736,182	225,037,515	212,884,614	151,656,736	147,669,287	191,936,686	221,688,411	254,674,945	269,212,630	4,147,617,493
Net profit on sales.....	32,133,767	38,182,919	41,553,553	45,192,812	41,057,883	18,674,727	25,679,831	28,947,651	34,638,220	33,786,531	588,377,780
Other income (net).....	1,014,441	537,243	590,619	143,116	649,319	827,694	623,479	559,695	357,150	1,192,406	8,401,714
Net income applicable to total investment.....	33,148,208	38,720,162	42,144,172	45,149,696	41,707,202	19,502,421	26,303,300	29,506,646	34,995,370	33,594,125	596,779,494
Less interest on long-term debt.....											1,836,617
Net income applicable to stockholders' investment.....	33,148,208	38,720,162	42,144,172	45,149,696	41,707,202	19,502,421	26,303,300	29,506,646	34,995,370	33,594,125	594,942,877
Provision for Federal income and profits taxes.....	4,258,543	4,218,412	5,024,385	5,624,852	6,283,236	1,866,958	3,405,501	4,101,465	6,140,426	5,378,099	94,420,881
Net income for the year.....	28,889,665	34,501,750	37,119,787	39,524,844	35,443,966	17,635,463	22,897,799	25,405,181	28,854,944	28,216,026	500,521,996
Surplus beginning of year.....	40,696,775	44,869,338	51,579,859	55,836,524	62,233,341	65,908,141	57,081,863	46,598,757	42,495,155	41,748,290	
Total.....	69,586,440	79,371,088	88,699,646	95,361,368	97,677,307	83,543,604	79,969,662	74,003,938	71,350,099	69,964,316	
Less dividends paid on—											
Common stock in cash.....	26,000,000	25,500,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	28,500,000	384,350,000
Common stock in stock.....											80,000,000
Preferred stock in cash.....											10,281,250
Total.....	26,000,000	25,500,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	28,500,000	474,631,250
Federal income tax refunds.....											10,459,128
Loss from damaged tobacco.....											2,270,806
Premium on retirement of preferred stock.....											4,000,000
Goodwill and other intangibles written off.....											1,332,428
Other additions or deductions (net).....	\$ 1,282,898	2,291,220	2,863,122	3,128,027	1,769,166	3,518,259	1,360,906	1,568,753	1,398,191		4,643,349
Surplus end of the year.....	44,869,338	51,579,859	55,836,524	62,233,341	65,908,141	67,061,863	46,598,757	42,495,155	41,748,290	40,850,662	

¹ Denotes loss.

² Additions to surplus.

APPENDIX TABLE 4.—Summary of investments, profits, and rates of return for P. Lorillard Co., 1917-37

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600
2. Common.....	13,155,600	15,155,600	24,248,920	24,248,920	30,306,420	30,306,420	30,306,420	30,306,420	30,306,420	32,166,945	32,810,288	34,131,122
3. Total.....	26,463,200	26,463,200	35,556,520	35,556,520	41,614,020	41,614,020	41,614,020	41,614,020	41,614,020	43,474,545	44,117,868	45,438,722
4. Surplus—earned and capital.....	5,642,002	8,050,942	7,164,878	8,444,136	10,743,197	12,593,420	14,673,330	14,830,902	12,440,373	13,586,324	13,406,537	14,421,982
5. Surplus and contingency reserves.....	385,555	2,122,015	4,203,183	9,693,636	1,285,961	816,331	926,773	497,710	1,461,436	838,975	790,760	1,165,399
6. Reserve for Federal income and profits taxes.....	101,000	1,240,280	2,396,230	1,921,126	1,257,335	1,001,031	929,413	614,465	550,000	671,646	628,934	380,539
7. Minority stockholders—equity in subsidiary.....	---	---	---	---	---	---	---	---	---	---	---	---
8. Capital stock and surplus.....	32,791,758	37,876,437	49,320,811	46,891,418	54,900,513	56,024,802	58,143,536	57,557,097	56,065,829	58,571,490	58,944,099	61,406,642
9. Less goodwill, appreciation, and other intangibles.....	21,132,777	21,132,777	21,132,777	21,137,777	21,137,927	21,137,927	21,147,927	21,147,927	21,149,227	21,228,892	21,228,892	21,270,981
10. Stockholders' investment.....	11,658,981	16,743,660	28,188,034	25,753,641	33,762,586	34,886,875	36,995,609	36,411,170	34,916,602	37,342,598	37,715,207	40,135,661
11. Long term debt ¹	21,144,250	21,065,050	20,977,350	20,888,850	20,795,900	20,701,800	20,615,600	20,529,650	20,445,150	20,358,950	20,275,200	34,337,200
12. Total investment.....	32,803,231	37,808,710	49,165,384	46,642,491	54,558,486	55,588,675	57,611,209	56,939,120	55,361,752	57,701,548	57,990,407	74,472,861
13. Average of total investment ¹	---	---	---	---	---	---	---	---	---	---	---	---
14. Average of stockholders' investment ¹	---	---	---	---	---	---	---	---	---	---	---	---
15: Average of common stockholders' equity ¹	---	---	---	---	---	---	---	---	---	---	---	---
Net income before deducting Federal income and profits taxes: ¹												
16. Applicable to total investment.....	14,201,320	22,465,847	26,970,837	29,758,113	34,324,730	35,941,242	36,702,389	35,662,886	36,129,600	36,129,600	37,528,902	38,925,431
17. Applicable to stockholders' investment.....	2,863,720	11,158,247	15,663,237	18,450,513	23,017,130	24,633,642	25,394,789	24,355,256	24,822,000	26,221,302	27,617,834	---
18. Applicable to common stockholders' equity.....	---	---	---	---	---	---	---	---	---	---	---	---
Rate of return on total investment (16÷13).....percent.....	23.48	21.01	14.99	17.17	15.34	16.08	12.05	12.42	13.26	10.31	6.77	---
Rate of return on stockholders' investment (17÷14).....percent.....	49.49	35.08	21.99	25.02	21.00	21.89	15.47	16.14	17.39	12.68	7.37	---
Rate of return on common stockholders' equity (18÷15).....percent.....	215.53	63.53	32.82	36.06	27.88	28.73	19.23	20.38	22.12	15.13	7.52	---

	1922	1923	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:												
1. Preferred.....	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$11,307,600	\$9,957,600	\$9,900,000	\$9,800,000	\$9,800,000	\$9,800,000	
2. Common.....	34,131,122	45,031,602	45,031,602	45,031,602	45,031,602	44,541,027	18,886,709	18,722,909	18,722,909	18,722,909	18,722,909	
3. Total.....	45,438,722	56,339,202	56,339,202	56,339,202	56,339,202	55,848,627	28,844,309	28,622,909	28,522,909	28,522,909	28,522,909	
4. Surplus, earned and capital.....	13,843,801	13,783,242	16,376,073	19,585,183	19,473,288	19,473,288	10,866,640	14,559,647	14,559,645	14,232,338	13,685,860	
5. Surplus and contingency reserves.....	537,857	315,755	147,726	238,167	342,896	342,896	305,656	180,967	185,898	157,988	157,988	
6. Reserve for Federal income and profits taxes.....	230,484	132,671	455,164	672,984	767,768	767,768	96,288	482,035	508,182	567,028	446,768	
7. Minority stockholders' equity in subsidiary.....							60,937	61,608	56,333	53,513	54,016	
8. Capital stock and surplus.....	60,080,864	70,640,870	73,618,165	76,835,511	76,492,569	76,492,569	46,173,830	43,906,166	43,823,757	43,533,776	42,709,553	
9. Less goodwill, appreciation, and other intangible assets.....	21,268,023	21,268,339	21,268,339	21,268,339	21,268,339	21,268,339	1	1	1	1	1	
10. Stockholders' investment.....	38,782,841	49,272,531	52,249,829	55,567,172	55,164,230	55,164,230	46,173,829	43,906,165	43,823,756	43,533,775	42,709,552	
11. Long-term debt ¹	34,340,200	34,337,200	33,142,588	19,833,150	16,428,450	16,428,450	15,057,450	14,167,250	13,192,250	11,974,250	11,896,950	
12. Total investment.....	73,123,041	83,609,731	85,392,414	75,400,322	71,592,680	71,592,680	61,231,279	58,073,415	57,016,006	55,508,025	54,606,502	
13. Average of total investment ²	73,797,951	78,366,386	84,501,072	80,396,368	73,496,901	73,496,901	60,411,980	59,652,347	57,544,711	56,262,016	55,057,264	\$60,404,420
14. Average of stockholders' investment ²	39,459,251	44,027,886	50,761,178	53,908,499	55,365,701	55,365,701	40,669,030	45,039,997	43,864,961	43,678,766	43,121,664	38,881,334
15. Average of common stockholders' equity ²	28,151,651	32,720,086	39,453,078	42,600,899	44,058,101	44,058,101	40,036,430	35,161,197	34,064,961	33,878,766	33,321,664	27,984,525
Net income before deducting Federal income and profits taxes:												
16. Applicable to total investment.....	4,091,058	3,914,236	6,071,879	7,315,779	6,390,983	6,390,983	3,557,608	4,276,930	4,373,103	4,765,819	3,374,674	6,228,727
17. Applicable to stockholders' investment.....	2,067,428	1,459,465	4,063,311	5,542,742	5,280,176	5,280,176	2,605,813	3,390,740	3,556,142	4,018,530	2,664,712	4,922,910
18. Applicable to common stockholders' equity.....	1,275,896	667,933	3,301,779	4,751,210	4,642,019	4,642,019	1,911,406	2,704,341	2,870,142	3,332,530	1,978,712	4,158,627
Rate of return on total investment (16+13) percent.....	5.84	4.99	7.19	9.10	8.69	8.69	5.36	7.17	7.61	8.47	6.13	10.31
Rate of return on stockholders' investment (17+14) percent.....	5.24	3.31	8.06	10.28	9.54	9.54	5.14	7.53	8.11	9.20	6.18	16.66
Rate of return on common stockholders' equity (18+15) percent.....	4.53	2.04	8.37	11.15	10.31	10.31	4.77	7.69	8.43	9.84	5.94	14.86

¹ Less unamortized debt discount and expense.
² Average of investment at beginning and end of year.

APPENDIX TABLE 4A.—Summary of income, expenses, and surplus, for P. Lorillard Co., 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$60,461,068	\$82,612,191	\$78,533,021	\$83,841,563	\$84,331,874	\$77,300,268	\$65,370,236	\$62,690,779	\$60,628,004	\$56,619,217	\$66,889,428
Cost of goods sold.....	42,575,396	61,007,114	61,386,949	66,992,677	64,780,353	57,352,828	48,459,681	45,619,660	44,188,364	40,994,006	49,590,484
Distribution and administrative expenses.....	10,365,014	12,081,425	10,239,409	8,928,689	11,237,983	11,767,358	10,642,345	10,747,188	10,170,174	10,421,603	13,902,970
Total operating expenses.....	52,940,410	73,088,539	71,626,378	75,921,366	76,018,336	69,120,186	59,402,026	56,366,848	54,358,538	51,415,609	63,483,454
Net profit on sales.....	7,500,658	9,583,652	6,906,643	8,320,197	8,313,538	8,180,062	5,968,210	6,323,931	6,269,466	5,203,608	3,365,974
Other income (net).....	799,924	1,417,107	276,117	369,939	133,647	919,525	933,079	650,115	1,225,230	762,937	1,085,805
Net income applicable to total investment.....	8,291,582	9,136,645	7,182,760	8,690,136	8,447,185	9,099,607	6,901,289	6,974,046	7,494,696	5,966,565	4,481,779
Less interest on long-term debt.....	1,263,103	1,256,450	1,250,615	1,244,860	1,238,861	1,231,163	1,225,247	1,219,209	1,213,265	1,207,367	1,613,992
Net income applicable to stockholders' investment.....	7,028,479	7,880,095	5,932,145	7,445,276	7,208,324	7,868,444	5,676,042	5,754,837	6,281,431	4,759,198	2,867,787
Provision for Federal income and profits taxes.....	1,100,000	2,489,486	951,000	900,000	980,000	980,000	638,000	650,000	640,000	642,000	377,000
Net income for the year.....	5,928,479	5,390,609	4,980,376	6,545,276	6,278,324	6,888,444	5,038,042	5,204,837	5,641,431	4,117,198	2,490,787
Surplus beginning of year.....	6,642,003	8,080,942	7,164,878	8,444,136	10,743,197	12,593,420	14,673,330	14,830,902	12,440,373	13,586,233	13,406,537
Total.....	11,570,482	13,441,551	12,145,254	14,988,412	17,021,521	19,481,864	19,711,372	20,035,739	18,081,804	17,703,431	15,897,324
Less dividends paid on—											
Common stock in cash.....	2,728,008	2,454,021	2,900,856	3,454,633	3,636,569	4,017,002	4,088,938	3,803,834	3,704,039	2,205,848	14,496
Common stock in stock.....	791,532	8,031,120	791,532	791,532	791,532	791,532	791,532	791,532	791,532	791,532	669,314
Preferred stock in cash.....											791,532
Total.....	3,519,540	6,276,673	3,701,118	4,246,215	4,428,101	4,808,534	4,880,470	4,595,366	4,495,571	4,206,894	1,475,342
Appropriation to or from reserves.....											
Surplus end of the year.....	8,050,942	7,164,878	8,444,136	10,743,197	12,593,420	14,673,330	14,830,902	12,440,373	13,586,233	13,406,537	14,421,982

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$82,992,082	\$87,112,525	\$87,395,220	\$78,447,777	\$64,067,913	\$56,920,863	\$59,054,158	\$58,597,149	\$67,127,695	\$75,962,566	\$1,496,946,247
Cost of goods sold.....	63,390,204	70,352,936	70,264,862	61,743,945	47,423,467	46,159,058	46,541,787	45,413,914	49,866,408	58,101,819	1,141,805,932
Distribution and administrative expenses.....	16,190,318	13,277,685	11,532,915	9,921,260	10,598,133	7,401,657	8,632,242	9,296,496	12,753,925	14,696,264	235,085,033
Total operating expenses.....	79,580,522	83,630,621	81,797,777	71,665,205	58,021,600	53,560,695	55,174,029	54,700,410	62,620,333	72,798,083	1,376,890,965
Net profit on sales.....	3,412,160	3,481,904	5,597,443	6,782,572	6,046,313	3,390,168	3,880,159	3,886,739	4,507,362	3,164,503	120,055,282
Other income (net).....	678,898	432,332	474,436	533,207	344,670	197,440	396,771	491,364	258,457	210,171	10,747,977
Net income applicable to total investment.....	4,091,058	3,914,236	6,071,879	7,315,779	6,390,983	3,587,608	4,276,930	4,378,103	4,765,819	3,374,674	130,803,259
Less interest on long-term debt.....	2,023,630	2,454,771	1,978,568	1,773,037	1,110,807	951,795	886,190	821,961	747,289	709,962	27,422,142
Net income applicable to stockholders' investment.....	2,067,428	1,459,465	4,093,311	5,542,742	5,280,176	2,605,813	3,390,740	3,556,142	4,018,530	2,664,712	103,381,117
Provision for Federal income and profits taxes.....	250,000	115,000	470,000	685,000	724,124	213,692	543,379	491,851	493,000	375,672	14,559,973
Net income for the year.....	1,817,428	1,344,465	3,623,311	4,857,742	4,556,052	2,392,121	2,847,361	3,064,291	3,525,530	2,289,040	88,821,144
Surplus beginning of year.....	14,421,982	13,843,801	13,763,242	16,576,073	19,585,158	19,473,288	16,866,640	14,658,647	14,550,445	14,232,338	-----
Total.....	16,239,410	15,188,266	17,376,533	21,433,815	24,141,210	21,865,409	19,714,001	17,722,938	18,075,975	16,521,378	-----
Less dividends paid on—											
Common stock in cash.....				573,031	2,268,703	2,266,357	4,152,838	2,246,890	2,808,246	2,246,611	49,579,730
Common stock in stock.....											4,996,948
Preferred stock in cash.....	791,532	791,532	791,532	791,532	738,157	694,407	686,399	686,000	686,000	686,000	16,049,943
Total.....	791,532	791,532	791,532	1,364,563	3,006,860	2,960,794	4,839,237	2,932,890	3,494,246	2,932,611	70,629,621
Appropriation to or from reserves.....					975,000	755,168					3,089,074
Write-down of real estate, machinery, and equipment.....						6,643,443					6,643,443
Goodwill and other intangibles written off.....						22,510,816					22,510,816
Reduction in stated value of common stock.....						25,634,568					25,634,568
Other deductions (net).....	3,160,477	643,492	8,948	484,094	688,062	726,548	216,117	239,603	349,391	33,665	2,882,839
Surplus end of the year.....	13,843,801	13,753,242	16,576,073	19,585,158	19,473,288	16,866,640	14,658,647	14,550,445	14,232,338	13,685,860	-----

1 Denotes loss.
 2 Additions to surplus.
 3 Additional Federal income tax.

APPENDIX TABLE 5.—Summary of investments, profits, and rates of return for Axton-Fisher Tobacco Co., 1918-37

	1917	1918	1919	1920	1921	1922	1923	1924	1925 ¹	1926	1927
Capital stock:											
1. Preferred.....		\$64,000	\$64,000	\$448,000	\$448,000	\$300,000	\$300,000	\$288,000	\$274,300	\$440,000	\$400,300
2. Common.....						448,000	448,000	448,000	448,000	448,000	452,700
3. Total.....		64,000	64,000	448,000	448,000	748,000	748,000	736,000	722,300	888,000	853,000
4. Surplus—earned and capital.....		345,069	420,863	431,355	60,417	127,590	245,624	284,235	396,502	529,943	1,008,225
5. Reserve for Federal income and profits taxes.....											
6. Capital stock and surplus.....	409,059	484,863	495,355	508,417	575,590	903,624	960,003	970,235	1,118,802	1,418,843	1,861,225
7. Less goodwill and other intangibles.....	144,627	144,627	144,627	144,627	145,627	145,627	145,627	145,627	145,627	211,686	290,580
8. Total investment.....	264,442	340,236	350,728	363,790	429,963	847,997	814,376	824,608	973,175	1,207,157	1,570,635
9. Average of total investment ¹		302,339	345,482	357,259	396,876	638,980	831,186	819,492	898,891	1,090,166	1,388,896
10. Average of common stockholders' equity ²		302,339	345,482	357,259	396,876	468,980	531,186	525,492	617,741	732,566	908,276
Net income before deducting Federal income and profits taxes:											
11. Applicable to total investment.....		66,381	53,814	43,587	74,274	136,094	119,061	108,091	281,970	313,297	725,591
12. Applicable to common-stock equity.....		66,381	53,814	43,587	74,274	136,094	98,061	87,721	262,055	221,085	696,149
Rate of return on total investment (11÷10) percent.....		21.96	15.58	12.20	18.71	21.30	14.32	13.19	31.37	30.12	52.24
Rate of return on common stockholders' equity (12÷10) percent.....		21.96	15.58	12.20	18.71	27.83	18.46	16.69	42.42	32.39	71.89

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:											
1. Preferred.....	\$1,000,000	\$950,000	\$895,900	\$850,000	\$1,780,000	\$1,705,600	\$1,620,300	\$1,539,200	\$1,464,400	\$1,418,600	
2. Common.....	1,500,000	1,500,000	1,570,000	1,525,000	1,574,000	1,574,770	1,574,770	1,574,770	1,574,770	1,574,770	
3. Total.....	2,500,000	2,450,000	2,465,900	2,375,000	3,354,000	3,280,370	3,195,070	3,113,970	3,039,170	2,993,370	
4. Surplus-earned and capital.....	313,783	574,036	861,160	1,030,541	1,953,305	3,221,786	4,264,141	4,342,827	4,457,630	4,269,968	
5. Reserve for Federal income and profits tax.....	23,839	66,513	101,964	83,369	226,851	268,534	236,218	82,602		748	
6. Capital stock and surplus.....	2,837,622	3,090,549	3,429,024	3,488,910	5,334,156	6,770,690	7,695,429	7,539,399	7,497,100	7,263,186	
7. Less goodwill and other intangibles.....	313,390	316,863	317,088	317,608	318,021	325,320	326,369	326,429	326,429	329,170	
8. Total investment.....	2,522,032	2,773,686	3,111,936	3,171,302	5,215,532	6,445,370	7,369,060	7,212,970	7,170,671	6,934,016	
9. Average of total investment ¹	2,046,333	2,647,859	2,942,811	3,141,619	4,193,417	5,830,451	6,907,215	7,291,015	7,191,820	7,052,343	\$2,809,722
10. Average of common stockholders' equity ²	1,346,183	1,672,859	2,019,861	2,268,669	2,878,417	4,081,651	5,244,265	5,711,265	5,690,020	5,010,843	2,083,812
Net income before deducting Federal income and profits taxes:											
11. Applicable to total investment.....	198,335	600,579	844,962	688,921	1,643,803	1,958,196	1,706,125	597,186	608,074	241,409	550,488
12. Applicable to common-stock equity.....	184,325	583,652	830,035	649,501	1,573,022	1,850,760	1,605,035	500,002	316,619	241,409	513,778
Rate of return on total investment (11÷9), percent.....	9.69	22.08	28.71	21.93	39.20	33.59	24.74	8.20	8.46	3.42	19.59
Rate of return on common-stock holders' equity (12÷10), percent.....	13.69	35.01	41.09	28.63	54.65	45.28	30.66	8.77	9.08	4.30	24.66

¹ Denotes loss.

² Average of investment at beginning and end of year.

APPENDIX TABLE 5A.—Summary of income, expenses, and surplus for Axlon-Fisher Tobacco Co., 1918-37

	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Net sales.....	\$923,669	\$815,294	\$772,845	\$1,118,987	\$2,412,858	\$2,816,200	\$2,665,016	\$2,950,171	\$3,407,975	\$4,971,719	\$4,121,684
Cost of goods sold.....	554,379	640,247	644,478	873,681	1,742,309	2,044,844	1,913,168	2,092,620	2,438,568	3,334,674	2,851,793
Distribution and administrative expenses.....	302,909	120,111	144,086	244,829	535,792	665,544	653,611	588,737	660,617	923,191	1,091,541
Total operating expenses.....	857,288	760,358	788,564	1,118,510	2,278,101	2,710,388	2,566,779	2,681,357	3,099,185	4,257,865	3,943,334
Net profit on sales.....	66,381	54,936	115,719	477	134,757	105,812	98,237	268,814	308,790	713,854	178,350
Other income (net).....	.....	11,122	59,306	73,797	1,337	13,249	9,854	13,165	4,507	11,737	19,985
Net income applicable to total investment.....	66,381	53,814	43,587	74,274	136,094	119,061	108,091	281,979	313,297	725,591	198,335
Provision for Federal income and profits taxes.....	20,555	10,119	8,747	14,652	17,012	14,882	13,511	36,657	42,295	97,955	23,800
Net income for the year.....	45,826	43,695	34,840	59,622	119,082	104,179	94,580	245,322	271,002	627,636	174,535
Surplus beginning of year.....	299,243	420,863	431,355	60,417	127,590	245,624	212,003	234,235	396,502	529,943	1,008,225
Total.....	345,069	464,558	466,195	120,039	246,672	349,803	306,583	479,557	667,504	1,157,579	1,182,760
Less dividends paid on—	.....	.....	22,400	.....	.....	44,800	44,800	44,800	44,800	112,000	110,000
Common stock in cash.....	.....	.....	384,000	.....	.....	.....	.....	.....	.....	.....	945,500
Preferred stock in cash.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	14,010
Total.....	.....	.....	406,400	.....	.....	.....	.....	.....	.....	.....	1,069,510
Other additions or deductions (net).....	.....	33,203	.....	.....	1,048	.....	.....	.....	.....	.....	.....
Surplus end of year.....	420,863	431,355	60,417	127,590	245,624	212,003	234,235	396,502	529,943	1,008,225	313,783

CONCENTRATION OF ECONOMIC POWER

17707

	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$5,333,715	\$6,277,108	\$6,292,837	\$17,608,701	\$23,683,139	\$28,531,842	\$20,542,983	\$17,230,817	\$19,254,815	\$171,732,375
Cost of goods sold.....	3,638,487	4,158,696	4,112,123	13,898,501	19,293,043	23,880,503	17,434,198	14,393,043	16,371,633	136,308,968
Distribution and administrative expenses.....	1,110,921	1,263,965	1,499,019	2,004,311	2,402,804	2,954,924	2,630,168	2,433,799	2,658,914	24,909,793
Total operating expenses.....	4,749,388	5,420,661	5,611,142	15,902,812	21,695,847	26,835,427	20,084,366	16,826,842	19,030,547	161,218,761
Net profit on sales.....	584,327	856,447	681,695	1,705,889	1,987,292	1,696,415	488,617	403,975	224,268	10,513,614
Other income (net).....	16,252	11,485	7,226	1,62,086	1,29,066	9,710	138,569	204,099	17,141	496,145
Net income applicable to total investment.....	600,579	844,962	688,921	1,643,803	1,958,196	1,706,125	597,186	608,074	241,409	11,009,759
Provision for Federal income and profits taxes.....	85,567	101,964	83,369	226,831	268,533	236,218	83,933	73,760	1,089	1,441,469
Net income for the year.....	535,012	742,998	605,552	1,416,952	1,689,663	1,469,907	513,253	534,314	240,320	9,568,290
Surplus beginning of year.....	313,783	574,036	861,160	1,030,541	1,953,305	3,221,786	4,294,141	4,342,827	4,457,930	-----
Total.....	848,795	1,317,034	1,466,712	2,447,493	3,642,968	4,691,693	4,777,394	4,877,141	4,698,250	-----
Less dividends paid on—										
Common stock in cash.....	260,000	260,000	288,000	354,758	324,708	324,680	324,707	324,707	-----	2,885,160
Common stock in stock.....	70,000	70,000	-----	-----	-----	-----	-----	-----	-----	1,399,500
Preferred stock in cash.....	14,926	14,926	39,420	70,781	107,436	101,089	97,184	91,455	-----	734,195
Total.....	274,926	344,926	327,420	425,539	432,144	425,769	421,891	416,162	-----	5,018,855
Other additions or deductions (net).....	167	110,948	108,751	68,649	10,962	1,783	12,676	3,049	429,182	-----
Surplus end of the year.....	574,036	861,160	1,030,541	1,953,305	3,221,786	4,294,141	4,342,827	4,457,930	4,269,068	-----

¹ Denotes loss

² Additions to surplus.

APPENDIX TABLE 6.—Summary of investments, profits, and rates of return for Brown & Williamson Tobacco Co., 1928-37

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:												
1. Preferred.....	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
2. Common.....	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	6,000,000	6,000,000	6,000,000	6,000,000
3. Total.....	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	10,000,000	10,000,000	10,000,000	10,000,000
4. Surplus—earned and capital.....	1 277,824	1 1,970,790	1 6,584,626	1 10,283,851	1 11,299,489	1 8,050,655	1 4,632,861	1 1,341,891	22,490,956	22,519,946	18,128,895	18,128,895
5. Surplus and contingency reserves.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
6. Reserve for Federal income and profits taxes.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
7. Capital stock and surplus.....	4,122,176	2,429,210	12,184,626	15,853,851	16,867,936	13,317,145	489,148	4,158,694	33,918,409	34,323,345	30,090,943	30,090,943
8. Long-term debt.....	.....	3,531,276	11,114,464	13,138,337	16,155,539	23,712,166	23,003,479	30,825,548	7,054,235	8,060,803	14,050,000	14,050,000
9. Total investment.....	4,122,176	5,960,486	8,929,838	7,304,486	9,287,603	20,495,021	13,492,627	34,982,542	40,972,644	42,383,548	44,130,943	44,130,943
10. Average of total investment 1.....	.....	5,041,331	7,445,162	8,117,162	8,296,044	14,891,312	16,993,824	24,237,584	37,977,593	41,678,096	43,257,245	\$20,793,553
11. Net income before deducting Federal income and profits taxes.....	.....	1 1,692,966	1 4,219,533	1 3,032,527	1 205,488	3,635,914	2,527,901	3,942,711	5,559,418	7,423,297	4,075,209	4,075,209
Rate of return on total investment (11÷10).....percent.....	.....	1 33.58	1 56.67	1 37.36	1 2.48	24.42	14.88	16.27	14.64	17.81	9.42	8.66

1 Denotes deficit or loss.

2 Average of investment at beginning and end of year.

APPENDIX TABLE 6A.—Summary of income, expenses, and surplus for Brown & Williamson Tobacco Co., 1928-37

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$5,965,413	\$9,837,761	\$8,495,234	\$14,082,223	\$50,148,040	\$44,641,180	\$70,919,898	\$85,601,582	\$94,338,141	\$100,141,863	\$484,171,335
Cost of goods sold.....	4,994,721	8,414,350	7,028,132	11,405,954	42,153,194	37,818,069	60,693,738	73,037,919	79,133,689	86,438,270	411,118,036
Distribution and administrative expenses.....	2,535,788	5,467,865	4,169,227	2,703,184	4,299,752	4,219,795	6,216,938	7,252,724	8,177,560	9,041,727	54,085,560
Total operating expenses.....	7,531,509	13,882,215	11,197,359	14,109,138	46,452,946	42,037,864	66,910,676	80,290,643	87,311,249	95,479,997	465,203,596
Net profit on sales.....	1,566,096	1,423,406	1,267,895	2,677,089	3,695,846	2,823,111	4,309,222	5,310,939	7,028,892	4,661,866	18,967,739
Other income (net).....	1,126,870	1,175,079	1,330,402	1,178,573	1,59,180	1,75,415	1,66,511	248,479	396,435	1,587,657	1,954,803
Net income applicable to total investment.....	1,692,966	1,421,533	1,302,527	1,205,488	3,635,914	2,527,901	3,942,711	5,559,418	7,423,297	4,074,209	18,012,936
Less—											
Interest on long-term debt.....		394,303	636,698	840,150				817,254	306,380	540,853	3,535,638
Provision for Federal income and profits taxes.....								859,317	1,087,927	644,406	4,310,578
Net income for the year.....	1,692,966	1,421,533	1,302,527	1,205,488	3,635,914	2,527,901	3,942,711	5,559,418	7,423,297	4,074,209	18,012,936
Surplus beginning of year.....	1,277,824	1,970,790	1,684,626	1,045,638	1,111,299,489	1,8,060,655	1,4,632,861	1,1,341,891	22,490,956	25,519,946	10,166,720
Total.....	1,1,970,790	1,6,864,626	1,10,253,851	1,11,299,489	1,8,060,655	1,6,132,861	1,1,411,891	2,540,956	28,519,946	25,408,896	10,166,720
Less dividends paid in cash on—											
Common stock.....									5,720,000	6,000,000	11,720,000
Preferred stock.....									280,000	280,000	3,010,000
Total.....									6,000,000	6,280,000	14,730,000
Paid-in surplus through release of indebtedness.....											23,870,000
Reserved for special advertising.....											1,000,000
Surplus end of the year.....	1,1,970,790	1,6,864,626	1,10,253,851	1,11,299,489	1,8,060,655	1,4,632,861	1,1,341,891	22,490,956	22,519,946	18,128,896	10,166,720

1 Denotes loss or deficit.

2 Paid-in 6 percent unsecured notes.

3 Denotes addition to surplus.

APPENDIX TABLE 7.—Summary of investments, profits, and rates of return for General Cigar Co., Inc., 1917-37

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$5,000,000	\$5,000,000	\$5,000,000	\$9,620,800	\$9,620,800	\$9,420,000	\$9,200,000	\$9,000,000	\$8,500,000	\$7,280,000	\$7,255,200	\$5,000,000
2. Common.....	18,104,000	18,104,000	18,104,000	18,104,000	18,104,000	18,104,000	18,104,000	18,104,000	18,104,000	18,104,000	18,104,000	407,570
3. Total.....	23,104,000	23,104,000	23,104,000	27,724,800	27,724,800	27,524,000	27,304,000	27,104,000	26,604,000	25,384,000	7,617,776	5,407,570
4. Surplus, earned and capital.....	4,813,493	5,127,537	5,765,726	7,209,838	8,894,144	9,368,956	6,163,869	7,472,270	8,145,539	8,838,670	12,209,948	15,692,378
5. Reserve for Federal income and profits taxes.....	-----	840,000	-----	780,000	762,500	360,000	427,000	494,000	420,000	450,000	450,000	550,000
6. Capital stock and surplus.....	27,917,493	28,231,537	28,699,726	35,714,638	37,381,444	37,252,956	33,894,869	35,070,270	35,169,539	34,672,675	20,277,724	21,650,448
7. Treasury stock at cost.....	-----	-----	-----	1,90,045	1,202,740	1,178,848	1,41,660	1,169,668	1,141,600	-----	-----	-----
8. Goodwill, appreciation, and other intangibles.....	19,326,003	19,326,003	19,326,003	19,326,003	19,326,003	19,326,003	15,000,000	15,000,000	15,000,000	15,000,000	1	1
9. Stockholders' investment.....	8,591,490	8,905,534	10,373,723	16,298,590	17,852,701	17,748,105	18,853,209	19,900,602	19,027,839	19,672,675	20,277,723	21,650,447
10. Long-term debt.....	-----	-----	-----	-----	-----	-----	7,700,000	7,700,000	7,700,000	6,966,469	6,278,589	5,376,844
11. Total investment.....	8,591,490	8,905,534	10,373,723	16,298,590	17,852,701	17,748,105	18,853,209	27,600,602	26,727,939	26,639,165	26,556,312	27,229,291
12. Average of total investment ²	8,748,512	9,639,629	13,336,156	17,075,646	17,800,403	18,300,657	23,226,006	27,164,270	26,683,552	26,507,739	26,892,801	28,992,801
13. Average of stockholders' investment ³	8,748,512	9,639,629	13,336,156	17,075,646	17,800,403	18,300,657	19,376,906	19,376,906	19,464,270	19,350,308	19,975,200	20,964,085
14. Average of common stockholders' equity ⁴	3,748,512	4,639,629	6,070,779	7,601,238	8,470,797	9,100,911	10,382,570	11,369,904	12,031,108	12,707,600	14,836,485	14,836,485
Net income before deducting Federal income and profits taxes:												
15. Applicable to total investment.....	1,569,715	2,461,591	3,452,666	4,120,992	4,223,380	3,124,140	3,415,091	3,680,322	3,534,566	3,534,566	3,407,557	4,295,360
16. Applicable to stockholders' investment.....	1,569,715	2,461,591	3,452,666	4,120,992	4,223,380	3,124,140	3,376,591	3,177,302	3,086,565	2,983,560	3,866,117	3,866,117
17. Applicable to common stockholders' equity.....	1,209,715	2,111,591	2,969,778	3,459,261	1,772,906	2,480,490	2,746,980	2,604,179	2,526,118	2,445,481	3,424,080	3,424,080
Rate of return on total investment (15 ÷ 12).....	17.83	25.54	25.89	24.13	13.61	17.07	14.70	13.55	13.25	12.81	15.97	15.97
Rate of return on stockholders' investment (16 ÷ 13).....	17.83	25.54	25.89	24.13	13.61	17.07	17.43	16.32	15.69	14.79	18.54	18.54
Rate of return on common stockholders' equity (17 ÷ 14).....	32.27	45.51	48.92	45.51	20.93	27.26	26.46	22.90	21.00	19.24	23.08	23.08

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:											
Preferred.....	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Common.....	407,570	5,298,410	5,298,410	5,298,410	5,298,410	5,298,410	5,298,410	5,298,410	5,298,410	5,298,410	5,298,410
Total.....	5,407,570	10,298,410	10,298,410	10,298,410	10,298,410	10,298,410	10,298,410	10,298,410	10,298,410	10,298,410	10,298,410
3. Surplus, earned and capital.....	16,853,057	19,087,224	18,911,137	19,389,876	19,163,455	17,465,694	14,071,437	14,378,623	13,939,352	13,844,336	13,844,336
5. Reserve for Federal income and profits taxes.....	430,000	550,000	485,000	375,000	300,000	175,000	390,117	283,032	311,928	337,789	337,789
6. Capital stock and surplus.....	22,690,627	29,835,634	29,694,547	30,063,286	29,761,865	27,939,104	24,759,964	24,960,065	24,549,690	24,480,534	24,480,534
7. Treasury stock at cost.....	1,644,926	1,098,942									
8. Goodwill, appreciation, and other intangibles.....	1	1	1	1	1	1	1	1	1	1	1
9. Stockholders' investment.....	22,045,700	28,836,691	29,694,546	30,063,285	29,761,864	27,939,103	24,759,963	24,960,064	24,549,689	24,480,534	24,480,534
10. Long-term debt.....	4,966,500	4,283,250	3,560,000	2,850,000							
11. Total investment.....	27,012,200	33,099,941	33,254,546	32,923,285	29,761,864	27,939,103	24,759,963	24,960,064	24,549,689	24,480,534	24,480,534
12. Average of total investment *.....	27,120,746	30,056,071	33,177,243	33,088,915	31,342,574	28,850,483	26,349,533	24,860,013	24,754,876	24,515,111	23,789,583
13. Average of stockholders' investment *.....	21,848,074	25,441,196	29,265,618	29,878,915	29,912,574	28,850,483	26,349,533	24,860,013	24,754,876	24,515,111	21,414,675
14. Average of common-stock holders' equity *.....	16,848,074	20,441,196	24,265,618	24,878,915	24,912,574	23,850,483	21,349,533	19,860,013	19,764,876	19,515,111	15,077,901
Net income before deducting Federal income and profits taxes.....	3,889,957	5,135,277	3,934,492	3,250,660	2,477,827	877,372	2,729,291	2,408,050	2,107,019	1,954,209	3,059,025
Applicable to stockholders' investment.....	3,557,457	4,841,277	3,682,492	3,044,160	2,328,697	877,372	2,729,291	2,408,050	2,107,019	1,954,209	2,909,649
Applicable to common-stockholders' equity.....	3,207,457	4,491,277	3,332,492	2,694,160	1,978,697	527,372	2,204,291	2,058,050	1,757,019	1,604,209	2,457,410
Rate of return on total investment (15÷12), percent.....	14.34	17.09	11.86	9.82	7.91	3.04	10.36	9.69	8.51	7.97	12.86
Rate of return on stockholders' investment (16÷13), percent.....	16.28	19.03	12.58	10.19	7.79	3.04	10.36	9.69	8.51	7.97	13.59
Rate of return on common-stock holders' equity (17÷14), percent.....	19.04	21.97	13.73	10.83	7.94	2.21	10.32	10.36	8.89	8.22	16.30

* Preferred stock.
 * Common stock.
 * Average of investment at beginning and end of year.

APPENDIX TABLE 7a.—Summary of income, expenses, and surplus for General Cigar Co., Inc., 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$21,395,398	\$26,671,360	\$32,317,023	\$41,885,394	\$34,697,711	\$36,766,921	\$41,825,984	\$40,222,508	\$38,294,770	\$39,446,191	\$39,448,703
Cost of goods sold.....	16,874,820	20,777,404	24,894,609	32,005,595	26,973,101	27,991,561	31,936,855	31,011,095	29,286,535	30,588,453	28,549,226
Distribution and administrative expenses.....	3,048,061	3,509,167	4,042,276	5,818,791	5,646,765	5,739,203	6,543,316	5,719,390	5,567,246	5,531,307	6,652,100
Total operating expenses.....	19,922,881	24,286,571	28,936,885	37,824,386	32,619,866	33,730,764	38,480,171	36,730,485	34,853,781	36,119,760	35,201,326
Net profit on sales.....	1,472,517	2,384,789	3,380,138	4,061,008	2,077,845	3,016,157	3,440,989	3,492,023	3,440,989	3,396,431	4,247,377
Other income (net).....	87,198	76,802	72,528	59,984	345,555	107,983	69,278	188,299	93,577	81,126	47,883
Net income applicable to total investment.....	1,559,715	2,461,591	3,452,666	4,120,992	2,423,380	3,124,140	3,415,091	3,680,322	3,534,566	3,407,557	4,295,360
Less interest on long-term debt.....	-----	-----	-----	-----	-----	-----	38,500	503,020	498,001	454,007	409,243
Net income applicable to stockholders' investment.....	1,559,715	2,461,591	3,452,666	4,120,992	2,423,380	3,124,140	3,376,591	3,177,302	3,036,565	2,953,550	3,886,117
Provision for Federal income and profits taxes.....	217,694	801,704	679,733	720,572	309,494	391,931	438,306	413,432	379,074	390,738	519,981
Net income for the year.....	1,342,021	1,659,887	2,772,933	3,400,420	2,113,886	2,732,209	2,938,285	2,763,870	2,657,491	2,562,812	3,366,136
Surplus beginning of year.....	4,813,493	5,127,537	5,755,726	7,209,838	8,894,144	9,308,956	6,163,869	7,472,270	8,145,539	8,838,676	12,209,948
Total.....	6,155,514	6,787,424	8,528,659	10,610,258	11,008,030	12,101,165	9,102,154	10,236,140	10,803,030	11,401,488	15,576,084
Less dividends paid on—	724,160	724,160	905,200	1,086,240	1,086,240	1,086,240	1,086,240	1,448,320	1,448,320	1,449,696	1,472,623
Common stock in cash.....	350,000	350,000	482,888	661,731	650,474	643,650	629,611	573,123	510,447	508,069	462,037
Preferred stock in cash.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total.....	1,074,160	1,074,160	1,388,088	1,747,971	1,736,714	1,729,890	1,715,851	2,021,443	1,958,767	1,957,765	1,934,660
Goodwill and other intangibles written off.....	-----	-----	-----	-----	-----	4,326,003	-----	-----	-----	-----	-----
Reduction in value of common stock.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Exchange of preferred for common stock.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Cost of 16,102 shares common stock canceled.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Other additions or deductions (net).....	146,183	142,462	169,267	131,857	197,640	118,597	185,967	69,158	5,587	124,800	153,252
Surplus end of the year.....	5,127,537	5,755,726	7,209,838	8,894,144	9,368,956	6,163,869	7,472,270	8,145,539	8,838,676	12,209,948	15,692,878

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$40,513,134	\$46,918,630	\$40,727,305	\$36,145,607	\$29,132,332	\$21,809,825	\$24,285,372	\$23,218,043	\$22,513,269	\$21,723,667	\$699,959,347
Cost of goods sold.....	29,303,474	32,919,511	28,827,283	25,990,739	21,162,717	16,576,608	17,133,893	16,578,227	16,138,515	15,737,435	521,266,656
Distribution and administrative expenses.....	7,367,305	8,762,142	8,027,576	6,939,239	5,509,365	4,402,986	4,540,508	4,371,411	4,421,462	4,106,931	116,286,547
Total operating expenses.....	36,670,779	41,681,653	36,854,859	32,938,978	26,672,082	20,979,594	21,674,401	20,949,638	20,559,977	19,844,366	637,553,203
Net profit on sales.....	3,842,355	5,296,977	3,872,446	3,206,629	2,460,250	830,231	2,611,171	2,268,405	1,933,292	1,879,301	62,406,144
Other income (net).....	47,602	101,700	62,946	44,031	17,577	47,141	118,120	139,645	153,727	74,908	1,833,390
Net income applicable to total investment.....	3,889,957	5,135,277	3,934,492	3,250,660	2,477,827	877,372	2,729,291	2,408,050	2,107,019	1,954,209	64,239,534
Less interest on long-term debt.....	332,500	294,000	252,000	206,500	149,130						3,136,901
Net income applicable to stockholders-investment.....	3,557,457	4,841,277	3,682,492	3,044,160	2,328,697	877,372	2,729,291	2,408,050	2,107,019	1,954,209	61,102,633
Provision for Federal income and profits taxes.....	416,998	545,316	480,970	323,493	270,327	155,852	398,746	331,918	304,362	280,279	8,767,920
Net income for the year.....	3,140,459	4,295,961	3,201,522	2,720,667	2,058,370	721,520	2,333,545	2,076,132	1,802,657	1,673,930	52,334,713
Surplus beginning of year.....	13,692,878	16,553,057	19,067,224	18,911,137	19,389,876	19,163,455	17,463,694	14,071,437	14,378,623	13,939,352	
Total.....	18,833,337	21,149,018	22,288,746	21,631,804	21,448,246	19,884,975	19,799,239	16,147,569	16,181,250	15,613,282	
Less dividends paid on: Common stock in cash.....	1,630,280	1,711,794	1,956,336	1,891,928	1,891,928	1,891,928	5,202,802	1,418,946	1,891,928	1,418,946	33,424,255
Preferred stock in cash.....	330,000	350,000	350,000	350,000	350,000	350,000	525,000	350,000	350,000	350,000	9,497,030
Goodwill and other intangibles written off.....											
Reduction in value of common stock.....											
Exchange of preferred for common stock.....											
Cost of 16,102 shares common stock cancelled.....											
Other additions or deductions (net).....			1,071,273		42,863	177,353					
Surplus end of the year.....	16,853,057	19,087,224	18,911,137	19,389,876	19,163,455	17,465,694	14,071,437	14,378,623	13,939,352	13,844,336	

1 Denotes additions to surplus.
2 Denotes loss.

APPENDIX TABLE 8.—Summary of investments, profits, and rates of return for Porto Rican-American Tobacco Co., 1920-37

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
1. Capital stock (common).....	\$4,961,750	\$4,965,350	\$6,270,150	\$6,277,850	\$6,293,150	\$6,310,250	\$6,315,550	\$6,315,550	\$12,248,550	\$12,248,550	\$15,187,500	\$15,188,400
2. Scrip and fractional shares.....	761,911	1,354,730	193,146	188,400	24,553	12,253	6,933	6,933	6,933	6,993	7,043	2,955
3. Surplus—earned and capital.....	1,557,619	1,959,343	376,822	8,669	310,114	236,416	683,698	687,680	788,246	1,216,932	1,406,813	1,347,441
4. Capital stock and surplus.....	7,281,280	8,279,423	6,840,118	6,472,009	6,617,817	6,558,919	6,956,201	7,010,183	13,013,740	13,472,475	16,601,356	16,538,796
5. Less goodwill, appreciation, and other intangibles.....	206,600	206,600	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
6. Stockholders' investment.....	7,074,680	8,072,823	5,340,118	4,972,009	5,117,817	5,058,919	5,456,201	5,510,183	11,513,740	11,972,475	15,101,356	15,038,796
7. Long-term debt ¹	-----	-----	2,671,579	2,243,921	1,882,161	1,669,306	1,514,881	-----	7,458,701	6,621,251	6,623,444	6,190,500
8. Total investment.....	7,074,680	8,072,823	8,011,697	7,217,930	6,999,978	6,728,225	6,971,082	5,510,183	18,972,450	18,593,726	21,724,800	21,229,296
9. Average of total investment ²	-----	7,573,751	8,042,260	7,614,813	7,108,954	6,864,101	6,849,653	6,240,632	12,241,316	18,783,088	20,159,283	21,477,048
10. Average of stockholders' investment ³	-----	7,573,751	6,706,470	5,156,063	5,044,913	3,088,398	5,257,560	5,483,192	8,511,966	11,743,112	13,536,915	15,070,076
Net income before deducting Federal income and profits taxes:	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
11. Applicable to total investment.....	-----	998,948	3,256,878	3,174,724	469,550	78,698	582,027	300,402	725,483	943,474	1,436,852	1,440,974
12. Applicable to stockholders' investment.....	-----	998,948	3,274,395	3,376,942	296,447	3,69,474	446,134	203,377	277,424	486,105	1,009,682	1,031,250
Rate of return on total investment (11÷9).....	-----	13.19	31.88	32.29	6.61	1.15	8.50	4.81	5.93	5.02	7.13	6.71
Rate of return on stockholders' investment (12÷10).....	-----	13.19	340.33	37.31	5.88	1.37	8.49	3.71	3.26	4.14	7.46	6.84

	1931	1932	1933	1934	1935	1936	1937	Annual average
1. Capital stock (common).....	\$15,188,400	\$15,188,400	\$15,188,400	\$15,188,400	\$15,188,400	\$15,188,400	\$15,188,400	-----
2. Scrip and fractional shares.....	2,955	2,863	2,861	2,861	2,861	2,861	2,853	-----
3. Surplus—earned and capital.....	1,022,661	687,379	533,464	690,511	1,095,268	1,148,123	942,349	-----
4. Capital stock and surplus.....	16,214,016	15,778,672	15,724,725	15,881,772	16,286,529	16,339,384	16,133,692	-----
5. Less goodwill, appreciation and other intangibles.....	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	-----
6. Stockholders' investment.....	14,714,016	14,278,672	14,224,725	14,381,772	14,786,529	14,839,384	14,633,692	-----
7. Long-term debt ¹	6,073,530	6,013,500	5,785,000	5,200,000	4,374,018	3,799,330	3,445,000	-----
8. Total investment.....	20,787,546	20,292,172	20,009,725	19,581,772	19,160,547	18,638,714	18,078,692	-----
9. Average of total investment ²	21,008,421	20,539,859	20,150,948	19,795,748	19,371,159	18,996,630	18,358,658	\$14,504,406
10. Average of stockholders' investment ²	14,876,406	14,496,344	14,251,698	14,303,248	14,584,150	14,812,956	14,736,493	10,624,093
Net income before deducting Federal income and profits taxes:								
11. Applicable to total investment.....	644,908	290,090	177,212	119,737	400,993	119,859	116,438	326,343
12. Applicable to stockholders' investment.....	259,572	163,238	161,045	201,508	113,797	128,062	331,702	60,354
Rate ³ of return on total investment (11+9).....	3.07	1.41	0.88	-0.60	2.07	0.63	1.63	2.25
Rate of return on stockholders' investment (12+10).....	1.74	1.44	1.13	1.41	.78	.86	2.25	.57

¹ Less unamortized debt discount and expense.
² Average of investment at beginning and end of year.
³ Denotes loss.

APPENDIX TABLE 8A.—Summary of income, expenses, and surplus for Porto Rican American Tobacco Co., 1920-37

	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
Net sales.....	\$15,706,765	\$7,451,358	\$9,313,488	\$9,281,557	\$7,849,682	\$7,329,857	\$6,538,044	\$5,480,429	\$4,762,371	\$4,358,085
Cost of goods sold.....	12,994,068	8,167,094	8,142,007	7,827,275	6,743,734	5,888,361	5,411,628	4,873,222	4,017,416	3,552,680
Distribution and administrative expenses.....	1,475,776	963,323	1,074,363	985,268	1,069,023	876,725	854,861	843,542	767,773	764,062
Total operating expenses.....	14,469,844	9,152,417	9,216,370	8,812,543	7,812,762	6,765,086	6,266,489	5,716,764	4,785,189	4,316,742
Net profit on sales.....	1,236,921	1,170,059	97,118	469,014	36,920	564,771	271,555	1,236,335	1,22,818	41,343
Other income (net).....	1,237,973	1,862,819	1,271,842	545	41,778	17,256	28,847	961,818	966,282	1,393,300
Net income applicable to total investment.....	998,948	1,2,563,878	1,174,724	469,559	78,698	582,027	300,402	725,483	943,474	1,436,852
Less interest on long-term debt.....		140,517	202,218	173,112	146,172	135,883	97,025	448,059	457,369	427,170
Net income applicable to stockholders' investment.....	998,948	1,2,704,395	1,376,942	296,447	169,474	446,134	203,377	277,424	486,105	1,009,682
Provision for Federal income and profits taxes.....				19,723	12,894	48,852	28,187	12,906	11,079	
Net income for the year.....	998,948	1,2,704,395	1,376,942	276,724	182,368	397,282	175,190	264,518	475,026	1,009,682
Surplus beginning of year.....	1,557,619	1,959,343	376,822	8,669	310,114	236,416	633,698	687,680	758,246	1,216,932
Total.....	2,556,567	1,745,052	1,120	285,393	227,746	633,698	808,888	952,198	1,233,272	2,226,614
Less dividends paid on common stock in cash.....	597,224	149,306						534,946	178,282	891,406
Total.....	1,959,343	1,894,358	1,120	285,393	227,746	663,698	808,888	417,352	1,054,990	1,335,208
Revaluation of goodwill.....		1,293,400								
Revaluation of securities.....										
Adjustment of inventory.....										
Proceeds from settlement of damage suit against American Tobacco Co.....										
Other additions or deductions (net).....		22,220	1,789	1,24,721	1,8,070	121,208			1,161,942	1,392,251
Surplus end of the year.....	1,959,343	376,822	8,669	310,114	236,416	633,698	687,680	758,246	1,216,932	1,406,813

	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$4,581,667	\$4,068,134	\$2,472,491	\$2,042,622	\$2,047,414	\$1,731,546	\$1,454,270	\$1,302,624	\$97,712,404
Cost of goods sold.....	3,587,802	3,237,795	1,953,735	1,716,885	1,697,798	1,398,092	1,252,840	1,244,024	83,706,456
Distribution and administrative expenses.....	894,708	828,684	556,535	455,502	407,653	336,056	294,386	245,344	13,625,589
Total operating expenses.....	4,392,510	4,066,479	2,510,270	2,172,387	2,105,451	1,734,148	1,547,226	1,489,368	97,332,045
Net profit on sales.....	189,157	158,345	137,779	129,765	158,037	12,602	192,956	186,744	380,359
Other income (net).....	1,251,817	703,253	327,869	306,977	177,774	405,595	212,815	70,306	5,493,817
Less income applicable to total investment.....	1,440,974	644,908	290,090	177,212	119,737	400,993	119,859	116,438	5,874,176
Less interest on long-term debt.....	4,097,724	385,336	353,328	338,257	321,245	287,196	247,921	215,264	4,787,806
Net income applicable to stockholders' investment.....	1,031,250	259,572	163,238	161,045	120,150	113,797	128,062	133,102	1,086,370
Provision for Federal income and profits taxes.....						1,678			135,319
Net income for the year.....	1,031,250	259,572	163,238	161,045	120,150	112,119	128,062	133,102	951,051
Surplus beginning of year.....	1,406,813	1,347,441	1,022,661	587,379	533,464	690,511	1,095,268	1,148,123	
Total.....	2,438,063	1,697,013	959,423	426,334	331,956	802,630	967,206	816,421	
Less dividends paid on common stock in cash.....	891,438	280,181							3,522,683
Total.....	1,546,625	1,326,832	959,423	426,334	331,956	802,630		816,421	3,522,683
Revaluation of goodwill.....									1,283,400
Revaluation of securities.....									800,932
Adjustment of inventory.....									
Proceeds from settlement of damage suit against American Tobacco Co.....	200,202	194,791	332,772						
Repurchase of own securities.....				175,084	358,079	290,496	181,679	128,031	1,133,369
Other additions or deductions (net).....	1,018	109,380	39,272	67,954	476	2,142	762	2,103	61,726
Surplus end of the year.....	1,347,441	1,022,661	587,379	533,464	690,511	1,095,268	1,148,123	942,349	

¹ Denotes loss.

² Denotes addition to surplus.

APPENDIX TABLE 9.—Summary of investments, profits, and rates of return for Consolidated Cigar Co., 1919-37

	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
1. Capital stock:										
Preferred.....		\$3,910,000	\$4,149,500	\$4,094,300	\$4,070,800	\$4,073,000	\$4,073,000	\$3,968,000	\$3,659,000	\$14,579,000
Common.....	\$527,500	3,600,000	4,140,000	4,140,000	5,168,550	5,241,825	5,241,825	5,202,425	11,855,684	11,855,684
3. Total.....	527,500	7,510,000	8,289,500	8,234,300	9,239,350	9,314,825	9,314,825	9,170,425	15,514,684	26,434,684
4. Surplus—earned and capital.....	195,200	525,204	8,887	1,799,287	1,793,390	271,112	1,040,004	1,999,829	2,315,418	1,983,532
5. Surplus and contingency reserves.....				6,390	10,162	52,513	25,846	35,664	47,030	58,396
6. Reserve for Federal income and State taxes.....	33,270	166,000	380,821	13,500	115,000	67,000	169,000	240,000	489,000	292,550
7. Capital stock and surplus.....	765,970	8,201,204	8,679,208	7,454,903	9,543,902	9,705,450	10,549,675	11,445,918	18,366,132	28,769,162
8. Long-term debt 1.....			210,296	198,593	206,765	182,807	170,711	2,511,302	10,172,000	530,750
9. Total investment.....	765,970	8,201,204	8,889,504	7,653,496	9,750,667	9,888,257	10,720,386	13,957,220	28,538,132	29,259,912
10. Average of total investment 1.....		4,478,387	8,545,354	8,271,500	8,702,082	9,819,492	10,304,321	12,338,803	21,247,676	28,910,022
11. Average of stockholders' investment 1.....		4,478,387	8,440,206	8,067,055	8,498,402	9,624,676	10,127,562	10,997,796	14,806,025	23,567,647
12. Average of common stockholders' equity 1.....		2,523,387	4,410,456	3,945,155	4,416,852	5,552,776	6,054,562	6,977,296	11,092,525	14,448,647
Net income before deducting Federal income and profits taxes:										
13. Applicable to total investment.....		585,520	2,177,042	249,212	1,182,653	538,429	1,257,474	1,896,827	2,883,410	3,813,756
14. Applicable to stockholders' investment.....		585,520	2,173,720	236,233	1,170,290	525,984	1,246,432	1,753,162	2,720,955	3,195,688
15. Applicable to common stockholders' equity.....		437,266	1,913,229	152,300	1,089,900	241,224	961,672	1,265,586	1,974,822	2,791,414
Rate of return on total investment (13+10)..... percent.....		13.07	25.48	3.01	13.59	5.48	12.20	15.37	13.57	13.19
Rate of return on stockholders' investment (14+11)..... percent.....		13.07	25.75	2.93	13.77	5.46	12.31	15.94	18.25	13.56
Rate of return on common stockholders' equity (15+12)..... percent.....		17.33	43.38	1.33	24.65	4.34	15.88	18.14	15.10	19.32

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:											
1. Preferred.....	\$14,499,000	\$14,033,000	\$13,342,400	\$12,661,000	\$11,711,200	\$10,905,900	\$10,726,900	\$10,431,700	\$10,169,200	\$9,838,300	-----
2. Common.....	11,855,684	11,855,684	11,855,684	11,855,684	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	-----
3. Total.....	26,354,684	25,908,684	25,198,084	24,516,684	14,211,200	13,405,900	13,226,900	12,931,700	12,669,200	12,338,300	-----
4. Surplus—earned and capital.....	2,655,785	3,147,069	3,304,459	3,570,403	2,740,612	2,666,652	2,804,533	2,686,419	2,766,722	2,876,377	-----
5. Surplus and contingency reserves.....	70,451	73,387	75,781	70,303	68,809	66,874	66,395	18,000	18,092	19,692	-----
6. Reserve for Federal income and State taxes.....	599,300	406,100	329,500	310,000	10,500	37,618	47,738	75,427	186,948	213,178	-----
7. Capital stock and surplus.....	29,590,220	29,535,240	28,907,824	28,467,390	17,031,121	16,177,044	16,145,506	15,711,546	15,034,262	15,447,547	-----
8. Long-term debt ¹	451,000	452,750	415,500	340,250	321,000	235,875	-----	-----	-----	-----	-----
9. Total investment.....	30,041,220	29,987,990	29,323,324	28,807,640	17,352,121	16,412,919	16,145,506	15,711,546	15,034,262	15,447,574	-----
10. Average of total investment ²	29,670,566	30,004,605	29,645,657	29,065,482	23,079,880	16,882,520	16,279,242	15,928,556	15,072,904	15,540,904	\$17,599,849
11. Average of stockholders' investment ³	29,179,691	29,562,730	29,221,532	28,687,607	22,749,255	16,604,082	16,161,305	15,928,556	15,072,904	15,540,904	16,737,764
12. Average of common stockholders' equity ³	14,640,691	15,286,730	15,523,832	15,085,907	10,563,255	5,293,532	5,344,905	5,349,256	5,315,904	5,440,604	8,317,288
Net income before deducting Federal income and profits taxes:											
13. Applicable to total investment.....	4,139,239	3,731,462	2,718,163	2,440,827	956,449	561,356	841,032	631,492	1,001,038	1,111,744	1,721,955
14. Applicable to stockholders' investment.....	4,104,598	3,706,390	2,694,035	2,418,573	935,838	541,929	827,730	631,492	1,001,038	1,111,744	1,662,177
15. Applicable to common stockholders' equity.....	3,141,875	2,756,751	1,786,760	1,557,334	113,982	1,197,584	115,376	169,477	822,776	451,629	1,068,539
Rate of return on total investment (13÷10).....	13.95	12.44	9.17	8.40	4.14	3.33	5.17	3.96	6.39	7.15	9.78
Rate of return on stockholders' investment (14÷11).....	14.07	12.54	9.22	8.43	4.11	3.26	5.12	3.96	6.39	7.15	9.93
Rate of return on common stockholders' equity (15÷12).....	21.46	18.03	11.51	9.93	1.08	13.73	2.16	11.30	6.00	3.15	12.85

¹ Denotes deficit or loss.
² Less unamortized debt discount and expense.
³ Average of investment at beginning and end of year.

APPENDIX TABLE 9A.—Summary of income expenses and surplus for Consolidated Cigar Co., 1919-37

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Net sales.....	\$8,215,883	\$20,971,231	\$15,850,083	\$16,280,580	\$15,024,284	\$15,403,779	\$15,209,695	\$21,693,396	\$27,202,378	\$27,148,250
Cost of goods sold.....	6,880,980	17,125,964	13,681,917	13,054,897	12,269,811	12,061,157	11,283,757	15,489,085	19,017,940	17,871,087
Distribution and administrative expenses.....	603,529	1,226,309	1,428,651	1,697,867	1,760,896	1,620,630	1,702,979	2,628,310	3,922,622	4,348,472
Total operating expenses.....	7,484,509	18,351,673	15,110,568	14,752,764	14,039,707	13,681,787	12,986,736	18,117,395	22,904,562	22,219,559
Net profit on sales.....	731,374	2,619,558	739,515	1,527,786	984,577	1,721,992	2,242,959	3,576,001	4,261,816	4,928,691
Other income (net).....	1,145,854	1,442,516	1,490,303	1,345,133	1,446,148	1,464,518	1,346,132	1,692,591	1,448,060	1,780,452
Net income applicable to total investment.....	585,520	2,177,042	249,212	1,182,653	538,429	1,257,474	1,896,827	2,883,410	3,813,756	4,139,239
Less interest on long-term debt.....		3,322	12,979	12,363	12,445	11,042	143,665	162,455	618,068	34,641
Net income applicable to stockholder's investment.....	585,520	2,173,720	236,233	1,170,290	525,984	1,246,432	1,753,162	2,720,955	3,195,688	4,104,598
Provision for Federal income and profits taxes.....	117,500	273,273		115,000	54,000	165,000	230,000	348,200	274,050	490,800
Net income for the year.....	468,020	1,898,447	236,233	1,055,290	471,984	1,081,432	1,523,162	2,372,755	2,921,638	3,613,798
Surplus beginning of year.....	195,400	523,204	8,887	1,799,287	179,390	271,112	1,040,004	1,999,829	2,315,418	1,983,532
Total.....	663,220	2,423,651	245,120	256,003	651,374	1,352,544	2,563,166	4,372,584	5,237,056	5,597,330
Less dividends paid on—										
Common stock in cash.....		631,125	181,003						1,749,937	1,749,937
Common stock in stock.....		540,000								
Preferred stock in cash.....	148,254	260,491	288,533	80,380	284,760	284,760	487,576	1,046,133	404,274	962,723
Total.....	148,254	1,431,616	469,536	80,380	284,760	284,760	487,576	1,046,133	2,154,211	2,712,660
Write-down of inventory value.....		978,998	707,007							
Reserve for contingencies.....										
Discounts, premiums, and expenses re: issuance and retirement of securities.....				99,295			75,153	142,224	240,720	173,901
Other additions or reductions (net).....	210,238	4,150	213,216	23,777	23,793	27,780	608	847,036	816,874	54,984
Surplus end of the year.....	525,204	8,887	1,799,287	179,390	271,112	1,040,004	1,999,829	2,315,418	1,983,532	2,655,785

	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$28,371,051	\$25,214,738	\$21,582,270	\$12,831,182	\$9,197,924	\$10,240,135	\$9,549,273	\$10,022,349	\$11,001,394	\$321,015,895
Cost of goods sold.....	19,157,233	17,037,882	14,246,333	8,373,236	6,071,353	6,824,076	6,320,945	6,467,834	7,086,863	230,301,740
Distribution and administrative expenses.....	4,914,651	4,912,707	4,402,203	3,176,078	2,283,932	2,357,419	2,385,228	2,326,694	2,567,193	30,275,372
Total operating expenses.....	24,071,834	21,950,589	18,648,538	11,549,314	8,355,285	9,181,495	8,706,173	8,794,528	9,654,046	280,577,112
Net profit on sales.....	4,299,167	3,264,199	2,933,732	1,287,868	842,639	1,088,640	843,100	1,227,821	1,347,348	40,438,783
Other income (net).....	1,567,705	1,546,036	1,492,995	1,331,419	1,281,283	1,217,589	1,211,068	1,228,783	1,235,604	7,721,639
Net income applicable to total investment.....	3,731,462	2,718,163	2,440,827	956,449	561,356	841,051	631,492	1,001,038	1,111,744	32,717,144
Less interest on long-term debt.....	25,072	24,128	22,254	20,591	19,427	13,322	-----	-----	-----	1,135,774
Net income applicable to stockholder's investment.....	3,706,390	2,694,035	2,418,573	935,858	541,929	827,729	631,492	1,001,038	1,111,744	31,581,370
Provision for Federal income and profits taxes.....	392,300	321,500	296,400	-----	44,150	49,513	78,350	188,000	219,170	3,699,206
Net income for the year.....	3,314,090	2,372,535	2,122,173	935,858	497,779	778,216	553,142	813,038	892,574	27,922,164
Surplus, beginning of year.....	2,655,785	3,147,069	3,304,439	3,570,403	2,740,612	2,666,632	2,804,333	2,686,419	2,706,722	-----
Total.....	5,969,875	5,519,604	5,426,632	4,506,261	3,238,391	3,444,868	3,357,675	3,499,457	3,659,296	-----
Less dividends paid on—	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Common stock in cash.....	1,749,941	1,374,952	1,249,960	187,484	-----	-----	-----	-----	187,500	9,061,839
Common stock in stock.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	340,000
Preferred stock in cash.....	949,639	907,275	861,239	821,876	739,513	712,353	700,969	678,262	660,116	11,279,136
Total.....	2,699,580	2,282,227	2,111,199	1,009,360	739,513	712,353	700,969	678,262	847,616	20,880,975
Write-down of inventory value.....	15,000	-----	-----	1,242,650	-----	-----	-----	-----	-----	2,928,635
Reserved for contingencies.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	746,293
Discounts, premiums, and expenses re issuance and retirement of securities.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Write-down on value of fixed capital.....	190,890	120,175	127,235	1,487,864	1,437,214	184,089	127,835	152,003	158,133	1,572,228
Goodwill written off.....	-----	-----	-----	1,450,133	-----	-----	-----	-----	-----	1,450,133
Reduction in stated value of common stock.....	-----	-----	-----	7,905,551	-----	-----	-----	-----	-----	7,905,551
Other additions or deductions (net).....	199,116	143,093	118,265	1,203	289,440	12,071	1,878	106,476	1,564	19,365,684
Surplus, end of the year.....	3,147,069	3,304,459	3,570,403	2,740,612	2,666,632	3,804,533	2,686,419	2,706,722	2,876,377	-----

1 Denotes loss.

2 Additions to surplus.

APPENDIX TABLE 10.—Summary of investments, profits, and rates of return for *Bayuk Cigars, Inc., 1917-37*

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$827,825	\$1,018,350	\$1,042,375	\$1,118,825	\$2,269,500	\$2,228,500	\$2,189,500	\$3,225,500	\$3,164,600	\$3,059,600	\$4,048,100	\$5,846,600
2. Common.....	.....	.....	.....	.....	6,389	6,389	1,006,389	1,668,089	1,668,089	1,668,089	1,698,089	1,729,359
3. Total.....	827,825	1,018,350	1,042,375	1,118,825	2,275,889	2,234,889	3,195,889	4,893,589	4,832,689	4,727,689	5,746,189	7,575,959
4. Surplus-earned and capital.....	94,062	81,970	188,072	176,434	214,165	525,727	455,205	1,026,192	1,662,139	2,077,040	2,797,416	3,833,555
5. Surplus and contingency reserves.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
6. Reserve for Federal income and profits taxes.....	.....	60,000	.....	55,000	160,500	180,000	160,501	136,920	129,388	93,224	153,861	222,668
7. Capital stock and surplus.....	921,907	1,160,320	1,230,447	1,350,259	2,650,554	2,940,616	3,811,655	6,056,701	6,624,216	6,897,953	8,697,466	11,632,152
8. Long-term debt.....	.....	.....	.....	55,000	9,720	20,440	.....	.....	.....	450,000	400,000	405,000
9. Total investment.....	921,907	1,160,320	1,230,447	1,350,259	2,705,554	2,961,776	3,832,095	6,066,421	6,624,216	7,347,953	9,067,466	12,037,182
10. Average of total investment ¹.....	.....	1,041,113	1,195,383	1,290,353	2,027,906	2,833,665	3,396,935	4,949,258	6,345,318	6,866,084	8,207,709	10,552,324
11. Average of stockholders' investment ¹.....	.....	1,041,113	1,195,383	1,290,353	2,000,406	2,795,585	3,376,135	4,934,178	6,340,453	6,761,084	7,782,709	10,149,924
12. Average of common stockholders' equity ¹.....	.....	1,041,113	1,195,383	1,290,353	865,656	546,585	1,127,135	2,226,678	3,145,408	3,648,984	4,228,859	5,202,474
Net income before deducting Federal income and profits taxes:												
13. Applicable to total investment.....	.....	249,835	225,858	276,056	518,389	677,043	1,285,747	1,040,332	991,673	727,274	1,133,761	1,618,800
14. Applicable to stockholders' investment.....	.....	249,835	225,858	275,086	516,739	674,343	1,284,487	1,039,252	991,673	727,274	1,107,636	1,595,675
15. Applicable to common stockholders' equity.....	.....	249,835	225,858	276,086	361,972	495,223	1,090,767	848,025	768,419	510,594	886,619	1,285,267
Rate of return on total investment (13÷10).....percent.....	.....	24.00	18.89	21.40	25.56	23.89	37.85	21.02	15.63	10.41	13.81	15.34
Rate of return on stockholders' investment (14÷11).....percent.....	.....	24.00	18.89	21.40	25.83	24.12	38.05	21.06	15.64	10.76	14.23	15.72
Rate of return on common stockholders' equity (15÷12).....percent.....	.....	24.00	18.89	21.40	41.81	90.60	96.77	38.08	24.43	13.99	20.97	24.70

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:											
Preferred.....	\$4,449,800	\$4,126,800	\$3,888,200	\$3,439,900	\$3,090,000	\$2,766,800	\$2,500,800	\$2,379,400	\$2,137,500	\$1,876,700	
Common.....	3,015,369	2,743,881	2,752,045	2,370,042	2,566,687	2,628,521	2,804,234	2,986,913	2,987,047	2,987,047	
3. Total.....	7,465,169	6,870,681	6,640,245	6,009,942	5,656,687	5,395,321	5,304,734	5,366,313	5,144,547	4,863,747	
4. Surplus-earned and capital.....	4,493,383	5,283,194	5,253,959	3,986,048	2,683,703	3,298,291	3,756,735	4,273,722	4,676,740	5,102,280	
5. Surplus and contingency reserves.....	152,662	187,386	127,498	627,257	1,147,551	673,458	309,780				
6. Reserve for Federal income and profits taxes.....	185,450	161,576	70,316			13,000	101,635	182,940	246,096	322,273	
7. Capital stock and surplus.....	12,296,674	12,502,837	12,092,018	10,622,517	9,487,941	9,350,070	9,472,884	9,822,975	10,087,383	10,288,300	
8. Long-term debt.....	344,000	308,000	272,000	236,000	200,000	175,000	150,000		20,500	19,250	
9. Total investment.....	12,640,674	12,810,837	12,364,018	10,858,517	9,687,941	9,525,070	9,622,884	9,822,975	10,087,883	10,307,550	
10. Average of total investment.....	12,338,923	12,725,750	12,687,427	11,611,277	10,273,229	9,606,505	9,573,977	9,722,929	9,955,429	10,197,716	
11. Average of stockholders' investment.....	11,964,423	12,399,750	12,287,427	11,357,267	10,058,229	9,419,005	9,411,477	9,647,929	9,945,179	10,177,841	
12. Average of common stockholders' equity.....	6,816,223	8,111,450	8,289,927	7,693,957	6,790,729	6,490,606	6,777,827	7,207,979	7,676,729	8,160,741	
Net income before deducting Federal income and profits taxes:											
Applicable to total investment.....	1,465,464	1,497,125	668,753	271,446	1,249,026	689,274	1,043,439	1,198,255	1,222,093	1,251,712	789,921
Applicable to stockholders' investment.....	1,445,339	1,477,115	650,903	255,756	1,262,556	677,711	1,033,377	1,193,255	1,222,093	1,251,712	792,074
Applicable to common stockholders' equity.....	1,082,353	1,179,944	370,579	1,061	1,488,700	477,208	851,445	1,023,489	1,070,568	1,119,219	604,087
15. Rate of return on total investment (13+10).....	11.88	11.76	5.31	2.34	12.16	7.18	10.90	12.27	12.28	12.27	10.67
Rate of return on stockholders' investment (14+11).....	12.05	11.91	5.29	2.25	12.56	7.20	10.98	12.37	12.29	12.30	10.78
Rate of return on common stockholders' equity (15+12).....	15.88	14.55	4.47	.01	21.92	7.35	12.56	14.20	13.96	13.71	12.87

! Average of investment at beginning and end of year.
 † Denotes loss.

APPENDIX TABLE 10A.—Summary of income, expenses, and surplus for Bayuk Cigars, Inc., 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$3,728,894	\$3,981,461	\$5,202,073	\$9,654,923	\$9,580,144	\$10,427,177	\$11,597,811	\$12,197,451	\$11,828,669	\$12,384,504	\$14,479,202
Cost of goods sold.....	3,195,046	3,351,695	4,391,149	8,349,620	8,038,031	8,161,079	9,863,761	10,073,116	9,782,183	9,881,142	11,102,460
Distribution and administrative expenses.....	260,302	359,333	500,836	733,944	800,445	944,927	1,071,116	1,172,723	1,278,135	1,265,966	1,642,775
Total operating expenses.....	3,455,348	3,711,028	4,891,985	9,086,564	8,838,476	9,106,006	10,934,877	11,245,839	11,060,318	11,177,108	12,745,235
Net profit on sales.....	273,546	270,433	310,093	568,359	741,668	1,321,171	1,062,304	951,612	768,351	1,207,896	1,733,967
Other income, net.....	123,711	144,575	134,007	149,970	164,625	135,424	121,972	40,061	141,077	173,035	1,115,167
Less interest on long-term debt.....	249,835	225,858	276,066	518,389	677,043	1,285,747	1,040,332	991,673	727,274	1,133,761	1,618,800
Net income applicable to stockholders' investment.....	60,000	13,426	139,468	168,136	179,824	156,777	139,030	130,452	93,224	165,436	226,342
Provision for Federal income and profits taxes.....	189,835	229,284	136,618	348,603	494,519	1,127,710	900,222	861,221	634,050	942,200	1,360,333
Surplus beginning of year.....	94,082	81,970	188,072	176,434	214,165	525,727	455,205	1,026,192	1,662,139	2,077,040	2,797,416
Total.....	283,917	311,254	324,660	625,037	708,684	1,653,437	1,355,427	1,887,413	2,296,189	3,019,240	4,166,749
Less dividends paid on: Common stock in cash.....	201,947	123,182	148,256	156,635	179,120	193,720	191,227	223,254	216,680	221,017	310,408
Common stock in stock.....	201,947	123,182	148,256	311,402	179,120	1,000,000	193,720	223,254	216,680	221,017	310,408
Preferred stock in cash.....	---	---	---	530	3,837	4,512	138,008	2,020	2,469	807	22,786
Total.....	---	---	---	530	3,837	4,512	138,008	2,020	2,469	807	22,786
Transferred to capital stock—common Other additions or deductions—net.....	---	---	---	---	---	---	---	---	---	---	---
Surplus end of the year.....	81,970	188,072	176,434	214,165	324,660	625,037	708,684	1,026,192	1,662,139	2,077,040	3,833,555

1 Denotes loss.

2 Additions to surplus.

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$14,341,255	\$14,165,455	\$11,167,914	\$7,786,775	\$5,176,797	\$10,812,397	\$14,697,960	\$14,787,055	\$15,133,509	\$16,372,273	\$229,903,074
Cost of goods sold.....	11,109,589	10,287,321	8,428,859	5,807,209	4,165,468	8,275,979	11,427,656	11,419,280	11,503,717	12,783,891	181,398,320
Distribution and administrative expenses.....	1,660,552	2,003,222	1,945,513	1,712,157	2,336,318	1,848,224	2,148,137	2,241,272	2,475,018	2,500,336	30,934,251
Total operating expenses.....	12,770,141	12,290,603	10,374,372	7,519,366	6,601,786	10,124,203	13,575,793	13,660,561	13,978,735	15,284,227	212,332,571
Net profit on sales.....	1,571,114	1,874,852	793,642	267,409	1,324,989	688,194	1,122,167	1,126,494	1,154,774	1,088,046	17,570,503
Other income, net.....	1,105,650	1,377,727	1,124,789	4,037	73,963	1,080	1,78,728	66,761	67,319	163,666	1,772,170
Net income applicable to total investment.....	1,465,464	1,497,125	668,753	271,446	1,249,026	689,274	1,043,439	1,193,255	1,222,093	1,251,812	16,798,333
Less interest on long-term debt.....	20,125	20,010	17,850	13,690	13,530	11,563	10,062				104,770
Net income applicable to stockholders' investment.....	1,445,339	1,477,115	650,903	255,756	1,262,556	677,711	1,033,377	1,193,255	1,222,093	1,251,712	16,633,563
Provision for Federal income and profits taxes.....	185,450	161,576	68,400	8,807	2,380	13,000	92,079	210,739	247,195	266,100	2,712,279
Net income for the year.....	1,259,889	1,315,539	58,413	246,949	1,265,136	664,711	941,298	982,516	974,898	985,612	13,921,284
Surplus beginning of year.....	3,893,555	4,493,383	5,283,194	5,233,939	3,960,208	2,083,703	3,268,191	3,756,735	4,273,722	4,676,740	
Total.....	5,093,444	5,808,922	5,366,407	5,500,908	2,271,072	3,345,414	4,206,589	4,739,251	5,248,620	5,662,352	
Less dividends paid on: Common stock in cash.....	98,885	218,238	279,702	239,950			94,419	98,148	393,060	393,067	2,445,439
Common stock in stock.....							175,713	182,635			338,348
Preferred stock in cash.....	362,986	297,171	260,324	254,695	226,144	200,503	181,932	169,766	151,525	132,493	3,947,732
Total.....	461,821	515,409	560,026	494,645	226,144	200,503	452,064	480,549	544,585	525,560	6,751,519
Transferred to capital stock—common.....											1,000,000
Reserve for contingencies.....				1,107,013							1,107,013
Other additions or deductions—net.....	133,240	10,319	50,622	186,958	118,775	120,380	790	14,980	27,295	34,512	54,554
Surplus end of the year.....	4,493,383	5,283,194	5,253,959	3,986,208	2,683,703	3,268,291	3,766,735	4,273,722	4,676,740	5,102,280	

1 Denotes loss.

† Additions to surplus.

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual Average
Capital stock:											
1. Preferred	\$5,520,000	\$5,520,000	\$5,520,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,333,700	\$2,333,700	\$2,330,000	
2. Common	11,128,300	14,943,700	14,943,700	14,943,700	14,943,700	14,943,700	14,943,700	14,943,700	14,943,700	14,943,700	
Total	16,648,300	20,463,700	20,463,700	17,543,700	17,543,700	17,543,700	17,543,700	17,277,400	17,277,400	17,273,700	
3. Surplus—earned and capital	7,422,797	5,973,747	5,973,747	6,137,790	5,883,485	5,303,467	5,284,286	5,447,012	5,513,228	5,605,765	
4. Surplus and contingent reserves	5,605,860	6,603,945	6,603,945	7,276,629	4,480,512	4,385,857	4,385,857	4,385,857	4,385,857	4,385,857	
5. Reserve for Federal income and profits taxes	453,594	473,241	472,192	463,384	533,256	483,245	494,547	515,690	657,818	831,857	
6. Capital stock and surplus	30,130,551	32,433,596	33,513,584	31,421,503	28,440,953	27,716,269	27,708,390	27,625,959	27,834,403	27,797,179	
7. Less: Goodwill, appreciation, and other intangibles	5,144,729	5,108,861	4,543,381	4,461,395	1	1	1	1	1	1	
8. Total investment	25,015,822	27,374,735	28,970,203	26,960,108	28,440,952	27,716,268	27,708,389	27,625,958	27,834,402	27,797,178	
9. Average of total investment ¹	23,994,670	26,195,278	28,172,489	27,965,155	27,700,530	28,078,610	27,712,328	27,667,174	27,730,180	27,815,791	\$20,671,618
10. Average of common stockholders' equity	18,474,670	20,676,278	22,652,469	23,905,155	23,100,530	25,478,610	25,112,328	25,200,324	25,396,480	25,483,941	16,299,348
11. Net income before deducting Federal income and profits taxes:											
12. Applicable to total investment	3,123,919	3,251,968	3,423,010	3,484,153	4,068,191	3,887,681	3,905,663	4,109,278	4,893,681	4,009,278	3,071,866
13. Applicable to common stockholders' equity	2,737,519	2,865,568	3,036,610	3,302,163	3,886,191	3,709,591	3,740,626	3,945,919	4,730,322	3,846,048	2,771,498
Rate of return on total investment (12÷10), percent	13.02	12.41	12.15	12.46	14.69	13.85	14.09	14.85	17.65	14.41	14.81
Rate of return on common stockholders' equity (13÷11)	14.82	13.86	13.41	13.81	15.48	14.56	14.90	15.06	18.63	15.09	17.00

¹ Average of investment at beginning and end of year.

APPENDIX TABLE 11A.—Summary of income, expenses, and surplus for United States Tobacco Co., 1917-87

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$6,318,362	\$9,127,106	\$10,133,893	\$11,674,028	\$12,690,573	\$13,347,870	\$14,144,278	\$14,139,419	\$14,243,834	\$15,775,037	\$16,815,972
Cost of goods sold.....	3,649,657	5,123,764	6,487,118	7,946,493	8,748,432	9,003,419	9,531,718	9,208,663	9,194,869	9,967,658	10,393,905
Distribution and administrative expenses.....	1,321,517	1,702,545	1,429,109	1,322,622	1,392,063	2,037,241	2,389,268	2,529,699	2,672,491	3,440,137	3,890,904
Total operating expenses.....	5,171,174	6,826,309	7,916,227	9,269,095	10,140,495	11,040,660	11,920,986	11,738,362	11,867,360	13,407,795	14,284,809
Net profit on sales.....	1,147,188	2,300,797	2,217,666	2,404,933	2,450,078	2,307,210	2,223,292	2,401,057	2,376,474	2,367,242	2,531,163
Other income (net).....	65,316	1,134,122	1,944,875	1,107,626	1,111,926	86,306	286,489	224,557	330,585	505,676	574,882
Net income applicable to total investment.....	1,212,504	2,166,675	2,182,791	2,237,307	2,338,152	2,393,516	2,509,781	2,625,614	2,707,059	2,872,918	3,106,045
Provision for Federal income and profits taxes.....	306,675	640,176	476,305	416,969	449,101	377,731	405,233	422,864	425,255	472,847	521,905
Net income for the year.....	905,829	1,525,499	1,706,486	1,820,338	1,889,051	2,015,785	2,104,548	2,202,750	2,281,804	2,400,071	2,584,140
Surplus beginning of year.....	960,431	1,174,260	1,319,205	2,035,175	2,864,837	3,749,949	5,481,991	2,938,837	3,610,561	4,361,339	5,230,384
Total.....	1,866,260	2,700,759	3,025,691	3,855,513	4,753,988	5,763,734	7,586,539	5,141,587	5,892,365	6,761,410	7,814,524
Less dividends paid on—											
Common stock in cash.....	920,000	138,000	662,300	662,360	662,360	953,856	1,096,879	1,144,626	1,144,626	1,144,626	1,144,626
Common stock in stock.....	322,000	920,000	323,554	323,216	1,324,720	3,749,949	3,886,400	386,400	386,400	386,400	386,400
Preferred stock in cash.....											
Total.....	1,242,000	1,381,554	990,516	990,576	2,328,421	1,330,085	4,062,779	1,531,026	1,531,026	1,531,026	1,531,026
Appropriations to or from reserves.....	3,550,000			2,125,000	1,72,882	1,000,000	15,077				
Other additions or deductions (net).....					48,342						
Surplus end of the year.....	1,174,260	1,319,205	2,085,175	2,864,937	3,747,949	5,481,991	2,938,837	3,610,561	4,361,339	5,230,384	6,283,498

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$16,418,705	\$16,759,437	\$16,965,114	\$16,684,188	\$15,388,202	\$15,265,687	\$15,789,295	\$16,495,527	\$17,850,094	\$17,976,214	\$303,902,835
Cost of goods sold.....	10,118,042	10,078,719	10,322,693	10,043,999	8,929,661	8,653,584	9,403,124	9,990,714	10,363,326	10,725,176	187,884,664
Distribution and administrative expenses.....	4,042,597	4,331,664	3,912,911	3,852,362	3,044,411	3,147,408	2,921,452	3,041,982	3,265,567	3,763,915	59,651,865
Total operating expenses.....	14,160,639	14,410,383	14,235,604	13,896,361	11,974,072	11,800,942	12,324,576	13,032,696	13,628,893	14,489,091	247,536,529
Net profit on sales.....	2,298,066	2,349,054	2,729,510	2,787,827	3,414,130	3,464,745	3,464,719	3,462,831	4,221,201	3,487,123	56,366,306
Other income (net).....	865,853	907,914	693,500	696,336	654,061	422,936	440,944	646,417	672,480	522,155	8,142,888
Provision for Federal income and profits taxes.....	3,123,919	3,251,968	3,423,010	3,484,163	4,068,191	3,887,681	3,905,663	4,109,278	4,893,681	4,009,278	64,509,194
Net income for the year.....	2,670,325	2,778,727	2,950,818	3,020,779	3,534,934	3,396,482	3,411,116	3,593,640	4,235,863	3,462,888	54,492,673
Surplus beginning of year.....	6,283,498	7,422,797	5,588,112	5,973,747	6,137,790	5,883,485	5,303,467	5,284,286	5,447,012	5,513,328	---
Total.....	8,953,823	10,201,524	8,538,930	8,994,526	9,672,724	9,279,967	8,714,583	8,877,926	9,682,875	8,976,016	---
Less dividends paid on—											
Common stock in cash.....	1,144,626	1,411,612	1,831,400	2,014,540	1,937,368	4,274,092	3,250,735	3,204,950	4,006,188	3,204,950	35,954,720
Preferred stock in cash.....	386,400	386,400	386,400	182,000	182,000	178,000	164,937	163,359	163,359	163,230	6,307,731
Total.....	1,531,026	1,800,000	2,217,800	2,196,540	2,119,368	4,452,182	3,415,672	3,368,309	4,169,547	3,368,180	51,502,071
Appropriations to or from reserves.....	---	---	---	---	---	---	---	---	---	---	---
Premium paid on preferred stock retired.....	---	---	---	---	---	---	---	---	---	---	---
Goodwill and other intangibles written off.....	---	---	---	---	---	---	---	---	---	---	---
Profit on sale of treasury stock.....	---	---	---	---	---	---	---	---	---	---	---
Other additions or deductions (net).....	---	---	---	---	---	---	---	---	---	---	---
Surplus end of the year.....	7,422,797	5,588,112	5,973,747	6,137,790	5,883,485	5,303,467	5,284,286	5,447,012	5,513,328	5,605,765	---

1 Denotes loss.

2 Denotes additions to surplus.

APPENDIX TABLE 12.—Summary of investments, profits, and rates of return for American Snuff Co., 1917-37

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800
2. Common.....	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Total.....	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800
3. Surplus—earned and capital.....	2,398,541	2,542,743	2,869,987	2,869,987	3,329,579	3,584,991	4,220,878	4,526,229	4,827,649	4,910,639	5,026,921	5,443,670
5. Surplus and contingency reserves	286,567	276,520	310,624	278,997	250,186	262,439	474,460	483,603	497,084	510,594	589,778	602,018
6. Reserve for Federal income and profits taxes.....	39,381	246,059	603,000	508,063	555,737	512,363	441,172	434,014	398,771	399,983	425,517	458,186
7. Capital stock and surplus.....	17,677,289	17,931,397	18,409,167	18,609,847	19,088,302	19,311,693	20,089,310	20,396,646	20,676,304	20,774,016	20,995,016	21,456,674
8. Less goodwill, appreciation, and other intangibles.....	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996
Total investment.....	7,550,293	7,804,401	8,282,171	8,482,851	8,961,306	9,184,697	9,962,314	10,289,650	10,549,308	10,647,020	10,868,020	11,329,678
10. Average of total investment.....	7,677,347	8,043,286	8,382,511	8,722,079	9,073,002	9,073,002	9,573,506	10,115,982	10,409,479	10,598,164	10,757,520	11,008,849
11. Average of common-stock equity.....	3,724,547	4,090,486	4,429,711	4,429,711	4,769,279	5,120,292	5,620,706	6,163,182	6,456,679	6,645,364	6,804,720	7,146,049
Net income before deducting Federal income and profits taxes:												
12. Applicable to total investment.....	1,748,238	2,134,564	2,249,412	2,249,412	2,406,760	2,244,886	2,746,786	2,392,520	2,122,968	1,912,158	1,947,285	2,282,202
13. Applicable to common stock-holders' equity.....	1,511,070	1,897,396	2,012,244	2,012,244	2,169,592	2,007,718	2,509,618	2,155,352	1,885,800	1,674,990	1,710,117	2,045,034
Rate of return on total investment (12÷10).....	22.77	26.54	28.83	28.83	27.50	24.74	28.69	23.65	20.39	18.04	18.10	20.56
Rate of return on common stockholders' equity (13÷11).....	40.57	46.39	45.43	45.43	45.49	39.21	44.65	34.97	29.21	25.21	25.13	28.62

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:											
1. Preferred.....	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800	\$3,952,800
2. Common.....	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
3. Total.....	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800	14,952,800
4. Surplus—earned and capital.....	6,845,037	6,877,450	6,903,331	7,152,205	7,303,132	8,102,216	8,511,729	8,529,979	9,061,151	9,007,374	9,007,374
5. Surplus and contingency reserves.....	599,450	590,418	590,624	753,497	770,665	757,486	793,257	1,004,259	995,113	969,277	969,277
6. Reserve for Federal income and profits taxes.....	438,556	393,662	390,915	322,239	345,136	377,016	373,308	291,323	298,007	285,442	285,442
7. Capital stock and surplus.....	22,335,843	22,614,330	22,846,670	23,181,261	23,371,753	24,249,518	24,633,094	24,778,391	25,307,071	25,214,893	25,214,893
8. Less goodwill, appreciation, and other intangibles.....	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996	10,126,996
9. Total investment.....	12,208,847	12,487,334	12,719,674	13,054,265	13,244,757	14,122,522	14,506,098	14,651,395	15,180,075	15,087,897	15,087,897
10. Average of total investment ¹	11,769,263	12,245,091	12,638,594	12,886,970	13,149,511	13,683,040	14,314,310	14,578,747	14,915,795	15,135,986	\$11,420,787
11. Net income before deducting Federal income and profits taxes:	7,816,463	8,368,291	8,656,704	8,934,170	9,196,711	9,730,840	10,361,510	10,625,947	10,962,935	11,181,186	11,181,186
12. Applicable to total investment.....	2,383,298	2,340,616	2,133,132	2,224,440	2,148,521	2,346,029	2,333,773	1,946,773	1,966,473	1,868,591	2,194,544
13. Applicable to common stockholders' equity.....	2,346,130	2,112,448	1,893,664	1,967,272	1,906,353	2,110,861	2,096,605	1,709,605	1,729,305	1,631,423	1,957,376
Rate of return on total investment (12+10) percent.....	21.95	19.03	16.92	17.26	16.30	17.16	16.30	13.35	13.18	12.45	19.22
Rate of return on common stockholders' equity (13+11).....	30.02	25.16	21.92	22.34	20.73	21.69	20.23	16.09	15.77	14.59	26.23

¹ Average of investment at beginning and end of year.

APPENDIX TABLE 12A.—Summary of income, expenses, and surplus for American Snuff Co., 1917-37

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$5,184,910	\$6,885,836	\$7,807,301	\$8,896,430	\$9,165,452	\$9,347,902	\$8,943,901	\$8,600,209	\$8,128,852	\$7,970,388	\$8,487,889
Cost of goods sold.....	3,318,429	4,539,040	5,262,813	6,044,553	6,670,336	6,334,174	6,236,848	6,112,357	5,787,959	5,679,819	5,832,672
Distribution and administrative ex- penses.....	510,363	598,311	713,278	807,870	759,198	799,110	856,059	887,395	897,575	862,716	856,757
Total operating expenses.....	3,828,792	5,137,351	5,976,091	6,942,423	7,429,534	7,133,284	7,092,907	6,999,752	6,685,534	6,542,535	6,789,429
Net profit on sales.....	1,356,118	1,748,485	1,831,210	1,954,007	1,735,918	2,214,618	1,850,964	1,600,457	1,443,318	1,427,803	1,698,460
Other income (net).....	392,120	386,079	418,202	452,733	608,968	532,168	541,526	522,511	468,840	519,452	583,742
Net income applicable to total investment.....	1,748,238	2,134,564	2,249,412	2,406,700	2,244,886	2,746,786	2,392,520	2,122,968	1,912,158	1,947,285	2,282,202
Provision for Federal income and profits taxes.....	245,268	601,296	475,000	500,000	430,000	352,518	310,001	272,870	272,000	275,410	317,619
Net income for the year.....	1,502,970	1,533,268	1,774,412	1,906,700	1,814,886	2,394,268	2,082,519	1,850,098	1,640,158	1,671,875	1,964,583
Surplus beginning of year.....	2,398,341	2,456,018	2,542,743	2,869,987	3,329,579	3,584,091	4,220,878	4,526,229	4,827,649	4,910,639	5,026,921
Total.....	3,901,311	3,989,286	4,317,155	4,776,747	5,144,465	5,978,339	6,303,397	6,376,327	6,467,807	6,582,514	6,991,504
Less dividends paid on: Common stock in cash.....	1,210,000	1,210,000	1,210,000	1,210,000	1,320,000	1,320,000	1,540,000	1,320,000	1,320,000	1,320,000	1,320,000
Preferred stock in cash.....	237,168	237,168	237,168	237,168	237,168	237,168	237,168	237,168	237,168	237,168	237,168
Transfer to or from reserves.....	1,447,168	1,447,168	1,447,168	1,447,168	1,557,168	1,557,168	1,777,168	1,557,168	1,557,168	1,557,168	1,557,168
Other additions or deductions (net).....	1,673	1,625	1,625	3,329,579	3,206	200,000	313	18,490	1,575	1,575	19,334
Surplus end of the year.....	2,456,018	2,542,743	2,869,987	3,329,579	3,854,091	4,220,878	4,526,229	4,827,649	4,910,639	5,026,921	5,443,670

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$8,826,359	\$8,399,747	\$8,289,328	\$8,407,026	\$7,744,158	\$7,531,064	\$7,636,344	\$7,551,001	\$7,530,555	\$7,550,634	\$168,885,836
Cost of goods sold.....	6,053,114	5,821,985	5,868,378	5,918,747	5,216,827	4,806,823	5,027,754	5,150,459	4,915,690	4,914,884	115,613,661
Distribution and administrative expenses.....	844,690	874,312	870,751	871,706	919,767	913,958	867,216	1,059,453	1,366,746	1,336,928	18,564,159
Total operating expenses.....	6,897,804	6,696,297	6,739,129	6,790,453	6,136,594	5,720,781	5,894,970	6,209,912	6,282,436	6,251,812	134,177,820
Net profit on sales.....	1,928,555	1,703,450	1,550,199	1,617,173	1,607,564	1,810,283	1,741,374	1,341,089	1,248,119	1,298,822	34,708,016
Other income (net).....	654,743	646,166	582,933	607,267	535,957	537,746	592,399	605,084	718,354	569,769	11,377,409
Net income applicable to total investment.....	2,583,298	2,349,616	2,133,132	2,224,440	2,143,521	2,348,029	2,333,773	1,946,773	1,966,473	1,868,591	46,085,425
Provision for Federal income and profits taxes.....	308,283	263,985	261,237	279,106	289,496	321,797	317,092	261,355	268,133	255,200	6,877,666
Net income for the year.....	2,275,015	2,085,631	1,871,895	1,945,334	1,854,025	2,026,232	2,016,681	1,685,418	1,698,340	1,613,391	39,207,759
Surplus beginning of year.....	5,443,670	6,345,037	6,677,450	6,903,331	7,152,965	7,303,152	8,162,216	8,511,729	8,529,979	9,061,151	-----
Total.....	7,718,685	8,430,668	8,549,345	8,848,665	9,006,320	9,329,384	10,178,897	10,197,147	10,228,319	10,674,542	-----
Less dividends paid on: Common stock in cash.....	1,540,000	1,540,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	28,820,000
Preferred stock in cash.....	237,168	237,168	237,168	237,168	237,168	237,168	237,168	237,168	237,168	237,168	4,980,528
Total.....	1,777,168	1,777,168	1,667,168	1,667,168	1,667,168	1,667,168	1,667,168	1,667,168	1,667,168	1,667,168	33,800,528
Transfer to or from reserves.....	1,403,520	1,233,950	1,211,154	29,202	36,000	1,500,000	-----	-----	1,500,000	-----	11,203,520
Other additions or deductions (net).....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	1,918
Surplus end of the year.....	6,345,037	6,677,450	6,903,331	7,152,295	7,303,152	8,162,216	8,511,729	8,529,979	9,061,161	9,007,374	-----

¹ Denotes additions to surplus.

APPENDIX TABLE 13.—Summary of investments, profits, and rates of return for George W. Helme Co., 1917-37

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
2. Common.....	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
3. Total.....	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
4. Surplus and contingency reserves.....	1,619,628	1,637,496	2,062,189	2,507,165	3,029,715	3,728,179	2,553,791	3,230,097	3,529,847	3,833,571	4,097,471	4,396,340
5. Reserve for Federal income and profits taxes.....	956,198	1,145,723	1,346,162	1,533,278	1,737,095	1,960,050	2,209,791	2,423,605	2,634,123	2,866,604	3,061,553	3,260,335
6. Reserve for Federal income and profits taxes.....	26,302	196,200	454,283	327,900	400,845	416,494	324,181	318,114	332,453	348,838	353,011	366,506
7. Capital stock and surplus.....	10,602,026	11,042,419	11,802,644	12,370,433	13,167,655	14,104,723	15,087,763	15,971,816	16,496,423	17,049,033	17,512,055	18,023,233
8. Less preferred stock in treasury at cost.....	442,298	550,013	550,013	534,185	518,912	514,191	542,849	744,360	827,636	922,308	1,022,820	1,033,145
9. Less common stock in treasury at cost.....	442,298	550,013	550,013	827	44,598	83,997	93,997	93,031	76,465	75,317	29,160	28,610
10. Total treasury stock.....	442,298	550,013	550,013	535,012	563,510	598,188	636,846	837,391	904,101	997,625	1,051,980	1,061,755
11. Capital stock outstanding and surplus.....	10,159,728	10,492,406	11,342,631	11,835,421	12,604,145	13,506,535	14,450,917	15,134,425	15,592,322	16,051,408	16,460,075	16,961,476
12. Less goodwill, appreciation, and other intangibles.....	3,091,000	3,140,090	3,140,090	3,140,699	3,140,699	3,140,699	3,140,699	3,140,699	3,140,699	3,140,699	3,140,699	3,140,699
13. Total investment.....	7,068,728	7,351,707	8,201,932	8,694,722	9,463,446	10,365,836	11,310,218	11,993,726	12,451,623	12,910,709	13,319,376	13,820,777
14. Average of total investment 1.....	7,210,217	7,210,217	7,776,819	8,448,327	9,079,084	9,914,641	10,838,027	11,651,972	12,222,674	12,684,166	13,115,042	13,570,076
15. Average of common stockholders' equity 1.....	3,210,217	3,210,217	3,776,819	4,448,327	5,079,084	5,914,641	6,838,027	7,651,972	8,222,674	8,681,166	9,115,042	9,570,076
Net income before deducting Federal income and profits taxes:												
16. Applicable to total investment.....	1,233,921	1,233,921	1,501,457	1,564,074	1,862,575	1,931,254	2,325,075	2,400,334	2,553,328	2,505,675	2,530,210	2,620,700
17. Applicable to common-stock equity.....	953,921	1,221,457	1,221,457	1,284,074	1,852,575	1,651,254	2,045,075	2,120,334	2,273,328	2,225,675	2,250,210	2,340,700
Rate of return on total investment (16+17).....percent	17.11	19.31	19.31	18.61	20.52	19.48	21.45	20.60	20.89	19.76	19.29	19.31
Rate of return on common-stock equity (17+15).....percent	29.72	32.34	32.34	28.37	31.16	27.92	29.91	27.71	27.65	25.64	24.69	24.46

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Annual average
Capital stock:											
1. Preferred	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	
2. Common	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	
3. Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	
4. Surplus	4,737,391	5,102,385	5,473,830	5,601,576	5,719,142	5,867,145	4,839,817	4,872,670	4,829,879	4,591,180	
5. Surplus and contingency reserves	3,442,651	3,649,172	3,510,863	3,844,525	3,946,557	3,776,912	3,822,441	3,550,296	3,854,217	3,858,463	
6. Reserve for Federal income and profits taxes	335,543	335,015	309,707	286,610	278,153	294,737	324,628	276,364	299,223	262,155	
7. Capital stock and surplus	18,515,585	19,059,575	19,594,456	19,892,711	19,984,882	17,038,794	16,046,886	15,998,330	15,983,319	15,711,798	
8. Less preferred stock in treasury at cost	1,141,924	1,322,668	1,411,235	1,436,691	1,503,220	1,516,279	721,375	721,375	721,375	721,375	
9. Less common stock in treasury at cost	35,333	282,890	332,885	345,479	367,919	198,961					
10. Total treasury stock	1,177,257	1,605,558	1,744,120	1,782,170	1,871,139	1,715,210	721,375	721,375	721,375	721,375	
11. Capital stock outstanding and surplus	17,338,328	17,454,017	17,850,336	18,110,541	18,083,713	15,323,584	15,325,511	15,276,955	15,261,944	14,990,423	
12. Less goodwill, appreciation, and other intangibles	3,140,699	3,140,699	3,140,699	2,710,439	2,710,439						
13. Total investment	14,197,629	14,313,318	14,709,637	15,400,102	15,373,274	15,323,583	15,325,510	15,276,954	15,261,943	14,990,422	
14. Average of total investment 1	14,009,203	14,255,473	14,511,477	15,054,869	15,386,688	15,348,428	15,324,546	15,301,222	15,269,448	15,126,182	\$12,671,219
15. Average of common stockholders' equity 1	10,009,203	10,255,473	10,511,477	11,054,869	11,386,688	11,348,428	11,324,546	11,301,222	11,269,448	11,126,182	8,671,219
Net income before deducting Federal income and profits taxes:											
16. Applicable to total investment	2,652,720	2,649,304	2,555,829	2,325,600	2,170,763	2,235,511	2,303,985	2,148,519	2,170,839	1,940,259	2,200,186
17. Applicable to common-stock equity	2,372,720	2,369,304	2,275,829	2,045,600	1,896,763	2,045,942	2,102,862	1,927,710	1,934,036	1,703,456	1,934,421
Rate of return on total investment (16+17)	18.94	18.38	17.61	15.45	14.15	14.57	15.03	14.16	14.22	12.83	17.36
Rate of return on common-stock equity percent	23.71	23.10	21.65	18.50	16.66	18.03	18.57	17.06	17.16	15.31	32.31

1 Average of investment at beginning and end of year.

APPENDIX TABLE 13A.—Summary of income, expenses, and surplus for *George W. Helme Co., 1917-37*

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$4,365,928	\$6,582,915	\$6,631,905	\$7,338,486	\$7,793,781	\$8,151,709	\$8,394,337	\$8,537,336	\$8,320,465	\$8,217,361	\$8,242,391
Cost of goods sold.....	2,810,762	4,648,177	4,576,777	4,922,824	5,295,096	5,331,678	5,541,545	5,549,497	5,371,041	5,316,094	5,236,433
Distribution and administrative expenses.....	477,475	533,062	549,497	643,126	669,388	741,143	743,063	749,425	770,125	716,013	750,055
Total operating expenses.....	3,288,237	5,181,239	5,126,274	5,565,950	5,964,484	6,072,721	6,284,608	6,298,922	6,142,066	6,032,107	5,986,488
Net profit on sales.....	1,077,691	1,401,676	1,505,631	1,772,536	1,829,297	2,078,988	2,106,729	2,238,414	2,178,369	2,185,254	2,255,903
Other income (net).....	156,230	99,781	58,443	90,039	101,957	246,087	290,605	314,914	327,276	344,956	364,797
Net income applicable to total investment.....	1,233,921	1,501,457	1,564,074	1,862,575	1,931,254	2,325,075	2,400,334	2,553,328	2,505,675	2,630,210	2,620,700
Provision for Federal income and profits taxes.....	200,000	460,810	328,564	404,521	431,562	362,668	318,114	332,203	362,357	351,797	366,806
Net income for the year.....	1,033,921	1,040,647	1,235,510	1,458,054	1,499,692	1,962,407	2,082,220	2,221,125	2,143,318	2,178,413	2,253,894
Surplus beginning of year.....	1,619,526	1,697,496	2,092,199	2,507,165	3,029,715	3,728,179	4,563,791	5,230,097	6,529,847	8,333,571	10,097,491
Total.....	2,653,447	2,738,143	3,327,709	3,965,219	4,529,407	5,690,586	6,636,011	7,451,222	8,673,165	10,011,984	11,351,385
Less dividends paid on:											
Common stock in cash.....	560,000	400,000	560,000	560,000	560,000	900,000	1,140,000	1,620,000	1,620,000	1,680,000	1,680,000
Common stock in stock.....	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
Preferred stock in cash.....											
Total.....	840,000	680,000	840,000	840,000	840,000	3,180,000	1,420,000	1,900,000	1,900,000	1,960,000	1,960,000
Dividends received on Treasury stock.....	28,973	34,656	33,810	32,154	38,772	43,205	54,086	62,850	72,078	79,319	72,182
Reserve for decline in value of investments.....	144,924		14,354	127,658			40,000	84,225	11,672	33,812	67,227
Reserves restored to surplus.....											
Other deductions (net).....											
Surplus end of the year.....	1,697,496	2,092,199	2,507,165	3,029,715	3,728,170	4,563,791	5,230,097	6,011,984	6,853,571	7,793,491	8,673,491

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	Total
Net sales.....	\$7,956,331	\$7,820,363	\$7,507,862	\$7,063,107	\$6,284,931	\$6,305,138	\$6,699,000	\$6,427,702	\$6,163,501	\$5,894,740	\$150,699,289
Cost of goods sold.....	4,936,605	4,784,775	4,611,405	4,391,933	3,952,653	3,919,816	4,250,618	4,090,330	3,803,644	3,730,124	97,062,627
Distribution and administrative expenses.....	789,549	851,053	795,055	808,897	619,592	608,738	634,146	647,236	646,961	639,018	14,399,627
Total operating expenses.....	5,726,154	5,635,828	5,406,460	5,200,830	4,572,245	4,528,554	4,884,764	4,737,586	4,447,595	4,379,142	111,462,254
Net profit on sales.....	2,230,177	2,184,535	2,101,402	1,862,277	1,712,680	1,776,581	1,814,236	1,690,116	1,715,906	1,515,598	39,237,035
Other income (net).....	422,543	464,769	454,427	463,323	464,077	458,927	489,729	474,403	454,363	424,601	6,466,877
Provision for Federal income and profits taxes.....	2,652,720	2,649,304	2,555,829	2,325,600	2,176,763	2,235,511	2,303,965	2,164,519	2,170,839	1,940,250	46,203,912
Net income for the year.....	338,182	308,018	309,597	286,250	279,152	284,737	315,078	263,917	296,827	262,155	6,865,315
Surplus beginning of year.....	2,314,538	2,341,286	2,246,232	2,039,350	1,897,611	1,950,774	1,983,887	1,898,602	1,874,012	1,678,104	39,338,597
Total.....	4,396,340	4,737,391	5,102,385	5,473,886	5,661,576	5,719,142	5,867,145	4,833,817	4,872,670	4,829,879	---
Less dividends paid on: Common stock in cash.....	6,710,878	7,078,677	7,348,617	7,513,236	7,559,187	7,669,916	7*856,032	6,738,419	6,746,682	6,507,983	---
Common stock in stock.....	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,651,264	2,812,451	1,680,000	1,680,000	1,680,000	29,183,715
Preferred stock in cash.....	280,000	280,000	280,000	280,000	280,000	189,569	201,103	236,803	236,803	236,803	2,400,000
Total.....	1,960,000	1,960,000	1,960,000	1,960,000	1,960,000	1,840,833	3,013,554	1,916,803	1,916,803	1,916,803	36,764,796
Dividends received on Treasury stock ¹	75,447	81,610	107,736	114,697	119,955	38,062	---	---	---	---	1,068,402
Reserve for decline in value of investments.....	88,834	97,902	22,467	6,357	---	---	---	---	---	---	1,739,532
Reserves restored to surplus ¹	---	---	---	---	---	---	---	151,054	---	---	---
Other deductions (net).....	---	---	---	---	---	---	2,661	---	---	---	---
Surplus end of the year.....	4,737,391	5,102,385	5,473,886	5,661,576	5,719,142	5,867,145	4,839,817	4,872,670	4,829,879	4,591,180	---

¹ Additions to surplus.

PART III

INVESTMENTS, PROFITS, AND RATES OF RETURN
FOR IRON AND STEEL MANUFACTURERS

17739

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INVESTMENTS, PROFITS, AND RATES OF RETURN FOR IRON AND STEEL MANUFACTURERS

INTRODUCTION

This report deals with the investments, profits, and operations of 11 companies which supply the bulk of the demand for iron and steel products. Their operations constitute integrated systems from raw material to finished product, and include the production of iron ore, pig iron, coal, limestone, crude steel, castings, and a great variety of semifinished and finished steel products. These companies are United States Steel Corporation, Bethlehem Steel Corporation, Republic Steel Corporation, Jones & Laughlin Steel Corporation, National Steel Corporation, Youngstown Sheet & Tube Co., Inland Steel Co., American Rolling Mill Co., Wheeling Steel Corporation, Otis Steel Co., and Pittsburgh Steel Co.

The investments, profits, and rates of return for these companies, individually and as a group, are presented for each of the years 1917-38 for which the information was available. Comparisons are made of returns on investments and of sales and operating results for the respective companies; and their position in the industry is indicated in terms of production, capacity, investment, and volume of business. Information is also presented with respect to salaries and other compensation paid in recent years to officers and directors of these companies.

The financial information, which is the basis for the discussion of investments, profits, and rates of return, was obtained from certified written reports submitted by the companies in answer to questionnaires, and from their published annual reports. In the case of United States Steel Corporation, the dominant company in the industry, the study was supplemented by an extensive field examination at the offices of the company. For this reason a separate section of this report is devoted to the investments, profits, and operations of this company and its subsidiaries.

HISTORY AND BUSINESS OF COMPANIES UNDER REVIEW

The 11 companies whose operations are the subject of this report own 84 percent of the steel-making capacity of the country. The annual capacity in gross tons for each company and its subsidiaries and the percentage of each company's capacity of the total for the industry are as follows:

Name of company	Annual capacity ¹	Percent of total for industry
United States Steel Corporation.....	25,790,000	35.31
Bethlehem Steel Corporation.....	10,042,000	13.75
Republic Steel Corporation.....	6,500,000	8.90
Jones & Laughlin Steel Corporation.....	3,671,200	5.03
National Steel Corporation.....	3,400,000	4.65
Youngstown Sheet & Tube Co.....	3,120,000	4.27
Inland Steel Co.....	2,760,000	3.78
American Rolling Mill Co.....	2,693,500	3.56
Wheeling Steel Corporation.....	1,750,000	2.39
Otis Steel Co.....	872,000	1.19
Pittsburgh Steel Co.....	810,000	1.11
Total.....	61,318,700	83.94

¹ Annual capacities in gross tons of steel ingots and steel for castings as reported for the industry in the 1938 edition of the Iron and Steel Works Directory of the United States and Canada. Total capacity for the industry reported to be 73,047,832 gross tons.

The history and nature of the business conducted by each of the companies listed above are briefly set forth below.

UNITED STATES STEEL CORPORATION

The United States Steel Corporation, the dominant company in the industry, was incorporated in New Jersey on February 25, 1901, as a holding company to acquire the capital stocks giving control of the following companies:

Carnegie Co.
Federal Steel Co.
National Steel Co.
American Steel and Wire Co.
American Sheet Steel Co.
American Tin Plate Co.
American Steel Hoop Co.
American Bridge Co.
National Tube Co.
Shelby Steel Tube Co.
Lake Superior Consolidated Iron Mines

According to the report of the Commissioner of Corporations on the steel industry,¹ the formation of United States Steel Corporation was the culmination of a consolidation movement which was begun in the late 90's. Great consolidations, one after another, were effected in the principal branches of the industry. This movement toward industrial consolidation was characterized by the restriction of competition through combination, the integration or linking up of productive processes through acquisition under one control of raw materials and manufacturing plants, and the creation of a large amount of inflated securities and attendant promotional profits.

According to the report, the three great companies dominating the production of crude and semi-finished steel at the time of the organization of United States Steel Corporation were the Carnegie Co., the Federal Steel Co., and National Steel Co. Six other large concerns, the American Steel & Wire Co., American Sheet Steel Co., American Tin Plate Co., American Steel Hoop Co., American Bridge Co., and National Tube Co. controlled the lighter finished products. Not one of these concerns was entirely self-sufficient. The secondary group was dependent upon the primary group for its crude steel, and the primary group was largely dependent upon the secondary group for a market for its products.

These great concerns almost simultaneously began a movement for self-sufficiency. The secondary group began acquiring ore reserves and crude steel plants and the primary group, finding their chief customers turning into rivals, began the manufacture of finished products. These efforts toward integration threatened to result in great duplication of steel producing and finishing capacity of the country and to involve them also in the invasion of each other's business. In 1900 the Carnegie Co. threatened to erect a great tube plant near Cleveland, thus invading the field of finished manufacture. Steel men and associated financial interests regarded this situation as dangerous and efforts were begun to merge the conflicting interests into a great corporation and avert a threatened "steel war." This led to the formation of United States Steel Corporation with a total capitalization of over \$1,402,000,000 to acquire the capital stocks of the companies listed above and to provide it with working capital.

The report of the Commissioner of Corporations also states that the actual value of the Steel corporation's entire tangible properties at its formation was not more than \$700,000,000, or about one-half its capitalization. More specifically it was estimated that of the total capitalization of the company at its formation, \$720,846,817 represented intangible values, and \$682,000,000 represented tangible assets. Recognition was given to this estimate as evidenced by the following statement appearing in the annual report of the United States Steel Corporation to its stockholders for the year 1938:

"As far back as 1917 when the war-time excess-profits tax laws were in force, the Internal Revenue Department in its calculations to determine and verify invested capital for tangibles accepted a plan designed to fix such investment values at the date of the formation of the corporation on April 1, 1901. This plan was based upon values appraised some years prior to 1917 by the United States Department of Commerce and Labor, Bureau of Corporations. With the enactment of the Federal Securities Exchange Act of 1934 and the regulations promulgated thereunder, the necessity developed for a segregation in the accounts of the intangible values. Accordingly, the plan accepted by the Internal Revenue

¹ Part I, 1911.

Department, as above outlined, was utilized as the initial basis from which to obtain this separation of intangible values."

By December 31, 1938, the United States Steel Corporation had written down to a nominal value of \$1 all of the \$720,846,817 of intangible values included in its assets at the time of its organization together with \$47,824,205 of additional intangible values resulting from subsequent acquisition.

Enormous profits were made from the flotation of securities of United States Steel Corporation at the time of its organization. The underwriting syndicate alone, of which J. P. Morgan & Co. were the managers, cleared a cash profit of about \$62,500,000.

As a result of this great industrial combination, there was centered in one concern approximately 43 percent of the pig iron production of the country, 65 percent of the production of steel ingots and castings, and 50 percent of the production of all kinds of finished rolled products.² However, the position of United States Steel Corporation with respect to its participation in the industry has steadily declined since that time, particularly with regard to the production of steel ingots and castings. For example, by 1938 its participation in the industry had fallen to 33 percent of the production of steel ingots and castings and 29 percent of the production of finished rolled products.

Table 1, which follows, gives the steel corporations participation in the industry with regard to the production of steel ingots and castings, finished rolled products, and certain other products, for each of the years 1913-38. The source of the information for the percentages shown in the table was the annual statistical reports of the American Iron and Steel Institute.

TABLE 1.—Participation by subsidiaries of United States Steel Corporation in the total United States production of steel ingots and castings, finished rolled products and certain other products, for each of the years 1913-38

Year	Steel ingots and castings	Finished rolled steel products							Tin plate and terne plate	Wire nails	Tubes and pipe ¹
		Steel rails	Structural shapes	Plates	Sheets, black plate, strip ¹	Wire rods	Other finished rolled products ¹	Total finished rolled products			
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1913.....	53.2	55.5	54.0	53.1	44.8	58.4	39.9	47.8	58.6	44.6	50.4
1914.....	50.3	50.6	47.5	47.3	39.3	56.9	37.9	44.1	53.6	46.5	44.8
1915.....	50.9	51.8	46.1	49.8	41.0	60.3	37.8	44.6	54.0	47.6	45.5
1916.....	48.9	54.4	49.4	51.5	42.8	58.9	37.0	44.4	40.3	54.4	47.1
1917.....	45.0	54.8	47.9	46.9	39.0	57.8	34.8	42.0	48.6	54.5	45.5
1918.....	44.1	58.3	48.4	50.0	33.9	56.5	33.8	41.7	48.3	53.3	46.1
1919.....	49.6	62.0	43.8	50.2	37.7	55.4	38.7	44.6	48.4	51.9	46.4
1920.....	45.8	58.1	43.9	46.4	32.9	56.0	35.9	41.6	45.1	54.0	43.4
1921.....	55.4	68.2	47.5	56.5	39.5	55.1	45.8	50.5	48.8	48.1	46.8
1922.....	45.2	56.9	46.3	51.6	31.4	50.6	39.6	43.0	43.5	45.1	39.4
1923.....	45.2	57.3	48.0	54.9	31.5	51.9	37.7	42.9	50.1	45.9	41.7
1924.....	43.4	57.6	42.8	54.4	27.0	48.5	35.8	40.2	45.3	40.2	40.5
1925.....	41.6	55.0	40.7	51.1	26.1	47.4	34.7	38.4	46.3	40.8	39.2
1926.....	42.1	55.3	39.9	52.0	28.3	49.6	34.1	38.9	46.6	45.4	40.6
1927.....	41.1	53.3	38.8	52.4	26.4	47.4	33.2	37.7	40.1	42.0	41.0
1928.....	39.0	52.1	39.9	49.8	26.0	46.5	29.9	35.2	39.9	39.6	35.9
1929.....	38.8	50.6	41.8	51.9	22.8	45.7	31.7	35.4	38.8	39.0	34.8
1930.....	41.2	51.2	44.6	54.5	23.7	46.1	32.2	36.6	37.5	44.6	36.1
1931.....	38.9	52.0	45.4	50.0	20.8	45.3	31.3	34.1	32.4	43.4	35.1
1932.....	36.0	46.9	43.9	41.7	19.9	44.2	26.6	29.6	30.4	42.4	28.5
1933.....	34.6	56.3	39.1	30.6	23.3	41.6	26.9	29.0	34.0	37.6	29.3
1934.....	33.2	52.2	42.2	33.4	22.5	40.6	23.7	28.4	34.1	40.6	28.4
1935.....	32.6	58.8	40.4	33.5	21.9	40.1	24.2	27.7	34.1	40.1	27.8
1936.....	35.4	54.9	43.6	36.8	22.3	39.5	27.6	29.7	32.5	38.6	31.8
1937.....	36.6	52.8	44.7	39.8	24.2	36.9	29.2	31.3	32.5	39.1	31.5
1938.....	33.2	54.5	44.4	30.6	24.3	31.0	27.5	29.2	35.5	34.3	29.3

¹ In production statistics prior to year 1929; strip was not clearly classified, and accurate figures are not available. Apparently, the greater part of strip as defined in recent years was included in "Other finished finished rolled products." For years 1929 to 1938, strip production is included with sheets.

² Electric welded pipe not included.

³ Computed from tonnages appearing in annual statistical report of the American Iron and Steel Institute for 1917, p. 67.

The tonnage basis for the percentages of production of steel ingots and castings and for the percentages of production of total finished rolled products is given in the following tabulation. This tabulation compares the tonnage production of the subsidiaries of the United States Steel Corporation of steel ingots and castings and of finished rolled steel products with such production for the industry as a whole for each of the years 1913 to 1938.

Comparison of production of steel ingots and steel for casting, and production of rolled and finished products for the steel industry and for the United States Steel Corporation, 1913-38

Year	Production of steel ingots and castings		Production of finished rolled steel products	
	Total for the industry	United States Steel Corporation	Total for the industry	United States Steel Corporation
	Tons	Tons	Tons	Tons
1913	31,300,874	16,656,361	24,791,243	11,853,639
1914	23,513,030	11,826,476	18,370,196	8,101,228
1915	32,151,036	16,376,492	24,392,924	10,870,446
1916	42,773,680	20,910,589	32,380,389	14,365,342
1917	45,060,607	20,285,061	33,067,700	13,894,521
1918	44,462,432	19,583,493	31,155,754	12,991,829
1919	34,671,232	17,200,373	25,101,544	11,195,303
1920	42,132,934	19,277,960	32,347,863	13,457,171
1921	19,783,797	10,966,347	14,774,006	7,454,986
1922	35,602,926	16,082,385	26,452,004	11,360,826
1923	44,943,696	20,329,950	33,277,076	14,287,025
1924	37,931,939	16,478,857	28,086,435	11,281,441
1925	45,393,524	18,898,697	33,386,960	12,825,933
1926	48,293,763	20,306,668	35,495,892	13,817,820
1927	44,935,185	18,486,444	32,879,031	12,395,226
1928	51,544,180	20,105,749	37,662,916	13,263,468
1929	56,433,473	21,868,816	41,069,416	14,531,358
1930	40,699,483	16,726,472	29,513,007	10,804,241
1931	25,945,501	10,082,398	19,175,894	6,538,980
1932	13,681,162	4,929,236	10,451,088	3,093,522
1933	23,232,347	8,046,995	16,735,086	4,853,175
1934	26,055,289	8,660,309	18,969,506	5,387,340
1935	34,092,594	11,130,942	23,964,552	6,638,181
1936	47,767,856	16,907,996	33,801,379	10,039,010
1937	50,568,701	18,532,278	36,766,389	11,507,880
1938	28,349,991	9,397,371	20,985,563	6,127,784

Since its organization, United States Steel Corporation has continued to act solely as a holding company and has acquired numerous competing and other concerns of which the more important were Union Steel Co. in 1902, Clairton Steel Co. in 1904, Tennessee Coal, Iron & Railroad Co. in 1907, and Atlas Portland Cement Co. and Columbia Steel Co. in 1930. The company and its subsidiaries constitute a highly integrated unit from ore to finished products.

Through its subsidiaries the company owns vast material resources, including coal, limestone, and high-grade iron ore. It operates railroads, shipyards, and steamship lines. It manufactures all kinds of iron and steel products, including cement, with emphasis on the ordinary open-hearth trade steel for the railroad, construction, and other capital goods industries. It is also engaged in the fabrication of a wide variety of finished products, including bridges, ships, barges, railroad, and oil well equipment. The principal producing center has always been in Pittsburgh, but important plants are also located in Gary, Cleveland, Youngstown, Chicago, Birmingham, San Francisco, and Milwaukee.

Further details concerning the nature of the operations of the company and its subsidiaries appears in the section of the report devoted to the investments, profit, and rates of return for the United States Steel Corporation and subsidiaries.

BETHLEHEM STEEL CORPORATION

Bethlehem Steel Corporation is the second largest steel company in the United States. The first company to bear the name of Bethlehem Steel Corporation was incorporated on December 10, 1904, in New Jersey as successor to United States Ship Building Co. This latter company had been organized in 1902, and owned the capital stock of an old established concern known as Bethlehem Steel Co. and the capital stocks of a number of shipbuilding companies specializing in naval

vessel construction for the United States and foreign governments. Bethlehem Steel Co. specialized in the manufacture of armor plate, gun forgings, and steel forgings for marine and stationary engines.

Charles M. Schwab, who was one of the organizers of United States Steel Corporation and its first president, promoted the organization of Bethlehem Steel Corporation in 1904. For some years prior to that time he desired to go into the steel business on his own account and the acquisition of the capital stock of Bethlehem Steel Co. in 1901 gave him the opportunity. This led to the organization of United States Shipbuilding Co. a year later and in turn to the organization of Bethlehem Steel Corporation in 1904.

Bethlehem Steel Corporation has since become a thoroughly integrated concern from raw materials to finished products. The company expanded rapidly. New plants were constructed and numerous competing and other concerns were acquired from time to time. In 1908 the company organized Iron Mines Co. for the purpose of acquiring, holding, mining, and operating iron-ore properties. Soon thereafter other companies having iron-ore deposits in Chile and Cuba were acquired. In 1913, the company acquired Fore River Shipbuilding Co., Quincy, Mass., and Titusville Forge Co., Titusville, Pa., which enabled the company to build complete battleships at the Quincy plant. Earlier the company had expanded shipbuilding operations on the Pacific coast through the subsidiary, Union Iron Works Co.

Substantial growth of Bethlehem Steel Corporation occurred during the World War. In 1916 controlling equities in the stocks of Pennsylvania Steel Co. and Baltimore Sheet & Tin Plate Co. were acquired. Pennsylvania Steel Co., or its predecessors, began operations in 1866 and owned important plants, including the Sparrows Point plant, for the manufacture of various types of steel and iron products. It also owned blast furnaces, coke ovens, coal properties, and ore deposits. Pennsylvania Steel Co. controlled Maryland Steel Co. and other important subsidiaries.

Late in 1916 and early in 1917 Bethlehem Steel Corporation acquired American Iron & Steel Manufacturing Co., Lackawanna Iron & Steel Co., and Lehigh Coke Co.

For the purpose of consolidating the shipbuilding operations the company formed, in 1917, Bethlehem Shipbuilding Corporation, Ltd., which took over the plants of various shipbuilding companies. About the same time the domestic mining operations were consolidated into the newly formed Bethlehem Mines Corporation.

In July 1919 the capital stocks of Cornwall Railroad Co. and Cornwall Iron Co. were purchased by Bethlehem Steel Corporation. Elkins Coal & Coke Co., in West Virginia, was acquired in 1919 and additional coal lands in West Virginia were purchased in 1920.

Bethlehem Steel Corporation acquired a number of important companies during 1921, 1922, and 1923. Those acquisitions included Baltimore Dry Docks & Shipbuilding Co., Lackawanna Steel Co., and Midvale Steel & Ordnance Co. and its subsidiary, Cambria Steel Co.

In January 1930 all the plants and business of Pacific Coast Steel Co. and Southern California Iron & Steel Co. were acquired. The fabricating properties of McClintic-Marshall Corporation were purchased in 1931. Also during that year Bethlehem Steel Corporation purchased the fabricating plants and properties of Levering & Garrigues Co., Hay Foundry & Iron Works, Hedden Iron Construction Co., and Kalman Steel Co. In 1932 the property of Seneca Iron & Steel Co. were purchased. The properties and assets of Williamsport Wire Rope Co. were acquired in 1937.

In a program to consolidate subsidiaries in the interests of economies in management and savings in taxes a merger was effected in 1936 of Bethlehem Steel Corporation and three of its subsidiaries with Pacific Coast Steel Corporation. The latter company had been incorporated in Delaware in 1919 and at the time of the merger its name was changed to Bethlehem Steel Corporation so that the present company is a Delaware corporation, successor to the New Jersey corporation of the same name.

The company and its subsidiaries own extensive ore, coal, and limestone resources, together with manufacturing properties, railroads, and fleets of ocean and lake steamers. The business includes the manufacture of all kinds of iron, steel, and related products. It also includes the fabrication and erection of steel for buildings, bridges, and other structures, the construction of railroad cars for passenger and freight transportation, and the building and repairing of naval and commercial vessels. Producing plants are located in Pennsylvania, Mary-

land, New York, Washington, and California. Important steel-fabricating works for the erection of buildings, bridges, and other structures are located in Pennsylvania, New York, New Jersey, Illinois, and California. Shipbuilding and ship repair plants are located at Baltimore and Sparrows Point, Md.; Boston, Quincy, and Braintree, Mass.; and San Francisco, Alameda, and San Pedro, Calif.

Like the Steel Corporation the bulk of Bethlehem's business has always been in steels for the railroad and building industries.

REPUBLIC STEEL CORPORATION

Republic Steel Corporation is the third largest steel company and had its beginning in 1899 as Republic Iron & Steel Co. In 1930 this company and four other large companies—Central Alloy Steel Corporation, Donner Steel Co., Berger Manufacturing Co., and the Bowine-Fuller Co.—were merged to form Republic Steel Corporation.

The company has had a rapid growth since its organization in 1930, particularly with regard to the acquisition of other companies, among the more important of which were the Corrigan, McKinney Steel Co., Newton Steel Co., and Truscon Steel Co. in 1935, Canton Tin Plate Corporation in 1936, and the Gulf States Steel Co. in 1937.

The corporation and its subsidiaries are large producers of alloy steels and are among the leaders in capacity for stainless steel production. They manufacture steel pipe by the electric welding process on a large scale and rank high in the production of tin plate, but have little or no capacity in heavier steels, such as rails and structurals. Their largest single customer is the automobile industry. The system is fairly well integrated and owns huge coal and iron reserves, the latter in both the Lake Superior and Birmingham districts. Its principal plants are located in Cleveland, Youngstown, Warren, Niles and Canton, Ohio; Buffalo, N. Y.; Chicago, Ill.; and Birmingham, Ala.

JONES & LAUGHLIN STEEL CORPORATION

Jones & Laughlin Steel Corporation was incorporated in Pennsylvania in December 1922 as successor to Jones & Laughlin Steel Co., which had been incorporated in Pennsylvania in June 1902 as successor to the former partnership of Jones & Laughlins, Ltd., established in 1850.

The company is the fourth largest steel producer in the country and with its subsidiaries forms an integrated system with works at Pittsburgh and Aliquippa, Pa., coal properties on the upper Monongahela River, and interests in iron ore, steamship, and railroad properties. Although the company manufactures a diversified line of iron and steel products, its major product is pipe, structural, and railway steel. In May 1939 the company announced an important discovery of a method to obtain a uniform quality Bessemer steel with the aid of photoelectric cells.

NATIONAL STEEL CORPORATION

National Steel Corporation was incorporated in Delaware in November 1929 as a holding company. It acquired the capital stocks giving control of Weirton Steel Co., Great Lakes Steel Corporation, and certain subsidiaries of the M. A. Hanna Co., which owned large ore reserves in the Lake Superior district, freighters for the transportation of the ore, and plants for the manufacture of iron and steel.

Weirton Steel Co. had its beginning in 1905 as Phillips Sheet & Tin Plate Co. The company's principal producing plants were located in West Virginia and it specialized in the manufacture of sheet and tin plate products for all purposes. At the time of its acquisition by National it had developed a substantial business with the automobile industry.

Great Lakes Steel Corporation was incorporated in February 1929 for the purpose of carrying on a steel business in plants to be erected on a tract of land which the company owned in the Detroit industrial area. This program was carried out and this company's properties, together with those of other subsidiaries of National Steel Corporation, constitute the only integrated steel producing unit in the Detroit area.

The acquisition of these companies and their subsequent growth make National Steel a well-integrated unit, ranking fifth in ingot capacity and about the third largest producer of tin plate. Its plants in the Detroit area produce steel bars, strip, sheets, and related products, while its other main plant at Weirton, W. Va., produces primarily tin plate and "heavy" steel, such as shapes, plates, and structural steel.

YOUNGSTOWN SHEET & TUBE CO.

Youngstown Sheet & Tube Co. was incorporated in 1900 as Youngstown Iron Sheet & Tube Co. The name of the company was changed to the present title on May 5, 1905.

Youngstown Sheet & Tube Co. is about the sixth largest domestic steel producer in terms of ingot capacity. About two-thirds of the capacity is centralized in the Youngstown district of Ohio and the remainder in the Chicago area. The company is well integrated and controls coal, iron ore, and limestone reserves which are reported to be sufficient to last about 35 years.

The company's operations were expanded considerably in 1923 by the acquisitions of plants and other assets of Brier Hill Steel Co. and Steel & Tube Co. of America. A considerable amount has also been spent on plant improvements and new equipment in the last few years with the expansion of the business into the "light" steel lines, notably sheet and strip steel for the automobile- and household-equipment industries. It is estimated that pipe and conduit make up 31 percent of capacity; sheets and strip, 34 percent; tin plate, 7 percent; plates, 3 percent; merchant bars, light structural shapes, railroad tie plates, and track spikes, 15 percent; wire rods and other wire products, 8 percent; and slabs, billets, skelp, and sheet bars, 2 percent.

INLAND STEEL CO.

Inland Steel Co. was incorporated in Delaware in February 1917 as successor to an Illinois company of the same name established in 1893.

The company is fully integrated, with operations varying from the production of raw material requirements to the fabrication and distribution of finished products. The principal iron and steel producing properties are located along the southern shore of Lake Michigan at Indiana Harbor, Ind., in the great Chicago-Gary industrial area. The company also owns or controls important iron ore, coal, and limestone properties as well as facilities for the fabrication and distribution of a diversified line of products. It is estimated that approximately 60 percent of the finished steel products capacity is available for the production of so-called light products, such as sheets, strip, tin plate, bars, etc., and 40 percent is available for the production of the so-called heavy products, such as shapes, plates, rails, etc.

In recent years the company has expanded its operations through a program of construction of plant and facilities and the acquisition of the capital stocks giving control of other companies, notably Joseph T. Ryerson & Son, Inc., Chicago, Ill., fabricators and distributors of steel products, and Milcor Steel Co., Milwaukee, Wis., manufacturers and fabricators of miscellaneous building materials from steel sheets.

AMERICAN ROLLING MILL CO.

American Rolling Mill Co. was incorporated in Ohio in June 1917 to acquire the businesses and assets of American Rolling Mill Co., incorporated in New Jersey, and Columbus Iron & Steel Co. The predecessor American Rolling Mill Co. had been engaged primarily in the manufacture of specialty "Armco" ingot iron sheets and steel sheets and had purchased substantially all of its pig-iron requirements from Columbus Iron & Steel Co., a company producing pig iron only.

At present the company specializes in producing high quality steel, iron sheets, and light plates. It has little or no capacity for heavier products such as rails and structurals. Its main outlet is the automobile industry, while other important consumers include jobbers, and the road-construction, refrigerator, and electrical-equipment industries.

The company's patented continuous rolling process has been licensed on a royalty basis since 1927 to United States Steel, Republic, Youngstown Sheet & Tube, and other domestic and foreign manufacturers. The company is reported to have evolved a method of spirally welding pipe and a new process for enameling iron. It has been active in alloy and stainless steels. Recent developments are said to have included a new kind of galvanized roofing and the perfection of a new type of zinc-coated sheet steel. Fully integrated plants are at Ashland, Ky., on the Ohio waterway, and Middletown, Ohio, near Cincinnati. Finishing mills are located in the Pittsburgh district and at Kansas City.

WHEELING STEEL CORPORATION

Wheeling Steel Corporation was organized in June 1920 to consolidate the properties and businesses of LaBelle Iron Works, founded in 1852; Whitaker-Glessner Co., which had its beginning in 1875; and Wheeling Steel & Iron Co., incorporated in 1892.

Wheeling Steel Corporation is one of the smaller but well-integrated units in the steel industry. It owns 14 manufacturing plants along the Ohio River Valley in the States of West Virginia and Ohio; iron ore properties in Minnesota; interests in Great Lakes steamers; coal properties in Pennsylvania, West Virginia, and Ohio; and interests in railroad and river transportation. It is reported that more than 70 percent of the corporation's output in recent years has consisted of sheets, tin plate, and strips. The company's largest customer, the automobile industry, takes from 20 to 25 percent of the total output.

OTIS STEEL CO.

Otis Steel Co. was incorporated in January 1912 in Ohio, and acquired the property and assets of Otis Steel Co., Ltd., an English corporation registered in 1895. The company is engaged chiefly in the production of sheets, plates, and strips. Plants are well located geographically on lake and river frontage at Cleveland, permitting economical transportation of raw materials, and of finished steel to Detroit and other points by water. The company specializes in the manufacture of automobile steel and sells about half of its finished output to the automobile industry. About 17 percent of the company's capacity is in structural and other heavy steels.

PITTSBURGH STEEL CO.

Pittsburgh Steel Co. was incorporated in July 1901 and acquired the Pittsburgh Steel Hoop Co. which had been organized in July 1899. The company and its subsidiaries engage chiefly in the manufacture and sale of pig iron and semi-finished and finished steel products. The most important finished steel products include a wide variety of seamless steel tubes ranging from one-half-inch to 14 inches in diameter, and a diversified line of wire and wire products, including laths, nails, fence and reinforcing material for building construction. Plants are located along the Monongahela River, and the company controls coal and iron ore reserves and through its subsidiaries, operates a railroad and a fleet of barges.

The subsidiaries of this company and of all other companies under review are listed in appendix tables 1 to 11. These tables list the names of the active subsidiaries of each company at December 31, 1937, the nature of the business in which they are engaged, and the percentage of control by the holding company.

COMPARATIVE INVESTMENTS, PROFITS AND RATES OF RETURN
FOR THE PRINCIPAL STEEL COMPANIES

SUMMARY OF INVESTMENTS, PROFITS, AND RATES OF RETURN

It has been shown heretofore that the 11 steel companies, for which data are available, represent a substantial portion of the industry. Based upon capacity, the 11 companies and their subsidiaries have 84 percent of the steel-making capacity of the country. Thus it is evident that the operating results for the 11 companies, individually and combined, are significant indices of the trends of the industry.

Rates of return on investment have been computed on three bases, namely, the total investment, the stockholders' investment, and the common stockholders' equity. A summary of the investments, profits, and rates of return on each basis of investment for all 11 companies combined, for the years 1917-38, is presented in the following table 2.

The total investment includes the outstanding common and preferred stocks and long-term debt, surplus, surplus and contingency reserves, and reserves for Federal income and profits taxes. The stockholders' investment includes all of these elements except long-term debt. The stockholders' equity consists of the outstanding common stocks, surplus, surplus and contingency reserves, and reserves for Federal income and profits taxes. On each basis, the investments were averaged as of the beginning and end of each year, after deducting goodwill, appreciation and other intangibles.

The profits used in computing rates of return are before deductions for Federal income and profits taxes, since such taxes are wholly contingent upon profits and represent a division of the earnings of the business. Subject to this qualification, the profits applicable to the total investment represent the net income from all sources before deducting interest on long-term debt. The profits applicable to the stockholders' investment represent the net income after deducting interest on long-term debt. The profits applicable to the common stockholders' equity were determined by deducting the dividends paid or accrued on the preferred stocks from the income applicable to the stockholders' investment. In order to arrive at the profits applicable to the common stockholders' investment it was necessary to adjust the profits of some of the companies by the amounts of accrued dividends on the preferred stocks which were in arrears. For some of the companies the preferred dividends in arrears extended over several years, especially during the depression years.

TABLE 2.—Summary of investments, profits, and rates of return on the total investment, stockholders' investment, and common stockholders' equity for the principal steel companies, each year, 1917-38, inclusive

Year	Num-ber of com-panies	Average investment ¹			Net profit ² applicable to			Rates of return on		
		Total investment	Stockholders' investment	Common stock-holders' equity	Total invest-ment	Stockholders' investment	Common stock-holders' equity	Total invest-ment	Stock-holders' invest-ment	Common stock-holders' equity
1917	9	\$2,213,707,515	\$1,437,006,392	\$990,785,542	\$705,363,357	\$653,468,873	\$632,589,523	31.86	46.17	63.85
1918	9	2,582,407,605	1,779,909,979	1,318,450,179	566,801,772	525,293,121	492,880,451	21.95	29.51	37.36
1919	10	2,562,437,392	1,778,320,566	1,312,879,716	249,893,909	208,743,874	175,825,259	9.75	11.74	13.30
1920	10	2,559,572,534	1,789,376,878	1,311,070,478	204,965,809	255,161,472	220,606,733	11.62	14.26	16.33
1921	10	2,613,654,189	1,836,824,895	1,346,854,495	81,614,562	40,992,892	5,720,481	3.12	2.23	2.42
1922	10	2,603,024,308	1,821,644,836	1,325,267,936	109,526,987	68,827,860	33,311,777	4.20	3.78	11.92
1923	10	2,840,695,520	1,983,649,171	1,442,339,955	206,226,219	246,680,631	158,970,922	8.68	10.00	11.92
1924	10	2,041,460,238	2,118,508,146	1,536,790,767	246,273,306	146,465,649	101,582,738	6.45	6.91	8.51
1925	10	3,083,050,302	2,158,203,909	1,574,020,566	226,179,246	170,531,658	134,742,391	7.34	8.18	8.56
1926	10	3,181,636,884	2,277,654,330	1,672,731,478	279,171,326	230,158,432	185,389,189	8.77	10.10	11.98
1927	10	3,251,345,570	2,374,418,150	1,746,309,179	218,562,755	171,518,350	126,763,930	6.72	7.22	7.96
1928	10	3,326,387,286	2,438,210,838	1,815,701,638	275,010,676	228,408,911	182,995,895	8.27	6.29	10.98
1929	10	3,483,432,920	2,789,921,919	2,148,770,198	401,752,300	363,615,712	320,454,457	11.53	13.17	14.91
1930	11	3,749,033,167	2,215,234,115	2,588,423,186	204,886,309	176,815,651	132,763,373	5.27	5.50	5.73
1931	11	3,785,474,893	3,230,190,165	2,582,814,071	293,080,382	3,793,004	3,62,972,082	5.8	3.27	3.05
1932	11	3,637,006,690	3,059,705,419	2,410,372,071	310,753,007	3,250,084	3,182,626,623	3.06	3.45	3.74
1933	11	3,471,996,803	2,921,272,091	2,272,306,991	1,356,641,800	1,64,414,871	108,620,228	31.01	3.21	3.64
1934	11	3,471,101,543	2,862,530,570	2,213,601,036	33,889,328	14,297,763	58,439,123	3.40	1.86	2.89
1935	11	3,314,442,229	2,746,487,277	2,106,667,037	80,199,795	151,307,114	11,167,624	2.92	1.72	5.89
1936	11	3,306,322,280	2,681,684,819	2,042,363,182	182,617,123	153,307,114	11,167,624	3.52	6.72	6.76
1937	11	3,463,961,526	2,817,540,624	2,148,318,744	282,596,553	254,194,158	209,612,574	8.16	9.02	9.76
1938	11	3,583,043,740	2,867,279,406	2,176,491,233	32,083,402	357,067	344,910,977	.80	.02	2.00
Average.....		3,226,998,366	2,469,810,239	1,883,792,160	212,754,232	173,395,480	132,342,274	6.59	7.02	7.03

¹ Average of investments at beginning and end of year for each company.² Net profit before deducting provisions for Federal income and profits taxes.³ Denotes loss.

Table 2 shows that during the 22 years, 1917-38, all companies as a group earned an average of 6.59 percent on the total investment, 7.02 percent on the stockholders' investment, and 7.03 percent on the common-stock holders' equity. On each basis of investment returns were highest in 1917 when 31.86 percent was earned on the total investment, 46.17 percent on the stockholders' investment and 63.85 percent on the common-stock holders' equity. Returns were lowest in 1932 when losses were sustained equivalent to 2.96 percent on the total investment, 4.5 percent on the stockholders' investment, and 7.54 percent on the common-stock holders' equity.

The table shows that profits were earned on each basis of investment in all years prior to 1931 and that the high returns earned during the years 1917-20 were not equalled until 1929, although substantial returns were earned during the intervening years. Losses sustained during the depression years and the relatively small profits earned in most of the later years were such that the results of operations were decidedly less favorable than for the period prior to 1931. For example, the average return earned on the total investment for the years 1917-30 was 9.87 percent as compared with 1.68 percent for the years 1931-38. The average return of 6.59 percent for all years on this basis of investment was higher than for any year during the latter period, except in 1937 when 8.16 percent was earned. It will be noted that while the trend in earnings was upward following 1932 there was a sharp reversal in 1938 when only nine-tenths of 1 percent was earned on the total investment.

GOODWILL, APPRECIATION, AND OTHER INTANGIBLES

It has been explained that deductions were made for goodwill, appreciation, and other intangibles in computing rates of return on each basis of investment. The aggregate amounts deducted from investments for each of the years 1917-38 were as follows:

1917.....	\$580,098,176	1928.....	\$413,986,724
1918.....	575,988,166	1929.....	325,520,837
1919.....	567,655,407	1930.....	324,723,807
1920.....	559,637,619	1931.....	324,601,493
1921.....	556,303,836	1932.....	324,672,006
1922.....	547,904,451	1933.....	324,122,565
1923.....	541,972,811	1934.....	324,018,073
1924.....	532,598,775	1935.....	298,860,813
1925.....	521,914,295	1936.....	277,988,471
1926.....	466,634,633	1937.....	268,565,845
1927.....	456,048,066	1938.....	18,337,800

On the average about 85 percent of the amounts shown above pertain to United States Steel Corporation. The bulk of the remainder was deducted from the investments of Bethlehem Steel Corporation and Republic Steel Corporation. The minimum amounts of intangibles applicable to these companies were \$14,083,793 for Bethlehem and \$32,996,728 for Republic.

The amounts of appreciation deducted from the investments of the Steel Corporation ranged from \$522,609,129 in 1917 down to \$249,583,149 in 1937. In 1938 the company wrote off all but \$1 of the latter amount. It has been explained that the Bureau of Corporations found that the actual value of the tangible properties of the steel corporation at the time of its formation in 1901 was not more than \$700,000,000, or about one-half of its capitalization. Further details concerning the appreciation in the company's accounts appear in the section of this report devoted to the investments, profits and rates of return of United States Steel Corporation and subsidiaries.

COMPARISON OF AVERAGE ANNUAL INVESTMENTS, PROFITS, AND RATES OF RETURN FOR INDIVIDUAL COMPANIES

Table 2 summarized the investments, profits, and rates of return for all 11 companies, combined, for each of the years 1917-38 on the basis of the total investment, the stockholders' investment and the common stockholders' equity. Table 3, immediately following, compares the average annual investment, profits and rates of return for each company and compares the returns earned by each company in relation to the average return for the period under review for all companies combined.

TABLE 3.—Comparative average annual investments, profits, and rates of return for the period 1917-38, for the principal steel companies

Companies	Average annual investment		
	Total invest- ment	Stockholders' investment	Common stock- holders' equity
United States Steel Corporation	\$1,760,820,526	\$1,388,291,953	\$1,028,010,853
Bethlehem Steel Corporation	528,805,568	369,365,951	291,686,021
Republic Steel Corporation	148,335,836	107,949,709	72,628,392
Jones & Laughlin Steel Corporation	182,959,802	165,448,278	124,516,912
Youngstown Sheet & Tube Co.	165,650,756	112,131,517	98,797,945
National Steel Corporation ²	144,350,340	102,956,812	102,956,812
Inland Steel Co.	80,407,561	59,522,984	57,250,257
American Rolling Mill Co.	61,995,249	45,121,565	37,170,674
Wheeling Steel Corporation	84,723,458	63,618,249	35,967,172
Otis Steel Co. ³	29,650,862	20,906,075	10,799,879
Pittsburgh Steel Co.	39,298,408	34,497,146	24,007,243
Combined	3,226,998,366	2,469,810,239	1,883,792,160

Companies	Average annual profit ¹ applicable to		
	Total invest- ment	Stockholders' investment	Common stock- holders' equity
United States Steel Corporation	\$129,020,924	\$110,663,394	\$85,443,717
Bethlehem Steel Corporation	23,947,750	15,099,429	9,595,779
Republic Steel Corporation	5,700,718	3,387,167	1,144,771
Jones & Laughlin Steel Corporation	11,039,140	10,168,753	7,212,944
Youngstown Sheet & Tube Co.	10,688,035	7,905,486	7,076,256
National Steel Corporation ²	11,78 ⁴ ,262	9,735,132	9,735,132
Inland Steel Co.	8,187,736	7,124,658	6,965,567
American Rolling Mill Co.	4,045,371	3,111,614	2,665,658
Wheeling Steel Corporation	5,161,605	3,945,083	1,698,980
Otis Steel Co. ³	1,240,364	635,874	480,959
Pittsburgh Steel Co.	1,933,327	1,618,890	884,429
Combined	212,754,232	173,395,480	132,342,274

Companies	Average annual rate of return on—		
	Total in- vestment	Stock- holders' invest- ment	Common stock- holders' equity
United States Steel Corporation	Percent 7.33	Percent 7.97	Percent 8.31
Bethlehem Steel Corporation	4.53	4.09	3.29
Republic Steel Corporation	3.84	3.14	1.58
Jones & Laughlin Steel Corporation	6.03	6.15	5.79
Youngstown Sheet & Tube Co.	6.45	7.05	7.16
National Steel Corporation ²	8.17	9.46	9.46
Inland Steel Co.	10.18	11.97	12.17
American Rolling Mill Co.	6.53	6.90	7.17
Wheeling Steel Corporation	6.09	6.20	4.72
Otis Steel Co. ³	4.18	3.04	4.05
Pittsburgh Steel Co.	4.92	4.69	3.68
Combined	6.59	7.02	7.03

¹ Net profit before deducting Federal income and profits taxes.² Annual average for period from 1930 to 1938, inclusive.³ Annual average for period from 1919 to 1938, inclusive.⁴ Denotes loss.

Table 3 shows that for all 11 companies the average annual return for the year 1917-38 was 6.59 percent of the total investment, 7.02 percent on the stockholders' investment, and 7.03 percent on the common stockholders' equity. The returns for only 3 of the 11 companies exceeded these averages, namely those for United States Steel Corporation, National Steel Corporation and Inland Steel Co.

It will be noted that Inland Steel Co. was the most profitable. Its average earnings were equivalent to 10.18 percent on the total investment, 11.97 percent on stockholders' investment, and 12.17 percent on the common stockholders' equity. National Steel Co. was next with average returns of 8.17 percent on the total investment and 9.46 percent on each of the other two bases of investment. Throughout the period, United States Steel Corporation's earnings averaged 7.33 percent on the total investment, 7.97 percent on the stockholders' investment and 8.31 percent on the common stockholders' equity.

Except for the Steel Corporation, the returns earned by the larger companies were less favorable on the whole than for the smaller companies. Republic Steel Corporation, the third largest company in the industry earned on average return of 3.84 percent on its total investment, which was the lowest return for any of the companies shown on the table. Bethlehem Steel Corporation, the second largest company, earned an average return of 4.53 percent on its total investment, and was the next smallest return, except for Otis Steel Corporation, the smallest company shown in the table. This company earned an average return of 4.18 percent on its total investment.

It will be noted that on the average, the investments of United States Steel Corporation are far in excess of those for any of the other companies. Its total investment amounts to 55 percent of the total for all companies shown in the table and is $3\frac{1}{2}$ times larger than that of Bethlehem Steel Corporation, the next largest company.

Table 4, which follows, compares the total investments of each company in 1938 with their respective investments in 1917, or the earliest subsequent year for which the information was available, and indicates the source of invested capital for each company in the respective years.

TABLE 4.—Sources of invested capital of the principal steel companies in 1917 and 1938

	United States Steel Corporation	Bethlehem Steel Corporation	Republic Steel Corporation	Jones & Laughlin Steel Corporation
Average total investment, 1917.....	\$1,603,088,695	\$227,819,516	\$65,041,857	\$141,507,560
RATIOS TO TOTAL INVESTMENT				
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Preferred stock.....	31.71	13.07	38.44	20.50
Common stock.....	22.47	16.31	41.80	63.78
Surplus, including reserves.....	39.60	32.64	45.73	84.28
Total capital stock and surplus.....	93.78	62.02	125.97	84.28
Less intangibles.....	32.83	6.18	50.72	15.72
Stockholders' investment.....	60.95	55.84	75.25	84.28
Minority equities in subsidiaries.....	39.05	44.16	24.75	15.72
Long-term debt, less discount, etc.....	100.00	100.00	100.00	100.00
Average total investment, 1917.....	100.00	100.00	100.00	100.00
Average total investment, 1938.....	\$1,557,164,621	\$655,782,528	\$322,329,168	\$207,196,670
RATIOS TO TOTAL INVESTMENT				
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Preferred stock.....	48.91	17.09	12.47	28.34
Common stock.....	23.14	46.13	40.10	27.81
Surplus, including reserves.....	24.27	11.12	20.01	24.26
Total capital stock and surplus.....	96.32	74.34	72.58	80.41
Less intangibles.....	8.02	0.02	0.06	0.23
Stockholders' investment.....	88.30	74.34	72.58	80.41
Minority equities in subsidiaries.....	11.70	25.64	27.36	19.36
Long-term debt, less discounts, etc.....	100.00	100.00	100.00	100.00
Average total investment, 1938.....	100.00	100.00	100.00	100.00

TABLE 4.—Sources of invested capital of the principal steel companies in 1917 and 1938—Continued

	Youngstown Sheet & Tube Co.	National Steel Corporation	Inland Steel Co.	American Rolling Mill Co.
Average total investment, 1917.....	\$70,033,685	¹ \$104,249,526	\$41,805,773	\$13,943,619
RATIOS TO TOTAL INVESTMENT				
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Preferred stock.....	14.21			5.74
Common stock.....	26.11	50.61	41.85	52.78
Surplus, including reserves.....	59.95	45.35	44.24	37.08
Total capital stock and surplus.....	100.27	95.96	86.09	95.60
Less intangibles.....	.44	5.83		8.49
Stockholders' investment.....	99.83	90.13	86.09	87.11
Minority equities in subsidiaries.....		.26		
Long-term debt, less discount, etc.....	.17	9.61	13.91	12.89
Average total investment, 1917.....	100.00	¹ 100.00	100.00	100.00
Average total investment, 1938.....	\$212,984,832	\$179,009,187	\$147,494,335	\$123,510,197
RATIOS TO TOTAL INVESTMENT				
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Preferred stock.....	7.04			36.44
Common stock.....	49.23	30.49	38.91	58.08
Surplus, including reserves.....	10.42	39.46	25.87	10.08
Total capital stock and surplus.....	66.69	69.95	64.78	104.60
Less intangibles.....	.13	3.39		6.70
Stockholders' investment.....	66.56	66.56	64.78	97.90
Minority equities in subsidiaries.....	.02			.01
Long-term debt, less discounts, etc.....	33.42	33.44	35.22	2.09
Average total investment, 1938.....	100.00	100.00	100.00	100.00

	Wheeling Steel Corporation	Otis Steel Co.	Pittsburgh Steel Co.
Average total investment, 1917.....	\$24,356,275	² \$12,585,213	\$26,110,535
RATIOS TO TOTAL INVESTMENT			
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Preferred stock.....	40.71	28.62	40.21
Common stock.....	40.71	27.26	26.81
Surplus, including reserves.....	41.81	43.46	31.34
Total capital stock and surplus.....	123.23	99.34	98.36
Less intangibles.....	35.13		2.93
Stockholders' investment.....	88.10	99.34	95.43
Minority equities in subsidiaries.....			
Long-term debt, less discount, etc.....	11.90	.66	4.57
Average total investment, 1917.....	100.00	² 100.00	100.00
Average total investment, 1938.....	\$105,501,517	\$34,813,722	\$37,258,963
RATIOS TO TOTAL INVESTMENT			
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Preferred stock.....	36.09	30.14	31.04
Common stock.....	26.75	13.02	9.72
Surplus, including reserves.....	10.70	18.28	44.67
Total capital stock and surplus.....	73.54	61.44	85.43
Less intangibles.....	3.72		.31
Stockholders' investment.....	69.82	61.44	85.12
Minority equities in subsidiaries.....			
Long-term debt, less discounts, etc.....	30.18	38.56	14.88
Average total investment, 1938.....	100.00	100.00	100.00

¹ Data are for year 1930, the first year for which data are available.² Data are for year 1919, the first year for which data are available.

Table 4 shows that there were marked increases in the total investments of all companies, except United States Steel Corporation, since 1917, or the earliest subsequent year for which the information appears. The steel corporations' average investment in 1938 of \$1,557,164,621, it will be noted, was slightly less than in 1917. On the other hand, the average total investment of \$655,782,582 for Bethlehem Steel Corporation in 1938 was almost three times the investment in 1917. Most of the other companies also indicate considerable growth since 1917.

The table also shows the marked shifts in the sources of invested capital of the different companies between 1938 and the earlier years. In 1938, the ratio of the stockholders' investment to total capitalization, excluding intangibles, was greater than in 1917 for United States Steel Corporation, Bethlehem Steel Corporation, and American Rolling Mill Co. On the other hand, the proportions of the stockholders' investments in the other eight companies was much less in most cases in 1938 than for the earlier years. In other words, the three companies mentioned relied less on long-term debt as a source of capital funds in 1938 as compared with 1917, while for the other eight companies the shift was in the other direction.

In 1938, the stockholders' investment, exclusive of intangibles, comprised 88 percent of the capitalization of United States Steel Corporation as compared with 61 percent of the total in 1917. For Bethlehem Steel Corporation, the stockholders' investment was 74 percent of its total investment in 1938 as compared with 56 percent in 1917, and for American Rolling Mill Company, the stockholders' investment in 1938 was 98 percent of its capitalization as compared with 87 percent in 1917.

COMPARATIVE ANNUAL RATES OF RETURN FOR INDIVIDUAL COMPANIES

A comparison of the average annual investments, profits, and rates of return for the period 1917-38 for individual companies was provided by table 3. Such information is presented in detail for each year during the period under review for each company, except United States Steel Corporation, in appendix tables 12 to 21-a. The information for the Steel Corporation is presented in the section of the report devoted to the investments, profits, and rates of return for that company and its subsidiaries.

The annual rates of return for the individual companies on the basis of the total investment, stockholders' investment, and common stockholders' equity appear in the following tables 5, 6, and 7. These tables also show the annual return for all companies combined, the averages of the annual returns for the individual companies, and the average of the annual return for all of the companies combined.

The tables show that for all 11 companies combined, the average annual return was 6.59 percent on the total investment, 7.02 percent on the stockholders' investment, and 7.04 percent on the common stockholders' equity. It has already been pointed out that the returns for only 3 of the 11 companies exceeded these averages, namely those for United States Steel Corporation, National Steel Corporation, and Inland Steel Co.

For all companies the most profitable years were 1917 and 1918. The next most profitable years for most companies were 1920, 1929, and 1937. A number of the companies lost money in 1938 and the earnings of the others were only moderate. Losses during the depression years and small earnings during most of the subsequent years were such that the operating results since 1930 were on the whole very much less favorable than for the prior years shown in the tables. For example, on the basis of total investment, the average of the annual return for all companies was 9.87 percent during the years 1917-30 and only 1.68 percent for the years 1931-38.

TABLE 5.—Rates of return on total investment for the principal steel companies, 1917-38

Year	United States Steel Corporation	Bethlehem Steel Corporation	Republic Steel Corporation	Jones & Laughlin Steel Corporation	Youngstown Sheet & Tube Co.	National Steel Corporation	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corporation	Otis Steel Co. ²	Pittsburgh Steel Co.	Combined
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1917.....	30.94	20.89	40.74	33.69	33.62	.....	52.79	28.65	53.49	.....	36.90	31.86
1918.....	24.90	9.52	18.75	13.55	18.09	.....	26.05	42.50	27.40	.....	25.49	21.95
1919.....	9.28	11.00	4.34	14.90	9.36	.....	10.41	13.61	9.28	8.68	9.49	9.75
1920.....	10.65	7.52	13.83	18.49	10.56	.....	11.86	19.80	38.70	7.47	7.98	11.52
1921.....	4.39	6.13	6.75	1.44	1.17	.....	1.94	4.00	2.89	4.22	5.92	3.12
1922.....	4.65	3.69	2.04	3.57	5.52	.....	4.45	8.02	1.33	4.02	2.05	4.20
1923.....	9.32	5.69	11.32	7.78	11.26	.....	10.95	10.82	7.57	5.90	7.63	8.68
1924.....	7.55	3.88	4.26	6.20	8.85	.....	8.67	8.78	2.70	32.43	6.45	6.45
1925.....	9.23	5.07	6.85	6.55	10.23	.....	8.43	8.83	6.63	7.36	3.65	7.34
1926.....	7.84	6.05	8.56	9.74	11.03	.....	10.40	11.98	7.62	8.67	8.55	8.77
1927.....	7.25	4.90	5.82	7.10	5.49	.....	19.96	10.97	6.33	7.23	8.55	8.72
1928.....	8.71	5.48	7.29	9.26	7.69	.....	13.88	13.96	8.78	13.12	3.87	8.27
1929.....	12.18	8.93	11.52	11.56	12.92	.....	16.65	10.46	9.61	13.06	10.93	11.57
1930.....	6.16	4.71	.....	5.06	3.19	9.85	8.95	2.37	4.05	4.61	4.90	5.47
1931.....	5.95	1.10	4.21	5.84	5.78	5.78	3.44	4.81	1.61	4.244	4.209	5.58
1932.....	4.52	2.03	4.90	4.89	4.07	2.83	4.39	2.94	2.80	4.677	4.386	4.296
1933.....	4.75	4.41	4.53	4.24	1.93	3.85	2.40	1.78	4.270	4.389	4.103	4.103
1934.....	4.81	1.21	4.08	4.34	1.90	6.36	6.75	4.04	2.15	4.92	4.184	4.41
1935.....	4.63	1.97	3.75	2.95	3.12	10.33	12.82	7.93	5.46	11.24	4.285	2.42
1936.....	4.56	3.72	6.35	2.95	7.50	11.98	11.90	9.68	6.06	10.95	4.250	5.52
1937.....	8.64	6.92	3.47	3.47	8.49	13.44	13.15	9.37	5.84	10.44	5.18	8.16
1938.....	.....	1.97	4.95	4.79	1.33	3.98	3.37	4.60	1.99	4.160	.....	.....
Annual average.....	7.33	4.53	3.84	6.03	6.45	8.17	10.18	6.53	6.09	4.18	4.92	6.59

1 Data are not available prior to 1930.

2 Data are not available prior to 1919.

3 Rate of return for 18 months; on a mathematical ratio it would be 13.26 percent for 12 months.

4 Denotes loss.

TABLE 6.—Rates of return on stockholders' investment for the principal steel companies, 1917-38

Year	United States Steel Corporation	Bethlehem Steel Corporation	Republic Steel Corporation	Jones & Laughlin Steel Corporation	Youngstown Sheet & Tube Co.	National Steel Corporation ¹	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corporation	Otis Steel Co. ²	Pittsburgh Steel Co.	Combined
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1917	47.58	30.85	52.58	39.06	55.69	-----	60.05	32.05	60.03	-----	38.67	46.17
1918	34.68	12.27	22.11	14.83	18.13	-----	28.40	45.04	29.51	-----	25.49	29.51
1919	11.50	14.30	4.15	16.28	9.41	-----	10.85	13.85	9.69	8.63	10.00	11.74
1920	13.62	8.68	15.79	20.08	10.27	-----	12.48	19.99	41.70	7.47	8.25	14.26
1921	4.13	5.95	9.67	2.22	4.21	-----	4.84	8.97	4.41	4.25	5.96	2.23
1922	4.50	2.24	.90	3.67	5.13	-----	4.27	8.97	.39	4.2	1.91	3.78
1923	11.41	5.13	12.74	8.12	13.04	-----	11.18	12.29	8.02	4.6	7.75	10.09
1924	8.70	2.52	3.91	6.31	7.07	-----	9.62	9.19	1.38	6.87	6.10	6.91
1925	9.03	4.89	7.40	7.03	12.30	-----	9.07	9.23	6.73	6.56	3.67	8.18
1926	10.88	6.32	9.75	10.17	13.27	-----	11.17	12.93	8.09	8.95	8.29	10.10
1927	8.04	4.37	5.95	7.25	5.33	-----	10.61	10.83	6.31	7.31	5.55	7.22
1928	9.90	5.44	7.62	9.55	9.12	-----	16.31	17.03	9.47	15.90	3.68	9.29
1929	13.57	10.25	13.68	11.96	17.04	-----	21.95	13.20	11.27	15.46	12.11	13.17
1930	6.29	4.71	4.55	5.06	5.25	-----	10.55	4.5	3.38	3.65	4.41	5.50
1931	7.1	0.3	4.24	4.15	5.11	10.07	2.10	4.58	4.50	4.61	4.08	4.27
1932	4.06	3.92	4.50	4.35	4.07	1.86	4.58	4.07	4.11	4.52	4.35	4.50
1933	2.18	1.85	2.88	2.58	4.78	3.40	4.4	4.1	4.11	4.36	4.31	4.21
1934	1.17	1.90	2.27	1.61	4.28	7.31	4.4	1.27	1.09	4.8	4.37	4.21
1935	3.4	1.11	3.14	4.11	1.61	12.53	7.78	2.63	.87	3.76	4.97	4.50
1936	4.57	3.55	6.88	2.66	9.67	14.94	18.87	9.65	5.64	13.61	4.97	1.86
1937	8.99	7.82	6.83	3.33	10.92	21.35	18.09	11.98	6.57	12.98	4.76	5.72
1938	4.35	1.26	4.28	3.49	4.01	6.96	6.32	4.70	.79	12.55	4.58	9.02
Annual Average	7.97	4.09	3.14	6.15	7.05	9.46	11.97	6.90	6.20	3.04	4.69	7.02

¹ Data are not available prior to 1930.² Data are not available prior to 1919.³ Rate of return for 18 months; on a mathematical ratio it would be 13.33 percent for 12 months.⁴ Denotes loss.

TABLE 7.—Rates of return on common stockholders' equity for the principal steel companies, 1917-38

Year	United States Steel Corporation	Bethlehem Steel Corporation	Republic Steel Corporation	Jones & Laughlin Steel Corporation	Youngstown Sheet & Tube Co.	National Steel Corporation ¹	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corporation	Otis Steel Co. ²	Pittsburgh Steel Co.	Combined
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1917	71.28	38.59	100.13	39.06	63.78		60.05	33.88	104.73		61.73	63.85
1918	46.43	13.95	33.45	14.83	19.59		28.40	47.56	42.29		36.23	37.36
1919	13.46	16.43	2.06	16.28	9.74		10.85	14.37	10.78	9.83	11.60	14.39
1920	16.67	9.00	22.12	20.08	10.73		12.48	20.85	58.71	7.24	8.89	16.83
1921	2.84	5.41	22.07	2.22	1.21		1.84	13.69	11.41	466.33	5.43	4.42
1922	3.34	7.71	4.49	3.67	4.87		4.27	9.71	45.25	49.91	4.70	2.51
1923	13.36	4.59	17.60	6.83	13.80		11.25	13.63	6.90	5.87	8.18	11.02
1924	9.40	1.29	1.42	5.92	7.08		10.13	10.41	49.21	16.52	5.61	6.61
1925	9.84	4.14	7.72	7.00	13.01		9.46	10.37	4.78	6.24	2.02	8.56
1926	12.32	5.68	11.88	14.58	5.13		11.94	15.78	6.19	10.69	8.83	11.08
1927	8.41	3.77	5.15	7.34	5.13		11.25	13.73	3.82	7.70	5.04	7.26
1928	10.89	4.93	7.98	10.74	9.48		17.44	22.00	9.38	24.34	2.54	10.08
1929	15.45	11.13	16.72	14.12	18.43		21.95	13.78	12.17	21.88	13.77	14.91
1930	6.11	4.19	6.79	4.26	5.23	10.07	10.55	3.34	.01	1.16	3.59	5.13
1931	4.82	1.56	10.91	4.68	6.41	5.02	2.10	4.13	12.65	18.26	4.76	2.05
1932	4.93	6.41	15.01	4.97	13.03	1.86	4.86	4.48	420.81	38.55	11.18	7.54
1933	4.70	3.96	8.17	4.70	9.49	3.40	4.44	4.58	420.17	35.37	11.55	4.78
1934	4.39	1.45	7.36	4.38	3.80	7.31	7.78	2.49	45.50	42.30	48.31	4.64
1935	4.80	4.33	7.45	4.93	.98	12.53	16.76	9.80	5.22	23.39	10.36	3.39
1936	3.68	3.03	7.14	3.32	10.30	14.94	18.87	12.12	7.21	19.48	4.12	5.44
1937	9.69	8.17	5.92	1.37	11.62	21.35	18.09	11.48	7.21	16.45	3.79	9.76
1938	42.96	4.35	45.18	49.16	4.67	6.96	6.32	43.78	43.79	49.11	44.39	42.06
Annual average	8.31	3.29	1.58	5.79	7.16	9.46	12.17	7.17	4.72	4.75	3.68	7.03

¹ Data are not available prior to 1930.² Data are not available prior to 1919.³ Rate of return for 18 months; on a mathematical ratio it would be 13.90 percent for 12 months.⁴ Denotes loss.

COMPARISON OF SALES AND OPERATING RESULTS

Significant statistics on sales, ratios of costs to sales and distribution of profits will be presented to further describe the operations of the steel companies. Heretofore, the trends of net profits were expressed in rates of return on the total investment, stockholders' investment, and common stockholders' equity.

Table 8, immediately following, summarizes the net sales, net income, dividend payments, and net charge on surplus for each of the 11 companies and their subsidiaries. The upper part of the table gives the total for each item for all years for which the information was available during the period 1917-38. The lower part of the table presents for each company the annual averages of their net sales, net income, dividend payments, and net income remaining after dividend payments. It should be noted that Federal income and profits taxes have been deducted in arriving at the net income shown on the table so that these amounts of net income differ from those used in computing rates of return by the amounts of such taxes.

The information in this table, together with the information in the succeeding tables of operating statistics, are based on the details appearing in appendixes 12 to 21 and 12-A to 21-A, which summarize for each company except United States Steel Corporation the investments, and costs and profits for each year during the period under review. Such information for the Steel Corporation appears in the section of the report dealing with the investments, profits, and rates of return for that company and its subsidiaries.

TABLE 8.—Summary of net sales, net income, dividends and net changes in surplus for all years within the period 1917-38, and annual averages thereof, for the principal steel companies

Companies	Net sales	Net income ¹	Dividends paid on—			Total dividends	Net income after dividends	Other net deductions	Net increase in surplus during period
			Preferred stock in cash	Common stock in cash	Common stock in stock				
TOTALS FOR ENTIRE PERIOD									
United States Steel Corporation	\$26,136,166,672	\$1,670,058,263	\$554,832,894	\$669,817,548	\$203,321,000	\$1,427,971,442	\$242,086,811	\$331,028,711	\$108,941,900
Pittsburgh Steel Corporation	5,581,283,309	273,819,609	101,468,678	101,902,821	30,000,000	233,371,499	40,448,110	44,955,110	4,507,000
Republic Steel Corporation	1,561,060,842	45,842,492	33,591,920	16,856,630	-----	50,448,550	4,696,058	45,081,089	40,475,031
Republic Steel Corporation	2,010,480,461	162,080,037	44,519,728	62,807,039	-----	92,526,827	69,562,210	92,975,726	23,413,616
Jones & Laughlin Steel Corporation	2,181,358,232	123,184,984	18,243,062	82,548,520	1,503,400	82,548,520	50,636,414	54,004,794	3,368,384
Youngstown Sheet & Tube Co.	769,501,824	71,527,031	33,423,139	33,423,139	-----	33,423,139	38,103,892	10,294,483	27,809,409
National Steel Corporation ²	1,039,859,870	123,631,400	3,500,000	67,703,688	-----	71,203,688	52,427,772	34,991,462	17,433,310
Amford Steel Co.	1,318,570,281	57,036,336	9,036,336	36,456,844	16,113,376	61,616,550	3,976,629	9,754,329	5,777,640
American Rolling Mill Co. ³	1,030,260,478	69,992,784	37,764,188	7,686,867	29,667,359	75,094,414	4,597,630	11,063,877	5,096,247
Whiting Steel Corporation	434,291,375	9,456,537	6,053,062	2,628,156	-----	9,581,217	1,244,680	1,545,533	1,420,573
Chick Steel Co.	501,201,400	27,754,362	11,014,500	12,198,735	10,500,000	33,713,235	4,958,853	16,001,187	10,042,334
ANNUAL AVERAGES FOR PERIOD									
United States Steel Corporation	1,188,007,575	75,311,739	25,219,677	30,445,252	9,241,864	64,907,793	11,003,946	-----	-----
Pittsburgh Steel Corporation	253,694,686	12,446,946	4,612,213	4,631,946	1,363,636	10,407,795	1,838,551	-----	-----
Republic Steel Corporation	836,723,624	2,083,750	1,526,006	768,210	-----	2,293,116	4,209,366	-----	-----
Jones & Laughlin Steel Corporation	51,385,476	7,367,684	2,023,624	2,182,141	-----	4,209,765	3,161,919	-----	-----
Youngstown Sheet & Tube Co.	99,152,947	6,053,861	829,230	854,639	68,336	3,752,205	2,301,656	-----	-----
National Steel Corporation ²	85,991,293	7,917,445	-----	3,713,682	-----	3,713,682	4,233,766	-----	-----
Inland Steel Co.	53,175,448	5,019,612	159,091	3,077,440	-----	3,236,531	2,383,051	-----	-----
American Rolling Mill Co.	45,936,457	2,561,772	401,615	1,620,748	716,150	2,738,513	476,614	-----	-----
Whiting Steel Corporation	59,966,385	3,140,581	1,716,554	1,348,516	-----	3,413,200	4,272,619	-----	-----
Chick Steel Co.	21,712,089	472,927	317,653	131,408	-----	479,061	46,234	-----	-----
Pittsburgh Steel Co.	25,509,155	1,261,565	500,659	554,458	477,273	1,532,420	4,270,857	-----	-----

¹ Net income after deducting Federal income and profits taxes.
² Decrease in surplus.
³ Data are for a 22½-year period from Mar. 30, 1916, to Dec. 31, 1938.
⁴ Net losses after dividends.
⁵ Other net additions.
⁶ Data are for the period from 1930 to 1938, inclusive.
⁷ Data are for the period from 1917 to 1938, inclusive.
⁸ Net sales are for the period from 1917 to 1937, inclusive, and 1932 to 1933, inclusive.

Several of the steel companies paid dividends in excess of net income but not in excess of the net income and other additions to surplus during the entire period under review. For example, table 8 shows that Republic Steel Corporation had total net income of \$45,842,492 and distributed cash dividends amounting to \$50,448,550, but other additions to surplus amounted to \$45,081,089, so that the net increase in the surplus account during the period was \$40,475,031. Other companies whose aggregate cash and stock dividends exceeded net income were American Rolling Mill Co., Wheeling Steel Corporation, Otis Steel Co., and Pittsburgh Steel Co. Four of the steel companies had smaller balances in their surplus at the end of 1938 than at the beginning of 1917. However, for two of these companies, namely, United States Steel Corporation and Bethlehem Steel Corporation, the decreases in surplus were not equal to the amounts transferred from surplus to capital stock through the issuance of stock dividends.

It will be noted that United States Steel Corporation is also dominant with regard to volume of business. During the 22 years, 1917-38, its total sales exceeded 26 billions of dollars, which was five times the total for the next largest company, Bethlehem Steel Corporation. During the period the Steel Corporation's net income amounted to \$1,670,058,253; and it paid dividends of \$1,427,971,442, of which it paid cash dividends on preferred stock of \$554,832,894, cash dividends on the common stock of \$669,817,548, and stock dividends on the common stock of \$203,321,000.

The following table 9, gives the annual sales of each of the 11 companies and their subsidiaries during the years 1917-38, together with the combined sales of all companies on each year and the average of the annual sales for each company. The average of the annual sales ranged from \$1,188,007,575 for United States Steel Corporation to \$21,712,069 for Otis Steel Co.

The Steel Corporations' sales in 1917 amounted to 70 percent of the combined sales of the nine companies including that company for which the information was available for that year. By 1938, however, its proportion of the combined sales for the nine identical companies had declined to 49 percent.

The comparative profits of each of the 11 companies in relation to investments have been indicated. The relation of profits to sales is indicated in table 10, which follows. This table gives a comparison of the ratios of costs, expenses, and profits to net sales, expressed in cents per dollar of net sales, for each of the 11 companies for each of the years 1936, 1937, and 1938, and for the entire period 1917-38.

TABLE 9.—Consolidated net sales by the principal steel companies, 1917-38

Year	United States Steel Corporation	Bethlehem Steel Corporation	Republic Steel Corporation ¹	Jones & Laughlin Steel Corporation	Youngstown Sheet & Tube Co.	National Steel Corporation ¹	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corporation	Otis Steel Co. ³	Pittsburg Steel Co.	Combined
1917	\$1,706,355,646	\$298,929,531	\$78,325,461	\$129,810,539	\$96,450,984	---	\$50,602,981	\$21,791,796	\$31,656,268	---	\$33,066,083	\$2,446,359,289
1918	1,748,826,195	448,410,809	75,224,110	128,923,400	85,892,169	---	59,981,105	32,427,058	31,646,211	---	37,930,842	2,649,261,899
1919	1,444,777,637	331,641,908	85,872,345	103,243,608	80,384,405	---	33,416,772	25,956,749	18,705,774	816,285,329	31,265,012	2,620,549,529
1920	1,758,667,091	274,431,236	76,342,220	148,615,441	106,840,915	---	52,329,592	44,652,818	99,822,887	---	27,483,107	2,620,170,294
1921	1,997,127,285	147,794,353	20,756,749	39,309,625	88,579,197	---	20,203,870	11,740,729	27,009,236	6,166,654	22,978,788	1,333,187,486
1922	1,100,568,659	131,866,111	39,123,708	72,309,755	58,293,498	---	30,983,377	20,294,205	47,352,152	12,271,014	15,656,960	1,528,719,439
1923	1,577,179,969	175,213,423	59,043,131	108,482,551	118,748,690	---	49,879,753	26,691,235	70,781,680	28,567,900	28,833,133	2,340,421,405
1924	1,270,789,379	243,004,266	43,982,923	95,197,184	119,379,551	---	52,312,874	28,679,818	63,901,819	23,385,449	23,641,998	1,965,174,861
1925	1,412,153,844	273,025,320	53,907,529	109,261,241	134,100,824	---	56,827,601	34,257,812	79,477,841	28,897,687	22,936,965	2,043,037,094
1926	1,518,063,024	304,362,891	53,890,444	104,617,400	130,023,289	---	61,759,165	34,958,643	82,169,414	28,091,689	33,899,524	2,379,899,338
1927	1,381,324,104	201,778,297	44,550,040	104,617,400	132,210,463	---	58,503,627	39,087,519	71,327,239	26,287,475	31,085,266	2,097,706,379
1928	1,381,324,104	201,778,297	44,550,040	104,617,400	132,210,463	---	58,503,627	39,087,519	71,327,239	26,287,475	31,085,266	2,097,706,379
1929	1,924,214,798	342,516,253	---	126,748,956	161,038,216	---	63,876,007	70,434,233	83,796,637	32,435,420	39,783,398	2,427,254,146
1930	1,725,248,082	288,079,293	---	90,412,500	111,037,928	\$64,513,154	68,290,016	53,651,626	65,371,515	20,647,175	35,482,316	2,276,679,983
1931	1,251,463,131	186,802,488	---	54,877,021	59,437,008	62,547,474	31,460,429	39,907,797	44,859,214	13,567,155	21,126,185	1,929,621,580
1932	354,093,131	96,802,488	47,604,636	98,060,697	31,798,673	43,603,761	14,622,434	27,294,322	30,682,156	6,798,450	10,661,628	692,712,376
1933	521,943,228	120,183,374	79,807,199	44,631,257	49,436,510	70,821,508	26,631,531	41,828,918	44,404,365	13,297,955	8,406,645	1,011,372,486
1934	588,835,482	107,796,194	96,824,857	47,682,341	63,138,122	76,328,569	40,404,309	54,485,115	48,484,022	16,779,945	15,391,766	1,216,361,942
1935	776,348,013	192,943,458	136,104,554	63,563,840	66,798,923	103,176,629	62,544,872	76,799,385	66,262,938	22,747,570	12,895,937	1,599,826,119
1936	1,099,931,336	287,107,706	218,317,599	94,469,855	127,674,516	123,074,149	96,003,893	80,598,525	90,528,575	28,575,577	21,332,326	2,281,708,268
1937	1,395,549,630	417,538,024	250,447,144	117,473,523	144,288,707	145,933,348	110,744,037	114,857,600	90,453,800	31,989,204	55,359,261	2,854,638,648
1938	766,673,753	265,405,549	140,879,763	78,410,901	84,094,569	89,503,232	74,058,924	70,441,606	62,420,280	13,713,500	23,677,311	1,666,854,383
Totals.....	26,136,166,672	5,581,283,309	1,561,064,842	2,010,480,461	2,181,388,222	769,501,824	1,169,859,870	1,093,570,281	1,319,260,478	434,241,375	561,201,400	42,757,988,744
Annual average.....	1,188,007,575	283,694,696	86,725,824	91,388,476	99,152,647	85,500,203	53,175,448	45,936,457	59,966,385	21,712,069	25,509,155	2,010,765,935

¹ Data are not available for 1928-31, inclusive; figures for 1917-27, inclusive, are reported by company as "Volume of Business."
² Data are not available prior to 1930.
³ Data are not available prior to 1919.
⁴ Net sales during an 18 months' period from June 30, 1918, to Dec. 31, 1920; total for 22½ years.

TABLE 10.—Ratios of costs, expenses, and profits to net sales, expressed in cents per dollar of net sales, for the principal steel companies for 1936, 1937, and 1938 and for the period 1917-38

	United States Steel Corporation	Bethlehem Steel Corporation	Republic Steel Corporation	Jones & Laughlin Steel Corporation	Youngstown Sheet & Tube Co.	National Steel Corporation
Net sales.....	\$1,099,931,336	\$287,107,706	\$218,317,399	\$94,409,455	\$127,674,516	\$123,074,149
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
RATIOS TO NET SALES						
Cost of goods sold, except items below.....	80.90	79.83	80.90	80.15	79.92	78.30
Distribution and administrative expenses.....	8.16	6.90	6.04	8.22	4.46	4.05
Provision for depreciation and depletion.....	5.05	5.59	4.64	6.77	5.36	3.94
Total operating expenses.....	94.11	92.32	91.55	95.14	89.74	86.29
Net income from operations.....	5.89	7.68	8.42	4.86	10.26	13.71
Other income (net).....	.17	.33	1.13	1.02	1.28	1.03
Total net profit 1.....	6.06	8.03	8.29	5.88	11.54	14.74
Net sales.....	\$1,395,549,630	\$417,538,024	\$250,447,744	\$117,475,523	\$144,288,797	\$145,933,348
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
RATIOS TO NET SALES						
Cost of goods sold, except items below.....	78.73	79.14	82.88	79.87	77.96	75.69
Distribution and administrative expenses.....	8.00	6.48	6.08	8.85	4.73	3.94
Provision for depreciation and depletion.....	4.27	3.87	4.30	6.23	4.81	3.61
Total operating expenses.....	91.00	89.49	93.26	94.95	87.50	83.14
Net income from operations.....	9.00	10.51	6.74	5.05	12.50	16.86
Other income (net).....	.29	.15	.39	.92	1.73	.97
Total net profit 1.....	9.29	10.66	7.13	5.97	11.77	17.83
Net sales.....	\$766,673,753	\$265,405,540	\$140,879,763	\$75,410,901	\$84,664,566	\$89,503,232
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
RATIOS TO NET SALES						
Cost of goods sold, except items below.....	81.20	84.27	86.07	84.48	81.50	76.34
Distribution and administrative expenses.....	12.66	9.34	9.74	13.74	7.64	5.85
Provision for depreciation and depletion.....	6.42	6.22	7.73	7.92	7.83	6.13
Total operating expenses.....	100.28	95.65	103.14	106.14	96.97	88.32

See footnotes at end of table.

TABLE 10.—Ratios of costs, expenses, and profits to net sales, expressed in cents per dollar of net sales, for the principal steel companies for 1936, 1937, and 1938 and for the period 1917-38—Continued

	United States Steel Corporation	Bethlehem Steel Corporation	Republic Steel Corporation	Jones & Laughlin Steel Corporation	Youngstown Sheet & Tube Co.	National Steel Corporation
RATIOS TO NET SALES—continued						
Net income from operations.....	Cents 28	Cents 4.35	Cents 7 3.14	Cents 2 6.14	Cents 3.03	Cents 11.08
Other income (net).....	.73	.52	.96	1.21	.33	.29
Total net profit 1.....	.45	4.87	2.18	7.43	3.36	11.97
PERIOD 1917-38, INCLUSIVE						
Net sales.....	\$26,136,166,672	\$5,381,283,309	\$970,046,152	\$2,010,480,461	\$2,181,338,232	\$709,501,824
RATIOS TO NET SALES						
Cost of goods sold, except items below.....	Cents 79.79	Cents 80.39	Cents 83.17	Cents 77.36	Cents 80.40	Cents 77.90
Distribution and administrative expenses.....	6.26	5.37	7.05	7.11	2.78	4.00
Provision for depreciation and depletion.....	4.35	5.52	6.49	5.55	6.20	4.36
Total operating expenses.....	90.42	91.48	96.71	90.12	89.38	87.06
Net income from operations.....	9.58	8.52	3.29	9.88	10.62	12.94
Other income (net).....	1.28	.92	1.02	2.20	.16	.85
Total net profit 1.....	10.86	9.44	3.27	12.08	10.78	13.79
1936						
RATIOS TO NET SALES						
Net sales.....	\$88,903,896	\$101,463,383	\$80,598,525	\$28,875,577	\$21,352,325	
Cost of goods sold, except items below.....	Cents 71.63	Cents 81.42	Cents 79.79	Cents 81.41	Cents 85.81	
Distribution and administrative expenses.....	6.39	8.27	7.27	3.07	8.14	
Provision for depreciation and depletion.....	5.18	2.88	6.14	3.53	5.96	
Total operating expenses.....	83.20	92.57	93.20	88.01	99.91	
Net income from operations.....	16.80	7.43	6.80	11.99	.09	
Other income (net).....	.19	2.04	.95	.13	.87	
Total net profit 1.....	16.99	9.47	7.75	12.12	.96	

1937		1938		PERIOD 1917-38, INCLUSIVE	
RATIOS TO NET SALE		RATIOS TO NET SALES		RATIOS TO NET SALES	
Net sales.....	\$110,744,337	\$114,857,600	\$90,455,380	\$31,989,204	\$45,359,261
Cost of goods sold, except items below.....	Cents 72.07	Cents 79.66	Cents 80.98	Cents 82.30	Cents 84.50
Distribution and administrative expenses.....	7.03	8.82	6.98	3.07	6.34
Provision for depreciation and depletion.....	4.71	2.93	6.08	.326	3.72
Total operating expenses.....	83.81	91.35	94.04	88.63	94.56
Net income from operations.....	16.19	8.65	5.96	11.37	5.44
Other income (net).....	.21	.61	.86	1.14	.44
Total net profit ¹	16.40	9.26	6.82	11.23	5.88
Net sales.....	\$74,088,924	\$70,441,606	\$62,420,280	\$13,718,500	\$23,677,318
Cost of goods sold, except items below.....	Cents 73.93	Cents 83.70	Cents 81.76	Cents 90.82	Cents 94.61
Distribution and administrative expenses.....	9.10	12.85	9.70	4.96	9.31
Provision for depreciation and depletion.....	6.48	4.99	6.14	7.88	5.97
Total operating expenses.....	89.51	101.54	97.60	103.66	99.89
Net income from operations.....	10.49	11.54	2.40	13.66	.11
Other income (net).....	.19	.49	.96	7.41	.78
Total net profit ¹	10.68	11.05	3.36	14.07	.89
Net sales.....	\$1,169,859,870	\$1,033,570,281	\$1,319,260,478	\$434,241,375	\$581,201,400
Cost of goods sold, except items below.....	Cents 75.03	Cents 80.73	Cents 79.98	Cents 86.42	Cents 80.93
Distribution and administrative expenses.....	4.27	8.32	6.77	3.10	7.02
Provision for depreciation and depletion.....	5.51	3.75	5.71	3.57	5.18
Total operating expenses.....	85.41	92.80	92.46	93.09	93.13
Net income from operations.....	14.59	7.20	7.54	6.91	6.87
Other income (net).....	.81	1.61	1.07	1.20	.71
Total net profit ¹	15.40	8.81	8.61	8.11	7.58

¹ Net profit before interest on long-term debt, and before deductions for Federal income and profit taxes.

- ² Denotes less.
- ³ Data applies to period from 1932 to 1938, inclusive.
- ⁴ Data applies to period from 1930 to 1938, inclusive.
- ⁵ Data applies to period from 1919 to 1938, inclusive.

Table 10 shows that in the year 1937, when sales were larger than 1936 or 1938, the operating costs and expenses were smaller for each dollar of net sales than for the other 2 years. For instance, in 1938 the ratios of costs and expenses to net sales increased over those of 1937 by amounts ranging from 3.56 cents per dollar of net sales for Wheeling Steel Corporation to 15.03 cents per dollar of net sales for Otis Steel Co. The increase for United States Steel Corporation was 9.28 cents per dollar of net sales. This increase in relative costs when the sales volume declines is largely caused by nonvariable expenses that cannot be proportionately contracted as business decreases. Over the 22-year period, or the portion thereof for which data are available for each company, the operating expenses ranged from 85.41 cents per dollar of net sales for Inland Steel Co. to 96.71 cents per dollar of net sales for Republic Steel Corporation.

Throughout the period under review, the ratio of total net profit, before deduction of interest on long-term debt or Federal income and profits taxes, ranged from 3.27 cents per dollar of net sales for Republic Steel Corporation to 15.40 cents per dollar of net sales for Inland Steel Co. It was 10.86 cents per dollar of net sales for United States Steel Corporation and 9.44 cents per dollar of net sales for Bethlehem Steel Corporation.

The table also shows that substantial provisions out of income have been made by the steel companies for depreciation and depletion. Throughout the period under review these provisions ranged from 3.57 cents per dollar of sales for Otis Steel Co. to 6.49 cents per dollar of sales for Republic Steel Corporation. For United States Steel Corporation they amounted to 4.35 cents per dollar of sales, and for Bethlehem Steel Corporation they amounted to 5.52 cents per dollar of sales. Large amounts have been provided annually for depletion, depreciation and obsolescence, which, according to the experience of the various companies, were deemed to be sufficient to equal, on the average, the gross book value of the property, less salvage, as and when such properties were to be withdrawn from service.

In general, the provisions for annual depreciation and obsolescence of steel plants and equipment are made on the straight-line method and are arrived at by applying against the investment cost of each facility a rate to provide for its depreciation and obsolescence based upon the life expectancy of the facility. The provisions for depletion of ore, coal, limestone, and other natural resource properties are generally arrived at by dividing the total estimated recoverable quantity in the respective properties in operation into the total investment cost of same. The annual provision is then determined by applying the resultant rate to the actual quantity of raw materials removed during the year.

The following tabulation shows that the depreciation and obsolescence reserves of the various companies, at December 31, 1938, ranged from 33 to 50 percent of the total recorded values of their respective properties:

	Dec. 31, 1938		
	Property	Depreciation and depletion reserves	Percentage of reserves to property
United States Steel Corporation.....	\$2,344,316,958	\$1,177,797,445	50.24
Bethlehem Steel Corporation.....	758,386,677	305,367,631	40.40
Republic Steel Corporation.....	384,506,096	145,632,568	37.88
Jones & Laughlin.....	251,753,555	94,311,256	37.46
Youngstown Sheet & Tube Co.....	254,353,983	123,672,860	48.62
National Steel Corporation.....	213,897,076	70,189,566	32.81
Inland Steel Co.....	165,825,925	60,797,700	36.65
American Rolling Mill Co.....	123,437,777	44,094,549	35.72
Wheeling Steel Corporation.....	124,156,073	52,285,296	42.11
Otis Steel Co.....	42,814,957	17,161,183	40.08
Pittsburgh Steel Co.....	45,352,084	20,162,239	44.46

With respect to the largest company in the industry, the question of obsolescence has been given very careful consideration. This is indicated by the fact that United States Steel Corporation, as far back as 1928, began an extensive survey of all of its operating properties, showing the age, condition, and adequacy of the facilities. The survey was carried forward by the company's engineers until 1935. Their findings were so extensive and involved expenditures of such magnitude that it was decided to employ outside opinion. To this end the firm of Ford, Bacon & Davis, appraisal engineers, was employed to study all of the properties, methods, personnel, and markets. The extent of this firm's appraisal may be indicated by the fact that during the years 1935-38 they received over \$3,000,000 from the Steel Corporation for their services.

In connection with these studies the corporation also made capital expenditures during recent years of nearly \$400,000,000. It also expended nearly \$500,000,000 for repairs, maintenance, and extraordinary replacements, and provided more than \$650,000,000 for depreciation and depletion.

Attention is now directed to the relation of margins of profits on sales for the various companies with their returns on investment. This is indicated in the following tabulation which shows for each company, for the period 1917-38, its average total investment, sales, ratio of sales to investment, or capital turn-over, and the manner in which the average profits per dollar of sales is related, through the turn-over, to the average rates of return on investment.

The turn-over of capital is indicated by the ratio of sales to investment and reflects the time required for the sales to equal the investment. The tabulation shows that the average turn-over for all companies combined, throughout the years under review, was 62 times. This means that on the average 19.5 months was required for the sales to equal the investment in order to produce one turn-over of capital. This indicates the large amount of capital investment required in the steel business per dollar of sales and the slow moving nature of its products. As a result, margins of profits on sales are necessarily higher, in all instances, than the percentages of profits on investment.

Relation of margins of profit, through capital turn-over, to rates of return on investment for principal steel companies, 1917-38

Average 1917-38	Total investment	Net sales	Rate of capital turn-over in terms of sales (times)	Profit on sales	Rate of return on investment
				<i>Percent</i>	<i>Percent</i>
United States Steel Corporation.....	\$1,760,820,526	\$1,188,007,575	0.67	10.86	7.33
Bethlehem Steel Corporation.....	528,805,568	253,694,696	.48	9.44	4.53
Republic Steel Corporation ¹	148,335,836	86,725,824	.58	6.57	3.84
Jones & Laughlin Steel Corporation.....	182,959,802	91,385,476	.50	12.08	6.03
Youngstown Sheet & Tube Co.....	165,650,756	99,152,647	.60	10.78	6.45
National Steel Corporation ²	144,350,340	85,500,203	.59	13.79	8.17
Inland Steel Co.....	80,407,561	53,175,448	.66	15.40	10.18
American Rolling Mill Co.....	61,995,249	45,936,457	.74	8.81	6.53
Wheeling Steel Corporation.....	84,723,458	59,996,385	.71	8.61	6.09
Otis Steel Co. ³	29,650,862	21,712,069	.73	5.71	4.18
Pittsburgh Steel Co.....	39,298,408	25,509,155	.65	7.58	4.92
Combined.....	3,226,998,366	2,010,765,935	.62	10.58	6.59

¹ Net sales are for years 1917-27 and 1932-38.

² Data are for years 1930-38.

³ Data are for years 1919-38.

SALARIES AND OTHER COMPENSATION PAID TO OFFICERS AND DIRECTORS
OF STEEL COMPANIES

Data regarding the compensation—salaries and bonuses—paid to officers and directors of some of the principal steel companies are presented to show the trends in recent years of the remuneration for their services. The amounts of compensation paid were obtained from reports submitted by the companies to the Securities and Exchange Commission for the years 1935 to 1938, inclusive, for United States Steel Corporation, Bethlehem Steel Corporation, Republic Steel Corporation, Jones & Laughlin Steel Corporation, Youngstown Sheet & Tube Co., National Steel Corporation, Inland Steel Co., the American Rolling Mill Co., Wheeling Steel Corporation, Otis Steel Co., and Pittsburgh Steel Co.

Table 11, which follows, shows the annual aggregate remuneration paid to all officers and directors and aggregate remuneration of the three highest paid officers and directors, of each company, during 1935 to 1938, inclusive; it also shows the total number of officers and directors.

TABLE 11.—Aggregate remuneration, including salaries and bonuses, paid to officers and directors of the principal steel companies, 1935-38

Company	Number of officers and directors	Aggregate remuneration (salaries and bonuses)		
		All officers and directors	3 highest paid	All others
1935				
United States Steel Corporation	28	\$855,614	\$382,353	\$473,261
Bethlehem Steel Corporation	27	1,029,495	473,342	556,153
Republic Steel Corporation	23	544,189	275,240	269,249
Jones & Laughlin Steel Corporation	15	399,350	135,387	263,763
Youngstown Sheet & Tube Co.	24	318,462	120,400	198,062
National Steel Corporation	15	496,379	430,280	66,099
Inland Steel Co.	18	479,165	163,980	315,185
The American Rolling Mill Co.	19	432,887	183,765	249,122
Wheeling Steel Corporation	22	265,620	140,000	125,620
Otis Steel Co.	18	152,448	111,250	41,198
Pittsburgh Steel Co.	16	150,928	79,534	70,394
1936				
United States Steel Corporation	30	861,338	367,922	493,416
Bethlehem Steel Corporation	24	983,413	450,000	533,413
Republic Steel Corporation	20	607,531	335,000	272,531
Jones & Laughlin Steel Corporation	15	452,679	187,217	265,462
Youngstown Sheet & Tube Co.	22	328,752	122,720	206,032
National Steel Corporation	15	578,865	460,220	118,645
Inland Steel Co.	18	637,469	177,400	460,069
The American Rolling Mill Co.	21	524,224	299,346	224,878
Wheeling Steel Corporation	23	283,796	140,000	143,796
Otis Steel Co.	17	176,339	143,000	33,339
Pittsburgh Steel Co.	19	116,259	55,890	60,369
1937				
United States Steel Corporation	31	1,240,032	410,457	829,575
Bethlehem Steel Corporation	23	1,754,659	728,962	1,025,697
Republic Steel Corporation	20	649,198	350,000	299,198
Jones & Laughlin Steel Corporation	14	571,880	238,333	333,547
Youngstown Sheet & Tube Co.	22	440,917	180,070	260,847
National Steel Corporation	15	564,075	474,446	89,629
Inland Steel Co.	18	668,420	179,500	488,920
The American Rolling Mill Co.	20	576,420	319,411	256,979
Wheeling Steel Corporation	23	264,860	125,000	139,860
Otis Steel Co.	17	229,877	190,800	39,077
Pittsburgh Steel Co.	17	136,725	71,980	64,745
1938				
United States Steel Corporation	25	1,019,484	379,897	639,587
Bethlehem Steel Corporation	22	1,676,359	708,308	968,051
Republic Steel Corporation	19	574,549	320,832	253,717
Jones & Laughlin Steel Corporation	12	361,732	220,533	140,899
Youngstown Sheet & Tube Co.	22	436,460	175,166	261,294
National Steel Corporation	14	434,803	362,700	72,103
Inland Steel Co.	18	577,309	160,750	416,559
The American Rolling Mill Co.	20	532,506	298,220	234,286
Wheeling Steel Corporation	21	241,940	109,999	131,941
Otis Steel Co.	16	144,879	118,800	26,079
Pittsburgh Steel Co.	20	190,602	96,000	94,602

It was not possible from the records of the Securities and Exchange Commission to segregate the total compensation paid to officers and directors so as to show the compensation received by those who were both officers and directors and those who functioned as directors only. Therefore, in comparing the aggregate remuneration of all officers and directors of one company with another consideration should be given to the fact that some directors receive only a nominal compensation for part-time services. For this reason altogether valid comparisons cannot be made of the per officer and director compensation paid by the various companies shown in the table.

However table 11 shows that there were fewer officers and directors of Bethlehem Steel Corporation than of United States Steel Corporation but that in the aggregate they received more compensation. In 1938 United States Steel Corporation had 25 officers and directors who received total compensation of \$1,019,484, while 22 officers and directors of Bethlehem Steel Corporation received compensation aggregating \$1,676,359. During the same year the officers and directors of Republic Steel Corporation, Jones & Laughlin Steel Corporation, Youngstown Sheet & Tube Co., National Steel Corporation, Inland Steel Co., and the American Rolling Mill Co. received aggregate remuneration ranging from \$361,732 to \$577,309.

The aggregate remuneration of the three highest-paid officers and directors combined during 1938 ranged from \$96,000 for Pittsburgh Steel Co. to \$708,308 for Bethlehem Steel Corporation. The three highest-paid combined received \$379,897 from United States Steel Corporation, \$362,700 from National Steel Corporation, and \$320,832 from Republic Steel Corporation.

The highest-paid officers of United States Steel Corporation did not receive as much compensation in 1938 as the highest-paid officer of some of the other steel companies. For example, the highest-paid officer of United States Steel Corporation in 1938 was William A. Irvin, vice chairman of the board of directors, who received \$140,070, and the next highest paid was Benjamin F. Fairless, president, who received \$135,344. There were five officers or directors of Bethlehem Steel Corporation each of whom received compensation ranging from \$149,619 to \$378,698, which larger amount was paid to Eugene G. Grace, president, in 1938. T. M. Girdler, president of Republic Steel Corporation, received \$160,416 in 1938, while George R. Fink, president of National Steel Corporation, received \$150,400, and Charles R. Hook, president of the American Rolling Mill Co., received \$134,846 in that year.

Tables 12 to 22, which follow, show the compensation, including salary and bonuses, paid to each of the higher-paid officers and directors of 11 of the principal steel companies. It will be noted that for some years no amounts of compensation are shown for certain officers or directors. This did not necessarily mean that they were no longer connected with the corporation, but it indicates that those officers or directors were not among the 3 highest paid during the year.

TABLE 12.—*Compensation of the 3 highest-paid officers and directors of United States Steel Corporation, 1935-38*

Name	Position	1935	1936	1937	1938
Myron C. Taylor	Chairman of the board of directors	\$166,785	\$166,892	\$167,662	-----
William A. Irvin	Director, and president 1935, 1936, and 1937; and vice chairman of the board of directors, 1938.	124,513	130,310	141,795	\$140,070
Benjamin F. Fairless	Director and president, 1937 and 1938.	-----	-----	101,000	135,344
William J. Filbert	Chairman, finance committee, and director.	91,055	-----	-----	-----
E. R. Stettinius, Jr. ¹	do	-----	70,750	-----	-----
Enders M. Voorhees	do	-----	-----	-----	104,483

¹ Chairman of the board of directors in 1938.

TABLE 13.—*Compensation of the highest-paid officers and directors of Bethlehem Steel Corporation, 1935-38*

Name	Position	1935	1936	1937	1938
Charles M. Schwab ¹	Chairman of the board of directors.....	\$203,332	\$180,000	\$180,000	\$180,000
Eugene G. Grace ^{1,2}	Director and president.....	180,000	180,000	394,586	378,698
Quincy Bent ^{1,2}	Director.....	90,000	90,000	154,376	149,610
C. Austin Buck ^{1,2}	do.....	90,000	90,000	154,376	149,610
Paul Mackall ^{1,2}	do.....			154,376	149,610

¹ Also an officer and/or a director of one or more of the company's subsidiaries, and the aggregate remuneration shown is for all capacities.

² Compensation for 1937 and 1938 includes bonuses of \$214,586 and \$198,698, respectively.

³ Compensation for 1937 and 1938 includes bonuses of \$64,376 and \$59,610, respectively.

TABLE 14.—*Compensation of the 3 highest-paid officers and directors of Republic Steel Corporation, 1935-38*

Name	Position	1935	1936	1937	1938
T. M. Girdler ¹	Chairman of the board of directors and president.....	\$140,779	\$175,000	\$175,000	\$160,416
R. J. Wysor ²	Director, vice president, and general manager.....	69,769	85,000	100,000	91,666
B. F. Fairless.....	Director and vice president.....	64,692			
Myron A. Wick.....	Director and vice president in charge of finance.....		75,000	75,000	68,750

¹ Resigned as president Apr. 17, 1937.

² Elected president Apr. 17, 1937.

TABLE 15.—*Compensation of the highest-paid officers and directors of Jones & Laughlin Steel Corporation, 1935-38*

Name	Position	1935	1936	1937	1938
G. M. Laughlin, Jr. ¹	Chairman of the board of directors and member of executive committee.....	\$49,609			
S. E. Hackett ²	President, director, and member of executive committee.....	49,609	\$66,666	\$75,000	\$86,458
W. C. Moreland ²	Vice president, director, and member of executive committee.....	36,369			
Frederick E. Fieger ³	do.....	36,369	45,552		
William D. Evans.....	Director, general counsel, and member of executive committee.....	36,369			
W. J. Creighton.....	Vice president, director, and member of executive committee.....	36,369	45,552		42,361
H. E. Lewis ⁴	President, chairman of the board of directors, and member of executive committee.....		74,999	100,000	92,014
William B. Todd ⁵	Vice president, director, and member of executive committee.....			63,333	
L. M. Parsons.....	Vice president and director.....				41,667

¹ Resigned as chairman of the board Apr. 7, 1936, but continued in his capacity as a director.

² Resigned as president, director, and member of executive committee Feb. 14, 1938. Remuneration as shown above is for services rendered as such and includes additional compensation for valuable services rendered covering a period of approximately 22 years.

³ Resigned as vice president and member of executive committee but continued in his capacity as a director.

⁴ Resigned as vice president and member of executive committee Mar. 22, 1937.

⁵ Elected Feb. 14, 1938.

⁶ Resigned as vice president Nov. 11, 1937.

TABLE 16.—*Compensation of the highest-paid officers and directors of Youngstown Sheet & Tube Co., 1935-38*

Name	Position	1935	1936	1937	1938
H. G. Dalton.....	Chairman of the board of directors and member of the executive committee.	\$30,200	-----	-----	-----
Frank Purnell.....	Director, president, and member of the executive committee.	60,200	\$42,720	\$60,070	\$54,500
W. B. Gillies.....	Vice president.....	30,000	40,000	60,000	60,333
W. E. Watson.....	do.....	30,000	40,000	60,000	60,333

TABLE 17.—*Compensation of the 3 highest-paid officers and directors of National Steel Corporation, 1935-38*

Name	Position	1935	1936	1937	1938
Ernest T. Weir ¹	Chairman of the board of directors; also chairman of the board of directors, Weirton Steel Co., Great Lakes Steel Corporation, and Hanna Furnace Corporation (New York).	\$160,100	\$200,120	\$200,340	\$147,900
George R. Fink ²	President and director; also president, Great Lakes Steel Corporation.	160,120	200,100	200,340	150,400
John C. Williams ³	Vice president and director; also president, Weirton Steel Co., Weirton Coal Co., and Hanna Furnace Corporation (New York).	110,060	-----	-----	-----
Thomas E. Millsop ⁴	President, Weirton Steel Co. and Weirton Coal Co.	-----	60,000	73,766	64,400

¹ Compensation for 1935, 1936, 1937, and 1938 includes bonuses of \$100,000, \$100,000, \$100,000, and \$47,500, respectively.

² Compensation for 1935, 1936, 1937, and 1938 includes bonuses of \$100,000, \$100,000, \$100,000, and \$50,000, respectively.

³ Compensation for 1935 includes bonus of \$50,000. Mr. Williams died on June 1, 1936.

⁴ Compensation for 1937 includes bonus of \$30,000. Elected director Weirton Steel Co., 1937.

TABLE 18.—*Compensation of the highest-paid officers and directors of Inland Steel Co., 1935-38*

Name	Position	1935	1936	1937	1938
Leopold E. Block.....	Director and chairman of the board of directors.	\$60,000	\$62,500	\$62,500	\$56,250
Philip D. Block.....	Director and president.....	60,000	62,500	62,500	56,250
Wilfred Sykes.....	Director and assistant to president.....	43,980	52,400	54,500	48,250
Edward M. Adams ¹	Director and first vice president.....	42,000	-----	-----	-----
Edward L. Reyerson, Jr.....	Director and vice chairman of the board of directors.	-----	-----	54,500	48,250
J. H. Walsh.....	Work manager.....	-----	-----	54,500	48,250

¹ Deceased.

TABLE 19.—*Compensation of the 3 highest-paid officers and directors of the American Rolling Mill Co., 1935-38*

Name	Position	1935	1936	1937	1938
George M. Verity.....	Chairman of the board of directors.....	\$69,124	\$60,883	\$74,937	\$64,487
Charles R. Hook ¹	Director, president, and general manager.	65,510	114,692	141,060	134,846
Calvin Verity ²	Director, executive vice president, and assistant general manager.	49,131	84,771	103,444	98,887

¹ Compensation for 1936, 1937, and 1938 includes bonuses of \$39,817, \$60,775, and \$65,752, respectively.

² Compensation for 1937 and 1938 includes bonuses of \$44,568 and \$48,218.

TABLE 20.—*Compensation of the 3 highest-paid officers and directors of Wheeling Steel Corporation, 1935-38*

Name	Position	1935	1936	1937	1938
Alexander Glass.....	Chairman of the board of directors and chairman of executive committee.	\$50,000	\$50,000	\$35,000	\$27,500
William W. Halloway.....	Director, president, and member of executive committee.	50,000	50,000	50,000	45,833
Archie J. McFarland.....	Director, first vice president, and member of executive committee.	40,000	40,000	40,000	36,666

TABLE 21.—*Compensation of the 3 highest-paid officers and directors of Otis Steel Co., 1935-38*

Name	Position	1935	1936	1937	1938
F. J. Kulas.....	President and director President, Cuyahoga Valley Ry. Co. ¹	\$42,650 3,600	\$61,400 3,600	\$81,400 3,600	\$46,400 3,600
Total.....		46,250	65,000	85,000	50,000
J. E. Montgomery.....	Vice president and general manager	48,000	55,000	71,000	48,000
F. B. Allen ²	Vice president Vice president, Otis Steel Co. of Canada, Ltd. ^{1 2}	16,700 300			
Total.....		17,000			
H. E. Robinson.....	Vice president Vice president, Otis Steel Co. of Canada, Ltd. ¹		27,550 450	34,200 600	20,200 600
Total.....			28,000	34,800	20,800

¹ Subsidiary company.² Served the company during entire year but served as such officer during only part of the year; said remuneration is that paid to him for full year 1935 as such employee and officer.TABLE 22.—*Compensation of the highest-paid officers and directors of Pittsburgh Steel Co., 1935-38*

Name	Position	1935 ¹	1936 ¹	1937 ¹	1938 ¹	6 months, 1938 ²
Homer D. Williams ³	President, director, and member of executive committee.	\$48,304	\$26,250			
Emil Winter.....	Vice president, director, and member of executive committee.	16,502				
Henry A. Roemer ⁴	President, director, and member of executive committee.		15,000	\$36,000	\$36,000	\$18,000
William C. Sutherland ⁵	Director and executive vice president in charge of operations.	15,128	14,640	15,980	20,000	
Charles E. Beeson.....	Director, vice president, treasurer, and member of executive committee.	12,379	11,980			
Henry J. Miller.....	Director, vice president, secretary and member of executive committee.	12,379	11,980			
Alexander E. Walker ⁶	Director and executive vice president.			20,000	40,000	20,000
J. H. Carter ⁸	Director, vice president in charge of operations.				16,000	15,000

¹ Fiscal year ending June 30 of each year.² 6-months period ending Dec. 31, 1938³ Resigned as president, director, and member of executive committee, Jan. 13, 1936.⁴ Elected president, director, and member of executive committee Jan. 13, 1936; officer of certain subsidiaries at various times between Jan. 13, 1936 and Jan. 27, 1936.⁵ Resigned as executive vice president in charge of operations May 31, 1938.⁶ Elected director Oct. 26, 1937, and executive vice president Jan. 1, 1937.⁷ Remuneration shown is for period Jan. 1, 1937, to June 30, 1937.⁸ Elected vice president in charge of operations May 31, 1938.

INVESTMENTS, PROFITS, AND RATES OF RETURN FOR UNITED STATES STEEL CORPORATION

INTRODUCTION

The United States Steel Corporation has dominated the steel industry since its formation in 1901. At that time, the corporation produced 43 percent of all pig iron produced in United States, 65 percent of all steel ingots and steel castings, and 50 percent of all kinds of finished rolled products. The United States Steel Corporation continues to dominate the industry; it is approximately two and a half times as large in productive capacity as the next largest company, the Bethlehem Steel Corporation. However, the United States Steel Corporation has declined in relative importance in the industry; this in spite of the fact that the corporation has increased both its productive capacity and investments since 1901. The industry has grown at a more rapid pace. At the end of 1938, the Steel Corporation produced 33 percent of all steel ingots and castings, and 29 percent of all kinds of finished rolled products.

For the period covered by this study the United States Steel Corporation of New Jersey controlled through stock ownership 259 subsidiary companies. Classified by groups as follows:

Manufacturing companies.....	65
Coal and coke companies.....	13
Ore mining companies.....	84
Transportation.....	44
Miscellaneous.....	53
Total.....	259

A few of the companies included in the above tabulation were inactive during the period under review.

The manufacturing companies were engaged principally in producing pig iron, ingots, castings, and rolled and finished steel products for sale. In addition to the companies so engaged there was a number of other large closely related manufacturing concerns which built bridges, produced cement, etc., included in the group.

The coal and coke, ore mining, and transportation companies were engaged chiefly in United States Steel Corporation activities indicated by their respective classifications.

The group of companies classified as "miscellaneous" includes real estate, utility merchandising and various other concerns engaged in activities somewhat removed from those directly connected with producing and disposing of iron and steel products.

A detailed analysis was made of approximately 46 companies, which are not primarily engaged in the production of iron and steel for sale in order to compare the results of the operations of such companies with those of the concerns more directly engaged in the production of iron and steel for sale.

PRODUCTION STATISTICS

While income, investment, and rates of return are measures of the activity and success of a business, such information presents only one phase of the history of a business. The things which a business produces is of real importance in describing its business life. Table 23 immediately following seeks to present such a record. This information has been compiled from production data appearing in the annual reports of the United States Steel Corporation. The wide variations in the production of the various products of the United States Steel Corporation are apparent from this table. For example, the annual production of ore mined has followed a most erratic course. In 1917, some 31,781,000 tons of ore was mined. Mining of ore fell off steadily the next few years, reaching a low in 1921 of 16,422,000 tons. Production of ore recovered rapidly and by 1923, 31,015,000 tons was mined. For the next 6 years, production fluctuated at levels somewhat below that of 1923 without showing any definite trend. The next period, 1929-38, is characterized by a sharp, and precipitous decline to 1932, when only 3,616,000 tons of ore were mined as compared with 30,540,000 tons in 1929. Recovery from this low was rapid, though less so than the fall. By 1937 production regained the 1929 level with the mining of 30,428,000 tons of ore. 1938 saw, however, the sharpest decline in ore production of the whole 22-year period. Production of ore in 1938 was but slightly more than one-third that of the ore mined in 1937.

As to be expected, production of steel ingots and castings, blast furnace production, and production of rolled and finished steel products for sale followed a course almost identical to that of ores mined, though the percentage variations in the production of ores mined was somewhat greater than in the case of the other stages of production.

Similarly, the production of coal and coke, since it enters so intimately in the manufacture of steel, follows with fairly close correlation the production of the products mentioned above. An inspection of the yearly totals reveals, however, that the changes from year to year, for the most part, have been less violent than in the case of ores mined.

TABLE 23.—*Summary of production of raw, semifinished and finished products of United States Steel Corporation 1928-38, inclusive*

Products	1938	1937	1936	1935	1934	1933	1932	1931
Ores mined (tons).....	10,984,471	30,428,301	19,023,059	11,437,501	10,074,431	8,345,767	3,616,319	13,600,716
Limestone quarried (tons).....	6,980,314	13,121,491	10,742,061	7,002,036	6,043,323	5,410,752	3,203,029	7,673,718
Coal mined (tons).....	13,841,727	24,503,805	23,581,476	15,094,540	11,724,183	10,227,230	7,046,770	15,779,298
Coke manufactured (tons).....	7,005,696	14,189,725	12,034,398	7,328,083	5,382,345	4,879,785	2,966,483	7,040,832
Blast furnace production (tons).....	6,814,252	14,438,549	12,054,347	7,417,089	5,512,905	5,026,209	3,122,930	7,021,507
Steel ingots and castings (tons).....	9,397,371	18,532,278	16,907,996	11,130,942	8,660,309	8,046,995	4,929,236	10,082,398
Rolled and finished steel products for sale (tons).....	6,562,948	12,762,267	11,029,616	7,474,213	6,004,585	5,536,322	3,591,474	7,196,017
Other (tons).....	413,085	616,378	544,025	381,221	272,812	265,771	157,341	377,699
Portland cement (barrels).....	10,695,500	12,731,347	12,113,649	8,184,463	7,260,600	6,957,160	7,113,300	15,050,996

Products	1930	1929	1928	1927	1925	1925	1924
Ores mined (tons).....	24,295,103	30,540,565	26,633,554	25,645,927	29,262,741	27,996,845	24,744,541
Limestone quarried (tons).....	14,611,927	14,703,412	14,600,181	4,656,150	5,513,739	5,344,893	5,033,889
Coal mined (tons).....	25,388,265	31,826,634	28,691,624	27,430,329	34,294,657	31,478,568	27,738,007
Coke manufactured (tons).....	13,113,382	17,355,036	15,993,373	14,506,980	17,336,334	16,301,224	14,408,041
Blast-furnace production (tons).....	12,758,333	16,494,985	15,237,717	13,784,226	15,705,301	14,798,999	12,683,729
Steel ingots and castings (tons).....	16,726,472	21,868,816	20,105,749	18,486,444	20,306,663	18,898,597	10,478,857
Rolled and finished steel products for sale (tons).....	11,609,265	15,302,669	13,972,388	12,979,232	14,334,412	13,271,010	11,722,908
Other (tons).....	551,099	611,600	595,653	484,719	490,724	452,372	396,560
Portland cement (barrels).....	24,294,154	11,549,000	11,957,000	15,425,000	14,526,000	15,722,000	15,156,600

Products	1923	1922	1921	1920	1919	1918	1917
Ores mined (tons).....	31,015,109	21,778,179	16,422,682	27,021,099	25,423,093	28,332,939	31,781,769
Limestone quarried (tons).....	6,571,486	5,633,186	4,607,486	5,981,022	5,835,249	5,141,365	6,494,917
Coal mined (tons).....	35,289,901	23,293,471	21,627,939	30,528,334	28,893,123	31,748,135	31,496,823
Coke manufactured (tons).....	18,837,631	13,237,058	9,825,264	16,208,111	16,463,649	17,757,636	17,461,675
Blast-furnace production (tons).....	16,729,226	12,027,163	8,678,262	14,532,646	13,637,504	15,940,954	15,653,928
Steel ingots and castings (tons).....	20,329,950	16,082,385	10,966,347	19,277,960	17,200,373	19,583,493	20,235,061
Rolled and finished steel products for sale (tons).....	14,721,489	11,785,331	7,860,334	14,228,502	11,997,935	13,849,483	14,942,911
Other (tons).....	411,872	355,027	306,923	376,351	105,596	96,058	122,934
Portland cement (barrels).....	14,440,000	13,168,000	12,499,000	11,960,000	9,112,000	7,287,000	10,917,000

Because of the importance of rolled and finished steel products to the United States Steel Corporation, an analysis of such production by the steel-producing and fabricating subsidiaries for the years 1917-38 is set forth in table 24. While the table furnishes a measure of the relative size of the various steel-producing units of the United States Steel Corporation, it should be pointed out that certain of the units such as Carnegie Steel Co. and the Illinois Steel Co. and their successor, the Carnegie-Illinois Steel Corporation, devote a substantial proportion of their productive capacity to the production of basic steel products which require further processing by other units in the group. The tons produced for further conversion within the United States Steel Corporation by the companies listed in table 24 are not included in this table nor in table 23.

TABLE 24.—Summary of production of rolled and finished steel products for sale for the steel-producing and fabricating subsidiaries of the United States Steel Corporation, 1917-38, inclusive

	Total	1938	1937	1936	1935	1934	1933	1932
American Sheet & Tin Plate Co.	Tons 26,794,163	Tons	Tons	Tons	Tons	Tons	Tons	Tons
American Steel & Wire Co.	30,114,607	805,083	1,325,915	1,373,933	1,115,523	784,119	927,413	622,904
Carnegie-Illinois Steel Co.	19,647,182	3,862,840	8,593,417	7,190,925	1,942,888	1,628,513	1,607,119	1,002,874
Carnegie Steel Co.	65,346,951				1,538,371	1,135,773	853,416	516,546
Illinois Steel Co.	44,656,905				236,767	194,601	172,090	88,020
Columbia Steel Co.	1,789,289	225,498	264,327	310,136	545,729	484,322	377,754	263,537
National Tube Co.	25,892,954	625,717	1,111,126	973,010	563,285	516,967	422,940	242,378
Tennessee Coal, Iron & R. R. Co.	15,298,784	759,847	1,009,292	816,811	258,059	255,794	206,424	318,416
Other	13,194,506	283,963	458,190	364,801				
Total	242,735,341	6,562,948	12,762,267	11,029,616	7,474,213	6,004,585	5,536,322	3,591,474

	1931	1930	1929	1928	1927	1926	1925	1924
American Sheet & Tin Plate Co.	Tons 900,405	Tons	Tons	Tons	Tons	Tons	Tons	Tons
American Steel & Wire Co.	922,556	1,185,717	1,593,298	1,603,992	1,463,678	1,513,907	1,534,341	1,390,796
Carnegie Steel Co.	2,064,398	3,357,747	4,659,280	4,049,212	3,710,066	4,193,965	3,925,212	3,648,778
Illinois Steel Co.	1,281,073	2,414,376	3,512,580	3,233,365	2,776,801	3,059,501	2,985,455	2,452,383
Columbia Steel Co.	122,107	175,743						
National Tube Co.	785,538	1,395,740	1,631,429	1,578,030	1,744,560	1,822,647	1,503,779	1,353,835
Tennessee Coal, Iron & R. R. Co.	555,982	718,106	929,436	822,108	918,636	1,052,275	950,303	812,415
Other	613,958	977,680	993,750	819,528	779,487	844,090	733,201	653,575
Total	7,196,017	11,609,265	15,302,669	13,972,388	12,979,282	14,334,412	13,271,010	11,722,908

	1923	1922	1921	1920	1919	^a 1918	1917
American Sheet & Tin Plate Co.	1,774,468	1,504,125	1,024,643	1,610,536	1,381,528	1,356,120	1,741,155
American Steel & Wire Co.	1,780,019	1,563,839	1,013,708	2,029,731	1,654,615	1,749,397	2,160,123
Carnegie Steel Co.	4,693,691	3,686,737	2,209,589	4,682,568	4,259,377	4,911,986	5,112,951
Illinois Steel Co.	3,270,573	2,619,238	1,772,691	3,086,011	2,293,880	2,913,220	2,941,652
National Tube Co.	1,665,096	1,283,380	1,069,780	1,534,028	1,324,900	1,457,392	1,411,025
Tennessee Coal, Iron & R. R. Co.	776,725	639,353	441,728	660,720	534,291	544,355	610,831
Other	760,297	488,659	328,195	624,908	549,344	917,013	965,174
Total	14,721,469	11,785,331	7,860,334	14,228,502	11,997,935	13,849,483	14,942,911

¹ Includes production of American Sheet & Tin Plate Co. and Illinois Steel Co.

An excellent measure of growth in the steel industry is the capacity to produce steel and steel products. The following tabulation compares the capacities of the United States Steel Corporation and the steel industry to produce steel ingots and castings from 1917 to 1939, inclusive:

Comparison of the capacities of the United States Steel Corporation and the steel industry in the production of steel ingots and castings, 1917-39

Year ¹	Total for industry ²	U. S. Steel Corporation	Percentage of corporation to total	Year ¹	Total for industry ²	U. S. Steel Corporation	Percentage of corporation to total
	<i>Tons</i>	<i>Tons</i>			<i>Tons</i>	<i>Tons</i>	
1917-----	49,613,888	22,009,300	44.4	1929-----	63,784,389	24,150,000	37.9
1918-----	52,541,445	22,163,000	42.2	1930-----	65,165,541	25,085,000	38.5
1919-----	54,482,740	22,295,500	40.9	1931-----	68,980,181	25,997,000	37.7
1920-----	55,637,135	22,303,300	40.1	1932-----	70,340,101	27,766,300	39.5
1921-----	57,376,810	22,649,800	39.5	1933-----	70,191,431	27,341,900	40.0
1922-----	58,416,680	22,650,200	38.8	1934-----	69,755,371	27,341,900	39.2
1923-----	58,644,655	22,740,000	38.8	1935-----	70,046,366	27,341,900	39.0
1924-----	59,431,710	22,758,400	38.3	1936-----	69,789,554	26,657,000	38.2
1925-----	61,136,805	23,067,700	37.7	1937-----	69,775,334	25,772,400	36.9
1926-----	57,812,531	22,692,000	39.3	1938-----	71,594,320	25,790,000	36.0
1927-----	60,032,247	23,119,800	38.5	1939-----	73,061,569	28,885,000	39.5
1928-----	61,465,100	23,713,000	38.6				

¹ Totals as of January 1.

² From Annual Reports of the American Iron and Steel Institute (Summary of Production of Iron and Steel Products), 1917-39.

In 1917 the capacity of the corporation amounted to 44.4 percent of the total capacity for the industry. In terms of tonnage in 1917 the corporation had a rated capacity of 22,009,300 tons of steel ingots and castings as compared with a capacity for the industry of 49,613,888 tons. In 1939 the industry had a capacity of 73,061,569 tons, while the corporation had a capacity of 28,885,000 tons, or 39.5 percent of the total. In other words, while the corporation increased its capacity during the period 6,875,700 tons, the capacity of the industry increased 23,447,681 tons. The decrease of approximately 5 percent in the corporation's participation in total capacity as the result of the more rapid increases in the capacity of the industry, represents a fairly gradual decline. This trend was interrupted when the corporation made slight recoveries to its former position. In 1926 the corporation's percent of participation increased to 39.3, a gain of 1.6 percent over the previous year. Again, in 1933, the corporation possessed 40.0 percent of total capacity, a gain of 2.3 percent over the preceding 2 years. Finally in 1939 the corporation's percentage of total capacity jumped 3.5 percent over the preceding year.

The following table 25 compares the capacities of the United States Steel Corporation and its steel subsidiaries in 1917 with its capacities in 1939. Since the relative loss of the corporation's participation in the production of steel has been gradual, without violent changes, it is perhaps unnecessary to account for the changes in capacities in the years intervening between 1917 and 1939. This table also shows the capacities of the subsidiaries for rolled and other iron and steel products. It will be noted that the total capacity of the corporation for the production of these products increased from 44,302,600 tons in 1917 to 55,818,025 tons in 1939. Most of this increase represents capacity for the conversion of steel within the corporation. The classification of rolled and other iron and steel products comprises several stages in the production of steel. This explains why with an increase in the capacity of these products of 11,515,425 tons, the capacity in the production of such products for sale to interests outside the corporation increased only 3,675,210 tons. In other words, an increasing amount of semi-finished steel produced by the corporation was further processed by it into finished products.

INVESTMENTS, PROFITS, AND RATES OF RETURN FOR UNITED STATES STEEL CORPORATION

The following table summarizes the investments, profits, and rates of return for United States Steel Corporation and subsidiaries on a consolidated basis, for the period 1917 to 1938, inclusive.

Rates of return are computed on three bases of investments, namely the total investment, the stockholders' investment, the common stockholder's equity. The total investment includes preferred and common stocks, long-term debt, surplus, surplus reserves, and reserves for Federal income and profits taxes. The stockholders' investment includes all of these items except long-term debt. The common stockholders' equity consists of the outstanding common stocks, surplus, surplus reserves, and reserves for Federal income and profits taxes. On each basis the investments were averaged as of the beginning and end of the year after the elimination of appreciation and other intangibles.

The profits used in computing rates of return in the table are before deductions for Federal income and profits taxes, since such taxes are wholly contingent upon profits and represent a division of the earnings of the business. Subject to this qualification, the profits applicable to the total investment represent the net income from all sources before deducting interest on long-term debt. The profits applicable to the stockholders' investment represent the net income after deducting interest on long-term debt. The further deduction of dividends paid or accrued on preferred stock gives the net income applicable to the common stockholders' equity.

TABLE 26.—Summary of investments, profits, and rates of return for United States Steel Corporation and subsidiaries, 1917-38

	Total	1938	1937	1936	1935	1934	1933	1932
1. Capital stock, common.....		\$552,743,900	\$870,325,200	\$870,325,200	\$870,325,200	\$870,325,200	\$870,325,200	\$870,325,200
2. Capital stock, preferred.....		360,281,100	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100
3. Surplus, appropriated.....		38,462,801	81,250,021	81,250,021	81,250,021	81,250,021	81,250,021	81,250,021
4. Surplus, capital.....		247,419,013	290,356,143	252,516,714	252,516,714	258,575,628	287,330,507	329,100,248
5. Surplus, earned.....		31,949,685	32,476,784	28,074,449	23,444,809	19,630,598	18,398,749	34,688,350
6. Reserves, contingency.....		9,547,712	34,534,486	15,246,244	8,715,160	6,733,638	4,225,818	4,289,239
7. Reserves—Federal income and profits taxes.....								
8. Capital stock and surplus.....		1,340,404,112	1,659,223,734	1,607,837,731	1,596,533,004	1,866,796,185	1,891,811,395	1,949,944,328
9. Less intangibles.....		1	249,583,149	249,583,149	249,583,149	249,583,149	249,583,149	249,583,149
10. Stockholders' investment.....		1,340,404,111	1,409,640,585	1,398,254,582	1,346,949,855	1,617,213,036	1,642,228,246	1,700,361,179
11. Long-term debt.....		231,574,257	107,489,624	98,251,474	93,551,890	95,663,689	93,179,823	95,950,255
12. Purchase money obligations.....		12,138,082	13,082,583	14,036,195	15,025,700	16,017,541	17,010,259	18,783,722
13. Total investment.....		1,584,116,450	1,530,212,792	1,470,542,251	1,455,527,445	1,728,894,266	1,752,418,328	1,815,095,156
14. Average of total investment.....	\$1,760,820,526	1,557,164,621	1,500,377,521	1,403,034,848	1,592,210,855	1,740,656,247	1,783,756,742	1,867,262,334
15. Average of stockholders' investment.....	1,388,291,593	1,375,022,848	1,383,947,583	1,352,602,218	1,482,081,445	1,629,720,641	1,671,294,712	1,750,559,838
16. Average of common stockholders' investment.....	1,028,010,853	1,014,741,248	1,023,066,483	992,321,118	1,121,800,345	1,269,439,541	1,311,013,612	1,390,278,738
Net income before deducting Federal income and profits taxes:								
17. Applicable to total investment.....	129,020,924	3,474,874	129,585,445	66,701,788	10,031,488	114,016,728	131,250,345	165,795,143
18. Applicable to stockholders' investment.....	110,663,394	1,787,453	124,444,357	61,733,357	5,071,708	19,067,780	36,414,798	171,108,604
19. Applicable to common stockholders' equity.....	85,443,717	1,300,007	99,224,680	36,563,680	1,201,147,969	1,444,287,457	1,611,634,475	1,963,328,281
Rate of return on total investment (17÷14).....percent.....	7.33	0.22	8.69	4.56	0.63	1.75	1.75	1.32
Rate of return on stockholders' investment (18÷15).....percent.....	7.97	1.35	8.99	4.57	.34	1.17	1.218	1.406
Rate of return on common stockholders' equity (19÷16):.....percent.....	8.31	1.296	9.69	3.68	1.80	1.349	1.470	1.693

1 Losses.

TABLE 26.—Summary of investments, profits, and rates of return for United States Steel Corporation and subsidiaries, 1917-38—Continued

	1931	1930	1929	1928	1927	1926	1925	1924
1. Capital stock, common.....	\$870,325,200	\$868,743,500	\$813,284,000	\$711,623,500	\$711,623,500	\$508,302,500	\$508,302,500	\$508,302,500
2. Capital stock, preferred.....	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100
3. Surplus, appropriated.....	270,000,000	270,000,000	270,000,000	270,000,000	270,000,000	240,000,000	240,000,000	200,898,914
4. Surplus, earned.....	81,250,021	80,177,832	41,037,125	385,277,349	338,044,914	528,502,400	496,863,109	492,061,308
5. Reserves, contingency.....	421,837,192	471,782,759	474,711,118	53,195,879	50,269,878	51,792,367	48,835,332	56,260,504
6. Reserves, contingency.....	42,341,925	53,983,311	57,547,868	16,561,431	39,817,390	46,477,197	87,741,015	85,709,695
7. Reserves—Federal income and profits taxes.....	4,306,208	16,671,907	19,136,362	1,796,939,259	1,770,036,782	1,765,355,564	1,742,023,056	1,703,514,021
8. Capital stock and surplus.....	2,050,341,646	2,121,640,409	2,035,997,573	3,428,877,597	3,845,539,045	3,996,811,966	4,511,675,831	4,622,177,893
9. Less intangibles.....	249,683,149	249,683,149	249,583,149	1,454,061,662	1,385,497,737	1,368,543,598	1,290,347,225	1,241,336,128
10. Stockholders' investment.....	1,800,758,497	1,872,057,260	1,786,414,424	456,602,415	475,174,529	492,089,353	509,479,578	511,272,930
11. Long-term debt.....	98,887,294	101,820,111	112,237,978	23,408,965	24,907,859	26,408,316	27,910,868	28,701,259
12. Purchase money obligations.....	19,783,722	20,785,341	21,912,189	1,934,073,042	1,885,580,125	1,857,641,267	1,827,737,671	1,781,310,317
13. Total investment.....	1,919,429,513	1,994,662,712	1,920,584,591	1,909,826,583	1,886,610,696	1,857,089,469	1,804,523,994	1,775,981,749
14. Average of total investment.....	1,957,046,112	1,957,623,651	1,927,328,816	1,419,779,699	1,377,020,667	1,329,445,411	1,265,841,676	1,227,155,064
15. Average of stockholders' investment.....	1,836,407,878	1,829,235,842	1,620,238,043	1,059,498,599	1,016,739,567	969,164,311	905,560,576	866,873,964
16. Average of common stockholders' investment.....	1,476,126,778	1,468,954,742	1,259,956,943	166,335,965	136,750,620	171,419,226	141,463,833	134,016,302
Net income before deducting Federal income and profits taxes:				140,589,956	110,687,116	144,661,288	114,354,715	106,705,793
17. Applicable to total investment.....	18,587,765	120,611,668	234,767,983	115,370,279	85,467,439	119,441,611	89,135,038	81,486,116
18. Applicable to stockholders' investment.....	13,118,141	219,823,112	219,823,112	8,711	7,25	9,23	7,84	7,55
19. Applicable to common stockholders' equity.....	1,12,101,636	89,751,894	194,603,435	8,711	7,25	9,23	7,84	7,55
Rate of return on total investment (17÷14).....percent.....	0.95	6.16	12.18	8.71	7.25	9.23	7.84	7.55
Rate of return on stockholders' investment (18÷15).....percent.....	.71	6.29	13.57	9.90	8.04	10.88	9.90	8.70
Rate of return on common stockholders' equity (19÷16).....percent.....	1.82	6.11	15.45	10.89	8.41	12.32	9.84	9.40

	1923	1922	1921	1920	1919	1918	1917	1916
1. Capital stock, common.....	\$508,302,500	\$508,302,500	\$508,302,500	\$508,302,500	\$508,302,500	\$508,302,500	\$508,302,500	\$508,302,500
2. Capital stock, preferred.....	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100	360,281,100
3. Surplus, appropriated.....	180,898,914	140,898,914	140,898,914	140,898,914	110,898,914	110,898,914	110,000,000	110,000,000
4. Surplus, capital.....	487,751,220	474,139,415	483,926,958	498,454,891	408,048,202	441,888,421	406,660,804	406,660,804
5. Surplus, earned.....	56,657,586	57,972,263	64,363,259	58,645,100	50,834,642	57,990,115	39,666,876	39,666,876
6. Reserves, contingency.....	91,349,225	77,815,194	75,388,981	111,933,898	115,433,539	307,161,192	245,406,350	245,406,350
7. Reserves—Federal income and profits taxes.....								
8. Capital stock and surplus.....	1,685,240,495	1,619,409,386	1,633,161,712	1,678,516,403	1,613,798,837	1,786,522,242	1,670,317,630	1,670,317,630
9. Less intangibles.....	472,266,494	481,856,088	491,036,651	499,805,352	508,155,266	515,987,241	522,609,129	522,609,129
10. Stockholder's investments.....	1,212,974,001	1,137,553,298	1,142,125,061	1,178,711,051	1,105,643,631	1,270,535,001	1,147,708,501	1,147,708,501
11. Long-term Debt.....	527,159,730	539,740,268	540,874,768	555,066,402	568,964,621	582,916,274	586,949,949	586,949,949
12. Purchase money obligations.....	30,519,450	31,612,507	31,234,352	31,324,201	32,813,762	34,283,923	35,607,318	35,607,318
13. Total investment.....	1,770,653,181	1,708,906,073	1,714,234,181	1,765,101,654	1,707,422,014	1,887,745,198	1,770,265,768	\$1,435,911,623
14. Average of total investment.....	1,739,779,627	1,711,570,127	1,739,667,917	1,736,261,834	1,797,583,606	1,829,005,483	1,603,088,695	1,603,088,695
15. Average of stockholders' investments.....	1,175,263,649	1,139,839,179	1,160,418,056	1,142,177,341	1,188,089,316	1,209,121,751	977,160,625	977,160,625
16. Average of common stockholders' investments.....	814,982,549	1,779,558,079	800,136,956	781,896,241	827,808,216	848,840,651	616,879,525	616,879,525
Net income before deducting Federal income and profits taxes.....								
17. Applicable to total investment.....	162,108,296	79,651,008	76,429,834	184,893,494	166,770,908	449,980,371	495,831,675	495,831,675
18. Applicable to stockholders' investments.....	134,096,658	51,264,018	47,937,568	155,544,142	136,626,559	419,331,014	464,942,232	464,942,232
19. Applicable to common stockholders' equity.....	108,876,981	26,064,341	22,717,891	130,324,465	111,406,882	394,111,337	439,722,555	439,722,555
Rate of return on total investment (17÷14).....percent.....	9.32	4.65	4.39	10.65	9.28	24.80	30.94	30.94
Rate of return on stockholders' investments (18÷15).....percent.....								
Rate of return on common stockholders' equity (19÷16).....percent.....	11.41	4.50	4.13	13.62	11.50	34.68	47.58	47.58
Rate of return on common stockholders' equity (19÷16).....percent.....	13.36	3.34	2.84	16.67	13.46	46.43	71.28	71.28

1 Losses.

Table 26 shows that rates of return based on the total investments, stockholders' investment, and common stockholders' equity were 30.94, 47.58, and 71.28 percent, respectively, for 1917. Rates of return were approximately one-third less for 1918 applicable to all classes of investment. The rates of return declined to 9.28, 11.50, and 13.46 percent, respectively, for 1919. Rates of return remained approximately the same for 1920 and then declined to 4.39, 4.13, and 2.84 percent, respectively, for 1921. The three classes of rates of return remained approximately the same for 1922, but there was a substantial increase in rates of return in 1923. Returns on all classes of investment continued at a high level thereafter through 1930. During the period 1923-30 rates of return were highest in 1929 and lowest in 1930. In 1929, earnings were equivalent to 12.18 percent on the total investment, 13.57 percent on the stockholders' investment, and 15.45 percent on the common stockholders' investment; in 1930 they were equivalent to 6.16 percent on the total investment, 6.29 percent on the stockholders' investment, and 6.11 percent on the common stockholders' equity.

Losses during the depression years and the moderate earnings in most of the other years were such that the results of operations since 1930 were decidedly less favorable on the whole than for the earlier years. This is evident from the following tabulation of rates of return for the two periods:

Rates of Return

	1917-1930	1931-1938
	<i>Percent</i>	<i>Percent</i>
On total investment.....	10.77	0.87
On stockholders' investment.....	13.08	.59
On common stockholders' equity.....	15.43	1.34

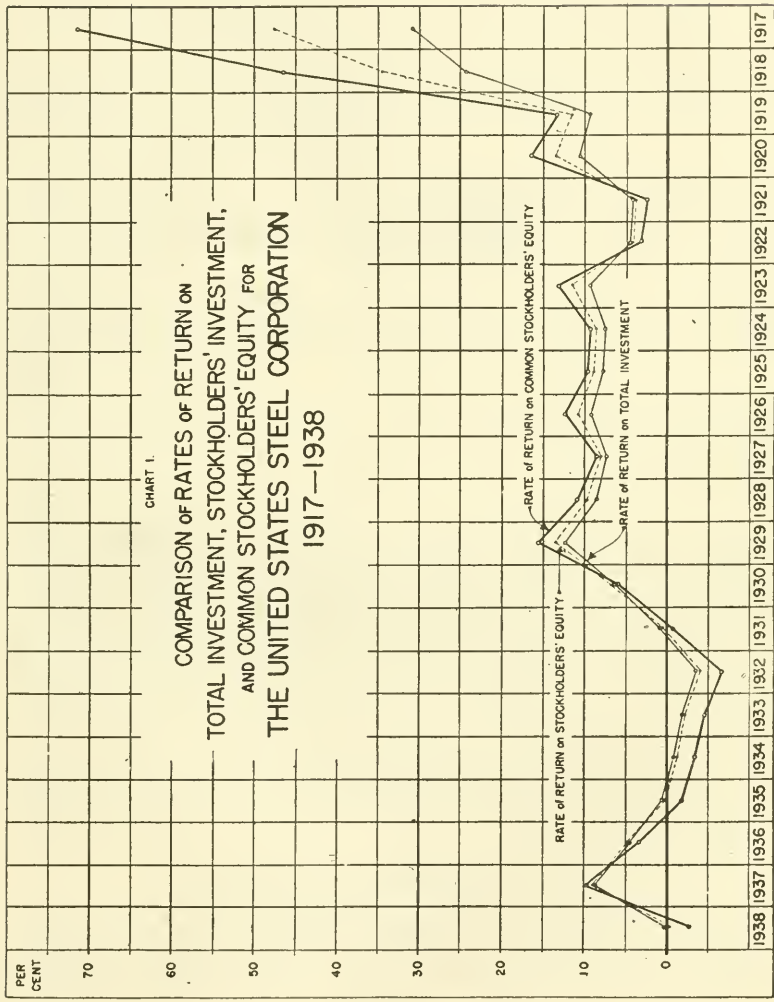
¹ Loss.

Rates of return were lowest in 1932 where losses were sustained on each basis of investment. For the following 5 years there was gradual recovery and in 1937 the returns were higher than for any year since 1929. In 1938 however, the trend was sharply reversed, the decline being greater than for any year since 1921.

The following chart 1, indicates graphically the trend in rates of return on each basis of investment from 1917-38.

Table 26 shows that the total investment increased from \$1,770,265,768 in 1917 to \$1,994,662,712 in 1930, when it began a steady decline reaching \$1,455,527,445 at the close of 1935, largely resulting from unprofitable operations, caused by unfavorable business conditions during this latter period. Following 1935 there was a steady increase in total investment to \$1,584,116,450 as at December 31, 1938.

As shown elsewhere in this report intangible values included in the assets of the United States Steel Corporation, amounting to \$529,866,362.10 as at the beginning of 1917 were gradually written down to the end of 1937, when a balance of \$249,583,148.86 remained. All of this later amount was written off in 1938 with the exception of \$1. By reference to the table above referred to it may be noted that the intangible value was deducted in determining the total investment. Other details of the changes in total investment follow.



COMMON STOCK

Common stock as at December 31, 1916, amounted to \$508,302,500 and increased to \$652,743,900 as at December 31, 1938. This net increase of \$144,441,400 resulted from the issuance of 3,620,227 shares of the par value of \$100 per share, and the reduction of the par value of the common stock by \$217,581,300 in 1938, when the stock was changed from a par value of \$100 to a stated value of \$75 per share.

The common stock, issued during the period 1917 to 1938, inclusive, was for the consideration set forth in the following tabulation:

Common stock issued by United States Steel Corporation and consideration therefor, 1917-38

Year issued	Par value	Consideration			Reduction from par to stated value
		Cash	Property	Stock dividend	
1917-26.....	(1)				
1927.....	\$203,321,000			\$203,321,000	
1929.....	101,660,500	² \$142,607,625			
1930.....	³ 55,459,500	⁴ 3,029,873	⁵ \$91,570,335		
1931.....	1,581,700	⁶ 2,653,889			
1938.....	⁷ 217,581,300				\$217,581,300
Total.....		148,381,387	91,570,335	203,321,000	217,581,300
Less premium credited to capital surplus.....		43,323,487	37,926,535		
Net increase.....	144,441,400	105,057,900	53,643,800	203,321,000	217,581,300

¹ None issued.

² Includes \$41,037,125 premium.

³ Includes \$1,815,700 par of stock sold to employees.

⁴ Includes \$1,214,172.

⁵ Includes \$37,926,535 premium.

⁶ Includes \$1,072,189 premium.

⁷ Denotes deduction.

The tabulation shows that there was a net increase in outstanding common stock of \$144,441,400 during the years 1917-38. This increase, together with \$508,302,500 of outstanding common at December 31, 1916, accounts for \$652,743,900 of outstanding common stock at December 31, 1938, without par value, represented by 8,703,252 shares of the stated value of \$75 per share.

The property acquired for stock issued in 1930 consisted of the assets and business of Atlas Portland Cement Co., Columbia Steel Corporation, and Oil Well Supply Co. In consideration therefor, United States Steel Corporation issued 536,438 shares of its common stock of the par value of \$100 per share, of which 176,265 shares were issued for the assets of Atlas Portland Cement Co., 251,771 shares were issued for the assets of Columbia Steel Corporation, and 108,402 shares were issued for the assets of Oil Well Supply Co. The cash value of the assets acquired were stated to be \$91,570,335 and reflected the market value of the stock issued at the time of purchase. The difference between this amount and the par value of the United States Steel Corporation's stock issued therefor was credited to capital surplus.

The stock issued in payment of dividends amounting to \$203,321,000 in 1927 represented a 40 percent stock dividend from undivided surplus.

As previously explained, the common stock of United States Steel Corporation was changed from shares of the par value of \$100 to shares without par value. This resulted in a reduction of the value of 8,703,252 outstanding shares from \$870,325,200 to \$652,743,900 in 1938. This reduction of \$217,581,300 was charged to the capital stock account and credited to the capital surplus account.

PREFERRED STOCK

The United States Steel Corporation has authorized the issuance of but one class of preferred stock, namely: 4,000,000 shares of 7 percent cumulative preferred. This stock with a par value of \$100 per share has equal voting power with the common stock. In addition it has preference as to any assets and dividends, being entitled in any liquidation to \$100 per share and accrued dividends.

The records of this company show that there have been issued and outstanding during the entire period covered by this report 3,602,811 shares, with a par value of \$360,281,100.

APPROPRIATED SURPLUS

The balance in the appropriated surplus account as at December 31, 1916, amounted to \$55,000,000 to which amount additions were made from earned surplus to cover capital expenditures, as follows:

	Balance Jan. 1	Net addi- tions dur- ing year	Balance Dec. 31		Balance Jan. 1	Net addi- tions dur- ing year	Balance Dec. 31
1917.....	\$55,000,000	\$55,000,000	\$110,000,000	1924.....	\$180,898,914	\$20,000,000	\$200,898,914
1918.....	110,000,000	898,914	110,898,914	1925.....	200,898,914	39,101,086	240,000,000
1919.....	110,898,914		110,898,914	1926.....	240,000,000	30,000,000	270,000,000
1920.....	110,898,914	30,000,000	140,898,914	1927-34.....	(1)	(1)	(1)
1921 and 1922	(1)	(1)	(1)	1935.....	\$270,000,000		
1923.....	140,898,914	40,000,000	180,898,914				

¹ No change.

² In 1935 the balance in the appropriated surplus of \$270,000,000 was transferred to depreciation reserves. This was the result of a detailed and extensive survey by the corporation of its depreciable property which revealed that depreciation reserves were inadequate by this amount.

CAPITAL SURPLUS

At December 31, 1938, the amount of capital surplus recorded on the company's books was \$38,462,801. The additions and deductions accounting for this balance in this amount are as follows:

ADDITIONS

Difference between proceeds and par value of 1,016,605 shares of common stock of the par value of \$100 per share issued for cash in 1929.....	\$41,037,125
Difference between proceeds and par value of 18,157 shares of common stock issued for cash in 1930.....	1,214,172
Excess of cash value of assets of Atlas Portland Cement Co., Columbia Steel Corporation, and Oil Well Supply Co. over par value of 536,438 shares of common stock issued therefor in 1930.....	37,926,535
Difference between proceeds and par value of 15,817 shares of common stock issued for cash in 1931.....	1,072,189
Surplus arising from reduction in 1938 of the value of 8,703,252 shares of outstanding common stock from shares of the par value of \$100 each to shares without par value, but to which a stated value of \$75 per share was assigned.....	217,581,300
Total.....	298,831,231

DEDUCTIONS

Amount applied in 1938 to the reduction of appreciation and other intangibles.....	260,368,520
Balance, capital surplus Dec. 31, 1938.....	38,462,801

EARNED SURPLUS

Earned surplus decreased from \$356,360,913 at December 31, 1916, to \$247,419,013 at December 31, 1938, as follows:

Balance Dec. 31, 1916.....	\$356,360,913
Net income (1917-38).....	1,670,058,253
Total.....	2,026,419,166
Acquisition of assets and securities of other companies.....	12,876,706
Reversal of reserves no longer required.....	97,098,546
Refund of prior years, Federal income and profits tax.....	90,780,939
Refund of railroad recapture payments.....	6,355,750
Total.....	3,233,531,107

Less dividends:

Common stock:

Cash.....	\$669,817,548
Stock.....	203,321,000
Preferred cash.....	554,832,894

Total.....	1,427,971,442
------------	---------------

Transfers to:

Depreciation reserves.....	60,427,303
Appropriated surplus.....	211,669,422
Amortization of intangibles.....	236,269,067
Premiums paid on bonds retired.....	40,841,224
Miscellaneous.....	8,933,636

\$1,986,112,094

Balance, Dec. 31, 1938.....	247,419,013
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CONTINGENCY AND FEDERAL INCOME AND PROFITS TAX RESERVES

The balance in the reserves to provide for general contingencies, accident, and hospital expenditures, extraordinary expenses in specified operations, and for special purposes amounted to \$31,949,585 at the end of 1938. The balance in this account varied from \$64,263,259 in 1921 to \$18,398,749 in 1933. The yearly balances carried in this reserve appear in table 26.

The balance in the reserve for Federal income and profits taxes amounted to \$9,547,713 at the end of 1938. The amounts reserved for this purpose were largest in 1917 and 1918, amounting to \$245,406,350 and \$307,161,192, respectively. During these years the company realized large war profits and undoubtedly accrued these reserves to provide for large war-profits taxes. The reserves in these years, as shown by the table referred to above, were relatively small. Net income dropped very decidedly for 1919 and subsequent years and likewise smaller amounts were reserved in anticipation of Federal income and profits taxes.

LONG-TERM DEBT

Bonded, debenture, and mortgage indebtedness decreased from \$603,736,905 as at December 31, 1916, to \$231,574,257 as at December 31, 1938, as follows:

Bonded, debenture, and mortgage debt

	Total liability Jan. 1	Amounts is- sued or li- ability assumed	Amounts re- tired	Total liability Dec. 31	Supple- mentary adjust- ments
1917.....	\$603,736,905	\$1,000	\$16,760,188	\$586,949,949	\$27,768
1918.....	586,949,949	8,148,273	12,156,179	582,916,274	25,769
1919.....	582,916,274	709,000	14,630,885	568,985,389	29,768
1920.....	568,985,389	29,250	13,899,701	555,066,402	27,768
1921.....	555,066,402	310,000	14,473,866	540,874,768	27,768
1922.....	540,874,768	15,781,000	16,905,500	539,740,268	10,000
1923.....	539,740,268	806,000	13,386,538	527,159,730	-----
1924.....	527,159,730	1,202,700	17,089,500	511,272,930	-----
1925.....	511,272,930	15,412,000	17,186,852	509,479,578	18,500
1926.....	509,479,578	92,775	16,869,000	492,689,353	14,000
1927.....	492,689,353	-----	17,514,824	475,174,529	-----
1928.....	475,174,529	-----	18,572,114	456,602,415	-----
1929.....	456,602,415	-----	344,344,437	112,257,978	-----
1930.....	112,257,978	425,933	10,905,500	101,820,111	-----
1931.....	101,820,111	-----	2,932,817	98,887,294	-----
1932.....	98,887,294	-----	2,937,039	95,950,255	-----
1933.....	95,950,255	-----	2,770,431	93,179,824	-----
1934.....	93,179,824	4,740,400	2,256,535	95,663,689	-----
1935.....	95,663,689	-----	2,111,799	93,551,890	-----
1936.....	93,551,890	6,560,000	1,860,416	98,251,474	-----
1937.....	98,251,474	19,425,067	10,186,917	107,489,624	-----
1938.....	107,489,624	132,157,000	8,072,367	231,574,257	-----

The preceding tabulation shows that the principal reductions in bonded indebtedness occurred in 1929 when the corporation retired its 50-year 5-percent gold bonds of 1951, and its 10-60-year 5-percent bonds of 1963. Of these issues there were outstanding at January 1, 1929, exclusive of bonds previously purchased and in the treasury, \$134,830,000 and \$136,632,000, respectively. The 50-year gold 5's of 1951 were called for payment September 1, 1929, at 115 and interest, and the 10-60-year sinking-fund gold 5's of 1963 were called for payment November 1, 1929, at 110 and interest. During 1929 \$265,455,000 of these bonds were retired.

Of the total amount of 50-year 5-percent gold bonds, outstanding as above indicated, \$58,368,000 were of the noncallable series. The greater part of such bonds were held by a few interests with whom arrangements were made to turn in their bonds for redemption at the call price for the callable series.

Of the remaining 78,887,437 of bonds retired during 1929, \$45,918,000 represented cancelation of bonds previously redeemed and held in the treasury. Bonds of subsidiary companies, principally those of the Indiana Steel Co. and the National Tube Co. in the amount of \$32,971,437 make up the balance of these bonds retired.

The cash funds required in retiring these bonds were supplied from cash resources on hand, representing surplus and surplus reserves, and in part from proceeds of sale of additional shares of common stock.

The principal issuance of bonds, between January 1, 1917, and December 31, 1938, the period covered by this report, occurred during 1938 when \$100,000,000 of United States Steel Corporation 10-year 3¼-percent debentures and \$30,000,000 first mortgages 3½ percent Duluth, Missabe & Iron Range Railway Co. were issued.

The 10-year 3¼ percent debentures of United States Steel Corporation, dated June 1, 1938, mature June 1, 1948. On June 7, 1938, these bonds were sold through a syndicate, headed by Morgan, Stanley & Co., Inc., at a price equal to 98¼ percent of the principal amount thereof, plus accrued interest. The aggregate cash proceeds derived by United States Steel Corporation from such sale was \$98,250,000.

To the extent of \$50,000,000 these proceeds were used for the repayment of bank loans incurred in February 1938, the remainder being available, among other things, for expenditures for modernization, extension and replacement of various manufacturing plants of the subsidiaries. The detail by companies, issues, balance outstanding, December 31, 1938, maturity and interest is shown in the following tabulation.

United States Steel Corporation and subsidiary companies' bonded, mortgage, and debenture debt outstanding, Dec. 31, 1938

Company and issue	Balance outstanding	Maturity	Interest	
			Rate	Payable
United States Steel Corporation 10-year 3¼-percent debentures.	\$100,000,000.00	June 1, 1948 ¹	Pct. 3¼	June and December.
Subsidiary companies' bonds guaranteed by United States Steel Corporation:				
American Steel & Wire Co. of Alabama first-mortgage gold bonds.	2 964,000.00	Nov. 1, 1946 ³	5	May and November.
Carnegie-Illinois Steel Corporation bonds—St. Clair Furnace Co. first-mortgage gold bonds.	100,000.00	Aug. 1, 1939.....	5	February and August.
Elgin, Joliet & Eastern Ry. Co. bonds:				
Joliet equipment trust registered gold bonds.	375,000.00	\$125,000 each July 1.....	5	January and July.
Chicago, Lake Shore & Eastern Ry. Co. first-mortgage gold bonds.	9,000,000.00	June 1, 1969.....	4½	June and December.
H. C. Frick Coke Co.—Pittsburgh—Monongahela first lien purchase money gold coupon bonds.	3,537,000.00	{ \$589,000 each July 1 to 1943, inclusive. \$592,000 July 1, 1944.....	5	January and July.
Illinois Steel Co. debenture gold bonds of 1940.	18,500,000.00	Apr. 1, 1940.....	4½	April and October.
Union R. R. Co. bonds:				
Gold debentures.....	5,900,000.00	Sept. 1, 1946.....	6	June and December.
Monongahela Southern R. R. Co. bonds:				
First mortgage 50-year gold bonds.	3,000,000.00	Oct. 1, 1955.....	5	April and October.
General mortgage gold bonds.	2,500,000.00	.....do.....	6	Do.
St. Clair Terminal R. R. Co. bonds—general mortgage 30-year gold bonds.	1,129,000.00	Mar. 1, 1950.....	5	March and September.
Subsidiary companies' bonds not guaranteed by United States Steel Corporation:				
Bessemer & Lake Erie R. R. Co. bonds:				
Bessemer & Lake Erie equipment trust certificates of 1936.	6,060,000.00	{ \$470,000 each Nov. 1 to 1950, inclusive. \$420,000 Nov. 1, 1951.....	2½	May and November.
Bessemer & Lake Erie R. R. equipment-trust of 1937.	6,030,000.00	\$670,000 each Mar. 1.....	2½	March and September.
Pittsburg, Bessemer & Lake Erie R. R. Co. bonds:				
Consolidated first-mortgage 50-year gold bonds.	9,554,000.00	Jan. 1, 1947.....	5	January and July.
The Pittsburgh, Shenango & Lake Erie R. R. Co. bonds:				
First-mortgage gold loan of 1890.	68,000.00	Oct. 1, 1940.....	5	April and October.
Consolidated first-mortgage 50-year gold bonds.	378,000.00	July 1, 1943.....	5	January and July.
Duluth, Missabe & Iron Range Ry. Co. first-mortgage bonds.	28,800,000.00	Oct. 1, 1962 ⁴	3½	April and October.
Duluth, Missabe & Northern Ry. equipment trust of 1937.	3,528,000.00	\$252,000 each Mar. 1.....	2½	March and September.
Elgin, Joliet & Eastern Ry. Co. bonds:				
First-mortgage gold bonds.....	10,000,000.00	May 1, 1941.....	5	May and November.
Elgin, Joliet & Eastern Ry. equipment trust of 1937.	2,100,000.00	\$150,000 each Mar. 1.....	2½	March and September.
Tennessee Coal, Iron & R. R. Co. general mortgage gold bonds.	⁵ 11,276,000.00	July 1, 1951 ⁶	5	January and July.
Birmingham Southern R. R. equipment trust of 1936.	720,000.00	\$90,000 each Dec. 1.....	3½	June and December.

¹ Sinking fund of \$2,500,000 due each June and Dec. 1, 1939 to 1947, account retirement of these bonds.

² In addition, \$1,236,000 of this issue are held alive in sinking fund.

³ \$44,000 per annum payable to sinking-fund trustees plus interest on bonds in sinking fund for redemption of bonds.

⁴ Sinking fund to retire \$600,000 principal amount of bonds each Apr. and Oct. 1 to 1962, inclusive.

⁵ \$5,225,000 of these bonds are guaranteed by United States Steel Corporation under a special nonassignable guaranty to their present holders.

⁶ Annual sinking fund equals \$119,360. If bonds are not offered to trustees at 105 or less, within 20 days of first publication of offer to purchase, amount of unused installment is returned by trustees to company.

United States Steel Corporation and subsidiary companies' bonded, mortgage, and debenture debt outstanding, Dec. 31, 1938—Continued

Company and issue	Balance outstanding	Maturity	Interest	
			Rate	Payable
Subsidiary companies' bonds not guaranteed by United States Steel Corporation—Continued.				
Union Railroad Co. bonds:				
First-mortgage gold bonds	\$2,000,000.00	Sept. 1, 1946	Pct. 5	March and September.
Union equipment trust certificates of 1936.	2,340,000.00	\$180,000 each Nov. 1.	2½	May and November.
Union R. R. equipment trust of 1937.	2,210,000.00	\$170,000 each Mar. 1.	2½	March and September.
Subsidiary companies' real-estate mortgages.	93,890.60	-----	-----	-----
Purchase money obligations issued in the acquirement of fixed property.	1,106,366.57	-----	-----	-----
Total	231,269,257.17	-----	-----	-----
Bonds to cover payment of which cash funds are specially deposited with trustee: United States Steel Corporation 50-year gold bonds, noncallable series.	269,000.00	Apr. 1, 1951	5	February, April, June, August, October, and December.
Matured and called bonds unrepresented for payment funds to redeem which are held by trustees:				
United States Steel Corporation 10-60 year sinking fund gold bonds.	8,000.00	-----	-----	-----
Indiana Steel Co. first-mortgage gold bonds.	3,000.00	-----	-----	-----
Duluth & Iron Range R. R. Co. first-mortgage bonds.	2,000.00	-----	-----	-----
Other matured bonds unrepresented for payment.	23,000.00	-----	-----	-----
Total this group	305,000.00	-----	-----	-----
Grand total as per balance sheet.	231,574,257.17	-----	-----	-----

PURCHASE MONEY OBLIGATIONS

The item styled purchase money obligations decreased from \$25,561,968 at January 1, 1917, to \$12,138,082 at December 31, 1938. During 1917 the balance in this account representing principally existing mining royalty obligations was substituted for subsidiary companies' non-interest-bearing notes, maturing over a period of 39 years.

The net liability as at the close of each year 1917 to 1938, inclusive, representing this item is shown in table 26.

INTANGIBLES

The total assets of the United States Steel Corporation at the time of its organization in 1901 were capitalized at an amount far in excess of the value of the physical assets acquired. The book value of these assets in 1901 amounted to \$1,402,846,817. In 1911 the Bureau of Corporations estimated that of this amount \$720,846,817 represented intangible value; the remaining \$682,000,000 representing tangible assets. Subsequent to 1901, the United States Steel Corporation acquired three large steel companies which resulted in the inclusion of additional water or intangible value in the assets of the United States Steel Corporation. The Union Steel Co. was taken over in 1902, the Clairton Steel Co. in 1904, and the Tennessee Coal, Iron & Railroad Co. in 1907. These acquisitions raised the total of intangible value originally included in the assets of the United States Steel Corporation to \$768,671,021.53.

In recognition of the desirability of eliminating this intangible value from their accounts, the United States Steel Corporation has written the entire \$768,671,021.53 of intangible value down to the nominal amount of \$1. Table 27, immediately following, shows how the reduction was accomplished.

TABLE 27.—Total intangible value included in the assets of United States Steel Corporation and the manner in which such value has been written off

Years	Total intangible value	Amounts written off or provided for amortization of intangibles—				Balance of intangible value
		From surplus invested in property account	From bond sinking fund reserve account	From capital surplus account	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1901-16.....	\$768,671,021.53	\$163,694,423.55	\$75,110,235.88	-----	\$238,804,659.43	\$529,866,362.10
1917.....	-----	-----	7,257,233.41	-----	7,257,233.41	522,609,128.69
1918.....	-----	1,898,914.10	7,520,801.64	-----	6,621,887.54	515,987,241.15
1919.....	-----	-----	7,831,975.64	-----	7,831,975.64	508,155,265.51
1920.....	-----	-----	8,349,913.51	-----	8,349,913.51	499,805,352.00
1921.....	-----	-----	8,768,701.17	-----	8,768,701.17	491,036,650.83
1922.....	-----	-----	9,180,562.92	-----	9,180,562.92	481,856,087.91
1923.....	-----	-----	9,589,593.55	-----	9,589,593.55	472,266,494.36
1924.....	-----	-----	10,088,601.29	-----	10,088,601.29	462,177,893.07
1925.....	-----	-----	10,502,062.25	-----	10,502,062.25	451,675,830.82
1926.....	-----	43,956,177.93	10,907,687.30	-----	54,863,865.23	396,811,965.59
1927.....	-----	956,882.30	11,316,038.00	-----	12,272,920.30	384,539,045.29
1928.....	-----	30,205,076.23	11,456,371.63	-----	41,661,447.86	342,877,597.43
1929.....	-----	88,296,020.09	4,998,428.48	-----	93,294,448.57	249,583,148.86
1930.....	-----	-----	-----	-----	-----	249,583,148.86
1931.....	-----	-----	-----	-----	-----	249,583,148.86
1932.....	-----	-----	-----	-----	-----	249,583,148.86
1933.....	-----	-----	-----	-----	-----	249,583,148.86
1934.....	-----	-----	-----	-----	-----	249,583,148.86
1935.....	-----	-----	-----	-----	-----	249,583,148.86
1936.....	-----	-----	-----	-----	-----	249,583,148.86
1937.....	-----	-----	-----	-----	-----	249,583,148.86
1938.....	-----	-----	10,785,372.67	260,368,520.53	249,583,147.86	1.00
Total.....	-----	362,209,666.00	182,092,834.00	260,368,520.53	768,671,020.53	-----

† Deduction.

The United States Steel Corporation effected the amortization of intangibles through two amortization reserve accounts. The principal reserve account was called "Surplus invested in property." This account appears only on the books of the subsidiary companies. Column 3 sets forth the amounts credited to this account. The balance in the individual accounts of the various subsidiaries of the United States Steel Corporation was deducted directly from their property accounts. The property accounts of the subsidiary companies as thus reduced were incorporated in the consolidation statements of the United States Steel Corporation. So far as the consolidated statement is concerned, these amounts were effectively written off against the property account. Since 1916, the principal amounts credited to this account were transferred from free surplus. However, \$43,956,177.93 and \$956,882.30 were transferred from "Depreciation reserves" in 1926 and 1927, respectively.

The second amortization reserve account was called "U. S. Steel Corp. bond sinking fund reserve." This reserve was built up by annual charges against income. These yearly amounts are shown in column 4. The actual yearly balance of the sinking fund reserve is not given in the table. In the consolidated statement, the balance in the reserve has been combined with other depreciation, depletion, and amortization reserves. The resulting total was then deducted from the "Property investment account" so as to show the net property investment.

The important thing about this particular method of amortization of intangible values, is the fact that it has been built up through charges against income. Had these intangibles never been brought on the books of the United States Steel Corporation, the yearly income would never have been burdened with charges for their amortization. Therefore in order to arrive somewhat nearer to the true income of the United States Steel Corporation, the income has been increased each year by the amounts shown in column 4. The income during this period has been adjusted by \$117,767,971. The United States Steel Corporation decided that of this amount \$10,785,372.67 represented excessive provision from income for amortization of intangibles. This latter amount, shown as a deduction in column 4, was transferred from "Bond sinking fund reserve" to repair certain net shortages in the "Depreciation reserves" of certain subsidiary companies. The net amount of \$106,982,598 represents the amount of

"Bond sinking reserve" which the United States Steel Corporation actually used to amortize intangibles.

In order to maintain the correct yearly balances of surplus, the free surplus was charged with the same amounts which were thus credited to income. In other words, no part of the intangibles should be written off through charges to income; all such charges should be against some capital account.

In 1938, the United States Steel Corporation in one final act squeezed the last remaining intangible values from their assets. At the annual stockholders meeting in April 1938, the common stock was changed from stock having a par value of \$100 per share, to stock of no-par value. The no-par stock was then given a stated value of \$75 per share. This resulted in a decrease of the capital value of the common stock of \$217,581,300 which amount increased the capital surplus from \$81,250,621.42 to \$298,831,321.42. Of this capital surplus \$260,368,520.53 was applied against the remaining intangibles value in the "Property investment account."

DISPOSITION OF CAPITAL, EARNINGS, AND OTHER RESOURCES

The following table 28 indicates the main sources of funds and the manner in which such funds were used during the period from January 1, 1917, to December 31, 1938, for the United States Steel Corporation and its subsidiaries as a consolidated group. This summary does not, of course, purport to show total gross funds available and their disposition. Receipts from sales and from other similar sources are not included here. Nor are the disbursements for expenses properly chargeable against income included. However, net income for the period gives effect to these factors, since it, together with the depreciation and similar reserves created by charges against income during the period, is a measure of the net funds available to the management as the result of the operation of the business. In other words, for the purpose of this statement which is designed to show long-time changes of a more permanent nature, manufacturing costs, distribution and administrative expenses, Federal income and profits taxes, interest on long-term debt have already been deducted from gross income. These amounts are shown in table 29, "Summary of income, expenses, and surplus," for the United States Steel Corporation 1917-38.

Table 28 has been prepared so as to eliminate the effect of intangible values. The December 31, 1916, consolidated balance sheet for the United States Steel Corporation and its subsidiaries includes among its assets some \$529,866,000 of intangibles which have been entirely eliminated from the consolidated balance sheet for December 31, 1938. The writing off of this intangible value against various capital accounts does not, of course, affect the amounts of funds available to the United States Steel Corporation or the manner of their disposition. Therefore, in order to put the 1916 statement on a comparable basis with the 1938 statement, the \$529,866,000 of intangibles has been deducted from the 1917 statement.

TABLE 28.—Statement of disposition of capital, earnings, and other resources of the United States Steel Corporation and its subsidiaries for the period from Jan. 1, 1917, to Dec. 31, 1938, with effect of all intangible values eliminated

Capital, earnings, and other resources:		
Net income for period.....		\$1,670,058,000
Reversals of excessive contingent, insurance, and miscellaneous reserves.....	\$97,098,000	
Refund of Federal income and excess-profits taxes.....	90,780,000	
		187,878,000
		<u>1,857,936,000</u>
Less: Transfers from surplus repair deficiencies in depreciation reserves:		
From undivided surplus.....	1282,881,000	
From appropriated surplus.....	255,000,000	
		337,881,000
		<u>1,520,055,000</u>
Net income for period as adjusted.....		\$1,520,055,000
Increase in provision for depreciation and depletion.....		1,061,170,000
Common stock:		
Increase in par or stated value of common stock.....	\$158,702,000	
Increase in premiums on common stock.....	81,252,000	
		239,954,000

¹ Of this amount, \$211,669,422 was transferred by the corporation through the appropriated surplus account.

² Balance prior to 1917.

TABLE 28.—*Statement of disposition of capital, earnings, and other resources of the United States Steel Corporation and its subsidiaries for the period from Jan. 1, 1917, to Dec. 31, 1938, with effect of all intangible values eliminated—Continued*

Reduction in prepayments of mining royalties.....		\$42,021,000	
Increase in contingent, insurance, and miscellaneous operating reserves.....		28,924,000	
Reduction in working capital.....		25,334,000	
			2,917,458,000
Disposition of above resources:			
Increase in investment in property.....			1,265,918,000
Cash dividends:			
Common.....	\$659,818,000		
Preferred.....	554,832,000		
			1,224,650,000
Net amount expended in retirement of funded debt:			
Decrease in bonded debt and purchase-money obligations.....	385,584,000		
Premium on bonds retired.....	40,841,000		
			426,425,000
Other (net).....			465,000
			2,917,458,000

The principal source of funds during this period was net income as adjusted. The adjustments reveal additions of \$187,878,000 and deductions of \$337,881,000 to net income as set forth in the table 28. A certain small, though indeterminate, portion of these additions and deductions are applicable to the period prior to 1917. Subject to this qualification, net income supplied \$1,520,055,000. Most of this amount was distributed in the form of cash dividends to the stockholders. These cash dividends amounted to \$1,224,650,000, \$669,818,000 going to the common stockholders and \$554,832,000 to preferred stockholders. Income retained in the business after the distribution of cash dividends amounted to \$295,405,000.

The next most important source of funds was obtained by the retention within the business of asset values represented by the increase in depreciation and depletion reserve during this period of \$1,631,170,000. The whole of this increase flowed into the property account. From 1917 to 1938, the United States Steel Corporation increased its investment in property before deduction of reserves for depreciation and depletion from \$1,078,399,000 to \$2,344,317,000. The net increase amounts to \$1,265,918,000. Attention should be called to the fact that all intangible values have been eliminated from this comparison.

Thus all but \$204,748,000 of the net increase in property during this period was accounted for by the increase in the depreciation and depletion reserves.

A summary follows of the funds not yet accounted for.

Source:	<i>Amounts available</i>
Balance of net income as adjusted.....	\$295,405,000
Issuance of common stock.....	239,954,000
Reduction in prepayments of mining royalties.....	42,021,000
Reduction in working capital.....	25,334,000
Increase in contingent, insurance, and miscellaneous operating reserves.....	28,924,000
	631,638,000
Dispositions:	
	<i>Amounts</i>
Retirement of bonded debt.....	\$426,425,000
Increase in investment in property not accounted for.....	204,748,000
Other (net).....	465,000
	631,638,000

The bulk of the funds available, as shown above, was used to retire bonded debt. The above amount of funded debt represents the net decrease in the funded debt and the cost of such retirement from 1917 to 1938. In 1917, the funded debt and purchase money obligations amounted to \$629,296,000; in 1938 it totaled \$243,712,000. This is a net decrease of \$385,584,000. An additional \$40,841,000 in the form of a premium on bonds was required to be disbursed in the retirement of these bonds. Thus, to effect a net decrease of \$385,584,000 in the funded debt, total funds of \$426,425,000 were required. These funds were supplied principally from accumulated net income and the issuance of common stock.

It should be pointed out in this connection that the increase in funds available through the issuance of common stock is exclusive of the common-stock increase through stock dividends. This increase has not been shown since it does not represent a source of funds in itself, but simply is a device for holding within the business funds previously accumulated. It should also be emphasized that the increase in the investment in property represents a net increase, and does not take into account the replacement of property actually retired with property of equal cost.

INCOME, EXPENSES, AND SURPLUS FOR UNITED STATES STEEL CORPORATION

Table 29, which follows, summarizes the income, expenses, and surplus of the United States Steel Corporation and its subsidiaries on a consolidated basis for each year during 1917-38, and accounts for the profits applicable to each basis of investment on which rates of return were computed.

Net sales during the 22-year period, from 1917-38 aggregated \$26,136,166,672. Total operating expenses amounted to \$23,632,819,197. This resulted in a net income from operations of \$2,503,347,475, before deducting Federal income and excess-profits taxes which totaled \$764,536,417. Adding income derived from all other sources and deducting interest paid on funded debt, a total of \$1,670,058,253 was earned during the 22-year period, 1917-38.

The relation of costs, expenses, and profits is further emphasized in the following tabulation which shows the yearly averages and the percentage of costs, expenses, and net income to sales for the United States Steel Corporation and its subsidiaries for the 22-year period 1917-38.

	Yearly average	Percent of net sales
Net sales	\$1,188,007,575	100.00
Cost of goods sold	947,937,547	79.79
Distribution and administrative expenses	74,610,397	6.28
Provision for depreciation and depletion	51,671,110	4.35
Total operating expense	1,074,219,054	90.42
Net income from operations	\$113,788,521	9.58
Other income (net)	15,232,402	1.28
Net income applicable to total investment	129,020,923	10.86
Less interest on long term debt	18,357,529	1.55
Net income applicable to stockholders' investment	110,663,394	9.31
Less provision for Federal income and profit taxes	34,751,656	2.92
Net income for year	75,911,738	6.39

Averages are rather deceptive in an industry whose business fluctuates so violently as the steel industry. It does, however, indicate a rough norm about which the business of the steel company may be said to fluctuate.

	1931	1930	1929	1928	1927	1926	1925	1924
Net sales.....	\$725,245,082	\$1,175,046,726	\$1,502,211,063	\$1,381,842,104	\$1,318,334,399	\$1,515,063,024	\$1,412,153,644	\$1,270,789,379
Manufacturing costs.....	610,689,126	935,509,378	1,150,023,977	1,068,684,915	1,078,472,010	1,231,969,842	1,164,856,034	1,046,718,778
Distribution and administrative expenses, including taxes other than Federal income and profit taxes.....	75,355,950	81,456,669	85,501,482	80,466,444	74,489,546	74,286,069	74,738,587	68,664,859
Provisions for depreciation and depletion.....	47,317,895	58,550,120	58,275,735	55,780,931	47,589,969	53,313,223	45,584,617	38,804,236
Total operating expenses.....	733,392,971	1,078,516,167	1,293,801,194	1,234,952,290	1,200,521,525	1,359,599,164	1,285,179,238	1,154,217,873
Net income from operations.....	18,144,889	96,530,559	208,349,869	146,890,814	117,812,874	155,463,860	126,974,606	116,871,806
Other income (net).....	26,782,664	24,081,109	20,418,114	19,445,151	18,937,746	15,955,366	14,489,227	17,444,796
Less interest on long term debt.....	5,469,624	6,640,097	14,944,871	25,746,009	26,063,504	26,757,938	27,109,118	27,310,809
Net income applicable to total investment.....	13,038,141	114,971,571	219,823,112	140,589,956	110,687,116	144,667,288	114,354,715	106,705,793
Provision for Federal income and profit taxes.....	80,000	10,550,000	17,232,624	14,959,809	11,474,242	17,086,196	13,250,000	11,590,000
Net income for year.....	13,038,141	104,421,571	202,590,488	125,630,147	99,212,874	127,575,092	101,104,715	95,155,793
Surplus beginning of year.....	471,782,789	434,711,118	383,277,949	338,044,914	528,562,400	496,863,109	492,001,308	487,751,220
Total.....	484,820,900	539,132,689	587,867,837	463,675,061	627,715,274	634,436,201	593,166,023	582,907,013
Less dividends paid on:								
Common stock in cash.....	36,983,950	60,365,797	63,849,040	49,813,645	49,813,645	35,581,175	35,581,175	35,581,175
Common stock in stock.....	25,219,677	25,219,677	25,219,677	25,219,677	25,219,677	25,219,677	25,219,677	25,219,677
Preferred stock in cash.....	62,203,627	85,858,474	89,968,717	75,083,322	278,351,322	60,800,852	60,800,852	60,800,852
Total dividends.....	422,617,273	453,547,215	498,799,120	388,041,739	349,360,982	563,637,349	532,365,171	522,106,161
Total.....								
Depreciation reserves.....				1,600,000		126,952,074		300,512
Transferred to appropriated surplus.....				8,091,982		141,669,422	125,000,000	120,000,000
Acquisitions of assets and securities of other companies.....				30,265,076				
Amortization of intangibles.....								
Reversals of reserves no longer required.....								
Premiums paid on bonds retired.....								
Refund of prior years Federal income and excess profits taxes.....	1,03,780	186,850	140,626,554			24,397,361		743
Amortization of intangibles charged to income.....		18,322,394	15,756,596	36,765,076		19,996,873		
All other.....	1,716,331		14,998,428	111,456,372	111,316,038	140,907,687	110,502,062	110,688,601
Total additions or deductions.....	1,780,081	18,235,544	164,088,002	13,364,390	111,316,038	135,134,949	135,502,062	130,044,853
Surplus at end of year.....	421,837,192	471,782,759	434,711,118	385,277,349	338,044,914	528,562,400	496,863,109	492,001,308

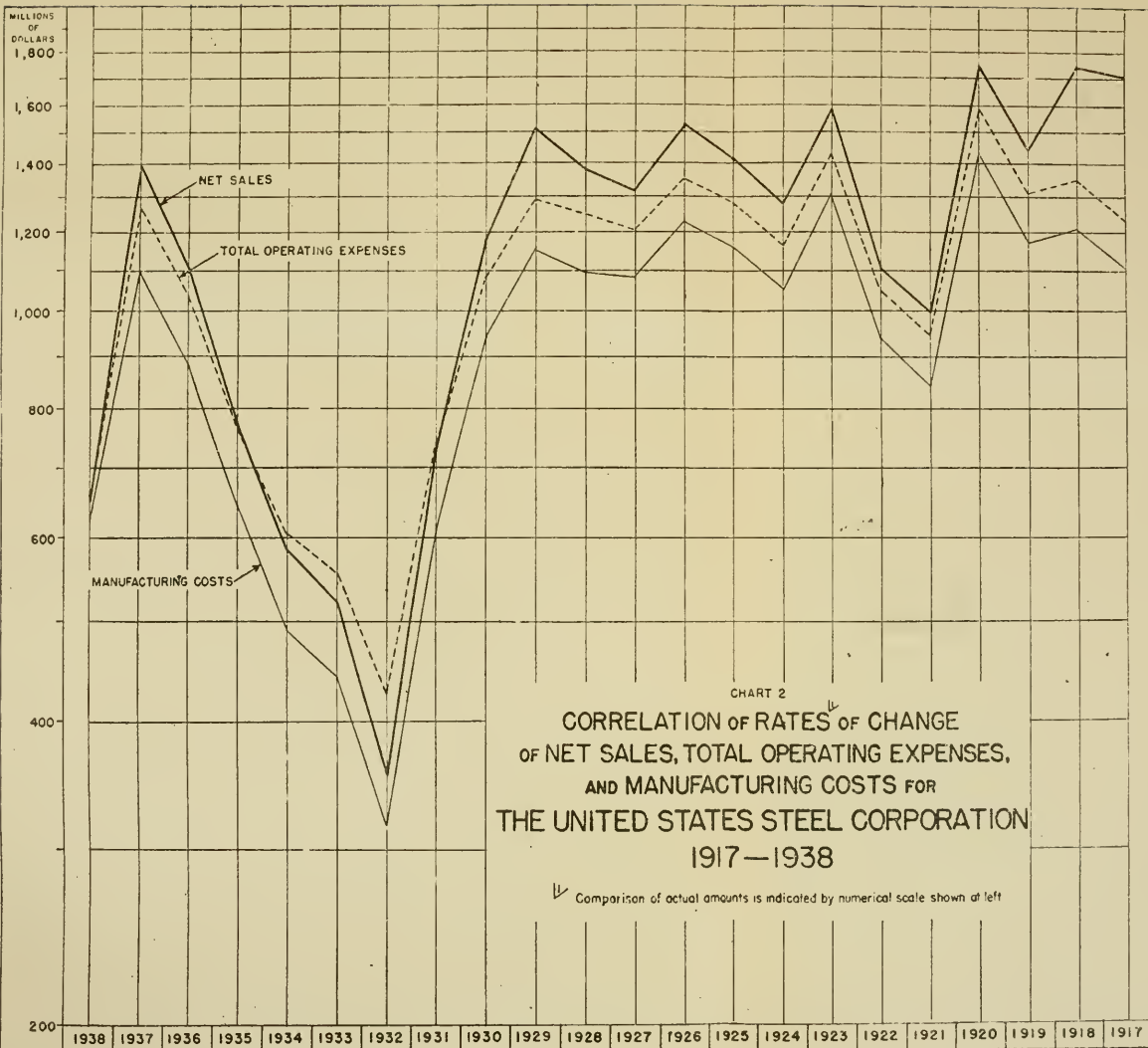
² Charged to income by company, but restored to income for purposes of this report.

¹ Denotes red figure.

TABLE 29.—Summary of income, expenses, and surplus for U. S. Steel Corporation, 1917-38—Continued

	1923	1922	1921	1920	1919	1918	1917
Net sales.....	\$1,577,179,969	\$1,100,568,659	\$997,127,285	\$1,756,667,091	\$1,444,777,627	\$1,748,896,195	\$1,706,355,646
Manufacturing costs.....	1,305,308,280	940,784,597	843,646,361	1,441,690,419	1,171,918,860	1,211,216,039	1,112,973,199
Distribution and administrative expenses, including taxes other than Federal income and profit taxes.....	78,752,066	63,679,746	65,842,641	74,669,826	61,209,220	53,153,789	45,121,520
Provisions for depreciation and depletion.....	41,880,561	33,507,946	27,999,525	65,394,450	76,011,804	78,198,022	79,081,039
Total operating expenses.....	1,425,940,907	1,037,972,289	937,488,527	1,581,694,695	1,309,139,884	1,337,567,850	1,231,175,758
Net income from operations.....	151,239,062	62,596,370	59,638,758	174,972,396	135,637,743	411,283,345	476,179,888
Other income (net).....	10,869,224	17,054,638	16,791,076	9,921,098	31,133,165	38,732,026	20,751,787
Net income applicable to total investment.....	162,108,296	79,651,008	76,429,834	184,893,494	166,770,908	449,980,371	495,931,675
Less interest on long term debt.....	28,011,638	28,366,990	28,492,266	29,349,352	30,144,349	30,659,357	30,989,443
Net income applicable to stockholders' investment.....	134,096,658	51,284,018	47,937,568	155,544,142	136,626,559	419,331,014	464,942,232
Provision for Federal income and profit taxes.....	15,800,000	2,450,000	2,551,850	37,500,000	52,000,000	274,277,833	233,465,435
Net income for year.....	118,296,658	48,834,018	45,385,718	118,044,142	84,626,559	145,057,179	231,476,797
Surplus beginning of year.....	474,139,415	483,926,958	496,454,891	468,048,202	441,888,421	406,660,904	356,360,913
Total.....	592,436,073	592,760,976	543,840,609	586,092,344	526,514,980	551,713,983	587,837,710
Less dividends paid on:							
Common stock in cash.....	29,227,394	25,415,125	25,415,125	25,415,125	25,415,125	71,162,350	91,494,450
Preferred stock in cash.....	25,219,677	25,219,677	25,219,677	25,219,677	25,219,677	25,219,677	25,219,677
Total dividends.....	54,447,071	50,634,802	50,634,802	50,634,802	50,634,802	96,382,027	116,714,127
Total.....	537,989,002	482,126,174	493,205,807	535,457,542	475,880,178	455,331,956	471,123,583
Depreciation reserves.....	1,693,327	1,124,168	296,010	2,079,906	1,300,000,000	1,10,489,454	1,406,956
Transferred to appropriated surplus.....	1,400,000,000			1,300,000,000			1,55,000,000
Acquisitions of assets and securities of other companies.....	45,139		77,448			4,261,256	282,358
Amortization of intangibles charged to income ¹	19,589,594	19,180,563	18,768,701	18,349,914	17,831,976	17,620,202	17,257,233
All other.....		69,636	1,863,606	1,732,643		305,465	13,894,860
Total additions or deductions.....	1,50,237,782	17,986,759	19,278,849	1,37,002,651	17,831,976	13,443,535	164,462,779
Surplus at end of year.....	487,751,220	474,139,415	483,926,958	498,454,891	468,048,202	441,888,421	406,660,804

¹ Denotes red figure.² Charged to income by company, but restored to income for purposes of this report.



Reference to table 29 shows that net sales has followed an extremely erratic course during the whole of the 22-year period. During the period from 1917 to 1929 sales fluctuated violently about a slight downward trend. Sales declined from a near high in 1917 to \$1,706,356,000 to a low for this period in 1921 of \$997,127,000. Sales recovered erratically to \$1,502,211,000 in 1929. In addition to the inability of net sales to maintain any definite trend from year to year, it should be pointed out that the most precipitous drop in the period occurred between 1920 and 1921, when sales fell from \$1,756,667,000 to \$997,127,000.

The period 1929-38 witnessed a sharp and continuous decline from \$1,502,211,000 in 1929 to \$354,693,000 in 1932. The following 5 years show that net sales recovered nearly all of this decline without break, reaching \$1,395,550,000 in 1937. This upward trend was completely reversed in 1938. Sales plunged downward to \$766,674,000.

While net sales during the whole period from 1917 to 1938 was characterized by a complete lack of stability, manufacturing costs, and total operating expenses fluctuated in surprising agreement with the fluctuations of net sales. This high degree of correlation is evident from chart 2, which follows.

It is to be noted that it is a peculiarity of the ratio paper on which this graph is charted that the slope of a line measures its rate of change. Thus equal slopes of lines, regardless of the numerical amounts which they represent, indicate equal rates of change.

The correlation between net sales and total operating expenses is somewhat less than the degree of correlation existing between manufacturing costs and net sales. This is explained by the greater lack of correlation between depreciation, distribution and administrative expenses with net sales.

In the case of distribution and administrative expenses the trend was almost in direct reverse of that of net sales. These expenses started in 1917 at the low for the period of \$45,122,000, and with some variation increased to a high of \$111,609,000 in 1937. Depreciation and depletion, however, followed in a general way net sales, though much more loosely than did manufacturing costs. It should be mentioned here that depreciation for blast furnace relining and renewals is included by the United States Steel Corporation in manufacturing costs. However, the amounts so included are not sufficiently large to alter materially the amount of depreciation and depletion set forth in table 29.

While there was excellent correlation between total operating expenses and sales, expenses varied less widely than did sales. This resulted in larger fluctuations in income than occurred in either of the other factors. Net income applicable to total investment, stockholders' investment and common stockholders' equity, varied closely with one another, except in the early years 1917-20. This is explained by the fact that during this period, the earnings applicable to the common stockholders' equity was much larger than the payments for the use of funds supplied by either the bondholders or the preferred stockholders. After 1920, these income totals moved closely together.

Attention is now directed to the relation of net income, after deducting interest on long-term debt and Federal income and profit taxes, with charges for depreciation and depletion, capital expenditures, and expenses for repairs, maintenance, and extraordinary replacements. This relationship is graphically portrayed in chart 3, which follows.

It will be observed that capital expenditures followed net income more closely than either of the other factors, though from 1920 to 1930 capital expenditures lag somewhat behind net income. Repairs, maintenance and extraordinary, depreciation and depletion shows a less close relationship.

The following tabulation sets forth a comparison of capital expenditure, repairs and maintenance and extraordinary replacements, and charges for depreciation and depletion of the United States Steel Corporation for the periods indicated.

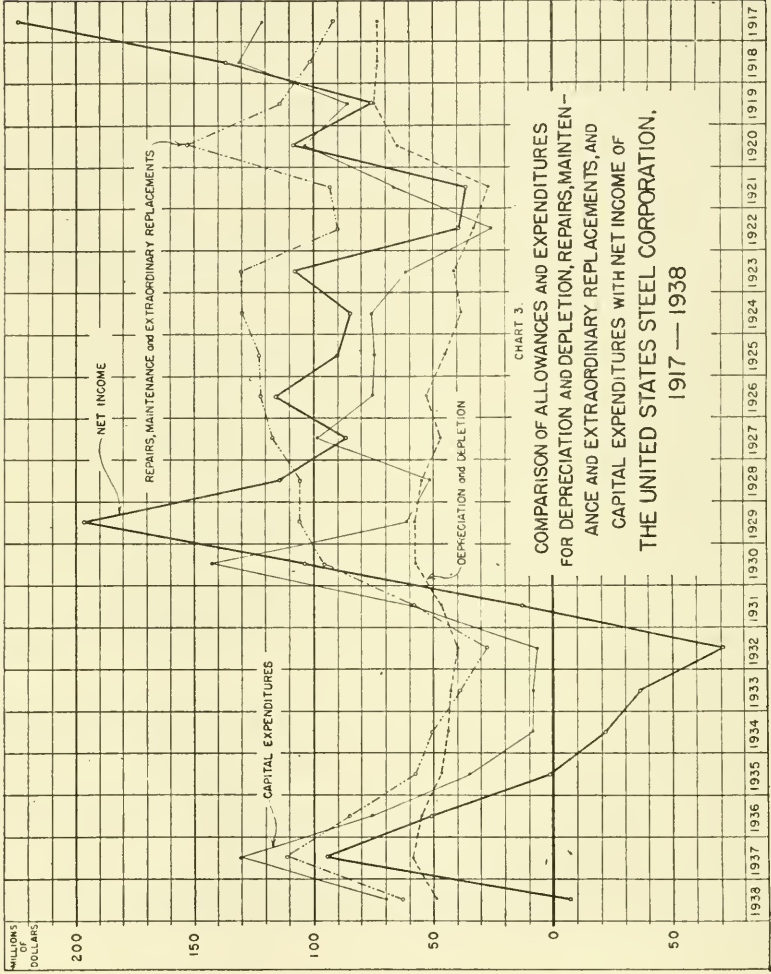
Period	Capital expenditures	Repairs, maintenance and extraordinary replacements	Depreciation and depletion
1917-38	\$1,584,393,100	\$2,078,222,328	¹ \$1,467,191,735
1938-31	399,563,931	497,233,471	² 678,852,254
1930-23	646,647,797	934,037,606	³ 433,624,281
1922-17	538,181,372	646,951,251	⁴ 354,715,200

¹ Includes \$330,427,363 transferred from surplus.

² Includes \$291,000,000 transferred from surplus.

³ Includes \$33,844,889 transferred from surplus.

⁴ Includes \$5,582,414 transferred from surplus.



The tabulation reveals particularly that in the 8-year period terminating with the depression in the steel industry in 1930, the United States Steel Corporation spent \$683,888,001 more for capital expenditures, and repairs, maintenance, and extraordinary replacements than it did in the 8 years following 1930. Approximately two-thirds of this decrease occurred in expenditures for repairs, maintenance and extraordinary replacements which were cut almost in half.

Credits to depreciation and depletion reserves during the 1923-30 period were \$245,227,973 less than for the period, 1931-38. However, of the \$678,852,254 credited to the depreciation and depletion reserves in the years 1931-38, \$291,000,000 represented charges against surplus. These charges providing for additional depreciation, were made necessary by inadequate annual depreciation charges against income. In 1935, \$270,000,000 was transferred from surplus to depreciation reserves to repair deficiencies in the reserves. An extensive survey by the United States Steel Corporation of all its operating properties for the purpose of determining the age, condition, and adequacy of its facilities revealed the existence of these deficiencies. This survey, undertaken in 1928, was carried forward by the company's engineers until 1935. Their findings were so extensive and involved expenditures of such magnitude that it was decided to employ outside opinion. To this end the firm of Ford, Bacon, and Davis, appraisal engineers, was employed. The extent of this firm's appraisal is indicated by the fact that during the years 1935-38 they received \$3,037,157.76 from the Steel Corporation for their services.

The depreciation and depletion of \$678,852,254 charged during the 1931-38 period, together with the amounts charged during the prior periods shown in the above tabulation, resulted in a huge increase in the depreciation and depletion reserves of the United States Steel Corporation. These reserves increased from \$271,004,251.99 in 1917 to \$1,177,797,445 in 1938. The property account increased by a somewhat larger amount. In December 31, 1938, the investment in property account amounted to \$2,344,316,958. The depreciation and depletion reserves as of December 31, 1938, amounted to 50.24 percent of the property account.

Table 30 immediately following contains a summary of capital expenditures made by the United States Steel Corporation and subsidiaries, during the period 1917 to 1938, inclusive.

TABLE 30.—Summary of capital expenditures made by United States Steel Corporation and subsidiaries, 1917-38

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Total	
Manufacturing properties, exclusive of the byproduct coke plants.....	\$85,232,417	\$40,403,813	\$114,990,815	\$45,370,298	\$4,900,006	\$7,646,660	\$6,098,736	\$31,601,655	\$54,951,681	\$86,553,809	\$63,809,954	\$31,681,651	\$1,045,285,426
Byproduct coke plants.....	2,789,869	1,902,365	5,545,336	5,391,362	483,613	242,021	1,762,319	1,046,067	4,037,437	6,234,893	1,000,102	1,000,102	144,169,756
Coal properties.....	1,889,780	909,426	5,670,995	764,244	253,333	311,691	826,976	500,537	1,337,970	2,783,111	1,021,391	1,021,391	35,258,431
Iron-ore properties.....	1,035,576	3,417,577	4,230,315	3,417,577	626,934	189,228	181,567	315,608	598,773	2,794,202	1,046,970	1,046,970	51,800,289
Limestone and flux properties.....	4,539,634	1,729,844	2,776,815	838,273	262,041	92,784	118,856	330,389	330,389	1,346,693	322,497	322,497	18,323,139
Rail transportation.....	3,620,210	8,514,819	8,293,735	5,533,137	472,823	952,074	591,171	996,682	13,804,228	25,249,659	687,933	687,933	140,388,572
Water transportation.....	2,075,821	3,836,234	1,089,371	164,357	12,242	12,247	83,343	318,845	800,880	5,487,541	2,373,913	2,373,913	65,345,913
Water, gas, and other service prop- erties.....	549,407	130,928	448,508	180,201	-15,485	4,229	5,070	105,498	249,823	541,486	497,834	497,834	32,704,635
Land and supply companies.....	436,873	-101,971	474,731	134,694	213,113	61,859	135,830	309,707	360,682	-212,341	452,790	452,790	7,540,353
Tennessee Coal, Iron & R. Co.'s properties.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	22,870,240
Shippending Plants, Inc., town site for employees.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	20,706,346
Total gross property expendi- tures.....	52,169,587	61,043,035	143,490,621	59,602,329	7,168,620	9,639,271	9,777,796	35,313,455	76,480,863	130,799,053	70,782,544	70,782,544	1,584,393,100
Manufacturing properties, exclusive of the byprod- uct coke plants.....	\$79,469,840	\$86,134,497	\$112,524,866	\$37,677,829	\$36,868,523	\$16,076,740	\$35,416,609	\$55,920,958	\$80,455,967	\$59,453,328	\$59,453,328	\$59,453,328	\$67,368,107
Byproduct coke plants.....	17,131,042	18,825,227	12,958,618	18,905,383	9,074,692	5,987,117	8,079,269	4,798,073	3,181,881	4,149,217	3,181,881	3,181,881	15,406,896
Coal properties.....	2,665,067	2,713,167	2,028,943	10,599,249	2,929,313	234,528	5,313,516	3,227,375	3,777,839	3,777,839	3,777,839	3,777,839	5,986,244
Iron-ore properties.....	8,898,856	8,831,609	4,222,655	7,990,887	3,938,353	1,784,698	4,719,819	6,271,374	2,052,517	2,052,517	2,052,517	2,052,517	3,034,159
Limestone and flux properties.....	13,898,856	6,551,029	6,080,796	22,853,631	8,216,991	2,709,614	9,670,447	6,517,726	4,711,877	4,711,877	4,711,877	4,711,877	6,231,217
Rail transportation.....	3,137,918	6,551,029	7,330,128	6,638,279	3,262,276	1,051,611	1,458,338	2,490,231	1,261,759	3,057,049	3,057,049	3,057,049	4,237,699
Water transportation.....	4,796,021	20,074,219	4,770,430	6,638,279	447,443	()	1,189,303	464,227	861,638	942,893	861,638	861,638	799,640
Water, gas, and other service properties.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-687,145
Land and supply companies.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Tennessee Coal, Iron & R. Co.'s properties	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Shippending Plants, Inc., town site for employees.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total gross property expenditures.....	121,118,744	131,836,094	86,764,121	104,664,758	67,013,347	26,844,308	61,873,108	76,548,598	75,650,989	76,366,421	75,650,989	75,650,989	99,590,438

1 Included above.

DIVIDENDS

Table 29 shows that of the net income of \$1,670,058,253 earned for the period 1917-38, dividends in the amount of \$1,427,971,442 were distributed to the stockholders. The dividends, together with the net deductions of \$351,028,711 from surplus, account for the reduction in surplus from \$356,360,913 at the beginning of 1917 to \$247,419,013 at the end of 1938.

Dividends amounting to \$1,224,650,442 were distributed in the form of cash to the stockholders. The common stockholders received \$669,817,548 and the preferred stockholders received \$554,832,894. The remaining dividends of \$203,321,000 represents a distribution of a 40 percent common stock dividend which was declared in 1927 on the common stock.

The dividend rate on the common and preferred stock follows. This rate is based on the par value of each class of stock. It has been already pointed out that in 1938, the common stock was changed from shares with par value of \$100 each to shares without par value to which a stated value of \$75 a share has been assigned. It will be observed in the yearly rates in the preferred stock which follow that the United States Steel Corporation did not maintain a dividend rate of 7 percent for every year on the preferred stock. However, as of 1938, all arrears on the 7 percent cumulative preferred have been remedied.

Years	Rate on common stock ¹	Rate on 7 percent cumulative preferred stock ¹	Years	Rate on common stock ¹	Rate on 7 percent cumulative preferred stock ¹
	Percent	Percent		Percent	Percent
1917	18	7	1928	7	7
1918	14	7	1929	8	7
1919	5	7	1930	8	7
1920	5	7	1931	4½	7
1921	5	7	1932	—	3¾
1922	5	7	1933	—	2
1923	5¾	7	1934	—	2
1924	7	7	1935	—	2
1925	7	7	1936	—	14
1926	7	7	1937	1	16½
1927	7	7	1938	—	7

¹ Par value \$100 a share.

PRINCIPAL STEEL PRODUCING AND FABRICATING SUBSIDIARIES OF THE UNITED STATES STEEL CORPORATION

A study was also made of the financial statements of the principal producing and fabricating subsidiaries of United States Steel Corporation for the period 1925 to 1938, inclusive. Eight of these companies produced substantially all of the raw, semifinished, and finished iron and steel products for sale of the total produced by the system. These companies are as follows:

American Sheet & Tin Plate Co.
 American Steel & Wire Co.
 Carnegie-Illinois Steel Corporation.
 Carnegie Steel Co.
 Illinois Steel Co.
 Columbia Steel Co.
 National Tube Co.
 Tennessee Coal, Iron & Railroad Co.

At December 31, 1938, the total investments of these companies aggregated \$1,059,574,541. This aggregate investment accounts for substantially 60 percent of the investment of United States Steel Corporation, as a consolidated basis, in that year.

Table 31, which follows, shows the investment, profits and rate of return for each of the subsidiaries for each of the years 1925-38 on the basis of average investment.

TABLE 31.—Summary of average investment, annual net income, and rates of return for the principal steel subsidiaries of the United States Steel Corporation, 1925-33

	Average	1938	1937	1936	1935
AVERAGE INVESTMENT					
American Sheet & Tin Plate Co.....	\$99,732,633			\$96,753,137	\$88,117,253
American Steel and Wire Co.....	150,421,342	\$125,162,141	\$123,418,303	122,881,199	119,671,193
Carnegie-Illinois Steel Corporation.....	489,965,061	591,138,344	514,068,350	437,139,312	417,514,240
Carnegie Steel Co.....	250,244,060				
Illinois Steel Co.....	145,436,508	42,330,199	71,910,182	95,055,776	155,899,870
Columbia Steel Co.....	52,244,224	56,175,771	54,811,912	52,780,107	51,992,559
National Tube Co.....	177,653,773	164,335,273	166,272,123	172,365,514	189,353,301
Tennessee Coal, Iron & R. R. Co.....	92,946,370	80,352,161	78,143,014	76,368,523	88,021,287
Total.....	14,059,702,374	1,059,193,889	1,008,623,884	1,053,343,568	1,110,569,703
Average.....	1,004,264,455				
NET INCOME					
American Sheet & Tin Plate Co.....	2,121,334			1,036,589	3,466,956
American Steel & Wire Co.....	776,064	1,850,579	484,909	1,593,154	1,877,034
Carnegie-Illinois Steel Corporation.....	1,561,796	1,216,556	34,798,351	85,448	1,698,153
Carnegie Steel Co.....	5,960,417				
Illinois Steel Co.....	13,532,451	833,798	2,017,531	1,549,849	5,667,991
Columbia Steel Co.....	948,703	918,826	3,267,237	3,284,276	1,899,877
National Tube Co.....	8,290,997	2,813,836	15,999,633	9,499,427	2,898,932
Tennessee Coal, Iron, & R. R. Co.....	2,696,028	1,164,043	7,611,874	2,877,431	2,124,801
Total.....	453,883,253	124,445,838	64,140,535	17,730,866	8,200,370
Average.....	32,420,232				
RATES OF RETURN ON TOTAL INVESTMENT					
American Sheet & Tin Plate Co. (percent).....	2.13			1.07	3.93
American Steel & Wire Co. (percent).....	.52	1.68	0.39	1.48	1.73
Carnegie-Illinois Steel Corporation (percent).....	.32	1.36	6.77	.02	1.67
Carnegie Steel Co. (percent).....	2.38				
Illinois Steel Co. (percent).....	9.30	1.97	2.81	1.63	3.64
Columbia Steel Co. (percent).....	1.82	1.64	5.96	6.22	3.65
National Tube Co. (percent).....	4.67	1.71	9.60	5.51	1.53
Tennessee Coal, Iron, & R. R. Co. (percent).....	2.90	1.45	9.74	3.77	2.41
Average (percent).....	3.23	1.21	6.36	1.68	.74

	1934	1933	1932	1931	1930
AVERAGE INVESTMENT					
American Sheet & Tin Plate Co.....	\$92,988,602	\$99,125,066	\$110,393,936	\$105,703,874	\$105,849,407
American Steel & Wire Co.....	122,494,230	135,879,293	150,733,888	169,223,560	177,275,456
Carnegie-Illinois Steel Corporation.....					
Carnegie Steel Co.....	211,214,212	230,558,966	251,443,598	271,342,738	279,533,053
Illinois Steel Co.....	218,470,576	209,645,540	199,506,828	187,509,549	158,850,698
Columbia Steel Co.....	50,645,805	49,981,842	50,265,979	51,451,692	52,092,352
National Tube Co.....	199,870,556	195,861,004	192,450,496	189,977,955	183,576,972
Tennessee Coal, Iron & R. R. Co.....	88,352,488	90,237,159	96,033,380	103,381,322	107,356,225
Total.....	991,036,469	1,011,228,870	1,041,828,105	1,078,590,690	1,064,534,163
Average.....					
NET INCOME					
American Sheet & Tin Plate Co.....	1,330,262	1,640,434	1,702,347	1,276,113	3,357,530
American Steel & Wire Co.....	1,279,852	1,218,300	1,594,765	1,547,509	409,806
Carnegie-Illinois Steel Corporation.....					
Carnegie Steel Co.....	1,527,063	1,135,173	1,134,974	1,192,574	10,611,144
Illinois Steel Co.....	1,612,238	1,745,301	1,110,104	1,789,963	16,124,933
Columbia Steel Co.....	1,047,497	327,365	1,073,032	1,259,321	125,603
National Tube Co.....	109,666	1,169,586	1,813,940	1,868,489	8,196,784
Tennessee Coal, Iron, & R. R. Co.....	197,098	1,931,459	1,739,399	1,041,040	2,317,074
Total.....	4,918,678	126,320,171	145,532,386	132,630,009	41,142,874
Average.....					

1 Denotes loss.

TABLE 31.—Summary of average investment, annual net income, and rates of return for the principal steel subsidiaries of the United States Steel Corporation, 1925-38—Continued

	1934	1933	1932	1931	1930
RATES OF RETURN ON TOTAL INVESTMENT					
American Sheet & Tin Plate Co. (percent).....	1 0.36	1 6.5	1 1 6.8	1 2 7.2	3 1.7
American Sheet & Wire Co. (percent).....	1 1.86	1 9.0	1 3 9.4	1 3 2.5	2 3
Carnegie-Illinois Steel Corporation (percent).....					
Carnegie Steel Co. (percent).....	1 2 4.2	1 5 8.6	1 5 3.7	1 3 0.2	3 8.0
Illinois Steel Co. (percent).....	7 4	1 3 5.5	1 5 5.7	1 4 2.1	10 1.5
Columbia Steel Co. (percent).....	2 0.7	6 5	1 2 1.3	1 2 4.5	2 4
National Tube Co. (percent).....	5 5	1 1 1.1	1 2 5.0	1 2 0.4	4 4.7
Tennessee Coal, Iron, & R. R. Co. (percent).....	2 2	1 4 3.6	1 7 7.1	1 2 9.4	2 1.6
Average (percent).....	1 5.0	1 2 6.0	1 4 3.7	1 3 0.3	3 8.6
AVERAGE INVESTMENT					
	1929	1928	1927	1926	1925
American Sheet & Tin Plate Co.....	\$103,910,085	\$104,960,477	\$103,129,366	\$98,067,979	\$96,792,412
American Steel & Wire Co.....	175,393,551	169,800,490	170,230,309	171,971,533	171,763,638
Carnegie-Illinois Steel Corporation.....					
Carnegie Steel Co.....	278,611,514	268,339,751	249,227,245	234,847,699	220,321,828
Illinois Steel Co.....	140,430,264	138,683,638	143,593,156	140,658,654	133,566,189
Columbia Steel Co.....					
National Tube Co.....	176,339,921	169,315,753	166,591,293	162,295,332	158,807,330
Tennessee Coal, Iron, & R. R. Co.....	105,825,936	102,136,071	99,156,793	95,164,067	90,720,769
Total.....	980,511,271	953,236,180	931,728,162	903,005,254	871,972,166
NET INCOME					
American Sheet & Tin Plate Co.....	8,629,686	2,167,693	307,237	4,697,644	5,150,963
American Steel & Wire Co.....	11,439,597	7,223,738	3,817,605	6,554,272	5,875,464
Carnegie-Illinois Steel Corporation.....					
Carnegie Steel Co.....	40,345,455	22,384,539	8,947,612	13,987,032	3,708,075
Illinois Steel Co.....	43,480,573	38,094,919	32,735,384	42,376,801	31,410,707
Columbia Steel Co.....					
National Tube Co.....	24,660,403	12,951,981	13,205,275	18,530,276	18,107,756
Tennessee Coal, Iron & R. R. Co.....	6,513,977	5,219,743	7,356,081	8,603,852	8,130,317
Total.....	135,060,691	88,042,643	66,369,197	94,659,877	72,383,282
RATES OF RETURN ON TOTAL INVESTMENT					
American Sheet & Tin Plate Co. (percent).....	8 3.0	2 0.7	3 0	4 7.0	5 3.2
American Steel & Wire Co. (percent).....	6 5.2	4 2.5	2 2.4	3 8.1	3 4.2
Carnegie-Illinois Steel Corporation (percent).....					
Carnegie Steel Co. (percent).....	14 4.8	8 3.4	3 5.9	5 9.6	1 6.8
Illinois Steel Co. (percent).....	30 9.0	27 4.7	22 8.0	23 1.3	23 5.2
Columbia Steel Co. (percent).....					
National Tube Co. (percent).....	13 9.8	7 6.5	7 9.4	11 4.2	11 4.0
Tennessee Coal, Iron & R. R. Co. (percent).....	6 1.6	5 1.1	7 4.2	9 0.4	8 9.6
Average (percent).....	13 7.7	9 2.4	7 1.2	10 4.8	8 3.0

1 Denotes loss.

Table 31 shows that average rates of return for all companies for the period 1925 to 1938, inclusive, ranged from a low of 0.32 percent for Carnegie-Illinois Steel Corporation to a high of 9.30 percent for Illinois Steel Co. Without exception profits were realized by all companies in each of the years 1925 to 1930, inclusive. The lowest rate of return for all the companies during this 6-year period was 0.23 percent. This rate was earned by the American Steel & Wire Co. in 1930. The highest rate during the same period was realized by the Illinois Steel Co. which earned 30.96 percent in 1929.

Each of the companies operated at a loss for the years 1931 and 1932. The greatest percent of loss during this period was the 7.71-percent loss sustained by Tennessee Coal, Iron & Railroad Co. in 1932 and the lowest percent of loss was 1.68 percent sustained by American Sheet & Tin Plate Co. for 1932.

Moderate profits or small losses occurred intermittently during the years 1933 to 1938, inclusive. The greatest percentage of loss during this period was 6.81 percent. This loss was sustained by American Steel & Wire Co. in 1938. The largest rate of return in these later years was earned by the Tennessee Coal, Iron & Railroad Co., which realized 9.74 percent on its total investment in 1937.

The table shows that for all companies the most profitable years were those from 1925 to 1929, inclusive. During these years, profits for all companies ranged from 7.12 percent of total investment in 1927 to 13.77 percent of total investment in 1929. Following this period, the next most profitable year was in 1937 when all companies combined averaged 6.36 percent of total investment.

The average rate of return for all companies throughout the entire period, 1925-38, was 3.23 percent. This compares with an average return of 3.66 percent on total investment of United States Steel Corporation and subsidiaries, on a consolidated basis, during this period. For the sake of comparability, this average return for the system as a whole is based on investment including intangibles, since it was not practicable to eliminate intangibles from the investments of the subsidiaries. Excluding intangibles, the average return for the system during these years was 4.39 percent.

Attention should be called to the fact that intercompany profits have been eliminated in arriving at the average return for the system, but this was not feasible in arriving at the average return for the subsidiaries. However, it is believed that the validity of the above comparison of rates of return is not materially affected in view of the fact that the averages are based on the results of operations over a 14-year period.

The investments, profits, and rates of return for each principal producing and fabricating subsidiary for each of the years during the period 1925-38 are shown in greater detail below, together with a brief account of the history and business of each company.

AMERICAN SHEET & TIN PLATE CO.

According to the report of the commissioner of corporations on the steel industry,³ American Sheet & Tin Plate Co. was organized in 1903 as an intercompany consolidation of American Sheet Steel Co. and American Tin Plate Co., two of the companies acquired by United States Steel Corporation at its formation in 1901. In June 1936 American Sheet & Tin Plate Co. was merged with Carnegie-Illinois Steel Co.

The investments, profits, and rates of return for American Sheet & Tin Plate Co. for each of the years 1925-36, together with a summary of its income, expenses, and surplus for these years, are set forth in tables 32 and 33, which follow. Rates of return have been computed on the basis of total investment and stockholders' investment for each company and show that during the period an average return of 2.13 percent was earned on the total investment and 2.10 percent was earned on the stockholders' investment. Returns were highest in 1929 when 8.30 and 8.71 percent, respectively, was earned in that year. Returns were lowest in 1931 when losses were sustained equivalent to 2.72 and 2.92 percent, respectively, on the total investment and stockholders' investment.

³ Pt. 1, Report of Commissioner of Corporations on the Steel Industry, p. 275.

TABLE 32.—Summary of investments, profits, and rates of return for the American Sheet & Tin Plate Co., 1925-36 1

	Average	1936 1	1935	1934	1933	1932	1931
Capital stock:							
Common.....		\$25,000,176.95	\$25,000,176.95	\$24,500,000.00	\$24,500,000.00	\$24,500,000.00	\$24,500,000.00
Preferred.....		24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00
Premium on common stock.....		70,862.57	70,862.57	123,868.50	125,071.77	126,124.11	126,124.11
Capital surplus.....		487,345.57	487,345.57	30,702,407.28	41,075,595.52	41,269,548.31	44,460,845.65
Surplus.....		18,376,142.52	22,815,495.81	6,378,175.34	6,244,240.77	6,011,292.06	5,892,192.40
Surplus and contingency reserves.....		3,648,852.24	8,513,996.76	1,587,720.46	1,740,123.52	3,658,136.68	3,360,733.51
Long-term debt.....		35,533,155.70	6,556,096.32	1,587,720.46	1,740,123.52	3,658,136.68	3,360,733.51
Reserve for Federal income and profit tax.....		447,104.00	498,361.00				
Total investment.....		105,033,939.55	88,442,335.01	87,792,171.58	98,185,031.58	100,065,101.16	102,722,771.56
Average of total investment.....	\$99,732,633.00	96,753,137.00	88,117,253.00	92,988,402.00	99,125,066.00	101,393,936.00	105,703,874.00
Net income applicable to total investment.....	2,121,334.22	1,036,589.13	3,466,555.62	3,330,262.30	1,640,433.84	3,170,347.02	3,2,876,112.87
Rate of return on total investment (percent).....	2.13	1.07	3.93	3.57	1.65	3.16	3.12
Total investment.....		105,033,939.55	88,442,335.01	87,792,171.58	98,185,031.58	100,065,101.16	102,722,771.56
Long-term debt.....		35,533,155.70	6,556,096.32	1,587,720.46	1,740,123.52	3,658,136.68	3,360,733.51
Stockholders' investment.....		69,500,783.85	81,886,238.69	86,204,451.12	96,444,908.06	96,406,964.48	99,362,038.05
Average of stockholders' investment.....	93,355,824.00	75,705,511.00	84,045,345.00	91,324,680.00	96,425,936.00	97,884,501.00	102,233,376.00
Net income applicable to stockholders' investment.....	1,857,102.24	949,750.52	3,445,746.25	3,330,262.30	1,640,433.84	3,181,347.03	3,2,885,112.87
Rate of return on stockholders' investment (percent).....	2.10	1.25	4.09	3.64	1.70	3.25	3.22

1 As of June 1, 1936, the American Sheet & Tin Plate Co. was absorbed by the Carnegie-Illinois Steel Corporation.

2 \$7,350,000 appropriated surplus transferred to depreciation reserve.

3 Denotes loss.

TABLE 32.—Summary of investments, profits, and rates of return for the American Steel & Tin Plate Co., 1925-36—Continued

	1930	1929	1928	1927	1926	1925	1924
Capital stock:							
Common.....	\$24,500,000.00	\$24,500,000.00	\$24,500,000.00	\$24,500,000.00	\$24,500,000.00	\$24,500,000.00	\$24,500,000.00
Preferred.....	24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00
Premium on common stock.....							
Capital surplus.....	49,619,096.84	44,018,632.68	39,970,717.89	37,432,958.47	39,265,553.58	36,800,362.40	36,800,362.40
Surplus and contingency reserves.....	6,021,333.82	6,061,199.85	6,158,631.25	6,052,007.12	6,064,442.75	6,001,426.56	6,001,426.56
Long-term debt.....	3,379,483.36	3,284,005.92	9,539,933.44	12,529,393.89	6,314,113.76	2,699,057.80	2,699,057.80
Reserve for Federal income and profit tax.....	465,000.00	650,000.00	140,000.00	100,000.00	500,000.00	491,000.00	491,000.00
Total investment.....	108,684,976.02	103,013,838.45	104,806,332.58	105,114,621.48	101,144,110.09	94,991,848.76	94,991,848.76
Average of total investment.....	105,819,407.00	103,910,085.00	104,990,477.00	103,129,366.00	98,067,979.00	96,792,412.00	96,792,412.00
Net income applicable to total investment.....	3,337,530.35	8,629,686.38	2,167,693.39	507,237.36	4,607,643.54	5,150,963.25	5,150,963.25
Rate of return on total investment (percent).....	3.17	8.30	2.07	0.30	4.70	5.32	5.32
Total investment.....	108,684,976.02	103,013,838.45	104,806,332.58	105,114,621.48	101,144,110.09	94,991,848.76	94,991,848.76
Long-term debt.....	3,379,483.36	3,284,005.92	9,539,933.44	12,529,393.89	6,314,113.76	2,699,057.80	2,699,057.80
Stockholders' investment.....	105,105,492.66	99,729,832.53	95,266,399.14	92,585,025.59	94,829,996.33	92,292,790.96	90,781,541.08
Average of stockholders' investment.....	102,417,661.00	97,498,105.00	93,975,702.00	96,707,511.00	93,561,394.00	91,537,166.00	91,537,166.00
Net income applicable to stockholders' investment.....	3,248,530.35	8,494,019.72	1,687,891.17	399,504.36	4,368,113.25	4,836,968.30	4,836,968.30
Rate of return on stockholders' investment (percent).....	3.17	8.71	1.80	3.06	4.67	5.28	5.28

TABLE 33.—Summary of income, expense, and surplus for the American Sheet & Tin Plate Co., 1925-26

	1936 1	1935	1934	1933	1932	1931
Net sales.....	\$57,585,560.00	\$113,917,527.00	\$80,554,700.00	\$79,181,126.00	\$45,667,944.00	\$81,799,557.00
Cost of goods sold.....	52,028,980.24	100,480,787.14	73,602,559.86	71,114,498.79	42,009,474.84	75,287,828.79
Depreciation and depletion.....	1,603,277.84	3,003,978.00	4,435,291.26	2,270,270.00	1,762,648.00	3,351,838.06
Distributive and administrative expense.....	3,079,810.61	7,542,254.26	3,908,057.46	4,960,025.35	4,253,989.98	6,584,489.12
Total operating expenses.....	56,710,068.69	111,027,019.40	81,945,908.58	78,344,794.14	48,026,112.82	85,224,155.96
Net income from operations.....	15,867,893.83	2,890,507.60	21,391,118.58	836,331.86	2,358,168.82	3,424,598.96
Other income.....	9,558,116.84	576,448.02	1,060,856.28	804,101.98	655,821.80	548,486.00
Less: Interest on long-term debt.....	1,970,783.82	21,209.37			1,702,347.02	2,876,112.87
Net income applicable to total investment.....	25,456,010.67	3,466,955.62	23,302,262.30	1,640,433.84	103,000.00	109,000.00
Less: Federal income and excess-profits tax.....	1,970,783.82	21,209.37				
Net income for year.....	23,485,226.85	3,445,746.25	23,302,262.30	1,640,433.84	2,358,168.82	2,985,112.87
Surplus at beginning of year.....	20,649,656.85	394,866.00				
Surplus at end of year.....	35,240,083.94	3,050,880.25	23,302,262.30	1,640,433.84	2,358,168.82	2,985,112.87
Less: Dividends.....	55,989,740.79	33,753,287.53	40,745,333.22	42,909,982.15	42,685,498.63	46,633,983.97
Total.....	30,135,000.00	1,286,250.00	3,797,500.00	857,500.00	1,715,000.00	1,715,000.00
Less: Dividends.....	25,754,740.79	32,467,037.53	36,947,833.22	42,052,482.15	40,943,498.63	44,918,983.97
Additions or deductions:						
Adjustment of depreciation, depletion, amortization.....	3 4,865,649.84		3 418,965.38	3 1,050,717.97	280,000.59	2,945,791.05
Adjustment of amortization of intangibles book value.....	3 11,492,220.39	3 11,492,220.39				
Transfers to and from appropriated surplus.....	3 4,164,603.50	3 1,000,000.00				
Transfers from Sharon Tin Plate Co. in merger (surplus).....	3 191,989.40	2,889,032.72				
Write-off of intangible property value and their adjustments.....	3 6,084,138.24					
Adjustment of taxes (Federal).....	9,618,811.69		3 6,076,917.24	92,779.00		100,411.14
Transferred from special inventory reserve.....	4,637,757.59		3 2,500.00	3 20,000.00		3 280,000.00
Employees special compensation.....	3 119,854.29					3 119,854.29
Other additions and deductions (net).....	123,201.02	1,645.98		1,052.34	46,049.09	69,117.28
Total additions and deductions.....	3 7,378,598.27	3 9,651,541.69	3 6,545,425.94	3 976,886.63	326,049.68	3 449,138.32
Surplus at end of year.....	18,376,142.52	22,815,495.84	30,702,407.28	41,075,595.52	41,269,548.31	44,469,845.65

¹ As of June 1, 1936, the American Sheet & Tin Plate Co. was absorbed by the Carnegie-Illinois Steel Corporation.

² Denotes loss.

³ Denotes red figures.

TABLE 33.—Summary of income, expense, and surplus for the American Sheet & Tube Plate Co., 1925-26—Continued

	1930	1929	1928	1927	1926	1925
Net sales.....	\$129,396,045.00	\$177,822,921.00	\$170,257,346.00	\$151,983,161.00	\$184,805,135.00	\$172,774,688.00
Cost of goods sold.....	116,400,246.54	158,382,307.62	158,160,725.31	143,225,904.19	171,710,357.82	159,531,254.41
Depreciation and depletion.....	2,223,279.00	2,487,954.00	2,254,287.00	1,953,691.00	1,998,782.00	1,826,269.44
Distributive and administrative expense.....	7,890,441.58	10,035,631.78	8,914,129.77	7,016,191.01	7,490,377.38	7,068,016.73
Total operating expenses.....	126,513,967.12	170,905,893.40	169,329,142.08	152,195,786.20	181,199,517.20	168,425,540.58
Net income from operations.....	2,882,077.88	6,917,027.60	928,203.92	1,212,625.20	3,605,716.80	4,349,147.42
Other income.....	475,452.47	1,712,658.78	1,239,489.47	519,862.56	1,002,025.74	801,815.83
Net income applicable to total investment.....	3,357,530.35	8,629,686.38	2,167,693.39	307,237.36	4,607,742.54	5,150,963.25
Less: Interest on long-term debt.....	109,000.00	135,666.66	479,802.22	366,741.72	239,530.29	313,994.95
Net income applicable to stockholders' investment.....	3,248,530.35	8,494,019.72	1,687,891.17	2,59,504.36	4,368,212.25	4,836,968.30
Less: Federal income and excess-profits tax.....	465,000.00	650,000.00	140,000.00	100,000.00	500,000.00	491,000.00
Net income for year.....	2,783,530.35	7,844,019.72	1,547,891.17	159,504.36	3,868,212.25	4,345,968.30
Surplus at beginning of year.....	44,018,632.68	39,970,747.89	37,432,958.47	39,265,553.58	36,800,362.40	35,240,083.94
Total.....	46,802,163.03	47,814,757.61	38,980,849.64	39,106,094.22	40,668,475.65	39,586,052.24
Less: Dividends.....	4,165,000.00	6,015,000.00	1,715,000.00	2,205,000.00	2,940,000.00	2,695,000.00
Total.....	42,637,163.03	41,199,757.61	37,265,849.64	36,901,049.22	37,728,475.65	36,891,052.24
Additions or deductions:						
Adjustment of taxes (Federal).....	2,445,301.44	2,818,865.07	2,704,898.25	125,447.70	1,537,077.93	3,90,639.84
Transferred from special inventory reserve.....	4,586,632.37			401,125.22		
Other additions and deductions (net) ¹				5,336.33		
Total additions and deductions.....	6,981,933.81	2,818,865.07	2,704,898.25	531,909.25	1,537,077.93	3,90,639.84
Surplus at end of year.....	49,619,096.84	44,018,632.68	39,970,747.89	37,432,958.47	39,265,553.58	36,890,362.40

¹ Denotes loss.² Denotes red figures.

AMERICAN STEEL AND WIRE CO.

This company was organized in 1899 under the laws of New Jersey, and was one of the important acquisitions by United States Steel Corporation at its formation in 1901.

Plants of the American Steel & Wire Co. are located in Cleveland, Ohio; Donora, Pa.; Joliet, Ill.; Worcester, Mass.; Waukegan, Ill.; and Duluth, Minn. This subsidiary also has plants located at De Kalb, Ill.; Anderson, Ind.; Allentown and Rankin, Pa.; Jackson, Mich.; New Haven, Conn.; and Trenton, N. J. The company manufactures large quantities of coke, iron, wire rods, wire nails, wire fences, etc.

The details of investments, profits and rates of return on the basis of the total investment and stockholders' investment are presented for American Steel & Wire Co. for each of the years 1925-38, together with a summary of its income, expenses and surplus for these years in tables 34 and 35 immediately following. During the period 1925 to 1938, inclusive, the average rates of return on total investment and stockholder's investment were 0.52 percent and 0.53 percent, respectively.

Rates of return were highest on both classes of investment during 1929 when 6.52 percent and 6.55, respectively, were realized. Rates of return were lowest on both classes of investment during 1938 when losses 6.81 and 8.70, respectively, were sustained.

TABLE 34.—Summary of investments, profits, and rates of return for the American Steel & Wire Co., 1925-38

	Average	1938	1937	1936	1935	1934	1933	1932
Capital stock—common.....		\$54,494,100.00	\$54,494,100.00	\$50,513,900.00	\$50,513,900.00	\$50,000,000.00	\$50,000,000.00	\$50,000,000.00
Capital stock—preferred.....		40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00
Premium on common stock.....		705,091.68	705,091.68	184,793.22	184,793.22	7,337,075.07	30,586,921.62	32,218,752.51
Surplus.....		1,886,864.74	6,113,908.60	8,429,000.06	9,074,902.50	12,022,130.41	13,754,859.41	13,697,022.08
Surplus and contingency reserves.....		342,011.56	979,689.10	1,038,969.51	1,038,969.51	13,308,973.80	13,754,859.41	1,501,000.00
Long-term debt.....		26,900,000.00	27,477,154.02	16,900,000.00	16,900,000.00	110,646,649.47	134,341,811.03	137,416,774.89
Total investment.....		120,554,338.50	129,769,943.40	117,066,662.79	128,695,736.13	110,646,649.47	134,341,811.03	137,416,774.89
Average of total investment.....	\$150,421,341.00	125,162,141.00	123,418,303.00	122,881,199.00	119,671,193.00	122,494,230.00	135,879,293.00	150,733,888.00
Net income applicable to total investment.....	\$776,064.19	1,852,879.42	484,908.54	1,593,153.52	1,877,033.86	1,279,852.38	1,218,300.16	1,594,764.64
Rate of return on total investment (percent).....	0.52	-6.81	0.39	-0.48	-0.73	-1.86	-0.90	-3.94
Total investment.....		\$120,554,338.50	\$129,769,943.40	\$117,066,662.79	\$128,695,736.13	\$110,646,649.47	\$134,341,811.03	\$137,416,774.89
Long-term debt.....		26,900,000.00	27,477,154.02	16,900,000.00	16,900,000.00	110,646,649.47	134,341,811.03	1,501,000.00
Total stockholders' investment.....		93,654,338.50	102,292,789.38	100,166,662.79	111,795,736.13	110,646,649.47	134,341,811.03	135,915,774.89
Average of stockholders' investment.....	\$144,623,688.00	97,973,564.00	101,229,726.00	105,981,199.00	111,221,193.00	122,494,230.00	135,128,793.00	149,195,888.00
Net income applicable to stockholders' investment.....	769,976.69	1,852,879.42	484,908.54	1,593,153.52	1,877,033.86	1,279,852.38	1,218,300.16	1,594,764.64
Rate of return on stockholders' investment (percent).....	0.53	1.870	0.48	1.056	1.079	1.186	1.090	1.398

	1931	1930	1929	1928	1927	1926	1925	1924
Capital stock—common.....	\$50,000,000.00	\$50,000,000.00	\$50,000,000.00	\$50,000,000.00	\$50,000,000.00	\$50,000,000.00	\$50,000,000.00	
Capital stock—preferred.....	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	
Surplus.....	58,682,062.76	68,497,373.02	73,773,967.06	66,314,936.73	64,904,584.08	66,679,072.20	67,947,402.53	
Surplus and contingency reserves.....	13,792,938.43	14,126,745.40	13,964,827.49	13,817,311.61	13,784,108.28	14,162,874.22	13,796,717.73	
Long-term debt.....	1,576,000.00	1,647,000.00	1,716,000.00	500,000.00	280,000.00	650,000.00	707,000.00	
Reserve for Federal income and profits tax.....		125,000.00	1,700,000.00					
Total investment.....	164,051,001.19	174,396,118.42	180,154,794.55	170,632,308.34	168,968,672.36	171,491,946.42	172,451,120.26	\$171,076,156.98
Average of total investment.....	169,223,560.00	177,275,456.00	175,393,551.00	169,800,490.00	170,230,309.00	171,971,533.00	171,763,638.00	
Net income applicable to total investment.....	1,549,508.44	409,806.23	11,430,597.41	7,223,737.88	3,817,604.86	6,554,272.36	5,875,463.75	
Rate of return on total investment (percent).....	-3.25	0.23	6.52	4.25	2.24	3.81	3.42	
Total investment.....	\$164,051,001.19	\$174,396,118.42	\$180,154,794.55	\$170,632,308.34	\$168,968,672.36	\$171,491,946.42	\$172,451,120.26	171,076,156.98
Long-term debt.....	1,576,000.00	1,647,000.00	1,716,000.00					
Total stockholders' investment.....	162,475,001.19	172,749,118.42	178,438,794.55	170,632,308.34	168,968,672.36	171,491,946.42	172,451,120.26	171,076,156.98
Average of stockholders' investment.....	167,612,060.00	175,993,956.00	174,535,551.00	169,800,490.00	170,230,309.00	171,971,533.00	171,763,638.00	
Net income applicable to stockholders' investment.....	1,549,508.44	324,581.23	11,430,597.41	7,223,737.88	3,817,604.86	6,554,272.36	5,875,463.75	
Rate of return on stockholders' investment (percent).....	13.28	0.19	6.55	4.25	2.24	3.81	3.42	

1 Denotes loss.

TABLE 35.—Summary of income, expense, and surplus for the American Steel & Wire Co., 1925-38

	Total	1938	1937	1936	1935	1934	1933	1932
Net sales or net receipts.....	\$1,510,744,439.02	\$81,514,890.02	\$130,632,155.00	\$109,942,791.00	\$89,713,176.00	\$66,965,159.00	\$66,231,192.00	\$48,062,401.00
Cost of goods sold.....	1,329,965,928.60	74,514,212.83	114,599,710.33	96,687,729.00	78,740,443.30	59,645,085.30	58,224,838.96	44,835,072.86
Depreciation and depletion.....	46,207,466.44	3,926,609.49	5,330,554.21	5,511,477.82	3,345,047.07	2,499,738.00	2,798,700.34	2,564,865.75
Distribution and administrative expenses.....	143,923,360.88	12,066,307.39	11,329,881.12	9,672,487.40	9,727,949.94	8,060,222.52	7,576,661.47	7,121,407.69
Total.....	1,520,102,755.92	90,507,129.71	131,260,145.66	111,871,694.22	91,813,440.31	70,205,645.82	68,600,200.77	54,521,346.30
Net operating profit.....	19,358,316.90	18,992,239.69	1,627,990.66	1,928,963.22	1,200,264.31	1,320,486.82	1,236,008.77	1,638,945.36
Other income.....	20,223,215.51	471,360.27	1,112,890.20	1,335,749.70	1,223,230.45	960,634.44	1,150,708.61	514,180.66
Less interest on long-term debt.....	10,864,898.61	18,520,879.42	484,908.54	1,593,153.52	1,877,033.86	1,279,852.38	1,218,300.16	1,594,764.64
Less income applicable to total In-vestments.....	85,225.00							
Net income applicable to stock-holders' investment.....	10,779,673.61	18,520,879.42	484,908.54	1,593,153.52	1,877,033.86	1,279,852.38	1,218,300.16	1,594,764.64
Less provision for Federal income and profit tax.....	2,962,000.00							
Net income for year.....	7,817,673.61	18,520,879.42	484,908.54	1,593,153.52	1,877,033.86	1,279,852.38	1,218,300.16	1,594,764.64
Surplus at beginning of year.....	66,812,413.18	6,113,908.60	8,429,000.06	9,074,902.50	7,337,975.67	30,586,921.62	32,218,752.81	58,062,062.76
Total.....	74,630,088.79	12,406,970.82	8,913,908.60	8,481,748.98	6,460,641.81	28,307,069.24	31,000,452.65	52,737,298.12
Less dividends.....	53,000,000.00		2,800,000.00			2,800,000.00		2,800,000.00
Total.....	21,630,088.79	12,406,970.82	6,113,908.60	8,481,748.98	6,460,641.81	25,507,069.24	31,000,452.65	49,937,298.12
Other net additions or deductions: Adjustment of depreciation, amortiza-tion, and depletion.....	217,649,261.70				11,170.10	24,328,239.45		213,812,603.31
Profit or loss on sale or retirement of capital assets.....	5,528,478.13				281,257.38	360,961.14	2462,717.23	
Adjustment of write-offs.....	2,673,466.14				673,466.14			
Adjustment of taxes.....	2,939,113.30				22,337.28			
Write-off of intangibles.....	13,367,792.08				4,074,977.35	13,367,792.08		189,289.81
Transfers from appropriated surplus.....	4,074,977.35							
Transfers to surplus invested in prop-erty.....	4,045,997.50							24,045,997.50
Interest on tax adjustments.....	500,634.01							
Transferred from special inventory re-serve.....	7,396,092.73				479.48		49,186.20	249,324.31
Other.....	2,747,044.63	520,106.08		252,748.92	2,614,260.69	18,169,393.57	2413,531.03	17,718,645.31
Total.....	23,516,953.53	520,106.08		252,748.92	7,074,902.50	7,337,675.67	30,486,921.62	32,218,752.81
Surplus at end of year.....	21,886,864.74	21,886,864.74	6,113,908.60	8,429,000.06	8,429,000.06	8,429,000.06	8,429,000.06	8,429,000.06

	1931	1930	1929	1928	1927	1926	1925
Net sales or net receipts.....	\$74,674,442.00	\$109,137,220.00	\$151,093,759.00	\$146,019,798.00	\$139,026,169.00	\$148,294,751.00	\$149,436,536.00
Cost of goods sold.....	70,294,334.16	96,651,490.25	124,692,068.38	124,368,840.18	124,040,025.72	130,185,539.33	132,485,938.00
Depreciation and depletion.....	2,584,096.73	2,950,315.43	3,259,075.00	2,173,906.16	3,274,912.05	3,111,699.33	2,876,659.06
Distribution and administrative expenses.....	8,038,407.92	10,522,036.27	14,431,304.86	14,380,974.35	10,662,634.49	10,515,955.72	9,803,129.74
Total.....	80,936,838.81	110,123,841.95	142,382,448.24	140,923,720.69	137,977,572.26	143,813,004.38	145,165,726.80
Net operating profit.....	16,262,396.81	1,986,621.95	8,711,310.76	5,096,077.31	1,048,596.74	4,481,746.62	4,270,809.20
Other income.....	794,888.37	1,396,428.18	2,719,286.65	2,127,660.57	2,769,008.12	2,072,525.74	1,604,654.55
Less income applicable to total investment.....	15,497,508.44	409,806.23	11,430,597.41	7,223,737.8 ^c	3,817,604.86	6,554,272.36	5,875,463.75
Less interest on long-term debt.....		85,225.00					
Net income applicable to stockholders' investment.....	15,497,508.44	324,581.23	11,430,597.41	7,223,737.88	3,817,604.86	6,554,272.36	5,875,463.70
Less provision for Federal income and profit tax.....		125,000.00	700,000.00	500,000.00	280,000.00	650,000.00	707,000.05
Surplus at beginning of year.....	15,597,508.44	199,581.23	10,730,597.41	6,723,737.88	3,537,604.86	5,904,272.36	5,168,463.75
Less dividends.....	68,497,373.02	73,973,967.06	66,314,966.73	64,904,564.08	66,679,072.20	67,947,402.53	66,812,415.18
Total.....	62,999,864.58	73,973,548.29	77,045,594.14	71,628,301.96	70,216,677.06	73,851,674.89	71,980,878.93
Less dividends.....	2,800,000.00	4,800,000.00	10,300,000.00	6,800,000.00	6,800,000.00	6,800,000.00	6,300,000.00
Total.....	60,199,864.58	69,173,548.29	66,745,594.14	64,828,301.96	63,416,677.06	67,051,674.89	65,680,878.93
Other net additions or deductions:							
Adjustment of depreciation, amortization, and de-							
piction.....				480,410.96			
Profit or loss on sale or retirement of capital assets.....			‡ 619,868.80	‡ 589,568.67	‡ 408,741.08	‡ 494,432.85	393,570.49
Adjustment of taxes.....	‡ 1,515,984.67	‡ 648,519.80	‡ 1,082,166.89	1,082,166.89			1,645,299.32
Interest on tax adjustments.....			‡ 396,092.73	590,634.01			
Transferred from special inventory reserve.....			‡ 27,655.47	‡ 76,948.42	1,869,628.10	121,830.16	227,653.70
Other.....	‡ 1,817.15		252,148.99				
Total.....	‡ 1,517,801.82	‡ 676,175.27	7,028,372.92	‡ 1,486,694.77	1,487,887.02	‡ 372,002.69	2,266,523.60
Surplus at end of year.....	58,682,062.76	68,497,373.02	73,773,967.06	66,314,966.73	64,904,564.08	66,679,072.20	67,947,402.53

¹ Denotes loss.

‡ Denotes red figure.

CARNEGIE-ILLINOIS STEEL CORPORATION

During 1935 Carnegie Steel Co. and the Illinois Steel Co., two important subsidiaries of United States Steel Corporation, were brought into a single operating organization under the name of Carnegie-Illinois Steel Corporation. The principal iron and steel producing plants of the Illinois Steel Co. were absorbed by the Carnegie-Illinois Steel Corporation. However, the Illinois Steel Co. continued to operate as a separate corporate entity. A corporate merger as of June 1, 1936, united the American Steel & Tin Plate Co. with the Carnegie-Illinois Steel Corporation, the latter being the surviving corporation.

As of 1937 the plants of Carnegie-Illinois Steel Corporation had approximately 75 percent of the total rated pig-iron capacity and approximately 77 percent of the total rated annual steel-ingot capacity of the subsidiaries of the corporation. The more important manufacturing properties of this subsidiary are located at Gary, Ind.; South Chicago, Ill.; in an area near Pittsburgh, Pa.; and the Mahoning Valley in Ohio.

There is set forth below tables 36 and 37 which summarize investments, income, expenses, profits, and rates of return based on the total investment and stockholders' investment of the Carnegie-Illinois Steel Corporation for the years 1935 to 1938, inclusive.

The tables show that since 1935 Carnegie-Illinois Steel Corporation had only 1 year of profitable operations; namely, in 1937, when returns of 6.77 and 8.01 percent were earned, respectively, on the total investment and stockholders' investment. It will be noted that net profit applicable to total investment averaged only 0.32 percent for the 4 years, while a net loss equivalent to 0.11 percent was sustained on the stockholders' investment for the same years.

TABLE 36.—*Summary of investments, profits, and rates of return for the Carnegie-Illinois Steel Corporation 1935-38*

	Average	1938	1937	1936 ¹	1935
Capital stock—common.....		\$93,368,000.00	\$93,368,000.00	\$93,368,000.00	\$75,000,000.00
Capital surplus.....		² 184,972,680.82	185,037,336.28	185,046,717.53	153,358,670.00
Surplus.....		56,405,692.52	79,475,156.39	77,372,298.15	14,520,441.92
Surplus and contingency reserves.....					73,850,000.00
Long-term debt.....		275,700,000.00	209,323,823.26	100,950,665.14	100,785,127.96
Reserve for Federal income and profits taxes.....		458,000.00	4,168,000.00	71,704.00	
Total investment.....		610,904,373.34	571,372,315.93	456,764,384.82	417,514,239.88
Average of total investment.....	\$489,965,062.00	591,138,344.00	514,068,350.00	437,139,312.00	417,514,240.00
Net income applicable to total investment.....	1,561,796.09	³ 21,655,461.85	34,798,351.31	85,447.98	³ 6,981,153.05
Rate of return on total investment (percent).....	0.32	³ 3.66	6.77	0.02	³ 1.67
Total investment.....	\$2,056,555,313.97	\$610,904,373.34	\$571,372,315.93	\$456,764,384.82	\$417,514,239.88
Long-term debt.....	686,759,616.36	275,700,000.00	209,323,823.26	100,950,665.14	100,785,127.96
Total stockholders' investment.....	1,369,795,697.61	335,204,373.34	362,048,492.67	355,813,719.68	316,729,111.92
Average of stockholders' investment.....	340,139,517.00	348,626,433.00	358,931,106.00	336,271,416.00	316,729,111.92
Net income applicable to stockholders' investment.....	³ 366,551.38	³ 22,847,881.12	28,735,675.79	³ 45,028.52	³ 7,308,971.60
Rate of return on stockholders' investment (percent).....	³ 0.11	³ 6.55	8.01	³ 0.01	³ 2.31

¹ As of June 1, 1936, the American Sheet & Tin Plate Co. was absorbed by the Carnegie-Illinois Co.

² Includes the following amounts:

Capital surplus through merger and other sources.....	\$98,364,726.48
Capital contributions by stockholders.....	20,662,542.40
Premium on capital stock.....	65,899,563.69
Capital increment surplus accrued prior to Mar. 1, 1913.....	45,848.25

Total..... 184,972,680.82

³ Denotes loss.

TABLE 37.—Summary of income, expenses, and surplus for the Carnegie-Illinois Steel Corporation, 1935-38

	Total	1938	1937	1936	1935
Net sales.....	\$1, 418, 662, 229.85	\$273, 230, 604.85	\$596, 865, 209.00	\$396, 533, 014.00	\$152, 033, 402.00
Less—					
Cost of goods sold.....	1, 244, 555, 867.98	248, 518, 732.99	501, 427, 775.83	353, 739, 209.45	140, 870, 149.71
Depreciation and depletion.....	65, 974, 596.78	19, 873, 659.08	21, 895, 653.40	17, 178, 706.97	7, 026, 577.33
Distribution and administrative expenses and taxes.....	107, 818, 526.28	27, 764, 852.01	40, 400, 129.26	27, 747, 844.56	11, 905, 700.45
Total operating expense.....	1, 418, 348, 991.04	296, 157, 244.08	563, 723, 558.49	398, 665, 760.98	159, 802, 427.49
Net income from operations.....	313, 238.81	22, 926, 639.23	33, 141, 650.51	2, 132, 746.98	7, 769, 025.49
Other income.....	5, 933, 945.58	1, 271, 177.38	1, 656, 700.80	2, 218, 194.96	787, 872.44
Net income applicable to total investment.....	6, 247, 184.39	21, 655, 461.85	34, 798, 351.31	85, 447.98	6, 981, 153.05
Less interest on long-term debt.....	7, 713, 389.94	1, 192, 419.37	6, 062, 675.52	130, 476.50	327, 818.55
Net income applicable to stockholders' investment.....	¹ 1, 466, 205.55	² 22, 847, 881.22	28, 735, 675.79	¹ 45, 028.52	¹ 7, 308, 971.60
Less provision for Federal income and profits taxes.....	4, 191, 000.00	-----	4, 168, 000.00	23, 000.00	-----
Net income.....	¹ 5, 657, 205.55	² 22, 847, 881.22	24, 567, 675.79	¹ 68, 028.52	¹ 7, 308, 971.60
Surplus at beginning of year.....	21, 829, 413.52	79, 475, 156.39	77, 327, 298.15	14, 520, 441.92	21, 829, 413.52
Total.....	16, 172, 207.97	56, 627, 275.17	101, 894, 973.94	14, 452, 413.40	14, 520, 441.92
Less dividends.....	23, 342, 000.00	-----	23, 342, 000.00	-----	-----
Total.....	¹ 7, 169, 792.03	56, 627, 275.17	78, 552, 973.94	14, 452, 413.40	-----
Other net additions or deductions:					
Transferred from appropriated surplus.....	44, 385, 023.56	-----	-----	44, 385, 023.56	-----
Transferred from American Sheet & Tin.....	17, 596, 889.32	-----	-----	17, 596, 889.32	-----
Other.....	1, 593, 571.67	² 221, 582.65	922, 182.45	892, 971.87	-----
Total.....	63, 575, 484.55	² 221, 582.65	922, 182.45	62, 874, 884.75	-----
Surplus at end of year.....	56, 405, 692.52	56, 405, 692.52	79, 475, 156.39	77, 327, 298.15	14, 520, 441.92

¹ Denotes loss.² Denotes red figures.

CARNEGIE STEEL CO.

The Carnegie Co. of New Jersey was formed in March 1900, as a reorganization and merger of the various Carnegie interests and the H. C. Frick Coke Co. On April 1, 1903, the Carnegie Co. of New Jersey, the National Steel Co., and the American Steel Hoop Co., which had been acquired by United States Steel Corporation at its formation in 1901, were merged to form the Carnegie Steel Co.⁴ In 1935 Carnegie Steel Co. and Illinois Steel Co. were merged under a single operating organization under the name of Carnegie-Illinois Steel Corporation.

Tables 38 and 39, set forth on the two following pages, summarize investments, profits, and rates of return, based on total investment and stockholders' investment of the Carnegie Steel Co. for the years 1925 to 1934, inclusive.

Rates of return for the Carnegie Steel Co. averaged 2.38 and 1.81 percent, respectively, on total investment and stockholders' investment during the years 1925-34. Rates of return were highest on both classes of investment during 1929, when 14.48 and 17.26 percent, respectively, were realized; and returns were lowest during 1933, when losses of 5.86 and 9.47 percent were sustained on total investment and stockholders' investment, respectively.

⁴ Report of the Commissioner of Corporations on the Steel Industry, pt., I, pp. 85 and 273.

TABLE 38.—Summary of investments, profits, and rates of return for Carnegie Steel Co., 1925-34¹

	Average	1934	1933	1932	1931	1930
Capital stock.....		\$65,250,000.00	\$65,250,000.00	\$65,250,000.00	\$65,250,000.00	\$65,250,000.00
Capital surplus.....		16,959,021.70	16,959,021.70	16,959,021.70	16,959,021.70	16,959,021.70
Surplus.....		55,302,204.95	63,225,356.79	83,277,171.13	111,988,863.57	125,213,204.79
Surplus and contingency reserves.....		16,491,454.25	16,805,658.14	10,685,905.60	9,814,395.30	10,148,241.85
Long-term debt.....		60,091,363.28	60,091,363.28	60,091,363.28	60,091,363.28	60,091,363.28
Reserve for Federal income and profit taxes.....						920,000.00
Total investment.....		214,094,044.18	222,334,379.91	238,783,551.71	264,103,643.85	278,581,831.65
Average of total investment.....	\$250,244,060.00	218,214,212.00	230,558,966.00	251,443,598.00	271,342,738.00	279,533,053.00
Net income applicable to total investment.....	\$5,950,417.10	5,275,063.29	4,13,517,324.13	4,13,494,794.53	3,8,192,574.23	10,611,144.17
Rate of return on total investment (percent).....	2.38	2.42	1.80	1.71	1.40	3.80
Total investment.....		\$214,094,044.18	\$222,334,379.91	\$238,783,551.71	\$264,103,643.85	\$278,581,831.65
Long-term debt.....		60,091,363.28	60,091,363.28	60,091,363.28	60,091,363.28	60,091,363.28
Total stockholders' investment.....		154,002,680.90	162,243,016.63	178,692,188.43	204,012,280.57	218,490,468.37
Average of stockholders' investment.....	\$194,544,278.00	155,122,840.00	170,467,603.00	191,352,234.00	211,251,374.00	219,441,689.00
Net income applicable to stockholders' investment.....	\$3,530,773.66	3,7,895,131.84	4,16,140,392.70	4,16,117,793.08	4,10,815,642.78	7,988,075.62
Rate of return on stockholders' investment (percent).....	1.81	2.49	2.47	2.42	2.51	3.64

	1929	1928	1927	1926	1925	1924
Capital stock.....	\$65,250,000.00	\$65,250,000.00	\$65,250,000.00	\$65,250,000.00	\$65,250,000.00	\$65,250,000.00
Capital surplus.....	16,959,021.70	16,959,021.70	16,959,021.70	16,959,021.70	16,959,021.70	16,959,021.70
Surplus.....	110,262,943.61	104,354,685.24	86,866,894.87	79,593,658.46	69,032,285.43	69,032,285.43
Surplus and contingency reserves.....	25,690,945.13	28,585,683.56	28,385,130.27	29,305,398.23	33,497,647.79	33,497,647.79
Long-term debt.....	60,091,363.28	60,091,363.28	61,829,700.63	45,829,700.63	45,829,700.63	45,829,700.63
Reserve for Federal income and profit taxes.....	2,230,000.00	1,500,000.00	650,000.00	1,376,063.29	613,000.00	613,000.00
Total investment.....	280,484,273.72	276,738,753.78	259,940,747.47	238,513,742.31	231,181,655.55	\$209,462,001.23
Average of total investment.....	278,611,514.00	268,339,751.00	249,227,245.00	234,847,699.00	270,321,828.00	270,321,828.00
Net income applicable to total investment.....	40,345,454.61	22,384,539.20	8,947,612.37	13,987,031.69	3,708,075.22	3,708,075.22
Rate of return on total investment (percent).....	14.48	8.34	3.59	5.96	1.68	1.68
Total investment.....	\$280,484,273.72	\$276,738,753.78	\$259,940,747.47	\$238,513,742.31	\$231,181,655.55	\$209,462,001.23
Long-term debt.....	60,091,363.28	60,091,363.28	61,829,700.63	45,829,700.63	45,829,700.63	45,829,700.63
Total stockholders' investment.....	220,392,910.44	216,647,390.50	198,111,046.84	192,684,041.68	185,351,954.92	183,632,300.00
Average of stockholders' investment.....	218,520,150.00	207,379,219.00	195,397,544.00	189,017,998.00	184,492,128.00	184,492,128.00
Net income applicable to stockholders' investment.....	37,722,386.06	19,725,255.30	6,729,215.95	11,970,539.54	2,144,224.55	2,144,224.55
Rate of return on stockholders' investment (percent).....	17.26	9.51	3.44	6.33	1.16	1.16

1 Results of operations for 1925 to 1938, inclusive, included in table for Carnegie-Illinois Steel Corporation.

2 Denotes loss.

TABLE 39.—Summary of income, expenses, and surplus for Carnegie Steel Co., 1925-34

	Total	1934	1933	1932	1931	1930
Net sales (or manufacturing receipts).....	\$1,936,495,635.00	\$99,998,982.00	\$82,653,665.00	\$53,445,886.00	\$118,753,414.00	\$213,068,797.00
Less cost of goods sold (or operating expense).....	1,723,432,661.78	92,905,191.54	84,889,405.76	55,878,575.59	113,330,745.07	186,171,209.79
Depreciation and depletion.....	68,402,736.18	5,029,430.62	5,046,170.72	5,122,698.47	5,941,456.41	7,732,589.29
Distribution and administrative expenses and taxes (computed).....	93,794,095.69	7,941,605.57	6,680,177.25	6,589,612.60	8,674,428.24	10,006,523.18
Total operating expense.....	1,885,589,493.65	105,876,227.73	96,615,753.73	67,590,886.66	127,955,629.72	203,910,322.26
Net income from operations.....	50,906,141.35	5,877,245.73	13,962,088.73	114,145,300.66	19,202,641.72	9,158,474.74
Other income.....	8,598,029.71	602,182.44	444,764.58	1,450,576.13	1,009,641.49	1,452,669.43
Net income applicable to total investment.....	59,504,171.06	5,275,063.29	13,517,324.15	13,494,724.53	8,192,574.23	10,611,144.17
Less interest on long-term debt.....	24,196,434.44	2,623,068.55	2,623,068.55	2,623,068.55	2,623,068.55	2,623,068.55
Net income applicable to stockholders' investment.....	35,307,736.62	7,898,131.84	16,140,392.70	16,117,793.08	10,815,642.78	7,988,075.62
Less provision for Federal income and profits taxes.....	6,763,000.00					920,000.00
Net income for year.....	28,544,736.62	7,898,131.84	16,140,392.70	16,117,793.08	10,815,642.78	7,068,075.62
Surplus at beginning of year.....	66,986,684.43	63,223,336.79	85,827,171.13	111,988,863.57	125,213,204.79	110,262,943.61
Total.....	95,531,421.05	55,327,204.95	69,686,778.43	95,871,070.49	114,397,562.01	117,331,019.23
Less dividends.....	52,200,000.00				1,957,500.00	13,050,000.00
Total.....	43,331,421.05				112,440,062.01	104,281,019.23
Other net additions or deductions:						
Adjustment to depreciation provision.....	3,280,774.90		11,784,819.94	11,275,955.05		
Amortization on dismantled plants.....	5,552,765.06		5,373,378.30	1,179,386.76		
Inventory adjustments.....	16,488,513.65		1,100,537.58	1,000,537.58		15,357,976.07
Interest accruals.....	16,997,766.84		399,766.84	399,766.84		
Adjustment and transfer of surplus interest.....	80,573.63				21,776.50	20,456.34
Employees' special compensation.....	3,380,107.00				3,380,107.00	
Loss or gain on capital assets.....	3,808,845.93					
Adjustment on Federal taxes.....	17,201,528.13		350,000.00		3,92,867.94	5,553,753.15
Other.....	26,898.91	25,000.00		51,898.19		
Total.....	11,970,783.90	25,000.00	6,461,441.64	10,043,899.36	3,451,198.44	20,932,185.56
Surplus at end of year.....	55,302,204.95	55,302,204.95	63,225,336.79	85,827,171.13	111,988,863.57	125,213,204.79

	1929	1928	1927	1926	1925
Net sales (or manufacturing receipts).....	\$303, 240, 797. 00	\$264, 938, 366. 00	\$244, 997, 187. 00	\$290, 505, 604. 00	\$264, 893, 237. 00
Less cost of goods sold (or operating expense).....	243, 635, 440. 03	224, 112, 545. 41	219, 050, 279. 34	257, 282, 254. 82	246, 168, 014. 43
Depreciation and depletion.....	9, 338, 113. 07	8, 571, 729. 05	7, 634, 327. 49	7, 230, 608. 10	6, 734, 330. 96
Distribution and administration expenses and taxes (computed).....	11, 357, 244. 42	10, 669, 121. 84	10, 060, 114. 70	12, 783, 151. 27	8, 992, 116. 62
Total operating expense.....	204, 331, 799. 52	243, 353, 396. 30	236, 744, 321. 53	277, 256, 094. 19	261, 914, 462. 01
Net income from operations.....	38, 608, 997. 48	21, 584, 969. 70	8, 252, 265. 47	13, 209, 509. 81	2, 978, 774. 99
Other income.....	1, 436, 457. 13	799, 569. 50	695, 346. 90	777, 521. 88	729, 300. 23
Net income applicable to total investment.....	40, 345, 454. 61	22, 384, 539. 20	8, 947, 612. 37	13, 987, 031. 69	3, 708, 075. 22
Less interest on long-term debt.....	2, 623, 068. 55	2, 659, 253. 90	2, 215, 396. 42	2, 016, 492. 15	1, 563, 850. 57
Net income applicable to stockholders' investment.....	37, 722, 386. 06	19, 725, 285. 30	6, 729, 215. 95	11, 970, 539. 54	2, 144, 224. 55
Less provision for Federal income and profits taxes.....	2, 230, 000. 00	1, 500, 000. 00	-----	1, 500, 000. 00	613, 000. 00
Net income for year.....	35, 492, 386. 06	18, 225, 285. 30	6, 729, 215. 95	10, 470, 539. 54	1, 531, 224. 55
Surplus at beginning of year.....	104, 354, 685. 24	86, 866, 894. 87	79, 953, 558. 46	69, 632, 255. 43	66, 986, 684. 43
Less dividends.....	139, 847, 071. 30	105, 092, 150. 17	86, 322, 774. 41	79, 502, 824. 97	68, 517, 908. 98
Less dividends.....	32, 625, 000. 00	4, 567, 500. 00	-----	-----	-----
Total.....	107, 222, 071. 30	100, 524, 650. 17	86, 322, 774. 41	79, 502, 824. 97	68, 517, 908. 98
Other net additions or deductions:	-----	-----	-----	-----	-----
Adjustment to depreciation provision.....	-----	-----	-----	-----	-----
Amortization on dismantled plants.....	-----	-----	-----	-----	-----
Inventory adjustments.....	-----	-----	-----	-----	-----
Interest accruals.....	38, 340. 79	-----	-----	-----	-----
Adjustment and transfer of surplus interest.....	-----	-----	-----	-----	-----
Employees special compensation.....	3, 564, 288. 44	-----	-----	-----	-----
Loss or gain on capital assets.....	5, 596, 819. 96	3, 830, 035. 07	544, 120. 46	1, 335, 280. 98	514, 376. 45
Adjustment on Federal taxes.....	-----	-----	-----	-----	-----
Other.....	-----	-----	-----	-----	-----
Total.....	3, 040, 872. 31	3, 830, 035. 07	544, 204. 46	90, 733. 49	514, 376. 45
Surplus at end of year.....	110, 262, 943. 61	104, 354, 685. 24	86, 866, 894. 87	79, 593, 558. 46	69, 032, 285. 43

1 Results of operations for 1935 to 1938, inclusive, included in table for Carnegie-Illinois Steel Corporation.

2 Denotes loss.

3 Denotes deduction.

ILLINOIS STEEL CO.

The Illinois Steel Co. was organized in 1889 as a consolidation of the North Chicago Rolling Mill Co. (with plants at North Chicago, South Chicago, and Milwaukee), the Union Steel Co., and certain property of the Joliet Steel Co.¹ In 1935 the principal iron and steel producing plants of the Illinois Steel Co. were merged with the Carnegie Steel Co. to form the Carnegie-Illinois Steel Corporation.

* Tables 40 and 41, which follow, summarize the investment, profits, and rates of return based on the total investment and stockholders' investment for the period 1925 to 1938, inclusive.

The operations of this company were more profitable during the period under review than for any other of the principal producing and fabricating subsidiaries of the Steel Corporation. During the years 1925-38, this company's net income was equivalent to 9.30 percent on the total investment and 13.84 percent on the stockholders' investment. Exceptionally high returns were earned in each of the years 1925-29. On the basis of total investment the returns during these years amounted to 23.52 percent in 1925; 30.13 percent in 1926; 22.80 percent in 1927; 27.47 percent in 1928 and 30.96 percent in 1929. Comparatively high returns were also earned in 1930. In that year 10.15 percent was earned on the total investment. However, on this basis of investment losses were sustained in 1931, 1932, and 1933, and only moderate profits were earned thereafter.

¹ Report of the Commissioner of Corporations on the Steel Industry pt. I, p. 120.

TABLE 40.—Summary of investments, profits, and rates of return for Illinois Steel Co., 1925-33

	Average	1928	1927	1926	1925	1924
Capital stock (common).....	\$7,650,000.00	\$18,650,000.00	\$18,650,000.00	\$18,650,000.00	\$18,650,000.00	\$18,650,000.00
Appropriated surplus.....	188,638.34	8,109,041.48	7,957,887.38	6,181,979.25	50,000,000.00	12,000,000.00
Capital surplus (paid in by stockholders).....	677,024.38	464,608.00	508,073.40	2,742,454.50	2,253,542.50	43,284,348.32
Surplus.....	10,010.68	508,073.40	928,051.69	2,742,454.50	2,253,542.50	49,526,734.20
Surplus and contingency reserves.....	24,203,000.00	24,203,000.00	64,453,000.00	70,647,859.56	88,003,000.00	2,496,439.41
Long-term debt.....					65,000,000.00	113,253,000.00
Reserve for Federal income and profits taxes.....						
Total investment.....	32,728,673.40	51,931,724.88	91,888,639.07	98,222,893.31	213,576,848.29	223,364,305.32
Average (beginning and end of year).....	145,436,806.00	42,330,199.00	71,910,182.00	95,055,766.00	155,899,870.00	218,470,576.00
Net income applicable to total investment.....	13,524,451.96	833,798.22	2,017,531.32	1,549,843.64	5,667,991.02	1,612,238.20
Rate of return on total investment (percent).....	9.30	1.97	2.81	1.63	3.64	7.4
Total investment.....	32,728,673.40	51,931,724.88	91,888,639.07	98,222,893.31	213,576,848.29	223,364,305.32
Long-term debt.....	24,203,000.00	24,203,000.00	64,453,000.00	70,647,859.56	88,003,000.00	97,263,000.00
Total stockholders' investment.....	8,525,673.40	27,728,724.88	27,435,639.07	27,575,033.75	125,573,848.29	126,161,308.32
Average of stockholders' investment.....	18,127,199.00	27,552,182.00	27,906,336.00	27,906,336.00	76,574,441.00	125,867,577.00
Net income applicable to stockholders' investment.....	11,356,404.00	1,298.22	5.51	1.97	4,222,602.73	1,217,660.40
Rate of return on stockholders' investment (percent).....	13.84	0.46	0.02	0.007	5.51	0.92

	Average	1928	1927	1926	1925	1924
Capital stock (common).....	\$18,650,000.00	\$18,650,000.00	\$18,650,000.00	\$18,650,000.00	\$18,650,000.00	\$18,650,000.00
Appropriated surplus.....	12,000,000.00	12,000,000.00	12,000,000.00	12,000,000.00	12,000,000.00	12,000,000.00
Surplus.....	63,892,460.99	74,631,898.48	61,822,170.57	49,263,702.27	50,016,805.56	38,392,220.97
Surplus and contingency reserves.....	3,140,821.00	3,549,717.25	11,853,388.02	11,824,021.73	11,711,829.50	15,320,911.16
Long-term debt.....	105,403,000.00	61,900,000.00	39,203,000.00	49,031,170.32	49,031,170.32	49,031,170.32
Reserve for Federal income and profits taxes.....		1,200,000.00	2,240,000.00	2,600,000.00	1,800,000.00	3,500,000.00
Total investment.....	203,086,881.99	171,922,215.73	145,769,158.59	135,091,368.96	142,275,906.10	144,910,405.38
Average (beginning and end of year).....	187,509,540.00	158,850,688.00	140,430,264.00	138,783,638.00	143,593,156.00	140,658,654.00
Net income applicable to total investment.....	17,894,962.93	10,124,933.37	43,480,573.98	38,094,949.13	32,735,384.12	42,376,801.36
Rate of return on total investment (percent).....	9.57	6.29	30.19	27.47	22.87	30.00
Total investment.....	203,086,881.99	171,922,215.73	145,769,158.59	135,091,368.96	142,275,906.10	144,910,405.38
Long-term debt.....	105,403,000.00	61,900,000.00	39,203,000.00	39,203,000.00	49,031,170.32	49,031,170.32
Total stockholders' investment.....	97,683,831.99	101,922,215.73	106,566,158.59	95,888,368.96	93,244,735.75	97,870,233.06
Average of stockholders' investment.....	103,838,049.00	108,299,187.00	101,227,264.00	94,566,562.00	94,561,985.00	91,627,484.00
Net income applicable to stockholders' investment.....	10,273,404.30	13,033,798.37	41,948,313.08	35,534,192.57	30,155,384.12	39,746,012.84
Rate of return on stockholders' investment (percent).....	9.80	11.97	40.80	37.58	31.89	40.80

1. Denotes loss.

TABLE 41.—Summary of income, expenses, and surplus for Illinois Steel Co., 1925-38

	Total	1938	1937	1936	1935	1934	1933	1932
Net sales.....	\$1,462,969,307.47	\$7,289.72	\$9,810,611.44	\$9,466,915.75	\$75,603,747.00	\$75,310,967.00	\$57,345,831.00	\$35,923,256.00
Less cost of goods sold.....	1,161,116,010.55	225,211.94	5,903,966.49	6,120,019.91	64,952,625.33	68,623,760.10	55,402,019.42	34,859,265.03
Depreciation and depletion.....	83,795,817.24	110,188.15	2,667,193.69	1,954,775.37	6,387,462.79	7,653,072.45	6,682,101.77	5,046,745.56
Distribution of administrative expenses and taxes.....	82,173,359.71	335,400.09	8,571,160.18	8,074,795.28	4,887,270.74	3,982,320.55	4,411,019.69	9,465,798.60
Total.....	1,327,085,187.50	1,342,689.81	1,289,451.26	1,392,120.47	76,227,359.46	80,269,143.10	66,495,140.88	49,371,804.16
Net income from operations.....	135,884,119.97	1,176,488.03	778,080.06	157,728.17	1,629,612.46	1,948,176.10	1,914,309.88	1,344,548.16
Other income.....	53,370,193.54	833,798.22	2,017,531.32	1,549,878.64	6,291,603.48	6,560,414.40	1,698,009.04	2,344,370.31
Net income applicable to total investment.....	189,454,313.51	832,500.00	2,017,531.32	1,549,878.64	5,667,991.02	1,612,238.30	17,451,300.84	111,104,177.85
Less interest on long-term debt.....	30,464,652.83	1,298.22	2,017,531.32	1,549,878.64	1,445,387.29	2,829,898.70	2,904,943.22	2,915,861.62
Net income applicable to stockholders' investment.....	158,989,660.68	1,298.22	2,017,531.32	1,549,878.64	4,222,603.73	1,217,660.40	10,356,244.06	114,020,039.47
Less provision for Federal income and profits taxes.....	13,952,000.00	464,608.00	465,906.22	465,906.22	4,222,603.73	1,217,660.40	10,356,244.06	114,020,039.47
Surplus at beginning of year.....	34,920,457.33	179,958,118.01	187,707,607.41	1,305,806.86	42,604,705.79	43,284,348.32	49,526,734.20	63,899,460.99
Less dividends.....	7,749,489.40	389,906.64	618,698.04	618,698.04	46,827,309.52	42,066,687.92	39,170,490.14	49,872,421.52
Total.....	1,623,977.60	580,582.37	618,698.04	618,698.04	13,360,428.97	42,066,687.92	39,170,490.14	49,872,421.52
Other net additions or deductions:					424,737.19			
Transfer of contingent reserve.....								
Transfer of operating reserve, hospital and fire insurance.....								
Adjustment for Federal taxes.....	1,527,035.64	1,023,373.18	1,023,373.18	1,023,373.18	103,662.46			400,000.00
Adjustment of surplus and surplus reserve.....	7,246,142.18	4,945,909.39	4,945,909.39	4,945,909.39	3,093,383.34			2 67,378.00
Transfer to surplus appropriated for and in inventory in capital expenditures.....	2 16,906,149.42	731,291.60	731,291.60	731,291.60	16,906,149.42			2 401,880.66
Adjustment of county taxes.....	838,055.77	838,055.77	838,055.77	838,055.77	107,505.89			
Adjustment of amortizations.....	4 261,940.42	5,288,179.14	5,288,179.14	5,288,179.14	523,456.90			100,318.81
Adjustment of depreciations.....	2 67,378.00	2 296,651.52	2 296,651.52	2 296,651.52	14,560.97			823,494.80
Adjustment of capital stock.....	8,148,863.50	2 387,611.68	2 154,050.04	2 154,050.04	2 154,050.04			2 4,261,940.42
Adjustment of interest.....								5,285,179.14
Miscellaneous.....								2 67,378.00
Total.....	8,426,313.78	1,516,925.02	464,608.00	464,608.00	2 13,360,428.97	593,017.87	4,113,858.18	2 345,687.32
Surplus at end of year.....	677,024.38	677,024.38	464,608.00	464,608.00	42,604,705.79	42,604,705.79	43,284,348.32	49,526,734.20

1 Indicates deduction.

2 Denotes red figures.

	1931	1930	1929	1928	1927	1926	1925
Net sales.....	\$77,585,867.00	\$150,756,392.00	\$214,141,232.00	\$196,413,029.00	\$175,117,587.00	\$197,879,421.00	\$187,621,741.00
Less cost of goods sold.....	72,702,370.37	124,529,855.86	160,285,678.18	149,461,261.02	134,665,127.44	147,387,270.01	148,286,787.19
Depreciation and depletion.....	7,093,427.94	7,428,091.07	7,097,231.06	6,769,636.74	6,093,949.64	5,870,987.68	5,485,912.23
Distribution and administrative expenses and taxes.....	7,933,718.70	7,715,966.84	8,901,924.24	8,110,338.26	7,248,649.76	7,452,659.69	7,301,550.43
Total.....	87,759,517.01	139,671,903.77	176,264,833.48	164,281,236.02	148,007,726.84	160,710,917.38	161,054,249.85
Net income from operations.....	1 10,173,650.01	11,084,488.23	37,876,398.52	32,131,792.98	27,109,860.16	37,168,503.62	26,567,491.15
Other income.....	2 278,687.03	5,040,445.14	5,604,174.56	5,625,156.15	5,625,523.96	5,208,287.74	4,843,215.42
Net income applicable to total investment.....	1 7,894,962.93	16,124,933.37	43,480,573.08	38,094,949.13	32,735,384.12	42,376,801.36	31,410,706.57
Less interest on long-term debt.....	2 378,477.46	1,089,135.00	2,132,260.00	2,960,796.36	2,980,000.00	2,580,788.52	2,647,224.50
Net income applicable to stockholders' investment.....	1 10,273,440.39	15,035,798.37	41,348,313.08	35,534,152.77	30,155,384.12	39,796,012.84	28,763,482.07
Less provision for Federal income and profits taxes.....		1,200,000.00	2,240,000.00	2,000,000.00	1,800,000.00	3,500,000.00	2,612,000.00
Net income for year.....	1 10,273,440.39	13,835,798.37	39,108,313.08	32,934,152.77	28,355,384.12	36,296,012.84	25,151,482.07
Surplus at beginning of year.....	74,651,898.48	61,822,170.57	50,813,747.23	49,307,648.06	50,016,805.56	38,792,220.77	34,920,457.33
Less dividends.....	64,358,458.09	75,657,968.94	89,922,060.31	82,241,800.63	78,372,189.68	75,088,233.61	61,071,939.40
Total.....	64,358,458.09	65,400,138.94	59,148,570.31	51,468,310.63	47,598,699.68	47,112,333.61	38,691,219.40
Other net additions or deductions:							
Transfer of contingent reserve.....							
Transfer of operating reserve, hospital and fire insurance.....							
Adjustment for Federal taxes.....		1,083,196.04	2,673,600.26	2 654,563.40	1,389,382.39	2,904,471.95	101,001.37
Adjustment of surplus and surplus reserve.....							
Transfer to surplus appropriated for and invested in capital expenditures.....							
Adjustment of county taxes.....							
Adjustment of amortizations.....							
Adjustment of depreciation.....							
Adjustment of investments.....							
Adjustment of capital stock.....							
Adjustment of interest.....							
Adjustment of inventory reserve.....							
Miscellaneous.....	2 465,997.10	8,148,563.50			319,565.99		
Total.....	2 465,997.10	9,231,759.54	2,673,600.26	2 654,563.40	1,708,948.38	2,904,471.95	101,001.37
Surplus at end of year.....	63,892,460.99	74,631,898.48	61,822,170.57	50,813,747.23	49,307,648.06	50,016,805.56	38,792,220.77

1 Indicates deduction.

2 Denotes red figures.

COLUMBIA STEEL CO.

This company was organized by the United States Steel Corporation in 1930, as the result of the purchase of the properties, assets, and business of the Columbia Steel Corporation. This latter corporation was incorporated in Delaware in 1922 for the purpose of carrying on a completely integrated steel business from ore to finished product. In return for the assets and business of the Columbia Steel Corporation valued at not less than \$41,370,000, the United States Steel Corporation issued 251,771 shares of common stock of \$100 par value per share. The market price of the stock so issued by the United States Steel Corporation reflects substantially the value of the properties acquired in this exchange.

The business and resources of the Columbia Steel Co. are located primarily in the Pacific coast region; its works being located at Ironton, Utah; and Pittsburg, Los Angeles, and San Francisco, Calif. It produces iron ore, steel ingots, castings, blooms billet, structural shapes, bars, rods, nails, fences, and other steel products.

Tables 42 and 43, immediately following, summarize investments, profits and rates of return on total investment and stockholders' investment for the period 1930 to 1938, inclusive.

Returns on the total investment and stockholders' investment average 1.79 and 1.81 percent, respectively, during the years 1930-38. On both basis of investment, returns were highest in 1936 and lowest in 1931. For example, on the total investment, earnings in 1936 and 1937 were equivalent to 6.22 and 5.96 percent, respectively, and in 1932, losses were sustained equivalent to 2.45 percent.

TABLE 42.—*Summary of investments, profits, and rates of return for the Columbia Steel Co., 1930¹-38*

	Average	1938	1937	1936
Capital stock, common.....		\$32,000,000.00	\$32,000,000.00	\$32,000,000.00
Premium on capital stock.....		19,861,886.74	19,861,886.74	19,861,886.74
Surplus.....		346,970.51	377,559.72	186,869.81
Surplus and contingency reserve.....		100,294.04	110,751.10	122,203.41
Long-term debt.....		3,000,000.00	4,043,364.89	20,000.00
Reserve for Federal income and profit tax.....		136,648.09	512,180.23	527,121.27
Total investment.....		55,445,799.38	56,905,742.68	52,718,080.73
Average of total investment.....	\$52,244,224.00	56,175,771.00	54,811,912.00	52,780,107.00
Net income applicable to total investment.....	\$934,747.20	918,825.52	3,267,237.25	3,284,275.91
Rate of return on total investment.....	1.79	1.64	5.96	6.22
Total investment.....		\$55,445,799.38	\$56,905,742.68	\$52,718,080.73
Long-term debt.....		3,000,000.00	4,043,364.89	20,000.00
Total stockholders' investment.....		52,445,799.38	52,862,377.79	52,698,080.73
Average of stockholders' investment.....	\$51,583,711.00	52,654,089.00	52,780,229.00	52,755,107.00
Net income applicable to stockholders' investment.....	\$932,036.45	768,825.52	3,267,237.25	3,284,275.91
Rate of return on stockholders' investment.....	1.81	1.46	6.19	6.23

¹July 1 to Dec. 31, 1930.

TABLE 42.—Summary of investments, profits, and rates of return for the Columbia Steel Co., 1930-38—Continued

	1935	1934	1933	1932
Capital stock, common	\$32,000,000.00	\$32,000,000.00	\$32,000,000.00	\$32,000,000.00
Premium on capital stock	19,861,886.74	19,861,886.74	19,861,886.74	19,861,886.74
Surplus	639,425.19	¹ 1,012,179.87	¹ 1,820,585.64	² 2,143,571.57
Surplus and contingency reserve	38,972.47	49,865.01	57,325.46	38,741.56
Long-term debt	30,000.00	38,881.74	50,000.00	60,000.00
Reserve for Federal income and profit tax	271,849.09	204,529.90	-----	-----
Total investment	52,842,133.49	51,142,983.52	50,148,626.36	49,815,056.73
Average of total investment	51,992,559.00	50,645,805.00	49,981,842.00	50,265,979. ⁸⁹
Net income applicable to total investment	1,899,876.76	1,047,497.25	327,365.26	² 1,073,031.98
Rate of return on total investment	percent 3.65	2.07	0.65	² 2.13
Total investment	\$52,842,133.49	\$51,142,983.52	\$50,148,626.36	\$49,815,056.73
Long-term debt	30,000.00	38,881.74	50,000.00	60,000.00
Total stockholders' investment	52,812,133.49	51,104,101.78	50,098,626.36	49,755,056.73
Average of stockholders' investment	51,958,117.00	50,601,364.00	49,926,841.00	50,199,604.00
Net income applicable to stockholders' investment	1,899,876.76	1,047,497.25	327,365.26	² 1,073,031.98
Rate of return on stockholders' investment	percent 3.66	2.07	0.66	² 2.14

	1931	¹ 1930	1929
Capital stock, common	\$32,000,000.00	\$32,000,000.00	-----
Premium on capital stock	19,861,886.74	19,861,886.74	-----
Surplus	² 1,256,494.08	125,603.24	-----
Surplus and contingency reserve	38,758.62	65,409.45	-----
Long-term debt	72,750.00	85,500.00	-----
Reserve for Federal income and profit tax	-----	48,094.07	-----
Total investment	50,716,901.28	52,186,483.50	² 51,998,220.81
Average of total investment	51,451,692.00	52,092,352.00	-----
Net income applicable to total investment	² 1,259,321.14	⁴ 125,603.24	-----
Rate of return on total investment	percent ² 2.45	0.48	-----
Total investment	\$50,716,901.28	\$52,186,483.50	\$51,998,220.81
Long-term debt	72,750.00	85,500.00	88,250.00
Total stockholders' investment	50,644,151.28	52,100,983.50	51,909,970.81
Average of stockholders' investment	51,372,567.00	52,005,477.00	-----
Net income applicable to stockholders' investment	² 1,259,321.14	125,603.24	-----
Rate of return on stockholders' investment	percent ² 2.45	0.48	-----

¹ July 1 to Dec. 31, 1930.² Denotes deduction.³ Investment July 1, 1930.⁴ Net income July 1 to Dec. 31, 1930.

TABLE 43.—*Summary of income, expense, and surplus for the Columbia Steel Co., 1930¹-38*

	Total	1938	1937	1936
Net sales.....	\$155,443,581.72	\$24,974,650.72	\$31,208,252.00	\$29,411,922.00
Cost of goods sold.....	122,344,653.49	20,436,224.90	23,451,590.47	22,506,318.31
Distributive and administrative expense.....	18,653,015.00	3,022,022.14	3,635,708.85	2,739,905.88
Depreciation and depletion.....	7,117,351.83	1,088,312.62	924,454.51	970,040.60
Total operating expense.....	148,115,020.47	24,546,559.66	28,011,753.83	26,216,264.79
Net operating profit.....	7,328,561.25	428,091.06	3,196,498.17	3,195,657.21
Other income.....	1,084,163.58	490,734.46	70,739.08	88,618.70
Net income applicable to total investment.....	8,412,724.83	918,825.52	3,267,237.25	3,284,275.91
Less interest on long term debt.....	150,000.00	150,000.00		
Net income applicable to stockholders' investment.....	8,262,724.83	768,825.52	3,267,237.25	3,284,275.91
Less Federal income and excess-profit tax.....	1,688,328.58	136,648.09	512,180.23	527,121.27
Net income for year.....	6,574,396.25	632,177.43	2,755,057.02	2,757,154.64
Surplus at beginning of year.....	125,603.24	377,559.72	186,869.31	639,425.19
Total.....	6,699,999.49	1,009,737.15	2,941,926.33	3,396,579.83
Less dividends.....	6,480,000.00	720,000.00	2,560,000.00	3,200,000.00
Net additions or deductions.....	219,999.49	289,737.15	381,926.33	196,579.83
	128,971.02	57,233.36	² 4,366.61	² 9,710.52
Surplus at end of year.....	346,970.51	346,970.51	377,559.72	186,869.31

	1935	1934	1933
Net sales.....	\$22,676,004.00	\$15,095,347.00	\$13,802,574.00
Cost of goods sold.....	17,753,481.99	11,413,955.79	11,161,742.87
Distributive and administrative expense.....	2,194,324.72	1,865,887.24	1,551,329.10
Depreciation and depletion.....	903,193.00	849,623.80	815,398.82
Total operating expense.....	20,849,001.71	14,129,466.83	13,528,470.79
Net operating profit.....	1,827,002.29	965,880.17	274,103.21
Other income.....	72,874.47	81,617.08	53,262.05
Net income applicable to total investment.....	1,899,876.76	1,047,497.25	327,365.26
Less interest on long term debt.....			
Net income applicable to stockholders' investment.....	1,899,876.76	1,047,497.25	327,365.26
Less Federal income and excess profit tax.....	271,849.09	240,529.90	
Net income for year.....	1,628,027.67	806,967.35	327,365.26
Surplus at beginning of year.....	¹ 1,012,179.87	¹ 1,820,585.84	² 2,143,571.57
Total.....	615,847.80	¹ 1,013,618.49	² 1,816,206.31
Less dividends.....			
Net additions or deductions.....	615,847.80	¹ 1,013,618.49	¹ 1,816,206.31
	23,577.39	1,438.62	² 4,379.53
Surplus at end of year.....	639,425.19	¹ 1,012,179.87	² 1,820,585.84

¹ July 1 to Dec. 31, 1930.² Denotes deduction.

TABLE 43.—*Summary of income, expense, and surplus for the Columbia Steel Co., 1930-38—Continued*

	1932	1931	1930 ¹
Net sales.....	\$7,790,743.00	\$10,484,089.00	\$14,249,436.00
Cost of goods sold.....	6,706,252.43	8,917,084.73	12,601,560.27
Distributive and administrative expense.....	16,46,233.92	1,997,603.30	1,129,917.14
Depreciation and depletion.....	616,468.15	949,860.33	475,413.58
Total operating expense.....	8,968,954.50	11,864,548.36	14,206,890.99
Net operating profit.....	² 1,178,211.50	² 1,380,459.36	42,545.01
Other income.....	105,179.52	121,138.22	83,058.23
Net income applicable to total investment.....	² 1,073,031.98	² 1,259,321.14	125,603.24
Less interest on long-term debt.....			
Net income applicable to stockholders' investment.....	² 1,073,031.98	² 1,259,321.14	125,603.24
Less Federal income and excess profit tax.....			
Net income for year.....	² 1,073,031.98	² 1,259,321.14	125,603.24
Surplus at beginning of year.....	² 1,256,494.08	125,603.24	
Total.....	² 2,329,526.06	² 1,133,717.90	
Less dividends.....			
Total.....	² 2,329,526.06	² 1,133,717.90	
Net additions or deductions.....	185,954.49	² 122,776.18	
Surplus at end of year.....	² 2,143,571.57	² 1,256,494.08	125,603.24

¹ July 1 to Dec. 31, 1930.² Denotes deduction.

NATIONAL TUBE CO.

The National Tube Co. was organized in 1899 and commenced business on July 1 of that year. It was acquired by the United Steel Corporation in 1901.

The principal plants of the National Tube Co. are located at Lorain, Ohio, and at McKeesport, Versailles, and Christy Park, Pa. The company produces large quantities of coke, iron, steel, ingots, tubular goods, and various other products.

Tables 44 and 45, which follow, summarize investments, profits, and rates of return based on the total investment and stockholders' investment for the period 1925 to 1938, inclusive.

The tables show that during the years 1925-38, rates of return on total investment and stockholders' investment were 4.67 and 5.62 percent, respectively. Again rates of return were highest in 1929 and lowest in 1932. In 1929 the company's net income was equivalent to 13.98 percent on the total investment and 16.96 percent on the stockholders' investment. During 1932 losses were sustained equivalent to 2.50 percent on the total investment and 3.38 percent on the stockholders' investment.

TABLE 44.—Summary of investments, profits, and rates of return for National Tube Co., 1925-38

	Average	1938	1937	1936	1935	1934	1933	1932
Capital stock:								
Common.....		\$45,000,000.00	\$45,000,000.00	\$45,000,000.00	\$45,000,000.00	\$45,000,000.00	\$45,000,000.00	\$45,000,000.00
Preferred.....		40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00
Appropriated surplus.....		13,313,503.10	13,313,503.10	13,313,503.10	13,313,503.10	13,313,503.10	13,313,503.10	13,313,503.10
Capital surplus.....		4,287,276.60	3,834,602.88	1,872,149.95	16,712,126.50	32,576,359.29	35,066,176.49	42,846,621.45
Surplus and contingency reserves.....		844,703.21	743,657.30	545,481.55	376,401.73	283,793.98	321,926.95	329,127.00
Reserve for Federal income and profit taxes.....			2,010,995.33	910,353.00		70,961.84		
Long term debt.....		57,322,304.89	63,000,000.00	63,000,000.00	62,187,507.44	64,922,443.59	64,922,443.59	46,488,706.25
Total investment.....		160,767,787.80	167,902,758.61	164,641,487.60	180,089,538.77	198,617,061.80	201,124,050.13	190,477,057.80
Average of total investment.....	\$177,653,773.00	164,335,273.00	166,272,123.00	172,365,514.00	189,353,301.00	196,870,556.00	195,801,004.00	192,450,496.00
Net income applicable to total investment.....	8,290,996.99	2,813,836.49	15,960,633.22	9,490,426.51	2,898,932.11	108,666.27	12,169,585.98	14,813,939.90
Rate of return on total investment...percent.....	4.67	1.71	9.60	5.51	1.53	0.05	1.11	1.50
Total investment.....	\$2,488,419,788.63	\$160,767,787.80	\$167,902,758.61	\$164,641,487.60	\$180,089,538.77	\$198,617,061.80	\$201,124,050.13	\$190,477,057.80
Long-term debt.....	649,718,031.14	57,322,304.89	63,000,000.00	63,000,000.00	62,187,507.44	64,922,443.59	64,922,443.59	46,488,706.25
Total stockholders' investment.....	1,838,701,757.49	103,445,482.91	104,902,758.61	101,641,487.60	117,902,031.33	133,694,618.21	136,201,606.54	143,989,251.55
Average of stockholders' investment.....	182,189,376.00	104,174,121.00	103,272,123.00	109,771,759.00	125,798,325.00	134,948,112.00	140,095,429.00	145,934,593.00
Net income applicable to stockholders' investment.....	7,429,800.80	491,631.60	12,960,633.22	6,490,426.51	711,424.67	13,188,782.66	12,293,198.72	14,937,552.64
Rate of return on stockholders' investment...percent.....	5.62	0.47	12.55	5.91	0.57	10.88	1.64	13.38

	1931	1930	1929	1928	1927	1926	1925	1924
Capital stock:								
Common.....	\$45,000,000.00	\$45,000,000.00	\$45,000,000.00	\$45,000,000.00	\$15,000,000.00	\$45,000,000.00	\$45,000,000.00	
Preferred.....	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	
Appropriated surplus.....	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,300,000.00	2,500,000.00	2,500,000.00	
Capital surplus.....	13,313,503.10	13,313,503.10	13,313,503.10	13,313,503.10	13,313,503.10	13,313,503.10	13,313,503.10	
Surplus.....	46,534,792.36	53,580,714.42	47,544,051.85	37,764,520.87	33,010,139.96	32,453,087.68	27,548,873.61	
Surplus and contingency reserves.....	531,638.38	623,762.75	652,706.70	736,224.10	865,134.86	458,957.84	637,453.07	
Reserve for Federal income and profit taxes.....	46,543,098.96	750,000.00	1,405,000.00	1,000,000.00	1,025,000.00	1,730,000.00	804,923.50	
Long-term debt.....	194,423,032.80	29,764,897.18	31,203,805.27	30,744,525.43	30,138,912.97	29,681,328.75	29,776,056.82	
Total investment.....	189,877,955.00	185,532,877.45	181,621,066.92	171,058,773.50	167,572,730.89	165,209,854.37	159,389,810.10	\$158,233,848.81
Average of investment.....	13,868,489.26	183,576,972.00	176,339,921.00	169,315,753.00	166,391,293.00	162,278,352.00	158,807,330.00	
Net income applicable to total investment..... percent.....	12.04	4.47	4.37	7.65	7.94	11.42	11.40	
Rate of return on total investment..... percent.....	191,423,032.80	\$185,532,877.45	\$181,621,066.92	\$171,058,773.50	\$167,572,730.89	\$165,209,854.37	\$159,389,810.10	\$158,233,848.81
Long-term debt.....	46,543,098.96	29,764,897.18	31,203,805.27	30,744,525.43	30,138,912.97	29,681,328.75	29,776,056.82	30,880,397.05
Total stockholders' investment.....	147,879,333.84	155,767,980.27	150,415,261.65	140,314,248.07	137,413,817.92	135,528,525.62	129,604,753.37	127,344,481.76
Average of stockholders' investment.....	151,823,957.00	153,091,621.00	145,364,755.00	138,864,033.00	136,471,172.00	132,566,639.00	128,474,018.00	
Net income applicable to stockholders' investment..... percent.....	13,868,489.26	8,196,781.15	24,660,403.37	12,951,981.46	13,205,277.78	18,530,276.17	18,107,755.52	
Rate of return on stockholders' investment..... percent.....	12.55	5.35	16.96	9.33	9.68	13.98	14.09	

1 Denotes loss.

TABLE 45.—Summary of income, expenses, and surplus for National Tube Co., 1935-38

	Total	1938	1937	1936	1935	1934	1933	1932
Net sales.....	\$1,346,619,017.69	\$59,498,014.69	\$110,759,924.00	\$83,511,559.00	\$56,256,034.00	\$49,299,239.00	\$33,769,604.00	\$26,773,857.00
Less:								
Cost of goods sold.....	1,080,648,439.83	47,881,155.78	80,313,964.88	64,161,600.99	46,356,393.09	42,460,562.02	29,938,265.02	24,708,266.40
Depreciation and depletion.....	38,684,555.16	3,416,630.25	5,287,930.00	5,063,769.82	3,231,827.38	3,106,556.85	2,925,037.80	2,390,376.96
Distribution, administrative expenses, and taxes computed.....	120,354,039.06	5,616,214.07	10,095,239.60	5,250,410.85	4,278,861.57	3,931,279.32	3,528,109.77	4,855,555.76
Total.....	1,293,687,104.05	56,914,000.10	95,697,134.48	74,495,781.66	53,866,552.04	49,498,398.19	36,391,412.59	31,954,199.12
Net income from operations.....	106,931,913.64	2,684,014.59	15,062,789.52	9,015,777.34	2,389,451.96	1,990,159.19	1,621,808.59	1,518,008.59
Other income.....	9,142,044.27	229,821.90	897,843.70	474,649.17	509,480.15	308,825.46	452,222.61	366,612.12
Net income applicable to total investment.....	116,073,957.91	2,813,836.49	15,960,633.22	9,490,426.51	2,898,932.11	2,308,984.65	2,074,031.20	1,884,620.71
Less interest on long-term debt.....	12,055,486.68	2,322,304.89	3,000,000.00	3,000,000.00	2,187,517.44	1,298,448.87	1,238,612.74	1,238,612.74
Net income applicable to stockholders' investment.....	104,018,471.23	491,531.60	12,960,633.22	6,490,426.51	711,414.67	1,188,782.60	1,229,318.46	1,497,552.64
Less provision for income and profits taxes.....	10,801,421.07	81,052.60	1,861,033.53	910,333.00	70,061.84	70,061.84	70,061.84	70,061.84
Net income for year.....	93,217,050.16	410,479.00	11,099,579.59	5,580,073.51	711,424.67	1,125,944.44	1,229,318.46	1,497,552.64
Surplus at beginning of year.....	2,477,416.56	3,834,602.88	1,872,149.95	16,712,126.50	32,576,359.29	35,066,176.40	42,846,621.45	46,534,792.36
Total.....	118,694,466.72	4,245,081.88	12,971,729.54	22,292,200.01	33,287,783.96	33,807,432.05	40,563,422.73	41,597,239.72
Less dividends:								
Common.....	50,850,000.00		1,350,000.00	5,500,000.00				
Preferred.....	35,700,000.00		7,800,000.00					
Total.....	32,144,466.72	4,245,081.88	3,821,729.54	16,792,200.01	33,287,783.96	33,806,432.05	40,563,422.73	38,797,239.72
Other net additions and deductions:								
Surplus transfers.....	9,342,524.07							
Interest adjustments.....	478,617.32			410,885.12	16,646,619.39		2,042,047.96	
Adjustment for Federal income tax, prior years.....	6,303,346.89			478,617.32				
Adjustments of investments.....	700,000.00			278,895.57	70,961.84		7,499,019.84	
Loss or gain on capital assets.....	1,230,072.76			700,000.00				
Amortization adjustment.....	35,112.99							
Additional compensation, employees.....	147,077.00							
Depreciation adjustment.....	10,616,323.72			11,835,822.50				
Miscellaneous.....	49,486.29	42,194.72	12,873.34	5,175.63				
Total.....	27,857,190.12	42,194.72	12,873.34	11,920,050.06	16,575,657.46			
Surplus at end of year.....	4,287,276.60	4,287,276.60	3,834,022.88	1,872,149.95	10,712,126.50			

	1931	1930	1929	1928	1927	1926	1925
Net sales.....	\$61,244,965.00	\$114,394,118.00	\$145,554,671.00	\$137,989,396.00	\$153,799,921.00	\$171,043,752.00	\$142,794,233.00
Less:							
Cost of goods sold.....	55,083,554.77	93,523,395.59	106,029,322.71	109,303,333.74	125,945,260.86	140,494,788.99	114,348,564.99
Depreciation and depletion.....	1,835,361.78	2,526,786.04	2,179,690.49	1,719,975.28	1,583,847.10	1,797,956.37	1,599,339.04
Distribution, administrative expenses, and taxes computed.....	8,625,290.82	10,929,710.36	14,049,407.92	14,896,908.29	13,756,014.07	10,893,307.91	9,647,778.75
Total.....	65,554,207.37	106,979,891.99	122,258,421.12	126,010,217.31	141,285,122.03	153,186,053.27	125,595,682.78
Net income from operations.....	14,300,242.37	7,414,226.01	23,296,249.88	11,979,178.69	12,514,798.97	17,857,698.73	17,198,580.22
Other income.....	440,753.11	782,558.14	1,364,153.49	972,802.77	690,478.81	672,577.41	17,979,205.30
Net income applicable to total investment.....	1,3,868,489.26	8,196,784.15	24,660,403.37	12,951,981.46	13,205,277.78	18,530,276.17	18,107,755.52
Less interest on long-term debt.....							
Net income applicable to stockholders' investment.....	1,3,868,489.26	8,196,784.15	24,660,403.37	12,951,981.46	13,205,277.78	18,530,276.17	18,107,755.52
Less provision for income and profits taxes.....	63,580,714.42	47,544,051.85	37,764,520.87	35,010,159.96	32,481,031.68	27,546,873.61	25,477,416.56
Surplus at beginning of year.....	49,712,225.16	54,990,836.00	61,019,924.24	46,962,141.42	41,061,312.46	44,327,149.78	41,637,172.08
Total.....	2,800,000.00	4,500,000.00	11,250,000.00	6,750,000.00	6,750,000.00	9,000,000.00	11,250,000.00
Less dividends:							
Common.....	2,800,000.00	2,800,000.00	2,800,000.00	2,800,000.00	2,800,000.00	2,800,000.00	2,800,000.00
Preferred.....							
Total.....	46,912,225.16	47,690,836.00	46,969,924.24	37,412,141.42	35,111,312.46	32,527,149.78	27,587,172.08
Other net additions and deductions:							
Surplus transfers.....							
Interest adjustments.....	4,851,162.15						
Adjustment for Federal income tax, prior years.....	290,265.80	1,038,716.27	574,127.61	120,181.40	101,152.50		
Adjustments of investments.....							
Loss of gain or capital assets.....							
Additional compensation, employees.....	147,167.00						
Depreciation adjustment.....							
Miscellaneous.....							
Total.....	3,777,432.80	5,889,878.42	574,127.61	352,379.45	101,152.50	46,115.10	40,298.47
Surplus at end of year.....	46,534,792.36	53,880,714.42	47,544,051.85	37,764,520.87	35,010,159.96	32,481,034.68	27,546,873.61

1 Denotes loss.

† Denotes deduction.

TENNESSEE COAL, IRON & RAILROAD CO.

The Tennessee Coal, Iron & Railroad Co. was organized under the laws of Tennessee in 1860 as the Tennessee Coal & Railroad Co. and the name was changed to the present title in 1881. This is the leading concern in the southern iron and steel district and was acquired by the United States Steel Corporation in the latter part of 1907.

The iron and steel producing and manufacturing plants of this subsidiary are all located near Birmingham, Ala. The company produces coke, iron, ferro-manganese, ingots, castings, rails, blooms, billets, plates, and bars. During 1938 a new 48-inch continuous hot strip mill and a complete new plant, with an estimated capacity for the annual production of 200,000 tons of cold reduced tin plate were added, including 4-high cold reduction mills with annealing, pickling, and tinning facilities.

Tables 46 and 47, which follow, summarize investments, profits and rates of return for Tennessee Coal, Iron & Railroad Co., based on the total investment and stockholders' investment for the period 1925 to 1938, inclusive.

This company's operations were profitable in all years during the period under review except for 1931 to 1934, inclusive. For all years, 1925-38, the average net income was equivalent to 2.90 and 2.63 percent, respectively, of the total investment and stockholders' investment. The most profitable year for this company was 1937 when earnings were equivalent to 9.74 percent on the total investment and 10.92 percent on the stockholders' investment. This was unusual as 1929 was the most profitable year for most of the other subsidiaries. However, as in the case of a number of the other subsidiaries, returns for this company were lowest in 1932, when losses were sustained equivalent to 7.71 percent on the total investment and 9.50 percent on the stockholders' investment.

TABLE 46.—Summary of investments, profits, and rates of return for the Tennessee Coal, Iron & Railroad Co., 1925-38

	Average	1928	1927	1926	1925	1924	1923	1922
Capital stock—preferred.....								\$248,300.00
Capital stock—common.....		\$32,528,697.50	\$32,560,997.50	\$32,560,997.50	\$32,560,997.50	\$32,560,997.50	\$32,560,997.50	32,560,997.50
Capital surplus.....		4,450,000.00	4,450,000.00	4,450,000.00	4,450,000.00	4,450,000.00	4,450,000.00	4,450,000.00
Surplus.....		28,068,771.29	29,455,881.03	27,707,596.17	31,284,774.89	29,363,903.56	35,947,176.82	40,462,500.33
Surplus and contingency reserves.....		13,477,000.00	14,136,000.00	14,136,000.00	14,136,000.00	12,000,000.00	6,000,000.00	6,508,344.88
Long-term debt.....		49,100.00	928,173.00	290,680.00		14,136,000.00	14,136,000.00	12,050,000.00
Reserve for Federal income and profit taxes.....								
Total investment.....		79,173,568.79	81,530,753.53	74,755,273.67	77,981,772.39	88,060,801.06	88,644,174.32	91,830,142.71
Average of total investment.....	\$82,946,370.00	80,352,161.00	78,143,014.00	76,368,523.00	88,021,287.00	88,352,488.00	90,237,159.00	96,033,380.00
Net income applicable to total investment.....	\$2,696,028.00	1,164,943.29	7,611,874.23	2,877,430.73	2,124,801.32	1,197,097.66	1,393,149.02	17,399,398.89
Rate of return on total investment (percent).....	2.90	1.45	9.74	3.77	2.41	.22	1.56	17.71
Total investment.....		\$79,173,568.79	\$81,530,753.53	\$74,755,273.67	\$77,981,772.39	\$88,060,801.06	\$88,644,174.32	\$91,830,142.71
Long-term debt.....		13,477,000.00	14,136,000.00	14,136,000.00	14,136,000.00	14,136,000.00	14,136,000.00	12,050,000.00
Total stockholders' investment.....		65,696,568.79	67,394,753.53	60,619,273.67	63,845,772.39	73,924,801.06	74,508,174.32	79,780,142.71
Average of stockholders' investment.....	\$79,605,824.00	66,545,661.00	64,007,013.00	62,232,523.00	68,885,287.00	74,216,488.00	77,144,158.00	83,923,810.00
Net income applicable to stockholders' investment.....	\$2,097,302.00	547,834.96	6,990,824.23	2,251,789.07	1,494,462.15	1,437,110.68	1,455,739.57	17,969,206.26
Rate of return on stockholders' investment (percent).....	2.63	.82	10.92	3.62	2.17	1.59	1.59	19.50

1 Indicates loss.

TABLE 46.—Summary of investments, profits, and rates of return for the Tennessee Coal, Iron & Railroad Co., 1925-38—Continued

	1931	1930	1929	1928	1927	1926	1925	1924
Capital stock—preferred.....	\$688,300.00	\$688,300.00	\$688,300.00	\$688,300.00	\$688,300.00	\$688,300.00	\$688,300.00	\$688,300.00
Capital stock—common.....	32,560,997.50	32,560,997.50	32,560,997.50	32,560,997.50	32,560,997.50	32,560,997.50	32,560,997.50	32,560,997.50
Surplus.....	48,219,324.19	54,245,321.39	53,628,203.02	49,419,224.06	46,034,157.84	42,916,849.33	39,469,777.96	39,469,777.96
Surplus and contingency reserve.....	6,598,855.56	6,689,407.46	8,742,922.86	8,185,928.03	8,162,236.04	5,038,747.07	5,642,144.11	5,642,144.11
Long-term debt.....	12,169,140.00	12,167,000.00	12,186,000.00	12,251,000.00	12,271,000.00	12,402,000.00	12,553,000.00	12,553,000.00
Reserve for Federal income and profit taxes.....	175,000.00	386,000.00	386,000.00	366,000.00	470,000.00	900,000.00	907,000.00	907,000.00
Total investment.....	100,236,617.25	106,526,026.35	108,186,423.38	103,465,449.59	100,806,691.98	97,506,893.90	92,821,219.57	\$88,620,318.01
Average of total investment.....	103,381,322.00	107,356,225.00	105,825,936.00	102,136,071.00	99,156,973.00	95,164,057.00	90,720,769.00	90,720,769.00
Net income applicable to total investment.....	1 3,041,039.74	2 317,073.93	6 513,977.05	5 219,743.20	7 356,081.47	8 603,831.67	8 160,316.66	8 160,316.66
Rate of return on total investment (percent).....	1 2.94	2 1.6	6 1.6	5 1.1	7 4.2	8 9.4	8 9.6	8 9.6
Total investment.....	\$100,236,617.25	\$106,526,026.35	\$108,186,423.38	\$103,465,449.59	\$100,806,691.98	\$97,506,893.90	\$92,821,219.57	\$88,620,318.01
Long-term debt.....	12,169,140.00	12,167,000.00	12,186,000.00	12,251,000.00	12,271,000.00	12,402,000.00	12,553,000.00	12,600,000.00
Total stockholders' investment.....	88,067,477.25	94,359,026.35	96,000,423.38	91,214,449.59	88,535,691.98	85,104,893.90	80,268,219.57	76,020,318.01
Average of stockholders' investment.....	91,213,252.00	95,179,712.00	93,607,436.00	89,875,071.40	86,820,293.00	82,686,557.00	78,144,269.00	78,144,269.00
Net income applicable to stockholders' investment.....	1 3,616,389.74	1 741,673.79	5 937,586.08	4 641,193.20	6 777,253.97	8 019,437.50	7 540,272.07	7 540,272.07
Rate of return on stockholders' investment (percent).....	1 3.96	1 1.83	6 3.4	5 1.6	7 8.1	9 7.0	9 6.5	9 6.5

1 Indicates loss.

TABLE 47.—Summary of income, expenses, and surplus for the Tennessee Coal, Iron & Railroad Co., 1925-38

	Total	1938	1937	1936	1935	1934	1933	1932
Net sales.....	\$592,020,410.53	\$49,382,116.63	\$65,399,510.00	\$44,207,080.00	\$29,066,428.00	\$25,888,087.00	\$19,583,379.00	\$12,676,177.00
Less:								
Cost of goods sold (or operating expense).....	448,536,604.90	36,322,864.14	46,455,229.99	32,683,582.28	22,251,473.97	19,963,248.10	16,882,301.79	12,669,589.17
Depreciation and depletion.....	10,840,541.28	1,636,707.13	1,931,484.26	1,802,900.12	1,049,752.46	1,089,610.27	984,581.12	808,725.97
Distribution and administrative expenses and taxes.....	102,815,138.61	11,286,626.82	10,167,887.18	8,347,867.19	5,283,647.15	5,459,228.68	6,179,049.31	7,195,270.20
Total operating expense.....	568,192,284.79	49,246,198.09	58,554,601.43	42,834,489.59	28,584,873.58	26,512,087.05	24,045,932.22	20,673,585.34
Net income from operations.....	23,828,125.74	135,918.44	6,844,908.57	1,372,610.41	481,554.42	1,624,000.05	14,462,583.22	17,967,498.34
Other income.....	13,916,267.82	1,028,124.85	766,965.66	1,504,790.32	1,646,246.90	821,097.71	531,094.20	598,009.45
Net income applicable to total investment.....	37,744,393.56	1,164,043.29	7,611,874.23	2,877,400.73	2,124,801.32	197,097.68	13,981,459.02	17,399,308.89
Less interest on long term debt.....	8,382,168.89	616,208.33	621,080.00	625,611.66	680,839.17	634,208.34	625,936.65	369,807.37
Net income applicable to stockholders' investment.....	29,362,224.67	547,834.96	6,990,824.23	2,251,789.07	1,494,462.15	1437,110.68	14,557,395.67	17,969,206.26
Less provision for Federal income and profit taxes.....	4,434,975.42	33,500.00	928,175.00	290,680.00				
Net income for year.....	24,927,249.25	514,334.96	6,062,649.23	1,961,109.07	1,494,462.15	1,437,110.68	14,557,395.67	17,969,206.26
Surplus at beginning of year.....	35,325,051.16	29,455,881.03	27,767,596.17	31,284,774.89	29,363,803.36	35,947,176.82	40,462,500.33	45,219,324.19
Total.....	60,252,300.41	29,909,915.99	33,830,245.40	33,245,883.96	30,858,265.71	35,510,606.14	35,905,104.66	40,250,117.93
Less dividends.....	29,739,330.10	1,301,144.70	4,879,292.63	1,740,281.04	3,252,861.75			2,581.00
Total.....	30,512,970.31	28,608,771.29	28,950,952.77	31,505,602.92	27,605,403.96	35,510,606.14	35,905,104.66	40,247,533.93
Other net additions and deductions:								
Capital to subsidiaries, as paid-in surplus.....	\$ 3,290,000.00			\$ 3,200,000.00				
Reserve for Tennessee Land Co.....	\$ 607,091.79			\$ 107,091.79				
Adjustment of contingent reserve.....	129,000.00			129,000.00				
Adjustment of surplus.....	2,378,726.38			2,887,795.00		\$ 6,000,000.00		
Adjustment of amortization.....	1,852,534.33			1,721,318.36				
Adjustment of rental.....	\$ 689,078.16			\$ 689,078.15				
Adjustment of fire insurance.....	\$ 147,414.36							
Deferred rail replacements.....	2,625,000.00							
Adjustment of inventory.....	2,332,890.90							
Adjustment of property account.....	1,792,894.30							

1 Denotes loss.

2 Denotes red figures.

Adjustment of rental.....									
Adjustment of fire insurance.....									
Deferred rail replacements.....									
Adjustment of inventory account.....			2,332,890.90						
Adjustment of Federal taxes.....					627,506.97				\$ 1,165,387.33
Adjustment of depreciation and depletion.....					950,592.61				2,922,890.88
Miscellaneous.....	130,020.23	255,903.03	\$ 425,106.27		56,591.11		25,548.36		\$ 2,975,029.97
Total other net additions and deductions.....	\$ 130,020.23	1,655,317.98	1,907,484.63	1,088,746.42	25,548.36		25,548.36		\$ 1,067,292.73
Surplus at end of year.....	48,219,324.19	54,245,321.39	53,628,203.02	49,419,224.06	46,654,157.84		42,916,849.33		39,469,777.96

1 Denotes loss.

2 Denotes red figure.

SUBSIDIARIES OTHER THAN THOSE PRODUCING AND FABRICATING STEEL

While the steel subsidiaries form the most important group in the United States Steel Corporation, they by no means account for all the business in the system. Ore, coal and coke, transportation, manufacturing companies other than steel-producing or fabricating, and miscellaneous companies have represented during the period 1925-37 more than half the investments and have produced more than half the income for the United States Steel Corporation as a consolidated system.

Some indication of the extent of these subsidiaries is furnished by the following tabulation of the subsidiary companies by groups which were in existence as of December 31, 1937.

Group:	Number of companies
Steel.....	15
Manufacturing other than steel.....	10
Ore mining.....	49
Coal and coke.....	8
Transportation.....	27
Miscellaneous.....	28
Total.....	137

A much better indication of the relative importance to the system as a whole of the various groups of subsidiaries is afforded by the following summary of income, investments, and rates of return of the United States Steel Corporation and subsidiaries for the period 1925-37, inclusive.

Comparison of the relative importance of income, investments, and rates of return for the United States Steel Corporation and subsidiary groups for the period 1925-37, inclusive

	Total net income	Average net income	Average investment	Average rate of return	Group income to total	Group investment to total
United States Steel Corporation and subsidiaries ¹	\$1,036,012,977	\$79,693,305	\$2,072,657,841	Percent 3.84	Percent 100.00	Percent 100.00
Groups:						
Steel.....	478,203,492	36,784,884	993,562,963	3.70	46.16	47.94
Transportation.....	247,585,805	19,045,062	287,594,925	6.62	23.90	13.87
All other.....	310,223,680	23,863,359	791,499,953	3.01	29.94	38.19
Total.....	1,036,012,977	79,693,305	2,072,657,841		100.00	100.00

¹ Represents consolidated figures. Income and investments have not been adjusted for intangibles.

The transportation group, constituting some 14 percent of the investment and 24 percent of the income of the United States Steel Corporation for the 13-year period, 1925-37, did noticeably better than either of the other two groups. The average rate of return for the transportation companies was 6.62 percent. The steel group, comprising 48 percent of the consolidated investment, earned 3.70 percent. The all-other group for the same period earned only 3.01 percent.

The effect of intangible value has not been eliminated from any of the figures in the table. While it has been possible to make this adjustment in the consolidated records of the United States Steel Corporation, no such elimination of intangibles from the records of the subsidiaries is feasible. Therefore, for comparative purposes, the intangibles not actually deducted by the United States Steel Corporation itself are included in the consolidated figures.

Were it possible to eliminate intangibles from both the consolidated company and the subsidiaries, it is probable that the relative importance of the groups in regard to investments would be altered somewhat. According to the Bureau of Corporations report¹ in 1911, the bulk of the intangibles included in the capitalization of the United States Steel Corporation in 1901 was contained in assets of the ore companies. It, therefore, follows, that were the intangibles eliminated in this comparison, the ore companies would show to better advantage. This would be reflected in a higher rate of return for the all-other group. However, relationships of these groups would not be radically changed as the result

¹ P. 36, Report of the Commissioner of Corporations in the Steel Industry, pt. I.

of the elimination of intangibles. This contention is borne out by a comparison of the rates of return for the consolidated company over the period 1925-37 with and without intangible values included.

United States Steel Corporation	Average income	Average of total investment	Average rate of return
Company statements.....	\$79,693,305	\$2,072,657,841	Percent 3.84
Company statements adjusted by elimination of intangibles.	83,476,428	1,778,646,089	4.69

The average rate of return on total investment for this period is raised 0.85 of 1 percent by the elimination of intangible values.

Income and investments for the group comprising all other companies represent for the most part a derived figure obtained by deducting from the consolidated figures for the United States Steel Corporation the amounts shown for the steel and transportation groups. The figures for the steel and transportation groups represent a summary of data compiled from balance sheets and income statements of the individual companies within these groups.

With the exception of the following manufacturing companies, no company listed in the all-other group were so examined. These manufacturing companies were the Universal Atlas Cement Co., American Bridge Co., and the Federal Shipbuilding & Dry Dock Co. Their importance in this group is indicated by the following tabulation which covers the period 1925-37, inclusive:

Comparison of relative importance of income, investments and rates of return for other steel producing and transportation subsidiaries, 1925-37

All-other group	Total net income	Average net income	Average investment	Average rate of return	Income to total	Investment to total
				Percent	Percent	Percent
Universal Atlas Cement Co.	\$32,932,201	\$2,533,246	\$33,436,735	7.58	10.62	4.22
American Bridge Co.	13,477,048	1,036,696	75,106,557	1.38	4.34	9.49
Federal Shipbuilding & Dry Dock Co.	1,032,869	1,233,298	6,703,729	1.348	1.98	1.85
Total.....	43,376,380	3,336,644	115,247,021	2.90	12.07	14.56
Remainder.....	266,847,300	20,526,715	676,252,932	3.04	87.93	85.44
Total.....	310,223,680	23,863,359	791,499,953	3.01	100.00	100.00

¹ Loss.

Responsible officials of the United States Steel Corporation stated that of the companies included in the remainder of the all-other group, the ore-mining companies constituted the great bulk from the point of view of investment and income produced.

Average figures for the period 1925-37 have been used without any attempt to show the relative importance of these groups by years. This procedure has been occasioned by the fact that the figures for the United States Steel Corporation are consolidated figures, with all intercompany items eliminated. These intercompany items are included in the records of the individual subsidiary companies. The most important of these intercompany items which affect the income and investment of the subsidiaries is intercompany profits. Such profits arise from sales of goods at more than cost from one subsidiary to another. From the point of view of the Steel Corporation as a whole, profits can only be realized when sales above cost are made to outside interests.

Consolidated income for the United States Steel Corporation varies from the sum of the income for all its subsidiaries by as much as \$50,000,000 in some years. However, this effect is not cumulative, and over the 13-year period total and average income figures are not materially affected.

While it is true that the effect of intercompany profit is relatively unimportant when a sufficiently long period is averaged, comparison of the yearly income and investment total for the individual companies with those of the consolidated company are liable to serious error. Consequently the annual totals in the following

table 48 cannot be related with any precision to the totals for the United States Steel Corporation. This table shows the average income, investment and rates of return for the transportation companies and the principal subsidiaries not primarily connected with the production of steel, if we include the mining of ore, coal, and the manufacture of coke within this latter term. This should be further amended since the American Bridge Co. processes some of the steel required in its own business.

The transportation companies, as a group, earned 7.36 percent on their investment during the period 1917-37. Although 30 companies are included in this group, 7 companies account for 85.3 percent of the average investment and 96.9 percent of the average income of the whole transportation group during this 22-year period. These 7 companies, together with their average rates of return, follow:

<i>Principal transportation companies</i>		<i>Average rates of return (percent)</i>
(1) Duluth, Missabe & Northern Railway Company ¹		11. 92
(2) Bessemer & Lake Erie R. R. Co.....		10. 29
(3) Duluth & Iron Range R. R. Co.....		6. 32
(4) Elgin, Joliet & Eastern R. R. Co.....		4. 96
(5) Chicago, Lake Shore & Eastern R. R. Co.....		7. 55
(6) Pittsburg, Bessemer & Lake Erie R. R. Co.....		4. 39
(7) Union R. R. Co.....		5. 56
Average for above companies.....		7. 98

¹ Name changed in 1937 to Duluth, Missabe & Iron Range R. R. Co.

TABLE 48.—Summary of investment, net income, and rates of return for transportation companies¹ and certain other subsidiaries of the U. S. Steel Corporation, 1917-37, inclusive

	Average	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928
INVESTMENTS											
Transportation companies ¹	\$269,050,530	\$261,522,627	\$214,016,540	\$251,092,039	\$235,967,917	\$208,875,487	\$312,197,941	\$323,963,906	\$319,219,815	\$301,876,004	\$291,356,882
Federal Shipbuilding & Dry Dock Co.....	8,508,843	6,534,322	6,066,932	5,683,076	3,012,877	5,753,941	6,923,291	7,128,733	6,253,732	6,172,295	7,287,973
American Bridge Co.....	73,376,018	64,712,068	66,387,849	69,982,417	73,013,059	73,384,943	77,669,811	79,673,961	79,360,733	78,696,988	78,002,484
Universal Atlas Cement Co.....	24,865,342	36,337,283	30,048,335	31,500,414	34,298,076	38,126,146	43,092,802	47,954,986	40,326,391	29,983,784	29,456,959
Total of average investments.....	378,001,333	362,987,100	346,819,006	358,167,646	398,292,925	426,139,819	439,885,945	458,721,592	445,405,096	416,731,071	406,114,300
NET INCOME											
Transportation companies.....	19,811,051	33,063,461	25,317,225	11,439,743	5,626,651	7,194,185	4,889,859	5,321,507	21,714,153	35,261,439	28,209,426
Federal Shipbuilding & Dry Dock Co.....	16,383	150,426	901,992	252,353	887,822	152,870	277,341	837,135	143,820	318,534	1,160,162
American Bridge Co.....	1,914,265	313,418	900,722	2,314,267	2,397,892	1,143,067	203,028	1,374,804	2,989,921	2,945,665	2,726,126
Universal Atlas Cement Co.....	2,762,244	2,256,032	2,809,244	205,871	496,425	3,832,731	3,297,509	3,261,545	5,739,715	4,030,230	5,932,262
Total.....	24,504,843	35,582,485	28,527,739	8,848,994	2,837,362	5,165,517	7,706,999	4,271,901	30,587,209	41,718,790	35,707,652
RATES OF RETURN											
Transportation companies (percent).....	7.36	12.64	10.38	4.56	1.97	2.34	1.57	1.64	6.80	11.08	9.68
Federal Shipbuilding & Dry Dock Co (percent).....	19	2.79	14.87	4.97	17.71	1.92	4.00	11.74	2.28	8.40	15.90
American Bridge Co. (percent).....	2.53	48	1.75	3.59	3.28	1.52	2.26	1.73	3.76	3.74	3.49
Universal Atlas Cement Co. (percent).....	11.11	7.44	9.35	.65	1.45	2.18	7.65	6.80	14.23	13.44	20.14
Average rate of return (percent).....	6.48	9.80	8.23	2.47	.71	1.21	1.75	.93	6.87	10.01	8.79

¹ This table includes the investments, net incomes, and rates of return of 36 transportation companies combined.² Denotes loss.

TABLE 48.—Summary of investment, net income, and rates of return for transportation companies and certain other subsidiaries of the U. S. Steel Corporation, 1917-37, inclusive—Continued

	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917
INVESTMENTS											
Transportation companies ¹	\$287,393,565	\$281,540,842	\$271,800,170	\$269,371,105	\$262,543,848	\$248,638,676	\$242,023,096	\$234,185,463	\$225,803,794	\$220,327,362	\$208,433,760
Federal Shipbuilding & Dry Dock Co.....	8,098,188	8,187,159	8,169,698	8,507,870	9,884,199	11,335,838	13,715,321	15,744,732	15,331,563	15,442,630	15,246,282
American Bridge Co.....	78,151,688	78,034,705	76,749,008	75,360,423	75,636,030	77,255,577	78,445,186	79,054,355	78,283,265	75,442,630	71,256,282
Universal Atlas Cement Co.....	28,305,351	26,663,925	24,585,911	22,612,059	20,072,295	13,052,661	7,464,808	7,441,565	6,837,098	5,764,010	4,250,143
Total of average investments.....	401,948,792	394,426,631	381,304,787	375,851,457	368,136,372	350,282,772	341,648,411	336,426,117	326,255,720	301,534,002	283,930,185
NET INCOME											
Transportation companies.....	21,930,290	31,145,753	26,251,831	16,700,228	32,816,109	24,989,532	16,180,035	25,552,746	15,004,175	18,973,086	18,249,257
Federal Shipbuilding & Dry Dock Co.....	3,682,301	3,715,974	3,842,311	3,438,283	3,381,393	3,758,978	3,755,141	3,417,669	7,095,620	6,519,975	9,026,910
American Bridge Co.....	2,264,341	3,812,788	3,402,910	2,305,035	3,361,862	3,524,792	1,389,496	2,668,615	5,699,139	6,852,195	9,922,055
Universal Atlas Cement Co.....	5,552,270	6,519,615	6,782,322	7,279,867	7,516,347	3,189,109	1,513,595	1,138,051	2,593,704	852,195	992,055
Total.....	29,064,600	40,762,182	35,594,752	25,846,847	38,589,201	26,894,871	18,327,985	28,041,743	30,392,638	26,345,256	28,268,222
RATES OF RETURN											
Transportation companies (percent).....	7.63	11.06	9.66	6.20	12.50	10.05	6.69	10.91	6.64	8.61	8.76
Federal Shipbuilding & Dry Dock Co. (percent).....	38.43	28.75	210.31	25.15	213.98	26.70	25.51	22.65	46.28	8.64	12.67
American Bridge Co. (percent).....	2.90	4.89	4.43	3.06	2.48	2.68	1.77	3.38	7.28	14.78	23.34
Universal Atlas Cement Co. (percent).....	19.62	24.45	27.59	32.19	37.45	24.43	20.28	15.29	37.94	8.74	9.96
Average rate of return.....	7.23	10.33	9.33	6.88	10.48	7.68	5.36	8.60	9.32	8.74	9.96

¹ This table includes the investments, net incomes, and rates of return of 30 transportation companies combined.² Denotes loss.

APPENDIX TABLES

APPENDIX TABLE 1.—Active subsidiaries of United States Steel Corporation at Dec. 31, 1937 ¹

Name	Kind of business in which engaged	Percent of control
Adams Mining Co.	Iron ore	100
Agate Land Co.	Real estate	100
Interstate Transfer Ry. Co.	Transportation	100
Agawam Iron Mining Co.	Iron ore	100
Alpha Ore Co.	do	100
Ambridge Iron Mining Co.	do	100
American Bridge Co.	Steel fabrication	100
American Improvement Co.	Real estate	100
Etna and Montrose R. R. Co.	Transportation	100
Wissahickon Bridge Co.	Toll bridge	100
American Steel & Wire Co. of New Jersey, The	Steel and steel products	100
Angus Land Co.	Iron ore	100
Athens Land Co.	do	100
Bessemer & Lake Erie R. R. Co.	Transportation	100
Beta Ore Co.	Iron ore	100
Bishop Iron Co.	do	100
Blue Earth Land Co.	do	100
Bradley Transportation Co.	Transportation	100
Cambridge Iron Mining Co.	Iron ore	100
Carnegie-Illinois Steel Corporation	Steel and steel products	100
Carnegie Land Corporation	Real estate	100
Carnegie Natural Gas Co.	Natural gas	100
Chapin Mining Co.	Iron ore	100
Chicago, Lake Shore & Eastern Railway Co.	Transportation	100
Chippewa Iron Co., The	Iron ore	100
Clarion Iron Mining Co.	do	100
Cloquet Iron Mining Co.	do	100
Columbia Steel Co.	Steel and steel products	100
Companhia Meridional de Mineracao	do	100
Crawford Iron Mining Co.	Iron ore	100
Cumberland Iron Mining Co.	do	100
Cyclone Fence Co.	Steel and steel products	100
Duluth, Missabe & Iron Range Ry. Co.	Transportation	100
Duquesne Iron Mining Co.	Iron ore	100
Elgin, Joliet & Eastern Ry. Co.	Transportation	100
Essex Iron Co.	Iron ore	100
Federal Coke Corporation	Coal	100
Federal Shipbuilding & Dry Dock Co.	Shipbuilding	100
H. C. Frick Coke Co.	Coal	100
Gary Land Co.	Real estate	100
Genoa Iron Co.	Iron ore	100
Great Northern Mining Co.	do	100
Hemlock Land Co.	do	100
Hugo Iron Co.	do	100
Illinois Steel Co.	Steel and steel products	100
Isthmian Steamship Co.	Transportation	100
Jena Mining Co.	Iron ore	100
Joliet & Blue Island Ry. Co., The	Transportation	100
Kentucky Fire Brick Co., The	Refractory brick	100
Lafayette Fluorspar Co.	Fluor spar	100
Lake Superior Consolidated Iron Mines	Iron ore	100
Lake Terminal R. R. Co., The	Transportation	100
Lancaster Iron Mining Co.	Iron ore	100
Lebanon Iron Mining Co.	do	100
Ligonier Iron Mining Co.	do	100
Michigan Limestone & Chemical Co.	Limestone	100
Mingo Coal Co.	Coal	100
Mingo Iron Mining Co.	Iron ore	100
Minnesota Iron Co.	do	100
Minnesota Steel Co.	Steel and steel products	100
Monessen Iron Mining Co.	Iron ore	100
Mometa Improvement Co.	do	100
Monongahela Iron Mining Co.	do	100
Morewood Iron Mining Co.	do	100
Mountain Iron Co.	do	100
Munhall Iron Mining Co.	do	100
National Mining Co.	do	100
National Tube Co.	Steel and steel products	100
Neville Iron Mining Co.	Iron ore	100
Northern Development Co.	do	100
Oil Well Supply Co.	Steel and steel products	100
Oliver Iron Mining Co.	Iron ore	100
Pencoyd Iron Mining Co.	do	100
Pennsylvania and Lake Erie Dock Co.	Docks	78
Piloto Mining Co.	Iron ore	85

¹ This list does not include many subcompanies of these subsidiaries and does not include many iron ore and other companies in which U. S. Steel Corporation held only a minority equity

APPENDIX TABLE 1.—Active subsidiaries of United States Steel Corporation at Dec. 31, 1937—Continued

Name	Kind of business in which engaged	Percent of control
Pittsburgh, Bessemer & Lake Erie Ry. Co., The.....	Transportation.....	57
Pittsburgh & Conneaut Dock Co., The.....	Docks.....	100
Pittsburgh Limestone Corporation.....	Limestone.....	100
Youngstown & Northern R. R. Co., The.....	Transportation.....	100
Pittsburgh Steamship Co.....	do.....	100
Pittsburgh Supply Co.....	Ship chandlery.....	100
Proctor Water & Light Co.....	Village utility services.....	100
Rathbun Iron Mining Co.....	Iron ore.....	100
Saranac Iron Mining Co.....	do.....	100
Scully Steel Products Co.....	Warehousing.....	100
Seventy-one Broadway Corporation.....	Real estate.....	100
Sharon Coal & Limestone Co.....	Coal and limestone.....	100
Shaw Iron Co.....	Iron ore.....	100
Somerset Iron Mining Co.....	do.....	100
Spruce Mining Co.....	do.....	100
Standard Fence Co.....	Steel and steel products.....	100
Tennessee Coal, Iron & Railroad Co.....	do.....	100
Birmingham Southern R. R. Co.....	Transportation.....	100
Chickasaw Shipbuilding & Car Co.....	Shipbuilding.....	100
Fairfield Steel Co.....	Steel and steel products.....	100
Tennessee Land Co.....	Real estate.....	100
Virginia Bridge Co.....	Steel fabrication.....	100
Trotter Water Co.....	Water.....	100
Union Railroad Co.....	Transportation.....	100
Union Supply Co.....	Merchandise.....	100
United States Coal & Coke Co.....	Coal.....	100
United States Fuel Co.....	do.....	100
United States Steel Corporation of Delaware.....	Service company.....	100
United States Products Co.....	Export sales.....	100
United Supply Co., The.....	Merchandise.....	100
Universal-Atlas Cement Co.....	Cement.....	100
Hannibal Connecting R. R. Co.....	Transportation.....	100
Northampton & Bath R. R. Co.....	do.....	100
Universal Exploration Co.....	Zinc ore.....	100
CConnellsville & Monongahela Ry. Co.....	Transportation.....	100
Westmoreland Iron Mining Co.....	Iron ore.....	100
Youghiogheny Northern Ry. Co., The.....	Transportation.....	100

APPENDIX TABLE 2.—Active subsidiaries of Bethlehem Steel Corporation at Dec. 31, 1937¹

Name	Kind of business in which engaged	Percent of control
Bethlehem Chile Iron Mines Co.....	Mining iron ore.....	100
Bethlehem-Cuba Iron Mines Co.....	Mining iron ore, owns coal and limestone properties.....	100
Bethlehem Shipbuilding Corporation, Ltd.....	Shipbuilding and ship repairs.....	100
Bethlehem Steel Co. (Pennsylvania).....	Manufacture of iron and steel products, fabricated structural material, etc.....	100
Bethlehem Steel Realty Corporation.....	Real estate.....	100
Bethlehem Land & Improvement Corporation.....	do.....	100
Northampton County Water Co.....	Supplies water to public.....	100
Dundalk Co., The.....	Real estate.....	100
Dundalk Sewerage Co., The.....	Sewage disposal.....	100
Johnstown Water Corporation.....	Holding company.....	100
Johnstown Water Co.....	Supplies water to steel plant of Bethlehem Steel Co. and to public.....	98
Conemaugh & Franklin Water Co.....	Supplies water to public.....	100
Lebanon Consolidated Water Co.....	Supplies water to steel plant of Bethlehem Steel Co. and to public.....	100
Mahoning Ore & Steel Co.....	Iron ore.....	51
Manufacturers Water Co., The.....	Supplies water to steel plant of Bethlehem Steel Co. and to public.....	100
Penn Iron Mining Co. (Michigan).....	Mining iron ore.....	100
Penn Iron Mining Co. of Wisconsin.....	Owns power site.....	100

¹ This list does not include 7 iron ore companies listed below in which Bethlehem Steel Corporation held from 22 to 50 percent minority equity, nor does it include Cambria Iron Co. which is leased for 999 years to this corporation:

Bennett Mining Co. (22 percent).
 Hoyt Mining Co. (45 percent).
 Negaunee Mine Co. (50 percent).
 Odanah Iron Co. (50 percent).
 Plymouth Mining Co. (40 percent).
 Vermillion Mining Co. (25 percent).
 Verona Mining Co. (50 percent).

APPENDIX TABLE 2.—Active subsidiaries of Bethlehem Steel Corporation at Dec. 31, 1937—Continued

Name	Kind of business in which engaged	Percent of control
Bethlehem Steel Co. (Delaware).....	Selling company, also operates fabricating works and warehouses and erects structural steel.	100
Bethlehem Steel Export Corporation.....	Selling company, all foreign countries.....	100
Bethlehem Supply Corporation.....	Selling company, operates supply stores and storage yards.	100
Bethlehem Transportation Corporation.....	Operates vessels on Great Lakes principally to transport raw materials to steel plants of Bethlehem Steel Co.	100
Buena Vista Iron Co.....	Owms iron ore lands.....	100
Calmar Steamship Corporation.....	Operates vessels in intercoastal service, principally to transport products of steel plants to Pacific coast.	100
Campania de Mines de Fierro, "Los Truchas" S. A.....	Owms mineral rights.....	100
Comemaugh and Black Lick R. R. Co.....	Common carrier.....	100
Cornwall R. R. Co.....	do.....	100
Fore River R. R. Corporation.....	do.....	100
Fore River Shipbuilding Corporation.....	Owms property leased to another subsidiary.....	100
Industrial Collieries Corporation.....	Manages the mining of coal for account of consuming subsidiary company.	100
Iron Mines Co. of Venezuela.....	Iron ore development in Venezuela.....	100
Jurague Iron Co.....	Mining iron ore.....	100
Ore Steamship Corporation.....	Operates vessels in coastwise and foreign trade transporting raw materials from properties of subsidiary companies.	100
Patapsco & Black Rivers R. R. Co.....	Common carrier.....	100
Philadelphia Bethlehem & New England R. R. Co.....	do.....	100
Service Stores Corporation (Pennsylvania).....	Retail merchandising serving employees and the public.	100
Service Stores Corporation (Michigan).....	do.....	100
South Buffalo Ry. Co.....	Common carrier.....	100
Steeleton & Highspire R. R. Co.....	do.....	100
Sunday Lake Iron Co., The.....	Mining iron ore.....	100
Cambria Steamship Co.....	Transportation.....	62
Corsica Iron Co.....	Mining iron ore.....	67
Cuyuna Ore Co.....	do.....	60
Farmers' & Merchants' Bank.....	Banking.....	100
Hobart Iron Co.....	Mining iron ore.....	67
Mahoning Steamship Co.....	Transportation.....	53
Palmer Mining Co.....	Mining iron ore.....	51

APPENDIX TABLE 3.—Active subsidiaries of Republic Steel Corporation at Dec. 31, 1937¹

Name	Kind of business in which engaged	Percent of control
Beaver Falls Water Power Co.....		67
Berger Manufacturing Co. of Mass., The.....	Metal office equipment.....	67
Columbia Land Co., The.....		100
Donner Mining Co.....		100
Howard Supply Co.....		94
Newton Steel Co., The.....		81
Upper Mahoning Land Co., The.....		100
Penokee Ore Co.....		100
Republic Collieries Co.....		00
Republic Steel Corporation of Delaware.....		00
Republic Supply Co.....		85
Seairight Supply Co.....		00
Steel & Tubes, Inc.....		100
Ohio Tubular Products Company, The.....		75
Truscon Steel Co.....	Fabricated steel products.....	97
Union Drawn Steel Co., Ltd.....		100
Vance Iron & Steel Co.....		100

¹ Company also held minority equities in the following companies:

Donner-Hanna Coke Corporation (50 percent).
 Fretz-Moon Tube Co., Inc. (50 percent).
 Susquehanna Ore Co. (59 percent).
 Lake Erie Limestone Co. (57 percent).
 Mahoning Ore & Steel Co. (6 percent).
 Mesaba-Cliffs Mining Co.

APPENDIX TABLE 4.—*Active subsidiaries of Jones & Laughlin Steel Corporation at Dec. 31, 1937*

Name	Kind of business in which engaged	Percent of control
Blair Limestone Co.....	Quarrying limestone, dolomite, etc.....	100
Vesta Coal Co., The.....	Mining coal.....	100
Thannopin Coal Co.....	do.....	100
Inter-State Iron Co.....	Mining iron ore.....	100
Jones & Laughlin Ore Co.....	do.....	100
Interstate Steamship Co.....	Transporting iron ore on the Great Lakes.....	100
Monongahela Connecting R. R. Co., The.....	Operating steam railroad.....	100
Aliquippa & Southern Ry. Co.....	do.....	100
Woodlawn & Southern Motor Coach Co.....	Operating motor coaches.....	100
Harbor Land Co., The.....	Owns harbor facilities on Lake Erie.....	100
Adelaide Land Co.....	Owns real estate.....	100
Woodlawn Land Co.....	Purchase, rental, and sale of real estate.....	100
Woodlawn Water Co.....	Water supply.....	100
Jones & Laughlin Steel Products Co.....	Merchandising iron and steel products.....	100
Jones & Laughlin Steel Service, Inc.....	Structural steel fabricating shop and warehouse.....	100
Louisiana Erecting Co., Inc.....	Erecting bridges, buildings and other structures.....	100
Roy L. Brewer Corporation.....	Merchandising iron and steel products.....	100
Frick-Read Supply Corporation.....	Merchandising oil well, mill and mine supplies.....	79

APPENDIX TABLE 5.—*Active subsidiaries of National Steel Corporation at Dec. 31, 1937*¹

Name	Kind of business in which engaged	Percent of control
Weirton Steel Co.....	Manufactures steel and iron.....	100
Weirton Improvement Co.....	Water supply, housing, etc.....	100
Midwest Steel Corporation.....	Plant site in Chicago district.....	91
Oak Hill Supply Co.....	General store.....	95
Great Lakes Steel Corporation.....	Manufactures steel products.....	100
Hanna Furnace Corporation, The.....	Pig iron.....	100
Hanna Iron Ore Co. of Delaware.....	Iron ore properties, holding company.....	100
American Boston Mining Co., The.....	Iron ore properties.....	100
Hanna Iron Ore Co. (Michigan).....	do.....	100
Homer Ore Co.....	do.....	100
Hanna Ore Mining Co.....	do.....	70
Richmond Iron Co.....	do.....	67
Williams Ore Co.....	do.....	100
Weirton Coal Co.....	Mining coal.....	100

¹ Minority equities are held in the following iron ore companies:

- Mahoning Ore & Steel Co. (7 percent).
- Mesaba Cliffs Mining Co. (11 percent).
- Nokay Iron Co. (67 percent).
- Susquehanna Ore Co. (25 percent).

APPENDIX TABLE 6.—Active subsidiaries of Youngstown Sheet & Tube Co. at Dec. 31, 1937 ¹

Name	Kind of business in which engaged	Percent of control
Vinegar Hill Zinc Co.....	Zinc and lead.....	95
Youngstown Metal Products Co.....	Stamping plant.....	100
Youngstown Mines Corporation, The.....	Iron ore and coal.....	100
Buckeye Coal Co., The.....	Bituminous coal mining.....	100
Buckeye Land Co., The.....	Real estate.....	100
Nemacolin Ferry Co., The.....	Ferry transportation.....	100
Nemacolin Supply Co.....	General merchandise.....	100
Youngstown Steel Products Co., The.....	Merchandising iron and steel products.....	100
Mayville Iron Co., The.....	Timber and farm lands.....	100
Delotex Co., The.....	Lessor of oil and gas properties.....	100
Continental Supply Co., The.....	Merchandising oil and gas well supplies.....	100
Continental Emsco Co., Inc.....	do.....	100
Sheet and Tube Employees Stores Co., The.....	General merchandising.....	100
Mahoning Insurance Co.....	General fire insurance.....	100
Biwabik Mining Co., The.....	Iron ore.....	75
Balkan Mining Co., The.....	do.....	67
Crete Mining Co.....	do.....	60
Century Zinc Co., The.....	Zinc and lead.....	60
Mahoning Mining Co.....	Fluor spar.....	60

¹ Other companies in which minority equities are held are listed here:

Bennett Mining Co.—iron ore (33 percent).
 Campbell Mining Co.—iron ore (33 percent).
 Cuyuna Ore Co.—iron ore (20 percent).
 Hoyt Mining Co.—iron ore (10 percent).
 Mahoning Ore & Steel Co.—iron ore (12 percent).
 Palmer Mining Co.—iron ore (15 percent).
 Plymouth Mining Co.—iron ore (20 percent).
 Vermillion Mining Co.—iron ore (37 percent).
 Volunteer Ore Co.—iron ore (33 percent).
 Carbon Limestone Co.—limestone quarry (18 percent).
 Cambria Steamship Co.—Great Lakes transportation (12 percent).
 Interlake Steamship Co.—Great Lakes transportation (10 percent).
 Mahoning Steamship Co.—Great Lakes transportation (6 percent).
 Chicago Short Line Ry. Co.—belt line railway (49 percent).
 Direct Current Welding Co.—holds welding patents (50 percent).
 Pennsylvania & Lake Erie Dock Co.—docks (4 percent).
 Youngstown Steel Door Co.—steel doors and specialties for railroad cars (8 percent).

APPENDIX TABLE 7.—Active subsidiaries of Inland Steel Co. at Dec. 31, 1937 ¹

Name	Kind of business in which engaged	Percent of control
Joseph T. Ryerson & Son, Inc.....	Fabricator and distributor of steel products.....	100
Milcor Steel Co.....	Manufacturer and fabricator of miscellaneous building materials from steel sheets.....	100
Inland Lime & Stone Co.....	Quarrying limestone.....	100
Indiana Harbor Houses Co.....	Building and renting of houses to employees.....	100
Inland Steel Co. of Wisconsin.....	Manufacturers of steel sheets—plant now dismantled.....	100
Inland Tar Co.....	Manufacturer of tar products.....	100

¹ Other iron ore companies in which minority equities are held are listed here:

Mahland Ore Co. (50 percent).
 Susquehanna Ore Co. (25 percent).
 Michigan Mineral Land Co. (50 percent).
 Mesaba Cliffs Mining Co. (14 percent).

APPENDIX TABLE 8.—Active subsidiaries of The American Rolling Mill Co. at Dec. 31, 1937 ¹

Name	Kind of business in which engaged	Percent of control
Sheffield Steel Corporation	Manufacture and sale of iron and steel	100
Armco International Corporation, The ²	Exporters of iron and steel—holding company	100
Armco Railroad Sales Co.	Sale of iron and steel products	100
American Rolling Mill Co. of California, The.....	Wholesale dealers in sheet iron and steel	100
California Corrugated Culvert Co.	Manufacture and sale of metal culverts	100
Western Metal Manufacturing Co. (of Arizona).....	Sale of metal culverts	100
Dakota Culvert & Pipe Co.	Manufacture and sale of metal culverts	100
Dixie Culvert & Metal Co., The	do	100
Dixie Culvert & Pipe Co., The	do	100
Fort Worth Tank & Culvert Co.	do	100
R. Hardesty Manufacturing Co., The	do	100
Harry Bros. Co. of Louisiana.....	Jobbers and fabricators of iron and steel	100
Iowa Culvert & Pipe Co.	Manufacture and sale of metal culverts	95
Lyle Culvert & Pipe Co.	do	100
Maryland Culvert & Pipe Co., The	do	100
Missouri Culvert & Pipe Co.	do	100
Montana Culvert & Pipe Co.	do	100
Nebraska Culvert & Pipe Co., The	do	100
W. Q. O'Neill Co. of Illinois, The	do	100
Pure Iron Culvert & Manufacturing Co.	do	100
Road Supply & Metal Co., The	do	100
Virginia Culvert Corporation	do	100
Washington Corrugated Culvert Co.	do	100
Western Metal Manufacturing Co. of Texas.....	do	100
Canada Ingot Iron Co., Ltd., The	do	100
Drainage Engineering Co. of Canada, Ltd.....	Jobbers of iron and steel products	85
F. K. Simonds Co.	Foundry iron castings	100
Armco Coal Mining Corporation	Coal mining	100
Nellis Coal Corporation	do	100
Manchester Hotel Co., The	Operates hotel	100
Boyd County Realty Co.	General real estate	100
Arzen Co.	Rolling mill development company	51
Middletown Realty Co., The	General real estate	100
Middletown Airport, Inc.	Airport	58

¹ A minority equity of 47 percent is held in Rustless Iron & Steel Corporation and minority equities were held of from 15 to 33 percent in the following iron ore companies:

Hanna Ore Mining Co.
Castile Mining Co.
Fortune Lake Mining Co.
Richmond Iron Co.
St. James Mining Co.

² The names of 10 foreign subsidiaries of The Armco International Corporation are not included here.

APPENDIX TABLE 9.—Active subsidiaries of Wheeling Steel Corporation at Dec. 31, 1937 ¹

Name	Kind of business in which engaged	Percent of control
Wheeling Corrugating Co.	Manufactures and sells sheet steel and formed products	100
Consolidated Expanded Metal Co., The.....	Expanded metal products	100
Ackermann Manufacturing Co.	Pressed steel stampings	100
Consumers Mining Co.	Coal mining	100
Emperor Coal Co.	do	100
Luzerne Mercantile Co.	General merchandise	100
Benwood & Wheeling Connecting Railway Co.	Connecting railroad	100
LaBelle Steamship Co.	Great Lakes transportation	53

¹ Minority equities are held ranging from 15 to 37 percent in 4 iron ore companies not listed here.

APPENDIX TABLE 10.—Active subsidiaries of Otis Steel Co. at Dec. 31, 1937

Name	Kind of business in which engaged	Percent of control
Cuyahoga Valley Ry. Co., The.....	Owens and operates connecting railroad.....	100
Beelick Knob Coal Co., The.....	Coal mining.....	100
Otis Steel Co. of Canada, Ltd.....		100
Cleveland Lime & Transport Co.....	Limestone property.....	75

APPENDIX TABLE 11.—Active subsidiaries of Pittsburgh Steel Co. at Dec. 31, 1937¹

Name	Kind of business in which engaged	Percent of control
Monessen Southwestern Ry. Co.....	Plant switching.....	100
Standard Land & Improvement Co.....	Land.....	100
Pittsburgh Steel Sales Co.....	Sales company.....	100

¹ Company also held minority equities in the following iron ore companies:

- Bennett Mining Co. (22½ percent).
- Mesaba-Cliffs Mining Co. (16 percent).
- Plymouth Mining Co. (10 percent).

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
Capital stock:												
1. Preferred.....	\$100,000,000	\$100,000,000	\$100,000,000	\$94,000,000	\$93,400,000	\$93,388,700	\$93,388,700	\$93,388,700	\$112,066,440	\$112,066,440	\$112,066,440	
2. Common.....	180,000,000	315,900,000	315,900,000	315,900,000	315,900,000	315,900,000	315,396,093	315,342,389	303,203,330	302,585,830	302,478,480	
3. Total.....	280,000,000	415,900,000	415,900,000	409,900,000	409,300,000	409,288,700	408,784,793	408,731,089	415,269,770	414,652,270	414,544,920	
4. Surplus-earned and capital.....	114,922,632	134,565,632	128,471,434	114,844,280	89,221,676	81,145,825	76,370,540	74,487,447	57,562,527	67,248,455	64,863,198	
5. Surplus and contingency re-serves.....	2,138,990	3,293,614	2,870,741	2,921,491	3,071,962	2,500,000	3,010,953	2,989,326	3,619,022	2,782,287	3,445,073	
6. Reserves for Federal income and profits taxes.....	5,837,003	9,139,741	6,557,757	3,607,253	728,506	541,456	912,815	1,485,014	3,559,556	7,532,727	(*)	
7. Capital stock and sur-plus.....	402,838,645	562,838,987	553,799,962	531,273,024	502,322,144	493,475,981	489,079,101	487,692,876	480,010,875	492,215,739	482,853,191	
8. Less goodwill, appreciation, and other intangibles.....	14,083,793	14,083,793	14,083,793	14,083,793	14,083,793	14,083,793	14,083,793	14,083,793	14,083,793	14,083,793	14,083,793	
9. Stockholders' invest-ment.....	388,814,852	548,815,194	539,716,169	517,189,231	488,238,351	479,392,188	474,995,308	473,609,083	480,010,875	492,215,739	482,853,191	
10. Minority stockholders' equity in subsidiaries.....	199,421,172	184,339,595	117,528,600	136,971,877	126,212,420	1,804,000	1,938,883	1,933,544	98,431	99,787	103,589	
11. Long-term debt.....	588,236,024	733,154,789	657,244,769	655,965,108	616,254,771	602,452,827	592,958,686	617,575,627	623,089,392	693,235,449	648,329,608	
12. Total investment.....	938,911,805	660,695,407	693,199,779	650,604,839	636,109,940	609,385,799	597,705,706	603,297,157	620,352,369	643,162,921	655,782,528	\$528,805,568
13. Average of total investment.....	392,116,495	468,815,023	544,265,682	452,700,502	713,791,483	815,269,477	193,748,474	302,196	476,800,979	486,113,307	487,534,465	369,365,951
14. Average of common stock-holders' equity.....	293,616,495	368,815,023	444,265,682	431,452,700	409,013,791	390,420,919	383,805,048	380,913,496	374,082,409	374,046,867	375,468,025	291,686,021
Net income before deducting Federal income and profits taxes.....	32,524,360	58,994,780	32,741,711	7,241,202	12,901,012	2,500,519	7,223,743	11,914,935	23,046,788	44,490,757	12,928,776	23,947,750
16. Applicable to total in-vestment.....	21,323,918	48,042,816	25,626,705	152,809	319,667,870	3,937,224	968,864	5,275,747	16,949,817	38,017,712	6,150,104	15,099,429
17. Applicable to stockhold-ers' investment.....	14,481,418	41,042,816	18,626,705	6,742,191	26,215,776	15,474,433	5,568,345	1,261,462	11,346,495	30,546,616	1,320,992	9,595,779
Rate of return on total invest-ment (16+13).....	5.48	8.93	4.71	1.10	2.03	0.41	1.21	1.97	3.72	6.92	1.97	4.53
Rate of return on stockholders' investment (17+14).....	5.44	10.25	4.71	.03	3.92	1.85	.20	1.11	3.55	7.82	1.26	4.09
Rate of return on common stock-holders' equity (18+15) percent.....	4.93	11.13	4.19	1.56	6.41	3.96	1.45	3.33	3.03	8.17	1.35	3.29

1 Less unamortized debt discount and expenses.

2 Not available for 1938.

3 Denotes loss.

APPENDIX TABLE 12A.—Summary of income, expenses, and surplus for Bethlehem Steel Corporation and subsidiaries, 1917-38

	1917	1918	1919	1920	1921	1922	1923	1924
Net sales.....	\$298,929,531	\$448,410,809	\$281,641,908	\$274,431,236	\$147,794,353	\$131,866,111	\$275,213,423	\$243,904,266
Cost of goods sold.....	225,626,795	378,762,903	229,202,684	227,600,092	117,151,710	108,044,422	225,271,537	199,305,032
Distribution and administrative expenses.....	10,693,312	10,718,026	7,479,544	9,970,706	7,836,078	6,625,837	12,299,566	12,496,103
Provision for depreciation and depletion.....	17,911,641	31,510,356	12,566,152	13,941,514	6,002,715	6,499,189	10,676,078	11,846,891
Total operating expenses.....	254,231,748	421,991,355	249,248,380	251,512,312	130,999,503	121,109,445	248,217,231	223,648,031
Net income from operations.....	44,697,783	26,419,454	32,383,528	22,913,924	16,803,850	10,696,663	26,996,192	20,256,235
Other income (net).....	2,852,459	2,587,546	1,277,647	881,806	3,614,075	2,857,786	793,510	1,948,249
Less interest on long-term debt.....	8,339,317	8,471,774	33,671,175	23,800,730	20,417,925	13,554,449	27,789,702	22,204,484
Net income applicable to total investment.....	47,580,242	29,007,009	8,681,748	7,606,482	9,174,797	8,725,769	12,132,656	13,086,749
Net income applicable to stockholders' investment.....	39,240,925	20,535,226	24,989,427	16,194,248	11,243,128	4,828,680	15,657,046	9,117,735
Provision for Federal income and profits taxes.....	11,912,346	4,610,335	9,779,754	1,776,033	938,167	136,868	1,317,899	282,393
Net income for the year.....	27,328,579	15,924,891	15,209,673	14,418,215	10,304,961	4,631,812	14,339,147	8,835,342
Surplus beginning of the year.....	69,370,198	58,513,615	65,057,845	72,804,010	80,826,786	82,418,929	104,050,674	126,188,903
Total.....	96,698,777	74,438,506	80,267,518	87,222,825	91,131,747	87,050,741	118,386,821	135,024,145
Less dividends paid on—								
Common stock in cash.....	6,539,280	5,944,800	4,166,535	2,993,100	2,993,100	3,275,706	7,767,074	4,494,785
Common stock in stock.....	30,000,000							
Preferred stock in cash.....	1,638,040	3,441,360	3,443,560	3,443,560	3,442,560	3,662,310	4,318,263	5,375,187
Total.....	38,177,320	9,386,160	7,610,095	6,436,660	6,436,660	6,938,016	12,085,327	9,869,972
Other net additions or deductions:								
Adjustment of values in acquisition of assets or securities of other companies.....						23,964,431	21,549,904	1,551,514,335
Discount or premium on conversion, repurchase, sale or adjustment of values of own securities.....	17,842	5,499	147,187	40,621	12,276,158	126,482	11,665,595	15,635,960
Surplus end of the year.....	58,513,615	65,057,845	72,804,610	80,826,786	82,418,929	104,050,674	126,188,803	94,003,878

	1925	1926	1927	1928	1929	1930	1931	1932
Net sales.....	\$273,025,320	\$304,361,805	\$271,502,891	\$294,778,287	\$342,516,207	\$258,979,253	\$186,541,195	\$96,892,488
Cost of goods sold.....	221,786,240	245,728,948	218,114,965	235,462,750	257,905,888	200,895,644	153,531,838	85,949,823
Distribution and administrative expenses.....	12,924,945	13,649,058	13,667,763	15,044,962	18,194,454	16,411,682	15,235,171	12,722,107
Provision for depreciation and depletion.....	12,004,984	12,626,065	13,096,496	13,686,335	14,009,085	14,217,741	13,844,910	13,101,589
Total operating expenses.....	246,716,169	272,004,571	244,879,224	264,166,047	290,109,427	231,625,067	182,611,919	111,773,519
Net income from operations.....	26,309,151	32,357,234	26,623,667	30,612,240	52,406,780	27,454,185	3,929,276	14,881,031
Other income (net).....	2,427,642	2,748,143	2,653,447	1,912,120	6,588,000	5,287,625	3,311,926	1,980,019
Net income applicable to total investment.....	28,736,793	35,105,377	29,277,114	32,524,360	58,994,780	32,741,711	7,241,202	12,901,012
Less:								
Income applicable to minority interest.....								108,327
Interest on long-term debt.....	13,048,305	12,176,885	11,416,463	11,200,442	10,951,864	7,115,006	6,980,066	6,658,531
Net income applicable to stockholders' investment.....	15,688,488	22,928,492	17,860,651	21,323,918	48,042,816	25,626,705	152,809	19,667,870
Provision for Federal income and profits taxes.....	1,791,360	2,434,775	2,005,218	2,666,001	5,537,149	1,773,239	50,513	44,118
Net income for the year.....	13,897,128	20,493,717	15,855,433	18,657,917	42,505,667	23,853,466	102,296	19,623,752
Surplus beginning of the year.....	94,003,878	103,100,166	115,283,088	124,319,230	114,922,652	134,565,632	128,471,434	114,844,280
Total.....	107,901,006	123,593,883	131,138,521	142,977,147	157,428,319	158,419,098	128,573,730	95,220,528
Less dividends paid on—								
Common stock in cash.....				1,800,000	15,600,000	19,200,000	6,400,000	
Preferred stock in cash.....	4,303,073	6,778,855	6,790,000	6,842,500	7,000,000	7,000,000	6,895,000	1,645,000
Total.....	4,303,073	6,778,855	6,790,000	8,642,500	22,600,000	26,200,000	13,295,000	1,645,000
Other net additions or deductions:								
Adjustment of values in acquisition of assets or securities of other companies.....				1 20,000,000				
Discount or premium on conversion, repurchase, sale or adjustment of values of own securities.....	1 497,767	1 1,531,940	1 29,291	588,005	1 262,687	1 3,747,664	13,449	219,321
Loss on abandonment of properties.....							1 447,899	1 4,573,173
Surplus end of the year.....	103,100,166	115,283,088	124,319,230	114,922,652	134,565,632	128,471,434	114,844,280	89,221,676

1 Denotes loss.

1 Deduction.

APPENDIX TABLE 12A.—Summary of income, expenses, and surplus for Bethlehem Steel Corporation and subsidiaries, 1917-38—Continued

	1933	1934	1935	1936	1937	1938	Total
Net sales.....	\$120, 163, 374	\$167, 736, 124	\$192, 543, 458	\$287, 107, 706	\$417, 638, 024	\$285, 405, 540	\$5, 581, 283, 309
Cost of goods sold.....	97, 557, 416	134, 715, 666	151, 321, 669	229, 205, 838	330, 418, 617	223, 646, 624	4, 498, 207, 111
Distribution and administrative expenses.....	12, 623, 191	14, 048, 494	16, 237, 481	19, 813, 690	27, 057, 177	13, 700, 290	269, 419, 642
Provisions for depreciation and depletion.....	13, 906, 256	13, 779, 639	14, 581, 899	16, 032, 851	16, 170, 916	16, 501, 567	308, 107, 479
Total operating expenses.....	123, 086, 863	162, 543, 799	182, 141, 049	265, 072, 379	373, 646, 710	253, 848, 481	5, 105, 734, 232
Net income from operations.....	3, 523, 489	5, 192, 325	10, 402, 409	22, 035, 327	43, 991, 314	11, 557, 059	475, 549, 077
Other income (net).....	1, 023, 970	2, 031, 418	1, 512, 526	1, 011, 461	599, 443	1, 371, 717	51, 301, 435
Less:							
Net income applicable to total investment.....	2, 500, 519	7, 223, 743	11, 914, 935	23, 046, 788	44, 490, 757	12, 928, 776	526, 850, 512
Income applicable to minority interest.....	108, 327	108, 327	108, 327	95, 828	7	3, 795	641, 251
Interest on long-term debt.....	6, 328, 378	6, 146, 552	6, 580, 861	6, 001, 143	6, 473, 052	6, 774, 877	194, 021, 517
Net income applicable to stockholders' investment.....	8, 037, 224	968, 804	5, 275, 747	16, 949, 817	38, 017, 712	6, 150, 104	332, 187, 444
Provision for Federal income and profits taxes.....	112, 866	422, 965	909, 803	3, 048, 358	6, 163, 402	908, 241	58, 367, 835
Net income for the year.....	8, 824, 358	545, 899	4, 365, 944	13, 901, 459	31, 854, 310	5, 241, 863	273, 819, 609
Surplus beginning of the year.....	89, 221, 676	81, 145, 825	76, 370, 540	74, 487, 447	57, 562, 527	67, 248, 455	-----
Total.....	80, 397, 318	81, 691, 724	80, 736, 484	88, 388, 906	89, 416, 837	72, 490, 318	-----
Less dividends paid on—							
Common stock in cash.....	-----	-----	-----	4, 787, 421	15, 941, 020	-----	101, 902, 821
Common stock in stock.....	-----	-----	-----	-----	-----	-----	30, 000, 000
Preferred stock in cash.....	-----	1, 634, 302	3, 208, 604	5, 603, 322	7, 471, 096	7, 471, 096	101, 468, 678
Total.....	-----	1, 634, 302	3, 208, 604	10, 390, 743	23, 412, 116	7, 471, 096	233, 371, 499
Other net additions or deductions:							
Excess of par value of securities issued in 1905 over book value of assets.....	-----	-----	-----	-----	-----	-----	14, 083, 793
Loss on sale of property.....	-----	-----	-----	14, 083, 793	-----	-----	1, 615, 782
Adjustment of values in acquisition of assets or securities of other companies.....	-----	1, 615, 782	-----	-----	-----	-----	-----
Discount or premium on conversion, repurchase, sale, or adjustment of values of own securities.....	88, 635	60, 493	12, 980, 433	16, 157, 144	11, 708, 600	1406, 024	125, 770, 377
Loss on abandonment of properties.....	-----	12, 131, 593	-----	-----	-----	-----	17, 152, 665
Other miscellaneous items.....	659, 872	-----	-----	-----	2, 952, 334	280, 000	3, 862, 206
Surplus end of the year.....	81, 145, 825	76, 370, 540	74, 487, 447	57, 562, 527	67, 248, 455	64, 863, 198	-----

1 Deduction.

2 Denotes loss.

APPENDIX TABLE 13.—Summary of investments, profits, and rates of return for Republic Steel Corporation¹ and subsidiaries, 1917-38

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000
2. Common.....	27,191,000	27,191,000	27,191,000	27,272,800	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
3. Total.....	52,191,000	52,191,000	52,191,000	52,272,800	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000
4. Surplus—earned and capital.....	18,236,251	30,711,988	35,122,462	33,880,972	37,441,571	29,576,329	29,994,641	33,003,836	32,921,772	33,562,389	34,836,163	34,904,445
5. Surplus and contingency reserves.....	284,703	1,033,801	2,382,250	1,464,997	1,472,585	660,660	644,054	635,310	579,938	631,985	591,316	740,199
6. Reserves for Federal income and profits taxes.....	618,840	8,597,086	5,621,203	1,547,050	2,331,116	1,691,399	59,760	693,174	273,990	341,516	517,682	431,183
7. Capital stock and surplus.....	71,330,794	92,535,875	95,316,915	89,165,819	96,245,272	86,928,388	85,698,455	89,332,320	88,775,700	89,535,890	90,945,161	91,075,827
8. Less: Intangibles.....	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728
9. Stockholders' investment.....	38,340,066	59,545,147	62,326,187	56,175,091	63,254,544	53,937,660	52,707,727	56,341,592	55,784,972	56,545,162	57,954,433	58,085,099
10. Minority stockholders' equity in subsidiaries.....	16,795,500	15,403,000	14,275,000	14,093,000	13,474,000	13,357,000	13,125,500	22,253,000	21,338,500	24,144,000	19,533,000	18,797,000
11. Long-term debt.....	55,135,566	74,948,147	76,601,187	70,268,091	76,728,544	67,294,660	65,833,227	78,694,592	77,123,472	80,689,162	77,487,433	76,882,099
12. Total investment.....	65,041,857	75,774,667	73,434,639	73,434,639	73,498,317	72,011,602	66,563,044	72,213,909	77,539,032	78,906,317	79,088,298	77,184,766
13. Average of total investment.....	48,942,607	48,942,607	60,835,667	59,250,639	59,714,817	58,596,102	53,322,694	54,524,659	56,063,282	56,165,067	57,249,798	58,019,766
14. Average of stockholders' investment.....	23,942,607	23,942,607	35,035,667	34,250,639	34,714,817	33,596,102	28,322,694	29,524,659	31,063,282	31,165,067	32,249,798	33,019,766
15. Average of common stockholders' equity.....	26,495,189	26,495,189	14,210,875	3,189,713	10,167,325	4,858,269	1,355,439	8,172,032	3,314,558	5,433,397	6,706,317	4,492,450
Net income before deducting Federal income and profits taxes:	25,735,854	25,735,854	13,472,693	2,456,310	9,429,358	5,665,243	478,072	6,045,392	2,191,926	4,155,000	5,582,704	3,449,465
16. Applicable to total investment.....	23,965,854	23,965,854	11,722,693	706,310	7,679,358	4,715,243	1,271,928	5,195,392	441,926	2,405,000	3,832,704	1,609,465
17. Applicable to stockholders' investment.....	40,74	40,74	18,75	4,34	13,83	6,75	2,04	11,32	4,26	6,89	8,56	5,82
18. Applicable to common stockholders' equity.....	52,58	52,58	22,11	4,15	15,79	9,67	.90	12,74	3,91	7,40	9,75	5,95
Rate of return on total investment (16+17).....	100.18	100.18	33.46	2.06	22.12	22.07	4.49	17.60	1.42	7.72	11.88	5.15
Rate of return on stockholders' investment (17+18).....												
Rate of return on common stockholders' equity (18+15).....												

¹ Organized in 1930 as a consolidation of Republic Iron & Steel Co., Central Alloy Steel Co., Donner Steel Co., and Berger Manufacturing Co.; figures prior to 1930 are for Republic Iron & Steel Co.
² Less unamortized debt discount and expenses.
³ Denotes loss.

APPENDIX TABLE 13.—Summary of investments, profits, and rates of return for Republic Steel Corporation and subsidiaries, 1917-38—Con.

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
Capital stock:												
1. Preferred.....	\$25,000,000	\$25,000,000	\$59,560,900	\$59,560,900	\$59,560,800	\$59,560,800	\$69,560,800	\$41,289,750	\$40,190,050	\$40,190,050	\$40,190,050	\$40,190,050
2. Common.....	53,173,512	55,622,028	91,289,344	91,289,344	91,289,344	91,289,344	91,289,344	92,324,312	93,995,228	124,247,350	126,204,311	
3. Total.....	78,173,512	80,622,028	150,850,244	150,850,244	150,850,144	150,850,144	160,850,144	133,614,062	134,185,278	169,437,380	169,454,361	
4. Surplus—earned and capital.....	29,480,356	32,144,099	63,425,872	62,677,763	42,693,739	39,326,317	35,951,522	59,982,461	64,269,961	67,002,376	68,711,282	
5. Surplus and contingency re- serves.....	1,756,214	2,028,562	1,798,101	1,748,101	599,138	392,291	389,502					
6. Reserves for Federal income and profits taxes.....	500,000	1,158,000						677,080	3,677,080	3,300,000		
7. Capital stock and surplus.....	109,910,082	115,952,689	216,074,217	205,276,008	194,148,021	190,568,752	187,930,792	194,273,603	202,162,321	239,739,736	228,165,643	
8. Less: Intangibles.....	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	32,990,728	8,059,006	8,059,006			
9. Stockholders' investment in subsidiaries.....	76,919,354	82,961,961	183,083,489	172,285,280	161,157,293	157,578,024	154,940,064	186,214,998	194,103,816	230,739,756	228,165,643	
10. Minority stockholders' equity in subsidiaries.....		271,980	5,000,000	5,000,000	4,615,300	4,439,100	4,163,500	4,320,907	718,153	200,094	196,056	
11. Long-term debt.....	32,756,500	34,536,000	63,884,490	60,030,650	50,725,250	48,818,850	53,083,700	77,159,787	107,336,782	89,953,311	86,433,476	
12. Total investment.....	109,675,854	117,789,941	251,967,889	237,315,930	216,497,843	210,835,974	212,157,284	267,695,292	302,158,251	329,893,161	314,765,175	
13. Average of total investment.....	93,278,976	113,732,898	184,878,915	244,641,909	226,906,887	213,696,909	211,496,619	239,926,278	284,926,771	316,025,706	322,329,168	\$148,335,836
14. Average of stockholders' invest- ment.....	67,502,226	79,940,658	133,022,725	177,684,384	166,721,287	159,367,658	156,259,044	170,877,331	190,158,957	216,921,536	233,952,699	107,949,709
15. Average of common stockholders' equity.....	42,502,226	54,940,638	90,742,275	118,123,534	107,160,487	99,806,858	96,698,244	120,152,056	149,419,057	176,731,486	193,762,649	72,628,392
Net income before deducting Fed- eral income and profits taxes:												
16. Applicable to total investment.....	6,801,760	13,102,222	436,835	5,402,948	8,847,826	1,133,293	3,161,174	8,999,408	18,087,745	17,896,607	3,072,667	5,700,718
17. Applicable to stockholders' in- vestment.....	5,142,450	10,938,044	3,522,003	9,312,017	12,507,501	4,584,724	3,543,844	5,351,691	13,081,231	12,869,647	7,628,825	3,387,167
18. Applicable to common stock- holders' equity.....	3,392,450	9,188,044	6,164,507	12,885,665	16,081,149	8,185,372	7,117,492	2,940,288	10,669,828	10,468,244	10,088,228	1,144,771
Rate of return on total invest- (16+13).....percent.....	7.29	11.52	0.24	3.21	3.90	3.03	3.08	3.75	6.35	5.65	3.05	3.84
Rate of return on stockholders' invest- ment (17+14).....percent.....	7.62	13.68	2.65	5.24	7.50	2.98	2.27	3.14	6.88	5.93	3.26	3.14
Rate of return on common stockhold- ers' equity (18+15).....percent.....	7.98	16.72	6.79	10.91	15.01	8.17	7.36	2.45	7.14	5.92	5.18	1.68

: Less unamortized debt discount and expenses.

: Denotes loss.

APPENDIX TABLE 13A.—Summary of income, expenses, and surplus for the Republic Steel Corporation and subsidiaries, 1917-38

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Net sales ¹	\$78,325,461	\$75,224,110	\$45,872,345	\$70,342,220	\$20,750,740	\$39,123,708	\$59,043,131	\$43,982,523	\$53,907,958	\$33,890,444	\$44,550,040	
Total operating expenses.....	52,286,575	61,743,002	43,288,128	64,331,894	21,431,894	38,099,723	51,538,103	41,313,268	48,891,963	47,583,204	40,763,008	
Net income from operations.....	26,038,886	13,481,108	2,614,217	11,811,200	† 675,145	1,023,985	7,505,028	2,669,255	5,016,096	6,307,240	3,787,032	\$6,253,595
Other income (net).....	439,303	728,767	575,496	† 1,643,875	† 4,183,124	331,454	607,004	645,303	417,301	459,077	705,424	588,165
Net income applicable to total investment.....	26,493,189	14,210,875	3,189,713	10,167,325	† 4,858,269	1,355,439	8,172,032	3,314,558	5,433,397	6,766,317	4,492,456	6,801,760
Interest on long-term debt.....	759,335	738,182	733,403	757,967	800,974	877,367	1,226,640	1,122,652	1,278,397	1,183,613	1,042,991	1,659,310
Net income applicable to stockholders' investment.....	26,735,854	13,472,693	2,456,310	9,429,358	† 5,665,243	478,072	6,945,392	2,191,926	4,155,000	5,582,704	3,449,465	5,142,450
Provision for Federal income and profits taxes.....	9,878,657	5,680,759	315,113	1,812,835		59,700	693,174	273,990	341,516	517,682	431,183	500,000
Net income for the year.....	15,857,197	7,791,934	2,141,197	7,166,523	† 5,665,243	418,312	6,252,218	1,917,936	3,813,484	5,065,022	3,018,282	4,642,450
Surplus beginning of the year.....	18,236,251	30,711,988	35,122,462	33,880,972	37,441,572	29,576,329	29,995,641	33,003,836	32,921,772	33,562,389	34,836,163	34,904,445
Total.....	34,093,448	38,503,922	37,263,659	41,497,495	31,770,329	29,904,641	36,246,839	34,921,772	36,735,256	38,627,411	37,854,445	39,546,895
Less dividends paid on—												
Common stock in cash.....	1,631,460	1,631,460	1,632,687	1,800,000	450,000					600,000	1,200,000	2,107,837
Preferred stock in cash.....	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	3,250,000	3,250,000	2,000,000	1,750,000	1,750,000	1,750,000	1,750,000
Total.....	3,381,460	3,381,460	3,382,687	3,550,000	2,200,000		3,250,000	2,000,000	1,750,000	2,350,000	2,950,000	3,857,837
Other net additions or deductions:												
Writing off bills receivable, department charges, investments, and additional depreciation and obsolescence.....												
Adjustment of Federal income taxes.....												
Consolidation and merger expenses.....												
Miscellaneous.....				† 505,923			6,977					
Surplus end of year.....	30,711,988	35,122,462	33,880,972	37,441,572	29,576,329	29,994,641	33,003,836	32,921,772	33,562,389	34,836,163	34,904,445	29,480,356

See footnotes at end of table.

APPENDIX TABLE 13A.—Summary of income, expenses, and surplus for the Republic Steel Corporation and subsidiaries, 1917-38—Continued

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Totals
Net sales ¹											
Cost of goods sold.....				\$47,604,636	\$79,807,199	\$96,824,857	\$136,164,554	\$218,317,399	\$250,447,744	\$140,879,763	
Distribution and administrative expenses.....				42,294,654	66,573,073	81,522,103	110,921,652	176,620,234	207,576,923	121,251,323	
Provision for depreciation and depletion.....				5,938,568	5,876,246	7,012,094	8,037,468	13,178,917	13,252,620	13,154,544	
Total operating expenses.....				7,510,832	7,610,502	7,839,465	8,230,200	10,130,488	10,756,466	10,807,020	
Net income from operations.....				55,745,054	80,039,821	96,373,662	127,189,320	193,928,636	233,566,029	145,302,887	
Other income (net).....				\$252,622	451,195	8,975,234	18,387,763	16,881,715	984,892	1,350,457	\$124,388,319
Net income applicable to total investment.....				\$80,671	2,502,948	3,402,948	270,393	201,884	38,824	3,072,667	125,415,801
Less amount due minority interest.....				300,000	300,000	300,000	300,000	300,000	300,000	300,000	1,789,064
Interest on long-term debt.....				3,658,938	3,609,069	3,181,038	3,120,001	3,445,833	4,958,136	4,584,663	49,109,057
Net income applicable to stockholders' investment.....				\$2,622,003	2,931,217	2,521,610	2,780,393	3,081,231	3,000,000	2,187,924	74,517,680
Provision for Federal income and profits taxes.....				2,443,796	2,413,796	2,413,796	2,413,796	2,413,796	2,413,796	2,413,796	28,675,188
Net income for the year.....				\$1,749,092	1,749,092	1,749,092	1,749,092	1,749,092	1,749,092	1,749,092	45,842,492
Surplus beginning of the year.....				39,260,400	28,622,096	54,113,855	40,170,292	70,063,692	73,869,610	59,375,551	
Total.....											
Less dividends paid on—											
Common stock in cash.....				3,359,390	2,443,796	2,443,796	2,443,796	2,443,796	2,443,796	2,443,796	16,856,630
Preferred stock in cash.....				1,750,000	1,749,092	1,749,092	1,749,092	1,749,092	1,749,092	1,749,092	53,591,920
Total.....				5,109,390	4,192,888	4,192,888	4,192,888	4,192,888	4,192,888	4,192,888	50,448,550
Other net additions or deductions:											
Discount and premium on bonds and stock purchased for retirement.....				277,864	535,471	92,772	298,552	1,097,580			756,281
Writing off bills receivable, departmental charges, investments, and additional depreciation and obsolescence.....											
Adjustment of Federal income taxes.....											
Consolidation and merger expenses.....											
Capital surplus set up at consolidation.....											
Reduction in value of stock to surplus.....											
Provision for contingencies.....											
Miscellaneous.....											
Surplus end of year.....				32,144,099	63,425,872	52,677,763	42,698,739	39,396,317	64,299,963	67,002,376	58,711,282

¹ Data for years 1917 to 1927, inclusive, are designated by the company as "Volume of business"; and from 1928 to 1931, inclusive, no information available regarding amount of sales.
² Denotes loss.
³ Denotes deduction.

NOTE.—Figures for years prior to 1930 are for Republic Iron & Steel Co.

APPENDIX TABLE 14.—Summary of investments, profits, and rates of return for Jones & Laughlin Steel Corporation and subsidiaries, 1917-38¹

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$29,027,500	\$28,987,500	\$29,167,500	\$29,257,500	\$29,525,000	\$29,470,000	\$30,000,000	\$55,845,600	\$55,928,400	\$56,850,800	\$57,036,400	\$58,331,800
2. Common.....	29,027,500	28,987,500	29,167,500	29,257,500	29,525,000	29,470,000	30,000,000	113,177,500	113,260,400	114,182,800	114,368,400	115,663,800
3. Total.....	58,055,000	57,975,000	58,335,000	58,515,000	59,050,000	58,940,000	60,000,000	169,023,100	169,188,800	171,033,600	171,404,800	174,000,000
4. Surplus.....	68,703,271	89,514,554	90,933,960	102,206,187	118,950,657	110,914,871	115,049,256	30,808,275	35,080,722	40,941,835	49,270,070	53,413,072
5. Contingency reserves.....	128,443	128,443	128,443	128,443	7,500,000	6,602,593	6,602,593	6,665,998	6,824,994	6,902,796	6,944,499	7,051,754
6. Reserves for Federal income and profits taxes ²	401,103	21,621,906	16,252,857	9,715,380	19,288,364	891,599	979,658	2,362,146	2,369,750	2,609,227	3,468,948	3,000,809
7. Capital stock and surplus.....	98,260,317	140,252,403	136,354,317	141,179,077	166,264,021	147,879,063	152,631,507	153,013,919	157,535,866	164,636,638	174,051,917	179,129,435
8. Minority stockholders' equity in subsidiaries.....	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700
9. Long-term debt ³	23,481,000	21,010,000	20,752,000	18,729,000	17,939,720	22,312,000	21,084,000	19,735,000	18,357,000	17,100,000	15,575,000	12,982,000
10. Total investment.....	121,747,017	161,268,103	157,112,017	159,913,777	184,203,741	170,191,063	173,715,507	172,748,919	175,892,866	181,736,638	189,626,917	192,111,435
11. Average of total investment.....	141,507,660	156,190,060	158,512,897	172,058,759	177,197,402	171,953,285	173,232,213	174,320,893	178,814,762	183,681,788	190,869,176	196,590,676
12. Average of stockholders' investment.....	119,256,360	138,302,360	138,766,687	153,721,549	157,071,542	150,255,285	152,822,713	155,274,883	161,086,262	169,344,288	176,590,676	183,681,788
13. Average of common stockholders' equity.....	119,256,360	138,302,360	138,766,687	153,721,549	157,071,542	150,255,285	152,822,713	155,274,883	161,086,262	169,344,288	176,590,676	183,681,788
14. Net income before deducting Federal income and profits taxes:												
15. Applicable to total investment.....	47,675,913	21,573,988	23,621,348	31,812,015	42,551,759	6,652,455	13,472,575	10,803,716	12,242,395	18,078,195	13,553,843	12,805,822
16. Applicable to stockholders' investment.....	46,688,793	20,512,607	22,591,208	30,870,597	43,490,026	5,511,843	12,406,145	9,804,041	11,317,358	17,227,714	12,805,822	8,726,485
Rate of return on common stockholders' equity.....	33.69	13.55	14.90	18.49	41.44	3.87	7.78	6.20	6.85	9.74	7.10	7.25
Rate of return on total investment (14+15).....	39.06	14.83	16.28	20.08	42.22	3.67	8.12	6.31	7.03	10.17	7.25	7.34
Rate of return on common stockholders' equity (16+13).....	39.06	14.83	16.28	20.08	42.22	3.67	8.12	6.31	7.03	10.17	7.25	7.34

See footnotes at end of table.

APPENDIX TABLE 14.—Summary of investments, profits, and rates of return for Jones & Laughlin Steel Corporation and subsidiaries, 1917-38—Continued

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
Capital stock:												
Preferred	\$58,715,100	\$58,713,900	\$58,713,900	\$58,713,900	\$58,713,900	\$58,713,900	\$58,713,900	\$58,713,900	\$58,713,900	\$58,713,900	\$58,713,900	\$58,713,900
Common	57,632,000	57,632,000	57,632,000	57,632,000	57,632,000	57,632,000	57,632,000	57,632,000	57,632,000	57,632,000	57,632,000	57,632,000
Total	116,347,100	116,345,900	116,345,900	116,345,900	116,345,900	116,345,900	116,345,900	116,345,900	116,345,900	116,345,900	116,345,900	116,345,900
4. Surplus	61,219,465	72,897,638	74,749,352	67,291,440	56,399,814	51,038,671	48,537,581	48,477,015	49,304,909	50,203,472	45,289,756	48,477,015
5. Contingency reserves	6,966,085	6,871,174	6,787,279	4,767,628	3,000,000	3,000,000	3,000,000	3,000,000	2,043,546	2,043,546	2,043,546	2,043,546
6. Reserves for Federal income and profits taxes ²	3,403,807	3,511,601	2,191,650	200,441	8,469	9,123	35,543	216,048	362,966	955,689	-----	-----
7. Capital stock and surplus	187,936,457	199,626,313	200,074,181	188,605,409	175,754,183	170,393,694	167,929,024	168,038,963	168,057,341	169,549,607	136,679,201	-----
8. Minority stockholders' equity in subsidiaries	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	948,960	-----
9. Long-term debt ³	12,656,000	11,328,000	10,852,000	9,929,000	9,693,001	8,416,232	7,807,865	6,449,003	34,012,818	32,259,145	47,956,437	-----
10. Total investment	200,592,457	210,954,313	210,926,181	198,534,409	185,447,784	178,809,926	175,796,889	174,487,966	202,070,159	201,808,752	212,584,588	-----
11. Average of total investment	196,351,946	205,773,385	210,940,247	204,730,295	191,991,097	182,128,855	177,303,408	175,142,428	188,279,063	201,939,456	207,196,670	\$182,959,802
12. Average of stockholders' investment	183,582,946	193,781,385	199,850,247	194,339,795	182,179,796	173,073,939	169,161,359	167,983,994	168,048,152	168,803,474	166,614,404	165,448,278
13. Average of common stockholders' equity	125,009,496	135,066,885	141,136,347	135,625,895	123,465,896	114,360,039	110,447,459	109,270,094	109,334,252	110,089,574	107,900,504	124,516,912
Net income before deducting Federal income and profits taxes:												
14. Applicable to total investment	18,174,378	23,777,575	10,674,721	41,728,693	47,468,951	44,075,147	42,376,305	100,933	5,854,157	7,007,342	4,371,617	11,039,140
15. Applicable to stockholders' investment	17,532,640	23,182,869	10,121,706	42,242,078	47,920,833	44,471,048	42,719,620	4181,950	4,464,600	5,613,799	4,513,616	10,168,753
16. Applicable to common stockholders' equity	13,428,266	19,072,854	6,011,733	46,352,051	41,030,806	48,581,021	46,829,593	44,291,923	354,627	1,503,826	4,981,801	7,212,944
Rate of return on total investment (14÷11)	9.26	11.56	5.06	40.84	43.89	42.24	41.34	0.06	2.95	3.47	1.79	6.03
Rate of return on stockholders' investment (15÷12)	9.55	11.96	5.06	41.15	44.35	42.58	41.61	4.11	2.66	3.33	4.49	6.15
Rate of return on common stockholders' equity (16÷13)	10.74	14.12	4.26	44.68	49.74	47.50	46.18	43.93	.32	1.37	9.16	5.79

¹ In 1922 the company's name was changed from Jones & Laughlin Steel Co. to Jones & Laughlin Steel Corporation.

² Reserve for Federal income and profits taxes not available for 1938.

³ Less unamortized debt discount and expense.

⁴ Denotes loss.

APPENDIX TABLE 14A.—Summary of income, expenses, and surplus for Jones & Laughlin Steel Corporation¹ and subsidiaries, 1917-38

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Net sales.....	\$129,810,539	\$128,923,400	\$103,243,608	\$148,615,441	\$39,930,625	\$72,309,755	\$108,482,551	\$95,197,184	\$109,261,241	\$115,182,341	\$104,617,400
Cost of goods sold.....	74,310,113	99,506,048	72,770,347	109,806,112	38,901,251	59,454,842	86,624,851	76,601,240	88,248,138	86,727,065	81,500,576
Distribution and administrative expenses.....	2,897,812	4,069,690	4,387,898	4,780,029	4,574,043	5,115,443	6,178,181	5,904,891	6,215,579	7,744,961	7,630,237
Provision for depreciation and depletion.....	5,947,798	5,888,351	4,668,926	5,161,155	2,448,678	4,026,469	4,746,868	4,238,449	4,792,050	5,210,631	4,872,359
Total operating expenses.....	83,255,723	109,464,089	81,827,141	119,837,296	45,923,972	68,596,754	97,549,900	86,744,580	99,255,767	99,682,657	93,703,172
Net income from operations.....	46,554,816	19,459,311	21,416,467	28,778,145	5,993,347	3,713,001	10,932,651	8,452,604	10,005,474	15,499,684	10,914,228
Other income (net).....	1,121,097	2,114,677	2,204,881	3,033,870	3,441,588	2,939,494	2,536,924	2,351,112	2,236,921	2,578,511	2,630,613
Net income applicable to total investment.....	47,675,913	21,573,988	23,621,348	31,812,015	2,551,759	6,652,455	13,472,575	10,803,716	12,242,395	18,078,195	13,553,843
Less:											
Income applicable to minority interest.....	1,087,120	1,061,381	1,030,140	941,418	938,267	1,140,612	1,066,430	999,675	925,037	850,481	748,021
Interest on long-term debt.....											
Net income applicable to stockholders' investment.....	46,588,793	20,512,607	22,591,208	30,870,597	2,490,026	5,511,843	12,406,145	9,804,041	11,317,358	17,227,714	12,805,822
Provision for Federal income and profits taxes.....	19,966,760	13,218,076	5,470,971	8,259,512	120,011	77,708	1,492,267	1,177,812	1,362,864	2,078,620	1,566,883
Net income for the year.....	26,622,033	7,294,531	17,120,237	22,611,085	2,310,037	5,434,136	10,913,878	8,626,229	9,954,494	15,149,094	11,238,939
Surplus beginning of the year.....	68,705,271	89,514,554	90,933,960	102,206,197	118,960,657	110,914,871	115,043,256	30,806,275	35,080,722	40,941,855	49,270,070
Total.....	95,325,304	96,809,085	108,054,197	124,817,282	115,340,620	116,349,006	125,963,134	39,434,504	45,035,216	56,090,929	60,509,009
Less dividends paid in cash on:											
Common stock.....	5,810,750	5,875,125	5,848,000	5,866,625	4,425,749	2,919,750	3,879,873	3,921,937	3,998,381	2,579,940	2,866,600
Preferred stock.....										3,990,919	4,079,337
Total.....	5,810,750	5,875,125	5,848,000	5,866,625	4,425,749	2,919,750	3,879,873	3,921,937	3,998,381	6,570,859	6,945,937

See footnotes at end of table.

APPENDIX TABLE 14A.—Summary of income, expenses, and surplus for Jones & Laughlin Steel Corporation and subsidiaries, 1917-38—
 Continued

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock, Jones & Laughlin Steel Corporation, issued in exchange for capital stock of Jones & Laughlin Steel Co. (predecessor) on basis of 2 shares of preferred stock and 2 shares of common stock for 1 share of common stock of predecessor company.....							\$120,000,000				
Capital stock of Jones & Laughlin Steel Co., retired.....					\$1,620,000		30,000,000	\$431,845	\$100,000	\$250,000	\$150,000
Other net additions or deductions.....						115,049,256	30,808,275	35,080,722	40,941,835	49,270,070	53,413,072
Surplus end of the year.....	\$89,514,554	\$90,933,960	\$102,206,197	\$118,950,057	\$110,914,871						
Net sales.....	\$11,343,885	\$126,748,956	\$90,412,500	\$54,877,021	\$28,060,697	\$44,631,257	\$47,982,341	\$63,553,840	\$94,409,455	\$117,475,223	\$75,410,901
Cost of goods sold.....	82,174,461	90,084,972	69,132,623	46,464,051	26,491,622	39,288,042	40,965,486	52,750,271	75,670,491	93,823,379	63,705,221
Distribution and administrative expenses.....	7,944,067	9,751,208	7,755,198	6,833,520	5,590,094	5,388,828	5,549,051	6,185,456	7,758,748	10,402,546	10,362,750
Provision for depreciation and depletion.....	5,449,528	6,196,315	5,367,457	5,119,866	4,628,169	4,057,632	4,859,108	5,511,549	6,391,759	7,319,998	5,971,879
Total operating expenses.....	95,568,056	106,032,495	82,255,278	58,417,437	36,709,885	49,734,502	51,373,645	64,447,276	89,820,998	111,547,923	80,039,850
Income from operations.....	15,775,829	20,716,461	8,157,222	\$3,540,416	\$8,649,188	\$5,103,245	\$3,391,304	\$893,436	\$4,588,457	\$5,927,600	\$4,628,949
Other income (net).....	2,398,549	3,061,114	2,517,499	1,811,723	1,186,237	1,028,098	1,014,999	994,369	965,700	1,079,742	915,332
Net income applicable to total investment.....	18,174,378	23,777,575	10,674,721	\$1,728,693	\$7,468,951	\$4,075,147	\$2,376,305	\$100,833	\$5,554,157	\$7,007,342	\$3,713,617
Less:											
Income applicable to minority interest.....						305,901	343,315	282,883	1,393,543	41,788	41,788
Interest on long-term debt.....	641,738	594,706	553,015	513,385	451,862	343,315	282,883	1,089,557	2,058,211	19,106,718	19,106,718
Net income applicable to stockholders' investment.....	17,532,640	23,182,869	10,121,706	\$2,242,078	\$7,920,833	\$4,471,048	\$181,950	\$4,464,600	\$5,613,799	\$5,813,616	\$223,712,571

Provision for Federal income and profits taxes.....	1,963,953	2,334,121	1,028,419	41,381	10,685	-----	31,753	216,766	335,000	825,000	66,342	61,623,534
Net income for the year.....	15,568,687	20,848,748	9,093,287	12,283,459	17,910,148	14,471,048	12,751,373	1,398,716	4,129,600	4,788,799	15,879,958	162,089,037
Surplus beginning of the year.....	53,413,072	61,219,465	72,897,638	74,749,352	67,291,440	56,399,814	51,038,671	48,947,381	48,477,133	49,304,909	50,204,472	-----
Total.....	68,981,759	82,068,213	81,990,925	72,465,893	59,381,292	51,928,766	48,287,298	48,148,865	52,606,615	54,093,708	44,324,514	-----
Less dividends paid in cash on:												
Common stock.....	3,457,920	4,610,560	2,881,600	864,480	-----	-----	-----	-----	-----	-----	-----	48,007,099
Preferred stock.....	4,104,374	4,110,015	4,109,973	4,109,973	2,495,341	440,354	-----	-----	2,201,771	3,082,480	-----	44,519,728
Total.....	7,562,294	8,720,575	6,991,573	4,974,453	2,495,341	440,354	-----	-----	2,201,771	3,082,480	-----	92,526,827
Capital stock, Jones & Laughlin Steel Corporation, issued in exchange for capital stock of Jones & Laughlin Steel Co. (predecessor) on basis of 2 shares of preferred stock and 2 shares of common stock for 1 share of common stock of predecessor company.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	120,000,000
Capital stock of Jones & Laughlin Steel Co., retired.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	30,000,000
Other net additions or deductions.....	4,200,000	4,450,000	4,250,000	4,200,000	4,486,137	4,449,741	290,283	328,150	1,099,935	1,806,756	965,241	2,975,726
Surplus end of the year.....	61,219,465	72,897,638	74,749,352	67,291,440	56,399,814	51,038,671	48,547,381	48,477,015	49,304,909	50,204,472	45,289,755	-----

¹ In 1922 the company's name was changed from Jones & Laughlin Steel Co. to Jones & Laughlin Steel Corporation.

² Loss.

³ No amounts reported for earnings applicable to minority interest (\$5,700) for the years 1917-20.

⁴ Deduction.

APPENDIX TABLE 15.—Summary of investments, profits, and rates of return for National Steel Corporation, 1930-38

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
1. Capital stock—common	\$51,797,650	\$53,720,425	\$53,894,425	\$53,894,425	\$53,894,425	\$53,894,425	\$53,924,425	\$54,056,925	\$54,196,925	\$54,969,175	
2. Surplus—earned and capital	43,580,271	50,660,268	50,531,738	48,347,617	48,819,453	52,714,398	58,284,298	56,131,836	66,433,209	71,389,680	
3. Reserves for Federal income and profits taxes		321,993	549,898	388,879	529,307	725,684	922,488	1,029,219	1,597,520	1,869,501	
4. Capital stock and surplus	95,377,921	104,702,686	104,976,061	102,630,921	103,243,185	107,334,507	113,131,211	111,217,980	122,227,654	128,228,356	
5. Less goodwill, appreciation, and other intangibles	6,072,893	6,072,893	6,072,893	6,072,893	6,072,893	6,072,893	6,072,893	6,072,893	6,072,893	6,072,893	
6. Minority stockholders' investment	89,305,028	98,629,793	98,903,168	96,568,028	97,170,292	101,261,614	107,058,318	105,145,087	116,154,761	122,155,463	
7. Minority stockholders' equity in subsidiaries	523,708	12,734									
8. Long-term debt ¹	9,821,532	10,296,257	40,950,724	41,800,000	39,561,657	39,299,333	48,833,834	57,861,416	57,978,190	61,729,960	
9. Total investment	99,650,268	108,848,784	139,853,892	138,358,028	136,731,959	140,560,947	155,892,152	163,006,503	174,132,951	183,885,423	
10. Average of total investment	104,249,526	124,351,338	124,351,338	139,105,960	137,544,993	138,646,453	148,226,549	159,449,327	168,569,727	179,099,187	\$144,350,340
11. Net income before deducting Federal income and profits taxes	93,967,411	98,766,481	98,766,481	97,730,598	96,864,160	99,215,953	104,159,966	106,101,702	110,649,924	119,155,112	102,956,812
12. Applicable to total investment	10,266,973	7,183,635	7,183,635	3,941,112	5,300,529	9,226,949	15,308,552	18,139,292	26,024,146	10,712,173	11,789,262
13. Applicable to stockholders' investment	9,460,357	4,959,441	4,959,441	1,813,097	3,295,070	7,256,878	13,081,735	15,856,304	23,626,013	8,297,248	9,735,132
Rate of return on total investment (12+10)	9.85	5.78	5.78	2.83	3.85	6.66	10.33	11.38	15.44	5.98	8.17
Rate of return on stockholders' investment (13+11)	10.07	5.02	5.02	1.86	3.40	7.31	12.53	14.94	21.35	6.96	9.46

¹ Less unamortized debt discount and expenses.

TABLE 16.—Summary of investments, profits, and rates of return for Youngtown Sheet & Tube Co. and subsidiaries, 1917-38

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
Preferred.....	\$9,974,400	\$9,934,300	\$9,934,300	\$9,934,300	\$9,934,300	\$9,934,300	\$9,974,400	\$14,241,100	\$14,241,100	\$14,241,100	\$14,241,100	\$14,241,100
Common.....	18,242,945	18,327,806	18,379,017	18,408,980	19,940,607	19,990,750	20,000,000	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
3. Total.....	28,217,345	28,262,106	28,313,317	28,343,280	29,874,907	29,925,050	29,974,400	89,441,100	89,441,100	89,441,100	89,441,100	89,241,100
4. Surplus—earned and capital.....	24,187,132	44,190,668	46,210,811	50,170,811	51,654,395	48,848,698	49,064,265	23,127,519	23,417,934	33,352,446	42,637,506	37,197,611
5. Contingency reserves.....	-----	-----	-----	-----	-----	3,013,602	-----	3,384,247	2,091,202	2,003,980	1,849,887	1,540,773
6. Reserves for Federal income and profits taxes.....	15,591,573	10,140,723	862,399	1,057,928	-----	-----	410,000	1,500,000	989,690	1,700,966	2,436,173	465,257
7. Capital stock and surplus.....	52,404,477	88,044,347	84,744,913	79,376,490	82,857,230	81,787,350	80,048,665	117,452,866	118,339,926	126,328,292	136,164,366	128,444,741
8. Less: Goodwill, appreciation, and other intangibles.....	42,225	578,094	682,898	698,108	661,283	658,103	651,503	23,128	1,088,420	942,628	895,032	595,032
9. Stockholders' investment.....	52,362,252	87,466,253	84,062,015	78,708,382	81,925,937	81,129,247	79,397,162	117,429,738	117,251,506	125,385,664	135,569,334	127,849,709
10. Minority stockholders' equity in subsidiaries.....	1,460	2,182	2,741	5,998	5,195	5,166	4,448	121,021	55,270	37,592	30,217	45,847
11. Long-term debt 1.....	-----	235,223	219,223	103,223	718,223	528,223	336,223	69,259,926	67,431,081	64,784,496	64,241,492	72,719,598
12. Total investment.....	52,363,712	87,703,658	84,283,979	78,877,603	82,649,355	81,662,636	79,737,833	186,850,085	184,737,837	190,207,732	199,841,043	200,615,154
13. Average of total investment.....	-----	70,033,685	85,993,818	81,580,791	80,763,479	82,155,995	80,700,235	133,294,259	185,704,271	187,472,804	195,024,397	200,228,098
14. Average of stockholders' investment.....	-----	69,914,252	85,764,134	81,385,198	80,317,159	81,527,592	80,263,204	98,413,450	117,340,622	121,318,585	130,477,499	131,769,522
15. Average of common stockholders' equity.....	-----	59,959,902	75,829,834	71,450,896	70,382,859	71,593,292	70,308,354	86,305,700	103,089,522	107,077,485	116,236,399	117,468,422
Net income before deducting Federal income and profits taxes:												
16. Applicable to total investment.....	38,950,501	15,559,158	7,667,608	8,286,817	3,138,787	4,138,207	4,138,207	15,003,068	12,691,016	19,185,928	21,511,592	11,002,081
17. Applicable to stockholders' investment.....	38,936,547	15,547,042	7,657,330	8,246,153	3,167,372	4,119,288	4,119,288	12,834,535	8,291,824	14,927,721	17,318,876	7,023,334
18. Applicable to common stockholders' equity.....	38,241,146	14,851,641	6,961,929	7,550,752	3,862,773	3,423,887	3,423,887	11,912,325	7,294,947	13,930,844	16,321,999	6,026,457
Rate of return on total investment (16÷13).....percent.....	55.62	18.09	9.40	10.26	3.91	5.13	5.13	11.26	6.83	10.23	11.03	5.49
Rate of return on stockholders' investment (17÷14).....percent.....	55.69	18.13	9.41	10.27	3.21	5.13	5.13	13.04	7.07	12.30	13.27	5.33
Rate of return on common stockholders' equity (18÷15).....percent.....	63.78	19.59	9.74	10.73	3.21	4.87	4.87	13.80	7.08	13.01	14.04	5.13

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
Capital stock:												
1. Preferred.....	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
2. Common.....	75,199,715	75,342,683	75,451,091	75,167,520	75,187,203	74,870,749	74,870,749	74,870,749	86,494,819	104,808,461	104,962,661	-----
Total.....	90,199,715	90,342,683	90,451,091	90,167,520	90,187,203	89,870,749	89,870,749	89,870,749	101,494,819	119,808,461	119,962,661	-----
3. Surplus-earned and capital.....	40,584,497	51,739,885	51,912,590	40,281,501	25,780,077	17,585,780	14,924,250	18,404,729	19,375,547	20,993,897	20,818,752	-----
4. Contingency reserves.....	1,277,423	2,226,072	2,144,524	89,269	-----	-----	-----	175,000	-----	-----	-----	-----
5. Reserves for Federal income and profits taxes.....	1,132,417	2,210,000	623,000	842	-----	-----	34,100	119,585	517,940	2,200,057	349,000	-----
6. Capital stock and surplus.....	133,174,052	146,508,640	145,131,205	130,539,132	115,967,280	107,456,529	104,829,099	108,371,663	121,563,306	143,002,415	141,070,413	-----
7. Less: Goodwill, appreciation, and other intangibles.....	595,032	-----	67,279	76,418	65,397	182,269	263,863	407,479	546,482	536,391	-----	-----
8. Stockholders' investments.....	132,579,020	146,508,640	145,063,926	130,462,714	115,901,883	107,274,260	104,565,236	108,163,584	121,016,824	142,466,024	141,070,413	-----
9. Minority stockholders' equity in subsidiaries.....	35,496	31,124	27,917	23,803	19,199	27,516	23,228	20,943	23,250	33,655	32,807	-----
10. Long-term debt.....	73,078,000	71,908,000	70,468,000	92,055,000	89,967,000	88,500,000	86,148,000	85,337,000	78,253,000	58,500,000	83,866,756	-----
11. Total investment.....	205,692,516	218,447,764	215,559,843	222,541,517	205,888,082	195,801,776	190,736,464	193,521,527	199,293,074	200,999,679	224,969,986	-----
12. Average of total investments.....	203,153,835	212,070,140	217,093,803	219,050,680	214,214,759	200,844,929	193,269,120	192,128,995	196,407,300	200,146,376	212,984,832	\$165,650,756
13. Average of common stockholders' equity.....	130,214,364	139,543,830	145,786,283	137,763,320	123,182,298	111,588,071	105,919,748	106,364,410	114,590,204	131,741,424	141,768,218	112,131,517
14. Average of total investments before deducting Federal income and profits taxes.....	115,593,814	124,543,830	130,786,283	122,763,320	108,182,298	96,588,071	90,919,748	91,364,410	99,590,204	116,741,424	126,768,218	98,797,945
15. Applicable to total investment.....	15,617,863	27,394,899	11,252,728	2,675,976	8,720,963	3,881,196	1,738,363	5,997,113	14,729,441	16,985,948	2,841,364	10,688,035
16. Applicable to stockholders' investment.....	11,871,336	23,774,174	7,659,133	7,040,899	13,272,783	8,342,901	2,631,019	1,717,231	11,079,406	14,390,648	18,905	7,905,486
17. Applicable to common stockholders' equity.....	10,960,398	22,949,174	6,834,133	7,865,899	14,097,783	9,167,901	3,456,019	892,231	10,254,406	13,565,648	843,905	7,076,256
18. Rate of return on total investment (16 ÷ 13).....percent.....	7.69	12.92	5.19	31.22	4.07	3.93	0.90	3.12	7.50	8.49	1.33	6.45
Rate of return on stockholders' investment (17 ÷ 14).....percent.....	9.12	17.04	5.25	5.11	10.77	7.48	2.48	1.61	9.67	10.92	1.01	7.05
Rate of return on common stockholders' equity (18 ÷ 15).....percent.....	9.48	18.43	5.23	6.41	13.03	9.49	3.80	.98	10.30	11.62	.67	7.16

1 Less unamortized debt discount and expenses.

2 Denotes loss.

TABLE 16a.—Summary of income, expenses, and surplus for Youngstown Sheet & Tube Co. and subsidiaries, 1917-38—Continued

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Total
Other net additions or reductions:											
Revaluation of real estate, plant, mineral and manufacturing properties.....	\$ 498, 141									\$ 1, 027, 387	\$ 930, 498
Sales of real estate, plant, mineral, and manufacturing properties.....	3, 626, 887				\$ 804, 000	\$ 1, 027, 420	\$ 84, 492	\$ 269, 536	\$ 2, 716, 394	291, 029	10, 013, 829
Conversion, repurchase, or sale of own securities.....			\$ 500, 000		527, 373	366, 334	43, 642	7, 086, 335	2, 865		11, 932, 646
Acquisition of assets and securities of other companies.....			41, 382			46, 442					26, 235, 404
Transfers to capital stock accounts.....						769, 000	2, 131, 058	17, 130	17, 130		55, 000, 000
Appropriations to or from reserves.....	1, 000, 000		\$ 1, 535, 000	\$ 1, 022, 391	150, 000			1, 000, 000			92, 687
Premiums or discounts on stock issues.....					275, 231						9, 388
All other charges or credits.....	1, 051, 242					57, 883		1, 987, 192		368, 885	2, 345, 514
Surplus end of the year.....	51, 729, 885	\$ 51, 912, 590	40, 281, 501	25, 780, 077	17, 585, 780	14, 924, 250	18, 405, 729	19, 375, 547	20, 993, 897	20, 818, 752	

: Denotes deduction.

APPENDIX TABLE 17.—Summary of investments, profits, and rates of return for the Inland Steel Co. and subsidiaries, 1917-38

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
Preferred.....												
Common.....	\$9, 999, 100	\$24, 997, 000	\$25, 019, 500	\$25, 019, 500	\$25, 175, 175	\$25, 331, 475	\$25, 356, 475	\$10, 000, 000	\$10, 000, 000	\$10, 000, 000	\$10, 000, 000	\$10, 000, 000
Total.....	9, 999, 100	24, 997, 000	25, 019, 500	25, 019, 500	25, 175, 175	25, 331, 475	25, 356, 475	35, 000, 000	35, 000, 000	35, 000, 000	35, 000, 000	35, 000, 000
3. Surplus—earned and capital.....	16, 678, 799	9, 538, 103	13, 720, 406	14, 318, 724	16, 996, 177	15, 251, 565	14, 086, 224	45, 000, 000	45, 000, 000	45, 000, 000	45, 000, 000	45, 000, 000
5. Contingency reserves.....		1, 366, 934	638, 098	64, 680					14, 541, 495	15, 698, 033	17, 533, 114	19, 740, 163
6. Reserves for Federal income and profits taxes.....		9, 419, 175	8, 293, 306	4, 693, 268	2, 750, 384	2, 223, 476	2, 298, 260		51, 512	32, 889		
7. Stockholders' investment.....	26, 663, 899	45, 321, 212	47, 671, 310	44, 096, 172	44, 921, 736	42, 806, 516	41, 710, 959	60, 918, 452	62, 329, 812	63, 496, 050	65, 474, 195	67, 861, 374
8. Long-term debt 1.....	5, 878, 048	5, 748, 386	5, 460, 724	5, 233, 062	5, 338, 399	5, 016, 737	4, 740, 075	663, 380	518, 585	12, 001, 462	11, 889, 667	11, 574, 246
9. Total investment.....	32, 541, 947	51, 069, 598	53, 141, 034	49, 329, 234	50, 260, 135	47, 823, 253	46, 460, 034	61, 581, 832	62, 848, 397	75, 497, 512	77, 363, 862	79, 435, 620
10. Average of total investment.....		41, 805, 773	52, 105, 316	51, 235, 134	49, 794, 685	49, 041, 694	47, 141, 644	54, 020, 933	62, 215, 115	69, 172, 955	76, 430, 687	78, 399, 741
11. Average of stockholders' investment.....		35, 992, 556	46, 496, 261	45, 883, 741	44, 508, 954	43, 864, 126	42, 258, 738	51, 314, 706	61, 624, 132	62, 912, 831	64, 485, 123	66, 607, 785
12. Average of common stockholders' equity.....		35, 992, 556	46, 496, 261	45, 883, 741	44, 508, 954	43, 864, 126	42, 258, 738	46, 314, 706	51, 624, 132	52, 912, 831	54, 485, 123	56, 697, 785

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
Net income before deducting Federal income and profits taxes:												
13. Applicable to total investment.....	22,071,288	13,574,138	5,334,997	5,907,967	2,465,098	206,111	5,914,888	6,018,350	5,832,495	7,951,989	7,809,862	
14. Applicable to stockholders' investment.....	21,614,400	13,205,352	4,980,305	5,552,862	2,805,648	211,105	5,736,026	5,930,726	5,705,501	7,203,419	7,075,374	
15. Applicable to common stockholders' equity.....	21,614,400	13,205,352	4,980,305	5,552,862	2,805,648	211,105	5,211,026	5,230,726	5,005,501	6,503,419	6,375,374	
Rate of return on total investment (13+10).....percent.....	52.79	26.05	10.41	11.86	3.95	0.44	10.95	9.67	8.43	10.40	9.96	
Rate of return on stockholders' investment (14+11).....percent.....	60.05	28.40	10.85	12.48	1.84	2.27	11.18	9.62	9.07	11.17	10.61	
Rate of return on common stockholders' equity (15+12).....percent.....	60.05	28.40	10.85	12.48	1.84	2.27	11.25	10.13	9.46	11.94	11.25	
Capital stock:												
1. Preferred.....	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$47,000,000	\$50,566,352	\$37,311,852	\$57,464,601	
2. Common.....	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	47,000,000	50,566,352	37,311,852	57,464,601	
3. Total.....	17,494,697	24,212,473	21,861,918	17,611,021	18,398,163	20,506,870	36,924,134	25,100,556	29,282,078	33,151,831	34,098,110	
4. Surplus-earned and capital.....	44,425	.....	.....	298,669	417,486	226,865	772,674	1,296,752	2,096,956	2,342,890	3,342,890	
5. Contingency reserves.....	3,404,879	3,801,992	2,803,620	1,337,207	380,885	733,058	2,173,949	2,769,343	3,550,269	1,121,620	1,121,620	
6. Reserves for Federal income and profits taxes.....	55,944,001	63,014,465	63,475,411	59,665,538	54,246,897	54,196,484	56,466,793	75,047,279	83,914,525	96,080,908	95,027,221	
7. Stockholders' investment.....	27,570,803	27,071,095	25,766,238	38,951,638	38,478,531	37,702,681	36,924,134	34,009,562	43,063,974	52,478,767	51,401,774	
8. Long-term debt 1.....	83,514,804	90,086,160	89,241,649	98,617,291	92,725,498	91,809,165	93,300,927	109,056,841	127,578,496	148,559,675	146,428,905	
9. Total investment.....	81,473,212	86,800,482	89,663,905	95,929,435	95,671,325	92,312,297	92,645,046	101,223,884	118,317,670	138,069,087	147,494,335	\$80,417,561
10. Average of stockholders' investment.....	61,902,688	59,479,233	63,244,938	61,570,475	56,956,218	54,221,691	55,331,639	63,757,086	79,480,902	89,997,717	95,554,064	59,622,984
11. Average of common stockholders' equity.....	56,902,688	59,479,233	63,244,938	61,570,475	56,956,218	54,221,691	55,331,639	65,757,086	79,480,902	89,997,717	95,554,064	57,250,257
Net income before deducting Federal income and profits taxes:												
13. Applicable to total investment.....	11,305,556	14,431,415	8,029,067	3,231,685	1,328,632	2,215,214	6,238,287	12,975,970	16,800,028	18,160,963	7,913,560	8,187,736
14. Applicable to stockholders' investment.....	10,097,543	13,057,855	6,669,959	1,291,688	3,338,630	240,439	4,306,709	11,023,444	14,996,595	16,276,937	6,036,727	7,124,658
15. Applicable to common stockholders' equity.....	9,922,543	13,057,855	6,669,959	1,291,688	3,338,630	240,439	4,306,709	11,023,444	14,996,595	16,276,937	6,036,727	6,965,567
Rate of return on total investment (13+10).....percent.....	13.88	16.63	8.95	3.44	1.39	2.40	6.73	12.82	14.20	13.15	3.37	10.18
Rate of return on stockholders' investment (14+11).....percent.....	16.31	21.95	10.55	2.10	5.86	.44	7.78	16.76	18.87	18.09	6.32	11.97
Rate of return on common stockholders' equity (15+12).....percent.....	17.44	21.95	10.55	2.10	5.86	.44	7.78	16.76	18.87	18.09	6.32	12.17

1 Denotes loss.

1 Less unamortized debt discount and expenses.

APPENDIX TABLE 17A.—Summary of income, expenses, and surplus for the Inland Steel Co. and subsidiaries, 1917-38

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Net sales.....	\$50,602,981	\$59,981,105	\$83,416,772	\$52,329,692	\$20,203,870	\$30,983,377	\$49,879,753	\$52,312,874	\$56,827,601	\$61,759,165	\$58,503,627	\$63,876,007
Cost of goods sold.....	26,222,086	43,612,606	25,850,488	43,447,304	18,115,471	27,701,571	41,702,203	43,498,951	47,730,803	49,409,300	45,933,595	48,081,124
Distribution and administrative expenses.....	824,063	1,215,273	1,108,374	1,149,417	807,281	887,084	1,039,625	1,317,290	1,469,258	1,611,858	1,802,947	1,899,149
Provision for depreciation and depletion.....	1,368,934	1,841,862	2,223,763	1,955,487	2,062,653	2,201,799	1,700,586	1,944,889	2,010,564	3,164,554	3,490,650	3,307,299
Total operating expenses.....	28,015,683	46,669,742	29,242,625	46,552,208	20,979,805	30,790,454	44,442,414	46,761,230	51,210,625	54,185,802	51,247,122	53,287,572
Net income from operations.....	21,987,298	13,311,363	4,174,147	5,777,884	1,775,935	102,923	5,437,339	5,551,644	5,616,976	7,573,363	7,256,505	10,588,435
Other income (net).....	83,990	202,775	1,160,830	130,383	310,337	13,188	477,549	466,706	213,519	378,626	583,357	717,121
Net income applicable to total investment.....	22,071,228	13,574,138	5,334,997	5,907,967	1,465,098	206,111	5,914,888	6,018,350	5,832,494	7,951,989	7,809,862	11,305,556
Less interest on long-term debt.....	455,888	368,786	354,692	355,105	340,850	321,216	178,862	87,624	126,934	748,570	734,488	1,208,013
Net income applicable to stockholders' investment.....	21,614,400	13,205,352	4,980,305	5,552,862	1,805,048	1,115,105	5,736,026	5,930,726	5,705,561	7,203,419	7,075,374	10,097,543
Provision for Federal income and profits taxes.....	9,419,175	6,132,304	686,182	972,731			488,020	672,024	697,675	829,691	865,120	1,078,979
Net income for the year.....	12,195,225	7,073,048	4,294,123	4,580,131	1,805,048	1,115,105	5,248,006	5,258,702	5,007,826	6,373,728	6,210,254	9,018,564
Surplus beginning of the year.....	16,664,799	9,538,103	13,720,406	14,315,724	16,996,177	15,231,563	14,086,224	13,221,986	14,941,495	13,065,033	17,533,114	19,740,163
Total.....	33,860,024	16,611,151	18,014,529	18,898,855	16,190,529	15,136,460	19,334,230	18,480,298	19,949,321	22,071,761	23,743,368	28,758,727
Less dividends paid in cash on—												
Common stock.....	1,999,820	2,001,060	2,001,560	2,763,906	1,013,964	1,014,009	2,471,313	2,956,997	2,956,997	2,956,997	2,956,997	8,250,000
Preferred stock.....	1,999,820	2,001,060	2,001,560	2,763,906	1,013,964	1,014,009	2,996,313	3,656,997	3,656,997	3,656,997	3,656,997	700,000
Total.....												8,425,000
Other net additions or deductions:												
Less or gain from disposal of capital assets.....	654,351	617,689	56,828	84,247						524,650	11,792	78,566
Surplus transferred to capital stock account.....	15,000,000						2,643,525					
Appropriations to or from reserves.....	1,000,000	731,631	259,542									
Unamortized bond discount and expense.....							209,897					977,596
Amortization of war facilities.....	667,750	1,003,627	1,853,847	835,688								
Premiums on stock issued and retired.....				154,945	90,000	17,101	2,101					1,500,000
Provision for employees savings and profit sharing fund.....			156,768	218,527	15,000	53,328	265,000	281,806	256,000	357,000	358,000	440,000
Miscellaneous.....				4,875								
Surplus end of year.....	9,538,103	13,720,406	14,318,724	16,996,177	15,251,565	14,086,224	13,221,596	14,541,495	15,698,033	17,533,114	19,740,163	17,494,697

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Total
Net sales.....	\$68,290,016	\$51,522,698	\$31,460,429	\$14,622,434	\$26,691,531	\$40,404,309	\$62,544,872	\$98,903,896	\$110,744,037	\$74,058,924	\$1,169,859,870
Cost of goods sold.....	49,877,053	38,833,149	24,380,330	12,304,349	20,455,668	29,055,971	43,091,540	70,848,735	79,816,975	54,749,319	884,738,611
Distribution and administrative expenses.....	2,086,181	2,087,438	1,748,811	1,406,624	1,584,430	1,913,476	3,087,748	6,321,897	7,785,837	6,738,350	49,049,012
Provision for depreciation and depletion.....	3,169,160	3,524,541	2,746,173	2,534,860	2,659,764	3,512,487	3,794,993	5,117,882	5,215,036	4,800,470	64,547,906
Total operating expenses.....	55,132,394	44,445,128	28,875,314	16,245,833	24,699,862	34,481,934	49,974,281	82,288,514	92,817,848	66,280,139	999,235,529
Net income from operations.....	13,157,622	7,077,570	2,585,115	11,623,399	1,931,666	5,922,375	12,570,601	16,615,382	17,926,189	7,769,785	170,624,341
Other income (net).....	1,273,793	991,497	646,570	294,867	283,545	315,912	403,379	184,646	234,774	143,775	9,565,859
Net income applicable to total investment.....	14,431,415	8,029,067	3,231,685	11,328,532	2,215,214	6,238,287	12,975,970	16,800,028	18,160,963	7,913,560	180,130,200
Less interest on long-term debt.....	1,373,560	1,359,108	1,939,997	2,010,098	1,974,775	1,931,578	1,952,626	1,803,433	1,884,026	1,876,633	23,387,752
Net income applicable to stockholders' investment.....	13,057,855	6,669,959	1,291,688	13,338,630	240,439	4,306,709	11,023,444	14,996,595	16,276,937	6,036,927	156,742,478
Provision for Federal income and profits taxes.....	1,248,857	709,992	8,568	925	4,347	669,528	1,812,863	2,195,065	3,508,449	1,120,523	33,111,018
Net income for the year.....	11,808,998	5,959,967	1,283,120	13,339,555	236,092	3,647,181	9,210,581	12,801,530	12,768,488	4,916,204	123,631,460
Surplus beginning of the year.....	17,494,697	24,212,473	25,117,373	21,861,918	17,611,021	18,398,163	20,566,870	25,100,656	29,282,078	33,151,831	---
Total.....	29,303,695	30,172,440	26,400,493	18,522,363	17,847,113	22,045,344	29,717,451	37,902,186	42,060,566	38,068,035	---
Less dividends paid in cash on—											
Common stock.....	4,200,000	4,800,000	3,300,000	300,000	---	600,000	2,880,000	6,657,000	7,682,375	3,940,693	67,703,688
Preferred stock.....	4,200,000	4,800,000	3,300,000	300,000	---	600,000	2,880,000	6,657,000	7,682,375	3,940,693	3,500,000
Total.....	8,400,000	9,600,000	6,600,000	600,000	---	1,200,000	5,760,000	13,314,000	15,364,750	7,881,386	71,203,688
Other net additions or deductions:—											
Revaluation of real estate, plant, properties and equipment, including goodwill and intangibles.....				12,788	---	707,300	64,860	---	345,587	---	1,130,578
Loss or gain from disposal of capital assets.....			79,406	43,409	241,010	328,360	199,883	488,820	8,447	---	2,223,465
Surplus transferred to capital stock account.....											
Appropriations to or from reserves.....	25,000	15,000	1,151,669	689,031	22,562	374,144	13,786	23,511	799,602	---	18,017,669
Unauthorized bond discount and expense.....	42,000	101,933	54,500	121,098	152,244	8,428	1,111,651	2,428,417	2,000	---	2,857,504
Amortization of war facilities.....											
Premiums on stock issued and re-tired.....											
Provision for employees' savings and profit sharing fund.....	600,000	342,000	62,000	---	---	---	---	---	94,724	---	4,245,358
Miscellaneous.....											
Surplus end of year.....	24,212,473	25,117,373	21,861,918	17,611,021	18,398,163	20,566,870	25,100,656	29,282,078	33,151,831	34,098,169	3,405,429

† Addition.

‡ Denotes loss.

APPENDIX TABLE 18.—Summary of investments, profits, and rates of return for the American Rolling Mill Co. and subsidiaries, 1917-38

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred.....	\$800,000	\$800,000	\$1,300,000	\$1,300,000	\$7,000,000	\$6,941,200	\$6,941,200	\$12,170,300	\$11,839,200	\$11,669,500	\$11,647,300	\$16,647,300
2. Common.....	6,719,965	8,000,000	9,441,075	9,900,975	16,073,775	17,852,550	17,852,550	19,935,725	21,000,000	22,049,644	23,151,679	24,534,946
3. Total.....	7,519,965	8,800,000	10,741,075	11,200,975	23,073,775	24,793,750	24,793,750	32,106,025	32,839,200	33,719,144	34,798,979	41,182,246
4. Surplus—earned and capital.....	4,415,234	5,924,586	12,175,635	12,710,961	10,690,430	10,330,834	12,156,644	13,314,328	12,810,516	12,123,727	12,432,391	12,780,161
5. Contingency reserves.....	-----	365,000	-----	603,618	503,618	938,618	938,618	243,891	235,355	-----	-----	-----
6. Reserves for Federal income and profits taxes.....	-----	-----	824,774	1,834,238	1,404,759	-----	-----	275,802	613,511	346,064	555,474	457,758
7. Capital stock and surplus.....	11,935,199	14,724,586	23,741,484	26,111,174	35,732,582	36,063,202	37,889,012	45,945,046	46,498,582	46,188,935	47,786,844	54,429,165
8. Less goodwill, appreciation, and other intangibles.....	1,521,023	846,023	4,097,332	4,073,106	4,838,812	10,663,124	11,881,607	11,843,393	11,503,597	11,466,972	11,398,770	13,106,069
9. Stockholders' investment.....	10,414,176	13,878,563	19,644,152	22,038,068	30,893,770	25,400,078	26,007,405	34,096,653	34,994,985	34,721,963	36,388,074	41,323,096
10. Minority stockholders' equity in subsidiaries.....	-----	-----	-----	-----	40,800	39,800	48,800	48,800	41,400	41,400	22,900	35,000
11. Long-term debt ¹	2,422,500	1,172,000	1,166,500	439,000	-----	3,886,766	2,103,960	7,312,450	6,615,392	6,314,228	6,244,129	8,700,558
12. Total investment.....	12,836,676	15,050,563	20,810,652	22,477,068	30,934,570	29,326,644	28,160,165	41,457,903	41,631,777	41,077,591	42,655,103	50,058,654
13. Average of total investment.....	13,943,619	17,930,607	21,643,809	26,705,819	30,130,607	28,743,404	34,809,034	41,554,840	41,364,684	41,866,347	46,356,878	54,855,878
14. Average of stockholders' investment.....	12,146,369	15,761,357	20,841,110	26,465,919	28,146,924	25,703,741	30,052,029	34,545,819	34,858,474	35,555,018	38,855,585	46,356,878
15. Average of common stockholders' equity.....	11,346,369	15,711,357	19,541,110	22,315,919	21,176,324	18,762,541	20,496,279	22,541,069	23,104,124	23,896,618	24,708,285	29,855,585
16. Net income before deducting Federal income and profits taxes.....	3,995,435	7,619,868	2,945,107	25,311,759	2,408,973	2,308,365	3,766,688	3,653,062	3,646,494	3,653,062	5,014,450	4,020,550
17. Applicable to total investment.....	3,892,662	7,549,765	2,880,027	25,291,487	2,408,973	2,306,365	3,692,632	3,628,856	3,173,856	3,215,772	4,597,071	4,206,235
18. Applicable to common stockholders' equity.....	3,844,662	7,471,765	2,808,027	24,651,920	2,898,274	1,821,065	2,794,041	2,345,587	2,345,587	2,395,051	3,770,909	3,393,138
Rate of return on total investment (16+13) percent.....	28.65	42.50	13.61	19.89	8.00	8.02	10.82	8.78	8.83	8.83	11.98	9.97
Rate of return on stockholders' investment (17+14) percent.....	32.05	45.04	13.85	19.99	8.56	8.97	12.29	9.19	9.23	12.93	12.93	10.83
Rate of return on common stockholders' equity (18+15) percent.....	33.88	47.56	14.37	20.85	13.69	9.71	13.63	10.41	10.37	15.78	15.78	13.73

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
Capital stock:												
1. Preferred.....	\$5,022,000	\$22,000	\$2,010,300	\$1,984,500	\$1,974,500	\$1,943,000	\$1,943,000	\$1,932,400	\$1,931,000	\$45,000,000	\$45,000,000	
2. Common.....	30,038,501	35,733,380	42,768,009	41,373,409	41,352,211	42,768,409	42,769,409	46,353,759	70,046,309	71,738,039	71,738,009	
3. Total.....	35,060,501	35,755,380	44,779,709	43,359,902	43,326,711	44,712,409	44,712,409	48,286,159	72,028,409	116,738,069	116,739,009	
4. Surplus earned and capital.....	23,755,043	31,572,644	24,780,431	19,703,851	16,779,809	14,494,517	14,034,742	15,828,019	12,060,869	12,623,475	10,192,874	
5. Congingency reserves.....	813,729	618,339	158,480	4,529	6,438	106,375	366,795	748,395	1,390,054	1,533,561	548,483	
6. Reserves for Federal income and profits taxes.....	59,629,873	67,946,363	69,718,629	63,067,862	60,112,958	59,258,301	59,713,946	64,862,603	86,085,322	130,896,045	127,490,366	
7. Capital stock and surplus.....	13,018,769	12,604,871	11,996,810	11,926,497	11,627,103	11,495,276	11,358,560	11,158,226	9,352,499	8,275,367	8,275,367	
8. Less goodwill, appreciation, and other intangibles.....	46,611,104	55,341,492	57,721,819	51,141,485	48,485,855	47,703,025	48,355,385	53,704,377	76,732,823	122,620,678	119,204,999	
9. Stockholders' investment.....	32,029	34,720	66,320	12,420	9,920	6,920	6,134	144,353	18,390	17,454	8,417	
10. Minority stockholders' equity in subsidiaries.....	31,038,681	24,834,343	183,926,400	744,014	40,001,560	85,696,270	38,061,081	43,679,506	24,324,868	3,188,718	1,980,129	
11. Long-term debt.....	77,701,803	80,230,555	99,972,065	91,897,019	88,497,335	83,466,221	87,022,021	97,528,236	101,076,081	125,826,850	121,198,545	
12. Total investment.....	63,880,229	78,966,180	90,101,310	95,634,992	90,197,627	85,981,778	86,244,421	92,275,428	99,302,158	113,451,466	123,570,137	\$91,985,249
13. Average of stockholders' investment.....	43,967,100	50,976,298	58,531,655	54,431,652	49,813,670	48,124,440	48,059,203	51,029,882	65,218,000	99,676,750	120,812,839	45,121,665
14. Average of common stockholders' equity.....	33,132,450	48,454,298	55,585,585	52,434,252	47,834,170	46,168,690	46,116,205	49,062,182	63,286,450	76,210,800	75,912,839	37,170,674
15. Net income before deducting Federal income and profits taxes.....	8,919,400	8,256,854	2,137,322	3,776,842	215,295	1,531,322	3,447,003	7,317,146	9,069,119	10,632,665	739,246	4,045,371
16. Applicable to total investment.....	7,489,290	6,729,205	251,886	3,095,882	2,025,107	3,613,371	1,262,797	4,925,345	7,810,303	9,721,598	847,649	3,111,614
17. Applicable to stockholders' investment.....	7,288,402	6,677,885	190,917	3,215,138	2,143,727	3,729,951	1,147,251	4,813,029	7,070,858	8,751,020	2,871,130	2,665,668
18. Applicable to common stockholders' equity.....	13.96	10.46	2.37	3.81	1.78	2.24	4.04	9.68	9.68	9.37	3.00	6.53
Rate of return on total investment (16+13).....	17.03	13.20	.45	3.59	4.07	3.27	2.63	9.65	11.98	9.75	1.70	6.90
Rate of return on stockholders' investment (17+14).....	22.00	13.78	.34	6.13	4.48	3.58	2.49	9.80	12.12	11.48	3.78	7.17
Rate of return on common stockholders' equity (18+15).....												

1 Less unamortized debt discount and expenses.
 2 Net profits and rates of return are for an 18-month period. Thus, on a mathematical ratio the annual rates of return would be two-thirds these amounts or 13.26, 13.33, and 13.90 percent.
 3 Denotes loss.
 4 Amount for 1933 was not available; amount shown for 1937 was used also in 1935.

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Total (22½ years)
Net sales.....	\$70,434,233	\$53,651,626	\$39,907,797	\$27,294,322	\$41,828,915	\$54,485,115	\$76,799,385	\$101,463,383	\$114,857,600	\$70,441,606	\$1,033,570,281
Cost of goods sold.....	55,688,255	45,476,684	35,757,433	23,288,741	35,630,439	44,511,987	62,216,533	82,608,473	91,430,993	58,959,391	834,482,843
Distribution and administrative expenses.....	4,074,698	4,809,286	4,094,170	3,210,811	3,826,736	3,098,238	6,494,957	8,368,983	10,123,539	9,093,391	85,973,049
Provision for depreciation and depletion.....	2,397,658	2,012,519	1,430,933	1,723,291	1,828,007	1,917,084	2,075,958	2,923,732	3,369,356	3,516,405	38,742,156
Total operating expenses.....	68,360,571	52,388,499	41,252,556	28,222,843	41,285,182	51,527,329	70,757,448	93,921,193	104,925,918	71,529,137	959,198,329
Net income from operations.....	7,073,662	1,263,127	1,344,759	1,928,521	543,736	2,957,786	6,041,937	7,542,190	9,381,682	11,087,531	74,371,953
Other income (net).....	1,183,192	874,195	567,917	1,143,816	987,865	489,217	1,275,269	2,066,929	700,983	348,285	16,648,890
Net income applicable to total investment.....	8,256,854	2,137,322	1,776,842	215,295	1,531,322	3,447,003	7,317,146	9,609,119	10,632,665	11,739,246	91,020,843
Less income applicable to minority interest.....	1,527,649	1,885,436	2,319,040	2,240,402	2,144,083	2,183,172	2,388,173	1,793,354	1,773	1,519	13,410
Net income applicable to stockholders' investment.....	6,729,205	251,886	3,095,882	2,025,107	1,613,371	1,263,797	4,925,345	7,810,303	9,721,598	10,217,727	70,011,314
Provision for Federal income and profits taxes.....	618,635	137,792	2,564	4,545	59,718	296,231	615,215	1,398,627	1,490,263	460,231	12,371,453
Net income for the year.....	6,110,570	114,094	3,068,446	2,029,602	1,673,089	966,566	4,310,130	6,441,676	8,231,333	9,757,496	57,639,861
Fiscal years ended June 30, 1917, 1918, and 1919; and 18-month period ended Dec. 31, 1920.											
Denote loss.											
Deduction from surplus.											
Premiums or discounts on stock issues.....				\$285,000			\$141,093	\$141,094	\$154,647	\$6,019	218,200
Conversion, repurchase or sale of own securities.....											
Acquisition of assets and securities of other companies.....	2,004,998			\$64,677	4,725,575	96,964	68,753	233,967			\$125,139
Appropriations to provide for retirement of plant property, sundry deferred charges, etc.											
Premium and expense on bonds retired.....											
Unamortized discount and expenses applicable to funded debt retired.....											
Depreciation charged to capital surplus.....											
Miscellaneous.....		\$824,989	\$1,213,409	261,278			3,729	26,151	219,769	72,653	366,389
Total other net additions or deductions.....	3,872,411	65,421	65,421	32,182	4,725,575	1,432,949	98,089	119,024	18,459	\$19,644	502,040
Surplus end of the year.....	5,924,586	12,175,635	12,710,961	10,660,430	10,330,834	12,155,644	13,314,323	12,810,516	12,123,727	12,432,391	23,755,643

1 Fiscal years ended June 30, 1917, 1918, and 1919; and 18-month period ended Dec. 31, 1920.

2 Denote loss.

3 Deduction from surplus.

APPENDIX TABLE 18A.—Summary of income, expenses, and surplus for the American Rolling Mill Co. and subsidiaries, 1917-38—Continued

	1920	1930	1931	1932	1933	1934	1935	1936	1937	1938	Total (22½ years)
Surplus beginning of the year.....											
Total.....	\$23,755,643	\$31,572,644	\$24,780,431	\$19,703,551	\$16,779,809	\$14,439,517	\$14,694,742	\$15,828,049	\$12,660,859	\$12,823,475	
Less dividends paid on:											
Common stock in cash.....	29,866,213	31,686,738	21,681,985	17,673,949	16,106,720	15,406,083	18,944,872	22,269,725	20,892,194	11,315,595	
Common stock in stock.....	2,787,622	3,241,558	5,110				1,068,154	5,604,119	4,015,943		\$36,466,844
Preferred stock in cash.....	1,689,229	2,035,954	119,256	118,620			348,500	144,907	972,351	1,012,523	16,113,370
Total.....	51,320	60,969									9,036,336
Surplus ending of the year.....	4,528,171	5,338,481	124,366	118,620			1,416,654	5,749,026	4,988,294	1,012,523	61,616,550
Total after deducting dividends.....	25,338,042	26,348,257	21,557,619	17,555,329	16,106,720	15,406,083	17,528,218	16,520,699	15,903,900	10,303,072	314,676,478
Other net additions or deductions:											
Revaluation of real estate, plant, mineral, and manufacturing properties, etc.....	\$ 238,476	\$ 169,916	\$ 19,943	\$ 5,764	\$ 151,224	\$ 403,571	\$ 461,399	\$ 1,988,953	\$ 978,257		2,583,988
Revaluation of securities.....	\$ 173,056	\$ 95,120			\$ 63,928						281,801
Sales of real estate, plant, mineral, and manufacturing properties, etc.....	\$ 894,941	\$ 520,345			\$ 410,038	\$ 255,113	\$ 221,736	\$ 786,153	\$ 900,312		\$ 4,279,455
Premiums or discounts on stock issues.....	8,000,124	\$ 2,815							\$ 1,168,502		13,315,887
Conversion, repurchase, or sale of own securities.....			\$ 1,140,053	7,800	\$ 423,027	7,919	\$ 39,082	\$ 716,169	5,800		\$ 2,296,822
Acquisition of assets and securities of other companies.....	\$ 40,306	839,538		\$ 69,522		\$ 16,824	13,137	\$ 402,432	846,474		8,110,446
Appropriations to provide for retirement of plant property, sundry deficiencies, charges, etc.....										110,419	\$ 1,869,419
Premiums and expense on bonds retired.....	\$ 250,000		\$ 500,000	\$ 1,265,000			\$ 502,578	\$ 558,255			\$ 1,861,113
Unamortized discount and expense applicable to funded debt retired.....									\$ 529,965		\$ 781,284
Depreciation charged to capital surplus.....	\$ 168,743	\$ 71,732	\$ 194,072	556,966	\$ 618,986	\$ 108,752	\$ 237,182	33,867	2,592	1,5,779	\$ 1,547,436
Miscellaneous.....	6,234,602	\$ 1,567,826	\$ 1,854,068	\$ 775,520	\$ 1,667,203	\$ 771,341	\$ 1,700,169	\$ 3,859,840	\$ 3,280,425	\$ 1,110,198	\$ 1,902,269
Total other net additions or deductions.....	31,572,644	24,780,431	19,703,551	16,779,809	14,439,517	14,634,742	15,828,049	12,660,859	12,623,475	10,192,874	9,754,329
Surplus end of the year.....											

¹ Fiscal years ended June 30, 1917, 1918, and 1919; and 18-month period ended Dec. 31, 1920.

² Denotes loss.

³ Deduction from surplus.

CONCENTRATION OF ECONOMIC POWER

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APPENDIX TABLE 19.—Summary of investments, profits, and rates of return for Wheeling Steel Corporation¹ and subsidiaries, 1917-38

	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
Capital stock:												
1. Preferred	\$9,915,400	\$9,915,400	\$9,915,400	\$9,915,400	\$23,489,400	\$23,602,200	\$23,821,100	\$24,217,033	\$27,519,314	\$27,529,699	\$27,529,800	\$27,529,800
2. Common	9,915,400	9,915,400	9,915,400	9,915,400	39,472,645	39,520,120	39,402,786	39,368,602	39,444,477	39,470,594	39,483,700	39,483,700
3. Total	19,830,800	19,830,800	19,830,800	19,830,800	62,962,045	63,122,320	63,223,886	63,585,635	66,964,291	67,000,293	67,013,500	67,013,500
4. Surplus	5,656,764	9,520,612	10,122,045	10,791,097	13,425,159	6,881,653	6,010,902	9,645,022	5,772,011	7,789,837	9,863,746	11,040,063
5. Reserves for Federal income and profits taxes	5,189,302	4,430,262	4,430,262	207,853	3,346,747	-----	-----	-----	60,000	563,394	717,078	535,000
6. Capital stock and surplus	25,487,564	34,540,714	34,284,010	30,820,750	79,733,951	70,003,973	69,234,788	73,230,657	72,796,302	75,353,524	77,594,324	78,588,563
7. Less goodwill, appreciation and other intangibles	8,886,362	8,225,366	7,381,131	6,919,363	6,492,598	6,106,394	5,675,689	5,752,613	5,746,682	5,746,681	5,746,682	5,725,737
8. Stockholders' investment	16,601,202	26,315,348	26,902,879	23,910,387	73,241,353	63,897,579	63,559,099	67,478,044	67,049,620	69,606,843	71,847,642	72,862,826
9. Minority stockholders' equity in subsidiary companies	3,242,500	2,553,500	2,477,000	2,421,000	784,595	480,700	105,500	-----	-----	26,196,598	24,371,574	23,310,001
10. Long-term debt ²	19,843,702	28,868,848	29,379,879	26,331,387	81,528,470	71,642,110	78,786,992	89,720,008	94,285,714	95,803,441	96,219,216	96,181,827
11. Total investment	24,356,275	29,124,363	27,855,633	25,332,387	81,528,470	71,642,110	78,786,992	89,720,008	94,285,714	95,803,441	96,219,216	96,181,827
12. Average of total investment	21,458,275	26,696,113	25,406,633	24,551,333	48,575,870	68,569,466	63,728,339	65,518,572	67,293,832	68,328,231	70,727,242	72,553,284
13. Average of stockholders' investment	11,542,875	16,693,713	15,491,233	31,873,470	45,023,666	40,016,689	41,499,506	41,395,409	40,803,475	43,197,493	44,823,431	44,823,431
14. Net income before deducting Federal income and profits taxes:	13,028,122	7,979,810	2,585,574	20,872,574	20,872,574	2,216,730	1,001,187	6,374,490	2,479,781	6,297,823	7,320,237	6,088,902
15. Applicable to total investment	12,882,468	7,852,858	2,462,466	20,253,862	20,253,862	2,816,739	250,901	5,251,374	925,110	4,600,987	5,723,538	4,563,916
16. Applicable to stockholders' investment	12,089,236	7,059,626	1,690,234	18,713,553	18,713,553	5,138,072	2,069,352	2,862,823	3,813,012	1,948,591	2,672,049	1,711,317
17. Applicable to common stockholders' equity	53.49	27.40	9.28	38.70	38.70	2.89	1.33	7.57	2.70	6.63	7.62	6.33
Rate of return on total investment (15+12) (percent)	60.03	29.51	9.69	41.70	41.70	4.11	0.39	8.02	1.38	6.73	8.09	6.31
Rate of return on stockholders' investment (16+13) (percent)	104.73	42.29	10.78	58.71	58.71	11.41	5.25	6.90	9.21	4.78	6.19	3.82
Rate of return on common stockholders' equity (17+14) (percent)	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

¹ Organized in June 1920 as a holding company for Wheeling Steel & Iron Co., La Belle Iron Works, and Whitaker-Glessner Co.; figures prior to 1920 are for La Belle Iron Works.
² Less unamortized debt discount and expenses.
³ Loss.

APPENDIX TABLE 19.—Summary of investments, profits, and rates for *Wheeling Steel Corporation and subsidiaries, 1917-38*—Continued

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
Capital stock:												
1. Preferred.....	\$27,526,800	\$27,526,800	\$27,526,800	\$38,162,013	\$38,076,014	\$38,079,700	\$38,047,000	\$38,142,300	\$38,154,700	\$38,120,800	\$38,024,056	
2. Common.....	39,481,900	30,682,900	39,682,900	19,384,550	19,325,700	19,381,750	19,388,350	19,403,504	15,404,550	28,160,000	28,286,513	
3. Total.....	67,008,700	67,209,700	67,209,700	57,546,563	57,401,714	57,461,450	57,435,350	57,545,800	57,559,250	66,287,400	66,310,569	
4. Surplus.....	13,033,086	17,156,084	15,050,825	18,475,045	15,209,612	14,943,719	16,919,478	19,241,739	18,650,313	11,186,352	10,753,011	
5. Reserves for Federal income and profits taxes.....	570,000	736,000	8,500				40,000	430,351	324,257	551,719	88,583	
6. Capital stock and surplus.....	80,611,786	85,101,784	82,269,025	76,021,608	72,711,326	72,407,169	74,394,828	77,217,950	76,533,820	78,025,471	77,152,163	
7. Less goodwill, appreciation and other intangibles.....	5,413,143	5,177,741	4,921,493	4,860,353	4,841,281	4,706,795	4,657,425	4,488,606	4,257,443	3,981,045	3,872,539	
8. Minority stockholders' equity in subsidiary companies.....	75,198,643	79,924,043	77,347,532	71,161,255	67,870,045	67,700,374	69,737,403	72,729,344	72,276,377	74,044,426	73,279,624	
10. Long-term debt.....	30,018,411	30,284,043	29,681,909	28,104,902	25,248,186	24,405,731	23,990,518	28,121,329	32,837,774	32,169,597	31,506,388	
11. Total investment.....	105,217,054	110,208,086	107,029,441	99,296,157	93,118,231	92,106,105	93,727,921	100,850,673	105,114,151	106,214,023	104,789,012	
12. Average of total investment.....	100,699,440	107,712,570	108,618,763	103,147,799	96,192,194	92,612,168	92,917,013	97,289,297	102,982,412	105,664,087	105,501,517	\$84,723,458
13. Average of stockholders' investment.....	74,030,734	77,591,343	78,635,787	74,254,394	69,515,650	67,785,210	68,718,889	71,233,374	72,502,861	73,160,402	73,662,028	63,618,249
14. Average of common stockholders' equity.....	46,502,434	50,034,543	51,108,987	41,409,988	31,396,637	29,707,353	30,655,539	33,138,724	34,354,361	35,019,652	35,586,597	35,967,172
Net income before deducting Federal income and profits taxes:												
15. Applicable to total investment.....	8,839,743	10,351,967	4,396,515	3 1,660,470	3 2,695,930	711,184	1,981,542	5,309,228	6,243,004	6,172,015	2,094,743	5,161,605
16. Applicable to stockholders' investment.....	7,013,739	8,741,664	2,659,388	3 3,339,139	3 4,250,618	3 737,385	596,351	4,019,450	4,765,711	4,790,207	581,721	3,945,083
17. Applicable to common stockholders' equity.....	4,360,459	6,088,384	6,108	3 5,237,175	3 6,553,744	3 3,022,167	3 1,686,469	1,730,912	2,470,603	2,867,095	3 1,348,428	1,698,980
Rate of return on total investment (15÷12) (percent).....	8.78	9.61	4.05	3 1.61	3 2.80	0.77	2.13	5.46	6.06	5.84	1.99	6.09
Rate of return on stockholders' investment (16÷13) (percent).....	9.47	11.27	3.38	3 4.50	3 6.11	3 1.09	0.87	5.64	6.57	6.55	0.79	6.20
Rate of return on common stockholders' equity (17÷14) (percent).....	9.38	12.17	0.01	3 12.65	3 20.81	3 10.17	3 5.50	5.22	7.21	8.19	3 3.79	4.72

3 Less unamortized debt discount and expenses.

3 Loss.

APPENDIX TABLE 19A.—Summary of income, expenses, and surplus for Wheeling Steel Corporation¹ and subsidiaries, 1917-38

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Net sales.....	\$31,656,208	\$31,646,211	\$18,705,774	\$99,822,887	\$27,969,236	\$47,352,152	\$70,781,680	\$63,901,819	\$79,477,841	\$82,109,414	\$71,527,239	\$76,974,535
Cost of goods sold.....	17,488,003	22,440,006	15,272,948	73,633,915	24,822,814	40,606,641	58,361,548	54,707,267	66,133,058	67,766,429	58,444,901	60,036,199
Distribution and administrative expenses.....	1,170,282	1,490,319	1,267,215	3,156,948	3,409,754	3,554,235	3,821,213	4,341,722	4,567,360	4,532,646	4,361,770	5,067,020
Provision for depreciation and depletion.....	18,658,885	23,939,325	16,540,163	3,172,365	2,708,320	2,900,602	2,741,075	2,962,342	3,170,837	3,291,884	3,432,196	4,065,252
Total operating expenses.....	12,997,383	7,706,886	2,165,611	79,963,228	30,940,888	47,061,478	64,923,836	62,011,331	73,871,285	75,590,959	66,268,867	69,168,471
Net income from operations.....	30,739	272,924	419,963	19,859,659	3,031,652	290,674	1,890,488	1,890,488	5,906,566	6,578,455	5,238,372	7,806,064
Other income (net).....	0	0	0	1,012,915	814,922	710,513	516,646	589,293	691,267	741,782	830,530	1,033,679
Net income applicable to total investment.....	13,028,122	7,979,810	2,585,574	20,872,574	2,216,730	1,001,187	6,374,490	2,479,781	6,297,823	7,320,237	6,088,902	8,839,743
Less:												
Income applicable to minority interest.....	0	0	0	99,110	21,886	5,670	56					
Interest on long-term debt.....	145,654	126,952	123,108	519,602	578,123	744,616	1,123,090	1,554,671	1,696,836	1,596,699	1,524,986	1,826,004
Net income applicable to stockholders' investment.....	12,882,468	7,852,858	2,462,466	20,253,862	2,816,739	250,901	5,251,374	925,110	4,900,987	5,723,538	4,563,916	7,013,739
Provision for Federal income taxes.....	5,189,302	4,330,262	207,853	3,346,747	0	0	0	60,000	563,394	717,078	555,000	570,000
Net income for the year.....	7,693,166	3,522,596	2,254,613	16,907,115	2,816,739	250,901	5,251,374	865,110	4,037,593	5,006,460	4,028,916	6,443,739
Surplus beginning of the year.....	5,656,764	9,520,612	10,122,948	10,791,097	13,425,159	6,881,653	6,010,902	9,645,022	5,772,011	7,789,837	9,863,746	11,040,063
Total.....	13,349,930	13,043,208	12,377,561	27,698,212	10,698,420	7,132,554	11,262,276	10,510,132	9,809,604	12,796,297	13,892,662	17,483,802
Less dividends paid on:												
Common stock in cash.....	1,189,848	1,189,848	793,232	1,919,297	388,101							
Common stock in stock.....	793,232	793,232	793,232	20,667,359	2,044,237							
Preferred stock in cash.....	1,983,080	1,983,080	1,586,464	33,126,965	2,432,338	1,175,196	1,776,641	4,738,122	2,055,469	3,051,489	2,852,599	2,653,280
Total.....	3,965,160	3,966,160	3,172,958	65,723,611	6,464,676	2,150,392	3,552,437	9,476,244	4,060,938	6,103,978	5,406,599	5,306,560

¹ Organized in June 1929 as a holding company for Wheeling Steel & Iron Co., La Belle Iron Works, and Whitaker-Glessner Co.; figures prior to 1929 are for La Belle Iron Works.

² Loss.

³ Dividends on stocks of consolidated companies to July 1, 1920.

APPENDIX TABLE 19A.—Summary of income, expenses, and surplus for Wheeling Steel Corporation and subsidiaries, 1917-38—Continued

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Other net additions or deductions:												
Difference between consolidated sur-												
plus and surplus of La Belle Iron				\$24,583,865								
Works at Jan. 1, 1920				4,158,740					\$85,702	\$118,938		4 \$874,074
Revaluation of goodwill and other												
intangibles												
Sales of real estate, plant, mineral												
and manufacturing properties												
Conversion, repurchase, or sale of												
own securities												
Appropriations for reserves	4 \$1,290,908	4 \$937,180										
Profit or loss from sales of investment				4 1,571,213		\$201,274						
securities				4 \$1,294,429		4 147,730	4 159,387					
All other charges or credits	4 455,330											4 923,362
Surplus end of the year	9,520,612	10,122,948	10,791,097	13,425,159	6,881,653	6,010,902	9,645,022	\$5,772,011	7,789,837	9,863,746	\$11,040,063	13,033,086
Net sales	\$83,796,637	\$65,371,515	\$44,859,214	\$30,682,156	\$44,404,365	\$48,484,402	\$66,262,938	\$80,598,528	\$90,455,380	\$62,420,280	\$1,319,260,478	
Cost of goods sold	64,860,942	52,305,864	38,491,417	25,982,395	35,747,877	38,399,439	51,208,475	64,312,550	73,247,504	51,034,699	1,055,265,481	
Distribution and administrative expenses	5,614,012	5,890,118	5,035,025	4,206,499	3,904,245	4,453,108	5,040,072	5,857,153	6,311,821	6,051,528	89,296,943	
Provision for depreciation and depletion	4,007,976	3,813,246	3,593,226	3,611,401	4,298,552	4,072,194	5,242,105	4,950,523	5,503,495	3,834,516	75,308,927	
Total operating expenses	74,482,930	62,009,228	47,020,268	33,800,295	44,040,674	46,924,791	61,490,652	75,120,226	85,062,820	60,920,743	1,219,811,351	
Net income from operations	9,313,707	3,362,287	2,161,054	2,3,118,139	363,691	1,559,611	4,772,286	5,478,299	5,392,560	1,499,537	99,449,127	
Other income—net	1,038,200	1,034,228	500,584	422,209	347,493	421,931	536,942	764,705	779,455	595,206	14,106,186	
Less:												
Net income applicable to total investment	10,351,907	4,396,515	2,1,660,470	2,2,065,930	711,184	1,981,542	5,309,228	6,243,004	6,172,015	2,094,743	113,555,311	
Income applicable to minority interest												
Interest on long-term debt	1,610,303	1,737,127	1,078,669	1,554,688	1,448,569	1,385,191	1,289,778	1,477,293	1,381,808	1,513,022	26,763,481	
Provisions for Federal income and profits taxes	8,741,664	2,659,388	2,3,339,139	2,4,250,618	0	737,385	40,000	4,019,450	4,765,711	4,790,207	581,721	86,791,830
Net income applicable to stockholders' in-	736,000	8,500	0	0	0	0	0	430,351	324,257	551,719	88,583	17,696,046
Net income for the year	8,005,664	2,650,888	2,3,339,139	2,4,250,618	737,385	14,945,719	3,689,099	4,441,454	4,283,488	493,138	69,092,784	
Surplus beginning of the year	13,033,086	17,156,081	15,050,825	18,475,045	15,309,612	14,945,719	16,919,478	19,241,799	18,650,313	11,186,352		
Total	21,068,750	19,806,972	11,711,686	14,224,427	14,572,227	15,502,070	20,508,577	23,683,253	22,888,801	11,679,490		

APPENDIX TABLE 20.—Summary of investments, profits, and rates of return for Otis Steel Co. and subsidiaries, 1919-38

	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Capital stock:											
1. Preferred.....	\$2,373,500	\$4,830,600	\$8,830,600	\$9,830,600	\$8,830,600	\$8,830,600	\$8,830,600	\$8,830,600	\$11,741,859	\$11,759,283	\$11,733,017
2. Common.....	4,802,800	2,038,340	2,038,340	2,038,340	3,705,010	3,705,010	3,705,010	3,705,010	3,709,010	3,709,010	4,035,010
Total.....	7,176,300	6,868,940	10,868,940	10,868,940	12,535,610	12,535,610	12,535,610	12,535,610	15,450,869	15,468,293	15,768,027
3. Surplus earned and capital.....	3,824,399	7,027,308	7,508,322	7,184,708	8,053,077	9,786,394	8,217,135	9,556,267	5,956,197	6,705,501	9,639,442
4. Contingency reserves.....		88,178	71,526	0	96,761	0	0	0	40,000	220,000	465,000
5. Reserves for Federal income and profits taxes.....											
6. Long-term debt 1.....	11,000,099	14,004,426	18,468,788	18,073,648	20,685,448	22,292,004	20,752,745	22,091,877	21,447,066	22,393,704	25,872,469
7. Stockholders' investment.....	165,500	0	0	4,362,895	9,000,804	8,578,356	8,215,394	7,995,025	11,073,295	11,138,709	10,796,516
8. Long-term debt 1.....	11,166,199	14,004,426	18,468,788	22,630,244	29,686,252	30,870,360	28,068,130	30,056,902	32,620,361	33,532,503	36,668,985
9. Total investment.....	12,583,313	16,236,607	20,352,516	26,161,248	39,697,056	39,448,716	36,283,524	38,053,904	43,693,656	44,741,713	47,465,499
10. Average of total investment.....	12,502,593	16,236,607	18,271,218	19,379,348	21,488,726	21,522,375	21,422,311	21,769,471	21,769,471	21,990,430	24,133,132
11. Average of stockholders' investment.....	8,900,513	9,406,007	9,440,618	10,348,948	12,688,126	12,688,126	12,688,126	12,351,711	11,483,241	10,169,859	12,386,982
12. Net income before deducting Federal income and profits taxes:											
13. Applicable to total investment.....	1,091,877	1,212,614	2,462,424	2,531,315	2,477,638	1,785,249	2,726,099	2,171,701	2,713,436	2,388,204	4,604,756
14. Applicable to stockholders' investment.....	1,078,644	1,212,614	2,469,908	2,469,908	2,477,638	1,360,883	1,479,141	1,404,387	1,947,315	1,602,880	3,835,982
15. Applicable to common stockholders' equity.....	874,899	681,389	2,531,760	2,531,760	2,045,800	742,751	2,067,283	786,245	1,227,281	783,297	3,014,873
Rate of return on total investment (13+10) percent.....		8.08	7.47	22.20	0.02	5.90	2.43	7.36	8.67	7.23	13.12
Rate of return on stockholders' investment (14+11) percent.....		8.63	7.47	25.72	2.21	6.93	6.87	6.56	8.95	7.31	15.90
Rate of return on common stockholders' equity (15+12) percent.....		9.83	7.21	56.33	9.91	5.87	16.52	6.24	10.69	7.70	24.34

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Annual average
Capital stock:											
1. Preferred.....	\$11,531,625	\$11,503,433	\$11,503,433	\$11,503,433	\$11,503,433	\$11,503,895	\$11,503,395	\$11,103,140	\$10,674,240	\$10,313,640	-----
2. Common.....	4,205,013	4,205,010	4,205,010	4,205,010	4,205,010	4,205,010	4,205,010	4,445,650	4,482,985	4,579,145	-----
3. Total.....	15,736,635	15,708,443	15,708,443	15,708,443	15,708,443	15,708,905	15,708,905	15,558,790	15,157,225	14,892,785	-----
4. Surplus earned and capital.....	11,664,495	10,194,216	7,352,137	2,835,298	1,425,770	1,986,199	4,214,863	5,816,053	6,608,346	5,245,272	-----
5. Contingency reserves.....				162,479	156,327	214,762	219,006	157,227	157,227	157,227	-----
6. Reserves for Federal Income and profits taxes.....	465,000	115,000	0	0	0	103,000	399,015	832,054	536,476	24,112	-----
7. Stockholders' investment.....	27,866,130	25,977,659	23,060,580	18,806,220	17,290,540	18,012,866	20,541,789	22,364,124	22,459,274	20,319,396	-----
8. Long-term debt ¹	10,574,538	10,366,452	10,227,867	10,293,281	10,358,696	10,424,110	10,489,525	10,554,839	13,477,005	13,371,769	-----
9. Total investment.....	38,440,668	36,344,111	33,288,447	29,099,501	27,649,236	28,436,976	31,031,314	32,919,063	35,936,279	33,691,165	-----
10. Average of total investment.....	37,554,827	37,392,390	34,816,279	31,193,974	28,374,368	28,043,106	29,734,145	31,975,188	34,427,671	34,813,722	\$29,650,862
11. Average of stockholders' investment.....	26,869,300	26,921,895	24,519,119	20,833,400	18,048,380	17,651,703	19,277,327	21,452,956	22,411,699	21,389,335	20,906,075
12. Average of common stockholders' equity.....	15,236,979	15,404,366	13,015,686	9,429,967	6,544,947	6,148,039	7,773,432	10,149,439	11,523,009	10,493,940	10,799,879
Net income before deducting Federal income and profits taxes:											
13. Applicable to total investment.....	4,903,852	1,722,025	2,849,121	2,110,894	2,790,931	1,380,711	3,342,207	3,500,214	3,592,735	2,557,737	1,240,364
14. Applicable to stockholders' investment.....	4,152,689	983,730	1,571,342	2,830,155	1,509,528	663,891	2,623,664	2,785,150	2,813,275	2,123,297	635,874
15. Applicable to common stockholders' equity.....	3,333,976	179,105	2,376,580	2,635,393	2,314,766	1,413,344	1,818,391	1,976,838	1,895,780	2,005,191	2,80,959
Rate of return on total investment (13÷10).....	13.06	4.61	2.44	2 6.77	2 2.79	4.92	11.24	10.95	10.44	2 1.60	4.18
Rate of return on stockholders' investment (14÷11).....	15.46	3.65	2 6.41	2 13.52	2 8.36	3.76	13.61	12.98	12.55	2 5.75	3.04
Rate of return on common stockholders' equity (15÷12).....	21.88	1.16	2 18.26	2 38.55	2 35.37	2 2.30	23.39	19.48	16.45	2 19.11	2.75

¹ Less unamortized debt discount and expenses.
² Denotes loss.

APPENDIX TABLE 20A.—Summary of income, expenses, and surplus for Otis Steel Co. and subsidiaries, 1919-38

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
Net sales.....	\$16,285,329	\$32,984,987	\$6,166,654	\$12,271,014	\$25,567,900	\$23,385,449	\$28,897,687	\$28,091,680	\$26,287,475	\$33,451,128	\$32,435,420
Cost of goods sold.....	13,983,810	28,680,031	6,716,894	11,699,897	22,780,280	22,569,985	25,481,016	24,068,908	22,559,996	27,164,646	25,791,993
Distribution and administrative expenses.....	541,302	1,146,398	738,155	486,852	674,362	663,991	532,552	627,004	665,979	668,803	723,447
Provision for depreciation and depletion.....	610,758	763,337	763,832	2,208	352,502	783,355	720,000	720,000	720,000	868,650	864,780
Total operating expenses.....	15,135,980	30,591,766	8,220,881	12,188,957	23,807,144	23,997,331	26,733,568	25,415,912	23,945,975	28,702,189	27,380,220
Net income from operations.....	1,149,369	2,293,221	1,2,054,227	82,087	1,760,756	1,611,882	2,164,119	2,675,777	2,341,500	4,748,939	5,055,200
Other income (net).....	1,57,432	1,180,607	1,2,508,197	1,87,372	24,493	1,114,217	7,672	37,659	46,794	1,444,182	1,151,248
Net income applicable to total investment.....	1,091,877	1,212,614	1,4,562,424	1,5,315	1,785,249	1,726,099	2,171,791	2,713,436	2,388,294	4,604,757	4,903,952
Less interest on long-term debt.....	13,233	0	137,084	422,343	424,356	753,042	767,404	766,121	785,414	768,775	751,263
Net income applicable to stockholders' investment.....	1,078,644	1,212,614	1,4,699,508	1,427,658	1,360,893	1,1,479,141	1,404,387	1,947,315	1,602,880	3,835,982	4,152,689
Provision for Federal income and profits taxes.....	88,178	71,526	0	0	0	0	0	40,000	220,000	465,000	465,000
Net income for the year.....	990,466	1,141,088	1,4,699,508	1,427,658	1,360,893	1,1,479,141	1,404,387	1,907,315	1,382,880	3,370,982	3,687,689
Surplus, beginning of the year.....	3,824,399	7,027,308	7,508,322	7,184,708	8,083,077	9,756,394	8,217,135	9,556,267	5,956,197	6,705,501	9,639,442
Total.....	4,814,865	8,168,396	2,808,814	6,757,050	9,413,970	8,277,253	9,621,522	11,463,582	7,339,077	10,076,483	13,327,131
Less dividends paid in cash on—											
Common stock.....	0	0	0	0	0	0	0	0	0	0	1,051,261
Preferred stock.....	203,745	531,225	309,071	0	0	0	0	398,431	819,583	821,109	818,713
Total.....	203,745	531,225	309,071	0	0	0	0	398,431	819,583	821,109	1,869,974
Other net additions or deductions:											
Conversion, repurchase, or sale of own securities.....	2,399,124	7,617	0	1,317,336	0	0	0	4,680,615	20,410	381,657	207,338
Acquisition of assets and securities of other companies.....	3,325,855	0	0	0	0	0	0	0	0	0	0
Restorations of or appropriations for reserves.....	103,234	0	4,084,965	230,482	53,690	0	0	400,000	200,000	0	0
All other charges or credits.....	3,448,420	1,136,460	0	251,801	396,114	60,118	65,255	28,339	6,417	2,411	0
Surplus, end of the year.....	7,027,308	7,508,322	7,184,708	8,083,077	9,756,394	8,217,135	9,556,267	5,956,197	6,705,501	9,639,442	11,664,495

	1930	1931	1932	1933	1934	1935	1936	1937	1938	Total
Net sales.....	\$20,642,267	\$13,567,175	\$6,798,450	\$13,297,955	\$16,779,945	\$22,747,570	\$28,875,577	\$31,989,204	\$13,718,500	\$434,241,375
Cost of goods sold.....	17,495,873	12,753,059	7,354,458	12,529,915	13,748,583	17,614,829	23,508,013	26,327,353	12,459,207	375,270,546
Distribution and administrative expenses.....	813,295	549,746	482,309	471,553	600,107	729,441	885,846	984,157	881,332	13,498,811
Provision for depreciation and depletion.....	863,109	865,828	834,956	864,980	860,424	865,316	1,018,394	1,041,807	1,080,557	15,466,853
Total operating expenses.....	18,979,077	14,168,633	8,701,753	13,857,418	15,215,114	19,206,586	25,412,258	28,353,377	14,221,066	404,235,210
Net income from operations.....	1,663,190	1,601,458	1,903,303	1,559,463	1,564,831	3,540,984	3,463,324	3,635,827	1,502,696	30,006,165
Other income (net).....	58,835	1,247,663	1,207,591	1,231,468	1,194,120	1,196,777	36,890	1,435,092	1,551,191	5,196,874
Less interest on long-term debt.....	1,722,025	1,849,121	2,110,894	1,980,031	1,380,711	3,342,207	3,500,214	3,592,735	1,557,787	24,807,291
Provision for Federal income and profits taxes.....	738,295	722,221	719,261	718,597	716,820	718,543	715,064	779,460	672,510	12,089,806
Net income for the year.....	983,730	1,157,342	1,283,155	1,509,528	663,891	2,622,664	2,785,150	2,813,275	1,230,297	12,717,485
Surplus, beginning of the year.....	115,000	0	0	0	103,000	395,000	835,000	493,244	0	3,290,948
Total.....	868,730	1,157,342	1,283,155	1,509,528	660,891	2,228,664	1,980,150	2,320,031	1,230,297	9,456,537
Less dividends paid in cash on—	11,664,495	10,154,216	7,352,137	2,835,298	1,425,770	1,980,199	4,214,863	5,816,053	6,608,346	—
Common stock.....	12,533,225	8,582,874	4,521,982	1,425,770	1,986,661	4,214,863	6,195,013	8,136,084	5,378,049	—
Preferred stock.....	1,576,894	0	0	0	0	0	0	0	0	—
Total.....	804,625	402,495	0	0	0	0	529,352	917,495	397,218	2,628,155
Other net additions or deductions:	2,381,519	402,495	0	0	0	0	529,352	917,495	397,218	9,581,217
Conversion, repurchase, or sale of own securities.....	2,510	—	—	—	—	—	—	—	—	743,197
Acquisitions of assets and securities of other companies.....	—	—	—	—	462	—	150,392	1,507,684	—	3,323,855
Restoration of appropriations for reserves.....	—	—	—	—	—	—	—	—	—	4,765,001
All other charges or credits.....	—	—	—	—	—	—	—	—	—	264,441
Less from sales of real estate, plant, mineral, and manufacturing properties.....	—	1,828,243	1,586,684	—	—	—	—	—	—	1,259,421
Surplus, end of the year.....	10,154,216	7,352,137	2,935,298	1,425,770	1,986,199	4,214,863	5,816,053	6,608,346	5,245,272	—

† Denotes loss.
‡ Deduction.

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Capital stock:												
1. Preferred	\$10,475,000	\$10,475,000	\$10,475,000	\$10,475,000	\$10,475,000	\$10,475,000	\$10,475,000	\$10,475,000	\$10,475,000	\$10,475,000	\$12,656,720	
2. Common	25,350,000	25,350,000	25,350,000	25,350,000	25,350,000	25,350,000	25,350,000	25,350,000	25,350,000	3,549,000	3,691,630	
3. Total	35,825,000	35,825,000	35,825,000	35,825,000	35,825,000	35,825,000	35,825,000	35,825,000	35,825,000	14,024,000	16,348,350	
4. Surplus—earned and capital	9,927,569	12,829,781	12,248,461	9,522,636	7,064,731	4,961,600	3,618,785	1,912,759	698,479	17,620,137	15,422,807	
5. Contingency reserves	487,960	553,627	266,756	317,395	258,308	257,808	124,412	150,000	150,000	150,000	86,500	
6. Reserves for Federal income and profits taxes	46,240,529	49,208,408	48,350,217	45,665,031	43,148,039	41,044,408	39,568,197	37,887,759	36,673,479	31,794,137	31,867,657	
7. Less: Goodwill, appreciation, and other intangibles	5,007,662	5,007,662	5,007,662	5,007,662	5,007,662	5,007,662	5,007,662	5,007,662	117,000	117,000	117,000	
8. Stockholders' investment	41,232,967	44,200,746	43,342,555	40,657,369	38,140,377	36,036,746	34,560,535	32,880,097	36,556,479	31,677,137	31,750,657	
9. Minority stockholders' equity in subsidiaries	10,437,171	9,724,446	9,464,010	8,977,308	8,545,870	8,116,938	4,450	3,288	606	606	5,308,818	
10. Long-term debt	51,670,038	53,925,192	52,806,565	49,634,677	46,686,247	44,153,684	42,194,923	39,839,504	42,792,555	37,463,451	37,054,475	
11. Total investment	48,708,516	52,707,615	53,305,878	51,230,616	48,169,462	45,119,965	43,174,304	41,017,213	41,316,034	40,128,008	37,258,963	\$39,298,408
12. Average of stockholders' investment	41,031,454	42,716,806	43,771,650	41,999,982	39,398,873	37,083,561	35,298,641	33,730,316	34,718,288	34,116,808	31,713,897	34,497,146
13. Average of common stockholders' equity	30,556,454	32,241,806	33,296,650	31,524,962	28,923,873	26,613,561	24,823,641	23,245,316	24,243,288	23,641,808	21,148,037	24,007,243
Net income before deducting Federal income and profits taxes:	1,886,895	5,770,713	2,616,644	1,069,855	1,860,163	1,768,708	793,063	1,167,265	205,547	2,077,930	211,229	1,933,327
14. Applicable to total investment	1,510,057	5,173,284	1,930,219	1,713,726	2,801,081	2,339,401	1,330,390	1,675,333	255,360	1,629,965	183,988	1,618,890
15. Applicable to stockholders' investment	776,807	4,440,034	1,196,969	2,446,976	3,234,331	3,072,651	2,063,640	2,408,603	998,610	896,715	928,147	884,429
Rate of return on common stockholders' equity (16÷13)	3.87	10.93	4.90	2.09	3.86	3.89	1.84	2.85	0.50	5.18	0.57	4.92
Rate of return on stockholders' investment (17÷14)	3.68	12.11	4.41	3.08	6.35	6.31	3.77	4.97	2.76	4.75	1.58	4.69
Rate of return on common stockholders' equity (18÷15)	2.54	13.77	3.59	7.76	11.18	11.55	8.31	10.36	4.12	3.79	4.39	3.63

1 Less unamortized debt discount and expense.

2 Denotes loss.

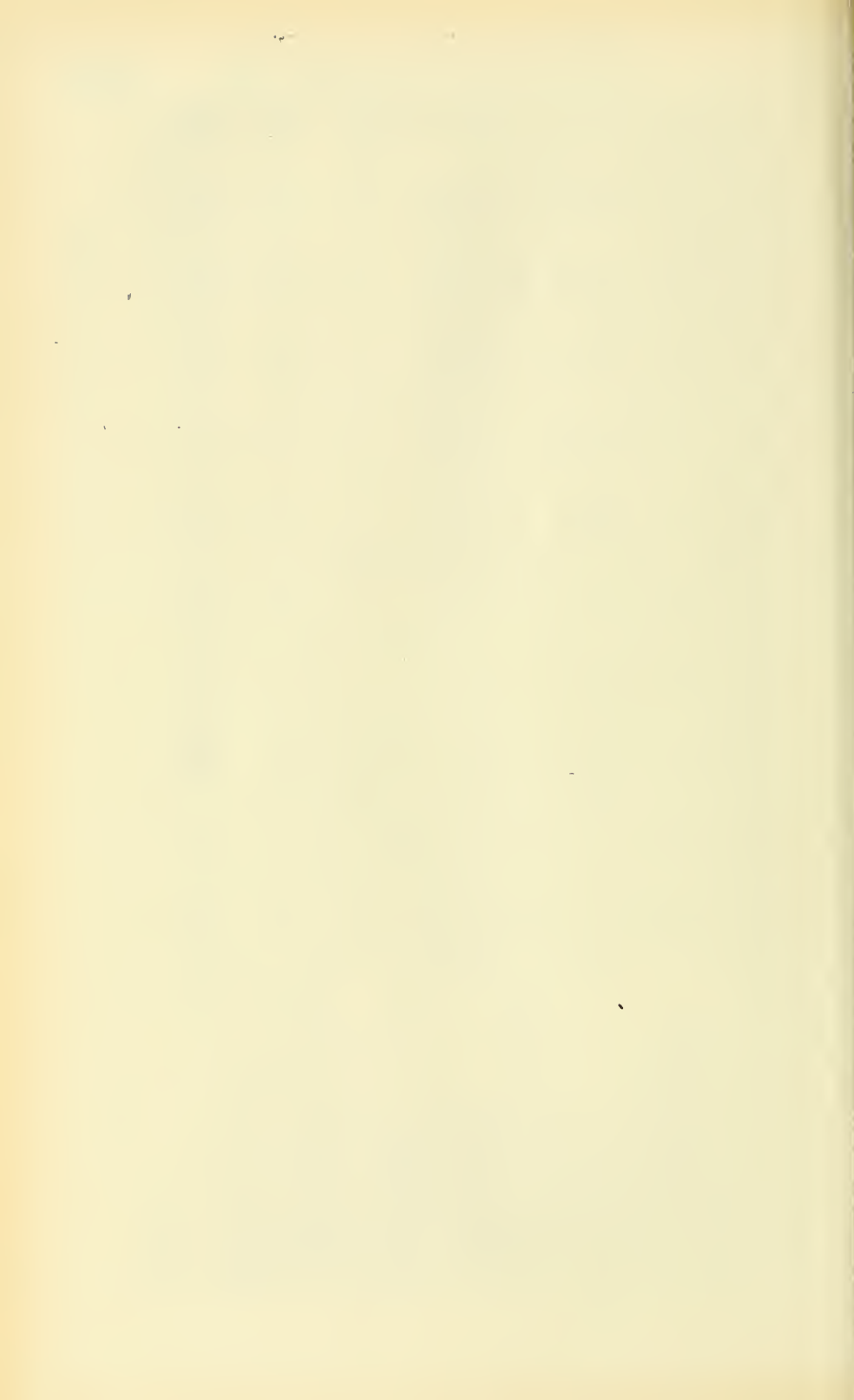
TABLE 21A.—Summary of income, expenses, and surplus for Pittsburgh Steel Co. and subsidiaries, 1917-38

	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Net sales.....	\$33,066,083	\$37,930,842	\$31,265,012	\$27,453,107	\$22,978,788	\$15,656,960	\$28,833,133	\$23,641,998	\$22,996,965	\$33,899,524	\$31,085,326	\$28,316,882
Cost of goods sold.....	20,841,279	28,394,591	25,980,340	22,780,463	19,137,749	13,535,267	24,121,928	19,194,610	19,196,607	27,070,484	24,558,363	21,960,905
Distribution and administrative expenses.....	1,103,587	974,087	1,054,464	771,999	1,243,154	1,253,406	1,301,569	1,688,258	1,781,772	2,283,018	2,594,440	2,766,689
Provision for depreciation and depletion.....	1,507,279	1,365,134	1,275,434	1,126,306	985,889	866,330	1,427,092	1,337,009	887,683	1,406,899	1,566,728	1,611,159
Total operating expenses.....	23,452,145	30,733,812	28,310,238	24,678,768	21,366,792	15,655,003	26,849,987	22,219,877	21,866,072	30,760,499	28,539,531	26,368,093
Net income from operations.....	9,613,938	7,197,030	2,954,774	2,804,339	1,611,996	1,957	1,993,146	1,422,121	1,070,893	3,139,123	2,645,795	1,948,789
Other income (net).....	21,054	89,534	60,824	1,103,735	336,837	665,124	310,497	402,553	90,836	151,354	33,238	1,61,894
Net income applicable to total investment.....	9,634,992	7,286,564	3,015,598	2,700,604	1,968,833	667,081	2,293,643	1,824,704	1,161,729	3,290,507	2,579,033	1,886,895
Less interest on long-term debt.....				134,455	103,125	75,625	48,125	20,625		324,492	335,476	376,858
Net income applicable to stockholders' investment.....	9,634,992	7,286,564	3,015,598	2,566,149	1,865,708	591,456	2,245,518	1,804,079	1,161,729	2,966,015	2,243,557	1,510,057
Provision for Federal income and profits and taxes.....	1,823,548	2,730,121	244,052	604,690	143,181	1,270,427	223,045	245,399	108,974	432,437	291,599	167,916
Net income for the year.....	7,811,444	4,556,443	2,771,546	1,961,459	1,722,527	861,883	2,022,473	1,558,680	1,052,755	2,533,578	1,951,958	1,342,141
Surplus beginning of the year.....	5,330,473	10,496,917	12,358,360	13,484,906	14,151,365	7,298,892	6,965,775	7,593,248	8,529,135	8,146,890	8,901,583	9,588,625
Total.....	13,191,917	15,053,360	15,129,906	15,446,365	15,873,892	8,160,775	8,888,248	9,151,928	9,581,890	10,680,468	10,833,541	10,930,766
Less dividends paid on—												
Common stock in cash.....	1,960,000	1,960,000	910,000	560,000	840,000	560,000	560,000	804,994	700,000	935,491	507,000	---
Common stock in stock.....	735,000	735,000	735,000	735,000	7,000,000	735,000	735,000	3,500,000	735,000	733,250	733,250	733,250
Preferred stock in cash.....												
Total.....	2,695,000	2,695,000	1,645,000	1,295,000	8,575,000	1,295,000	1,295,000	5,089,994	1,435,000	1,668,741	1,240,250	733,250
Other net additions or deductions:												
Revaluation of real estate, plant, mineral and manufacturing properties and equipment.....								4,417,201				\$ 99,253
Acquisition of assets and securities of other companies.....												
Conversion, repurchases, or sale of own securities.....									\$ 195,740			
Other net additions or deductions.....												
Surplus end of the year.....	10,496,917	12,358,890	13,484,906	14,151,365	14,868,892	6,865,775	7,863,248	8,529,135	8,146,890	8,901,583	9,588,625	9,927,569

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	Total
Net sales.....	\$39,783,398	\$35,482,316	\$21,126,185	\$10,661,628	\$8,406,645	\$15,361,766	\$12,895,937	\$21,352,326	\$35,359,261	\$23,677,318	\$561,201,400
Cost of goods sold.....	29,771,970	28,561,449	18,769,334	9,592,874	7,640,065	13,567,483	11,443,947	18,322,253	29,879,997	20,032,761	454,187,107
Distribution and administrative expenses.....	2,619,133	2,870,275	2,355,605	1,999,899	1,484,740	1,541,071	1,515,733	1,738,730	2,241,303	2,203,525	39,385,797
Provision for depreciation and depletion.....	1,791,750	1,786,464	1,318,134	1,167,093	1,222,510	1,178,882	1,235,267	1,272,187	1,313,308	1,414,808	29,083,355
Total operating expenses.....	34,182,853	33,221,183	22,443,073	12,759,866	10,347,315	16,287,436	14,194,947	21,333,160	33,434,608	23,651,094	522,656,259
Net income from operations.....	5,000,545	2,261,128	1,316,888	2,098,238	1,940,670	1,925,670	1,1,299,010	19,166	1,924,653	26,224	38,545,141
Other income (net).....	170,168	355,575	247,033	238,075	171,962	132,607	131,755	186,381	153,277	185,005	3,988,061
Net income applicable to total investment.....	5,770,713	2,616,644	1,069,855	1,860,163	1,768,708	1,793,063	1,1,167,255	205,547	2,077,930	211,229	42,533,202
Less interest on long-term debt.....	597,429	636,425	643,871	640,918	570,693	537,327	508,098	470,907	447,965	395,217	6,917,611
Net income applicable to stockholders' investment.....	5,173,284	1,930,219	1,173,726	1,230,081	1,239,401	1,1,330,390	1,1,075,353	1,256,360	1,629,965	1,813,988	35,615,591
Provision for Federal income and profits taxes.....	637,847	240,527							238,300		7,861,209
Net income for the year.....	4,535,437	1,689,692	1,173,726	1,230,081	1,239,401	1,1,330,390	1,1,075,353	1,256,360	1,391,665	1,183,988	27,754,382
Surplus beginning of the year.....	9,927,569	12,829,781	12,258,461	9,522,636	7,064,731	4,961,600	3,618,785	1,912,759	698,479	17,620,137	11,014,500
Total.....	14,463,006	14,519,473	10,544,735	7,021,555	4,725,330	3,631,210	1,943,432	1,647,399	2,090,144	17,436,149	33,713,235
Less Dividend paid on—											
Common stock in cash.....	760,500	1,014,000	126,750								12,198,735
Common stock in stock.....											10,500,000
Preferred stock in cash.....	733,250	733,250	733,250								11,014,500
Total.....	1,493,750	1,747,250	860,000								33,713,235
Other net additions or deductions:											
Revaluation of real estate, plant, mineral and manufacturing properties and equipment.....				85,517	13,957	61,178		938,110	7,226,423		4,597,386
Acquisition of assets and securities of other companies.....											195,740
Conversion, repurchase or sale of own securities.....				109,278	140,640	58,966		8,342	19,200	3,356,522	2,322,693
Provision for additional tax liability for prior years.....		24,231	6,543								141,819
Reductions of capital stock.....											22,815,000
Other net additions or deductions.....				1,151,619	109,587	111,146	30,673	4,468	39,384	343,180	443,825
Surplus end of the year.....	12,829,781	12,258,461	9,522,636	7,064,731	4,961,600	3,618,785	1,912,759	698,479	17,620,137	15,422,807	

1 Denotes loss.

2 Denotes deduction.



PART IV

INVESTMENTS, PROFITS, AND RATES OF RETURN
FOR MANUFACTURERS OF FARM IMPLE-
MENTS AND MACHINES

17897

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INVESTMENTS, PROFITS, AND RATES OF RETURN FOR MANUFACTURERS OF FARM IMPLEMENTS AND MACHINES

INTRODUCTION

This report deals with the financial aspects of manufacturers of farm implements and machines. Information concerning investments, profits, and rates of return are presented for important companies in the industry for the years 1913 to 1937, inclusive. The information is presented with regard to the source of the material and extent of the industry represented, and summaries and comparisons of investments, profits, and rates of return are made for individual companies and groups of companies. Rates of return are presented for the entire period for all companies combined for which the information was available, and comparisons are made of the returns for the full-line or long-line companies individually and as a group, and for short-line companies as a group. Comparisons are also made of the investments, sales, and operating results of individual companies, and the degree of concentration of the business in the hands of a relatively few companies is indicated. Information concerning salaries and other compensation paid to officers of the principal corporations in the industry is presented for the years 1927 to 1936, inclusive. The development and operations of each of the long-line companies is discussed separately.

The full- or long-line companies are those who manufacture a variety of types and sizes of farm tillage implements, seeding and planting machines, cultivators, harvesting machines, farm hauling equipment, and farm power-developing machines. The short-line manufacturers are those who manufacture implements of one or more of these lines but not a complete line. The long-line companies include International Harvester Co., Deere & Co., J. I. Case Co., Allis-Chalmers Manufacturing Co., Oliver Farm Equipment Co., Minneapolis-Moline Power Implement Co., Massey-Harris Co., Inc., and B. F. Avery & Sons Co. These companies do the bulk of the farm-machinery business in this country. Of these, International Harvester Co. is by far the most important. From the standpoint of capital invested and volume of sales, it dominates the industry. The operations of this company and its closest competitor, Deere & Co., have been highly profitable and their rates of return on investment were generally much higher than for other companies.

Reference is made to the report of the Federal Trade Commission on the agricultural implement and machinery industry in which statements¹ are made to the effect that International Harvester Co. and Deere & Co. have established the price levels for the great majority of agricultural implements and machinery; and that the exchange of price lists among farm-machinery manufacturers, evidence of dealer coercion, and the continued dominant position of International Harvester Co. since its organization in 1902 together with the typical monopolistic behavior of its business operations during the depression when there was only a relatively slight percentage of decline in its farm-machinery prices but a sharp percentage decline in its volume of production and employment as contrasted with the behavior of industries known to be competitive where the percentage in the decline of prices was greatest and the declines in the volume of production and employment, were less in the opinion of the Commission, and the raising of its farm-machinery prices in 1938 over those of 1937 in the face of profitable earnings in the latter year, indicate the existence of a serious monopolistic condition in the farm-machinery industry.

SOURCE OF INFORMATION

The financial data, which are the basis for the discussion of investments, profits, and rates of return, were obtained for the more important farm-machinery manufacturers from various sources. Such information was obtained for the most important companies for each of the years 1913 to 1937, inclusive, and for a varying number of years during this period for the other companies.

¹ Pp. 1037-1038.

The source of the information from 1913 to 1918, inclusive, was a report of the Federal Trade Commission on the causes of high prices of farm implements, while the source of data from 1927 to 1936, inclusive, was another report of the Federal Trade Commission on the agricultural implement and machinery industry. For the intervening period from 1919 to 1926, inclusive, and for the year 1937 the information was assembled from reports submitted by the companies in answer to a questionnaire, or from published reports. For the reason that the financial data were obtained from several sources, there are varying numbers of manufacturers represented in the combined statistics. For instance, during the earlier period, there were 26 companies for which data were assembled, and during the period from 1919 to 1926 the number varied from 16 to 20 companies, while for the period from 1927 to 1936, inclusive, the number varied from 59 to 72 companies. During the year 1937 data were obtained for only 17 companies.

While it may appear that the number of companies for which data are assembled is small, nevertheless the proportion of the industry covered is very large because the most important companies are included in the combined statistics. Census reports issued as early as 1849 showed that 1,333 establishments manufactured agricultural implements. The total number of establishments decreased steadily, reaching a low of 170 in 1933.

While there are considerably more companies listed by the census as farm-machinery manufacturers than are included in this report, the total volume of business of those companies not included was relatively small. The farm-machinery manufacturers for which information is presented herein represent a substantial proportion of the industry. This is indicated by the fact that during 1914 the companies covered accounted for 93 percent of the total value of farm machinery produced. In 1936 the sales of the companies covered represented over 95 percent of the total domestic and export sales of farm machinery as reported to the Census.

RATES OF RETURN FOR ALL COMPANIES COMBINED

The investments and profits of the farm-machinery manufacturers are correlated and expressed in rates of return based upon the actual investment after deducting all appreciation, goodwill, and other intangibles insofar as could be determined.

Table 1 which follows, summarizes the investments, profits, and rates of return for each of the years 1913 to 1927, inclusive, for all companies combined for which the information was available. Rates of return have been computed on the basis of the stockholder's investment and the total investment.

The stockholder's investment consists of the capital stocks outstanding, surplus, surplus reserves, and reserves for Federal income and profits taxes. The total investment includes the stockholder's investment plus borrowed funds. The investments were averaged at the beginning and end of each year, except for borrowed funds, other than long-term debt, which generally were averaged monthly.

The profits used in computing rates of return on the stockholder's investment represent the net income from all sources after deducting all costs and expense of doing business, but before deducting provisions for Federal income and profits taxes. The net income, before deducting interest on borrowed funds and provisions for Federal income and profits taxes, was used in computing rates of return on the total investment.

TABLE 1.—Summary of investments, profits, and rates of return on the stockholders' investment and the total investment for all farm-machinery manufacturers for which the information was available, 1913-37

Year	Number of companies	Average investment ¹		Net profits ² applicable to—		Rates of return on—	
		Stockholders'	Total	Stockholders' investment	Total investment	Stockholders' investment	Total investment
						Percent	Percent
1913	26	\$293, 234, 875	\$367, 546, 631	\$28, 861, 469	\$34, 700, 776	9.84	9.44
1914	26	305, 495, 437	402, 529, 421	18, 349, 227	24, 799, 691	6.01	6.16
1915	26	309, 901, 895	408, 319, 226	22, 050, 849	26, 849, 980	7.12	6.58
1916	26	319, 705, 153	395, 758, 408	34, 983, 632	38, 211, 052	10.94	9.60
1917	26	340, 252, 108	392, 817, 068	56, 027, 757	53, 790, 767	16.47	14.97
1918	22	368, 634, 364	407, 697, 335	68, 101, 587	71, 625, 663	18.47	17.57
1919	16	366, 879, 066	372, 777, 929	39, 449, 053	39, 962, 117	10.75	10.72
1920	16	374, 259, 342	380, 082, 840	40, 885, 449	41, 350, 001	10.92	10.88
1921	18	365, 415, 102	378, 262, 881	³ 1, 648, 800	⁴ 388, 887	⁵ 1.45	⁶ 3.09
1922	19	342, 840, 846	359, 465, 699	³ 2, 680, 772	⁴ 1, 408, 095	⁵ 7.78	⁶ 3.39
1923	19	333, 386, 678	348, 945, 831	16, 977, 361	18, 301, 787	5.09	5.24
1924	19	333, 522, 358	347, 887, 932	21, 146, 343	22, 283, 874	6.34	6.41
1925	19	344, 990, 404	354, 667, 518	43, 058, 000	43, 430, 311	12.48	12.25
1926	20	367, 802, 126	373, 618, 801	56, 844, 438	56, 864, 965	15.46	15.22
1927	59	498, 691, 014	530, 254, 755	74, 500, 659	76, 235, 383	14.94	14.38
1928	63	540, 279, 861	579, 619, 078	96, 263, 457	98, 490, 343	17.82	16.99
1929	67	670, 188, 640	732, 287, 183	116, 864, 992	120, 514, 779	17.44	16.46
1930	79	712, 398, 516	803, 188, 443	63, 681, 402	68, 445, 282	8.94	8.52
1931	70	690, 642, 596	766, 975, 913	³ 4, 268, 155	⁴ 134, 694	⁵ 6.62	⁶ 3.02
1932	71	635, 828, 234	703, 469, 977	³ 35, 387, 302	⁴ 31, 824, 610	⁵ 5.57	⁶ 4.52
1933	71	592, 966, 495	647, 705, 672	³ 14, 346, 551	⁴ 11, 655, 712	⁵ 2.42	⁶ 3.80
1934	72	578, 725, 500	622, 039, 065	20, 303, 990	22, 275, 245	3.51	3.58
1935	71	595, 551, 402	639, 772, 166	67, 297, 098	68, 896, 288	11.30	10.77
1936	70	645, 307, 508	691, 367, 517	³ 96, 692, 480	⁴ 98, 143, 887	⁵ 14.38	⁶ 14.20
1937	17	589, 394, 055	620, 352, 685	³ 92, 957, 763	⁴ 93, 870, 038	⁵ 15.77	⁶ 15.13

¹ Investments were averaged at beginning and end of year, except in some years borrowed funds were averaged monthly, after deducting appreciation and intangibles.

² Profits are before provisions for Federal income and profits taxes.

³ Loss.

⁴ For 1 company, the profits for 1936 were for 11 months only because of a change in fiscal closing dates.

⁵ For 2 companies, the profits for 1937 were for 10 months only because of change from calendar to fiscal year basis.

The table shows that the number of companies whose financial data were combined to obtain the rates of return for the years 1913 to 1937, inclusive, varied from 16 to 72. However, it should be noted that the more important companies were included for the full period, or for each of the years for which they were in operation. For instance, International Harvester Co. and Deere & Co. were in operation for the entire period, and the data for these companies are included for each year. Some of the companies for which information was obtained for the earlier years discontinued operations or were consolidated or merged with other companies whose data are presented for the later period. Also, other companies began operations during the period, and data are presented for those companies for the period for which they were available.

The table shows that the rates of return on both bases of investment fluctuated widely throughout the 25-year period. For example, the rate of return on the total investment for all companies combined was 9.44 percent in 1913. It was less in 1914 and 1915, and during the years 1916-18, increased to 17.57 percent, the highest rate of return for any year throughout the period. The years 1921 and 1922 and the years 1931, 1932, and 1933 were unprofitable. Profits ranging from 12.25 percent to 16.99 percent were earned during the years 1925-28, and during the years 1935, 1936, and 1937 rates of return of 10.77 percent, 14.20 percent, and 15.13 percent, respectively, were earned on the total investment.

It will be noted that the rates of return on the stockholder's investment were only slightly higher for most years than the years of return on the total investment. This is accounted for by the fact that the differences between the amounts of stockholders' investment and total investment were relatively small in each year. Most of the capital of the farm-machinery manufacturers was obtained from the issuance of stock and from the reinvestment of earnings. For example, it was found that during the years 1927 to 1936, inclusive, borrowed funds accounted for only from 5.55 percent to 10.98 percent of the total investment.

COMPARISON OF RATES OF RETURN FOR LONG-LINE COMPANIES AND SHORT-LINE COMPANIES

During the period under review, the bulk of the farm-machinery business has been in the hands of a few companies. In terms of capital invested and volume of sales these companies have dominated the industry. This concentration has come about and continues to increase largely as the result of consolidations of competing concerns to form larger units such as International Harvester Co., Minneapolis-Moline Power Implement Co. and Oliver Farm Equipment Co.; and of the acquisition of independents by International Harvester Co., Deere & Co., Allis-Chalmers Manufacturing Co., and J. I. Case Co. These companies, together with B. F. Avery & Sons Co. and the Massey-Harris Co., comprise the long-line manufacturers of farm implements and machines.

The full-line or long-line manufacturers are those who manufacture farm tillage implements, seeding and planting machines, farm hauling equipment, and farm power developing machines of various types and sizes. The short-line companies are those who manufacture implements of one or more of these lines, but not a complete line.

The influence of the long-line companies in the summary of investments, profits, and rates of return in the preceding table for all companies combined is indicated by the fact that during the years 1913-18 their combined investments, or those of their predecessor companies, averaged 85.13 percent of the total for all companies; for the years 1919-26 their investments averaged 93.29 percent of the total; or the years 1927-36 their investments averaged 87.02 percent of the total; and for the year 1937 their combined investments averaged 98.15 percent of the total. If the investment of one large company, namely, Caterpillar Tractor Co., is eliminated from the comparison for the years 1927-36 for the reason that much of its investment is devoted to the manufacture of products other than those for agricultural purposes, the combined investments of the long-line companies would average 92.09 percent of the total for all companies, excluding this company.

The following table 2 compares the annual rates of return for the principal long-line companies combined and for the short-line companies combined for the years 1913 to 1937, inclusive.

TABLE 2.—Comparison of rates of return on total investment for the principal long-line farm-machinery manufacturers, and for all other ¹ short-line farm-machinery manufacturers, 1913-37

Year	Number of farm-machinery companies combined			Rates of return on total investment		
	Principal long-line manufacturers	All other ¹ short-line manufacturers	All farm-machinery manufacturers combined	Principal long-line manufacturers ²	All other ¹ short-line manufacturers	All farm-machinery manufacturers combined
				Percent	Percent	Percent
1913	5	21	26	10.09	6.06	9.44
1914	5	21	26	6.62	3.54	6.16
1915	5	21	26	7.30	2.46	6.58
1916	5	21	26	10.32	5.90	9.66
1917	5	21	26	15.72	10.60	14.97
1918	5	17	22	16.92	21.75	17.57
Annual average, 1913-18				11.18	8.17	10.74
1919	5	11	16	10.43	14.90	10.72
1920	5	11	16	11.14	7.30	10.88
1921	5	13	18	.61	³ 9.45	³ .09
1922	5	14	19	³ .07	³ 4.90	³ .39
1923	5	14	19	5.12	7.01	5.24
1924	5	14	19	6.47	5.49	6.41
1925	5	14	19	12.56	7.87	12.25
1926	5	15	20	15.61	9.84	15.22
Annual average, 1919-26				7.77	4.61	7.56
1927	6	52	59	14.55	4.59	14.38
1928	6	56	63	17.02	7.09	16.99
1929	8	58	67	16.23	6.30	16.46
1930	8	60	69	8.26	1.01	8.52
1931	8	61	70	.01	³ 4.77	³ .02
1932	8	62	71	³ 4.28	³ 8.00	³ 4.52
1933	8	62	71	³ 2.04	³ 2.58	³ 1.80
1934	8	63	72	3.11	2.14	3.58
1935	8	62	71	10.54	5.57	10.77
1936	8	61	71	⁴ 13.56	8.71	14.20
Annual average, 1927-36				7.40	1.78	7.51
1937	6	11	17	⁵ 15.10	⁵ 16.73	15.13
Annual average, 1913-37				7.69	4.57	8.10

¹ All other short-line farm-machinery manufacturers included all companies for which data were available other than those companies included as long-line manufacturers and other than Caterpillar Tractor Co., 1927-36, inclusive, which is included in the total but is not included either as a short-line or long-line manufacturer for the reason that its size and type of products manufactured distorted the figures for the individual classes of farm-machinery manufacturers.

² The principal long-line manufacturers included are, as follows: International Harvester Co., 1913-37; Deere & Co., 1913-37; Emerson-Brantingham Co., 1913-26; Moline Plow Co., 1913-18; Allis-Chalmers Manufacturing Co., 1913-37; J. I. Case Co., 1919-37; Oliver Farm Equipment Co., 1929-37; Minneapolis-Moline Power Implement Co., 1929-37; the Massey-Harris Co., 1927-36; and B. F. Avery & Sons Co., 1913-36.

³ Loss.

⁴ For 1 company, namely, International Harvester Co., the profits were based on 11-months operations.

⁵ For 2 companies, J. I. Case Co. and Oliver Farm Equipment Co., the profits were from 10-months operations.

⁶ Includes New Idea, Inc., which had a rate of return of 30.49 percent while all other short-line companies except New Idea, Inc., had a rate of return of 11.15 percent.

Table 2 shows that for the entire period from 1913 to 1937, inclusive, the annual average rate of return on the total investment for the long-line manufacturers combined was 7.69 percent as compared with 4.57 percent for the short-line manufacturers combined. For the years 1913-18, the rates of return averaged 11.18 percent for the long-line companies as compared with 8.17 percent for the short-line companies. For the years 1919-26, the annual returns were less, averaging 7.77 percent for the long-line companies and 4.61 percent for the short-line companies. For the years 1927-36, the returns averaged 7.40 percent for the long-line companies and 1.78 percent for the short-line companies. For the year 1937 the returns averaged 15.10 percent for the long-line companies and 16.73 percent for the short-line companies. The rate of return for the short-line manufacturers is materially influenced during this year by the profits of one company, namely, New Idea, Inc., which had investments of \$3,304,053 and profits of \$1,007,269, resulting in a rate of return of 30.49 percent for the year 1937. Thus, excluding New Idea, the other 10 short-line manufacturers combined, with investments of \$8,144,673 and profits of \$908,502 and a rate of return of only 11.15 percent, which was less than the average rate of return for the long-line companies.

It will be noted that the average rates of return for all companies combined were higher for the entire period and for the years 1927-36 than the average returns for either of the groups of long-line or short-line companies. This is accounted for by the inclusion in the combined figures for all companies of the investments and profits of Caterpillar Tractor Co. which were not used in computing the rates of return for each group separately. Much of this company's business is devoted to the manufacture and sale of road machinery and industrial tractors. Therefore, to have included the data for this company with either group would have distorted the comparisons. This company's operations were highly profitable, averaging 18 percent on an average total investment of \$37,538,882 for the years 1927-36.

For a number of these companies, including Caterpillar Tractor Co., Allis-Chalmers Manufacturing Co. and others, the manufacturing business other than the farm-machinery business could not be segregated as to investments and profits for the purpose of showing rates of return on the farm-machinery business only. However, for a number of companies the investments, profits, and rates of return applicable to the farm-machinery business are available. The following tabulation shows a comparison of rates of return on the total investment in the farm-machinery business for long-line and short-line manufacturers for the years 1927 to 1936, inclusive. It will be noted that the rates of return for all companies were slightly higher on the farm-machinery business than on the total investment.

Comparison of rates of return on the investment in the farm-machinery business for long-line and short-line companies with the returns for both classes of companies combined 1927-36

Year	Long-line companies		Short-line companies		Total	
	Number of companies	Rate of return	Number of companies	Rate of return	Number of companies	Rate of return
		<i>Percent</i>		<i>Percent</i>		<i>Percent</i>
1927.....	5	16.12	47	3.58	52	14.98
1928.....	5	20.03	50	7.41	55	18.90
1929.....	7	18.41	52	5.35	59	17.52
1930.....	7	9.14	54	1.37	61	8.52
1931.....	7	4.40	55	16.28	62	1.09
1932.....	7	15.71	56	10.68	63	16.07
1933.....	7	13.06	56	14.18	63	13.14
1934.....	7	3.43	57	1.79	64	3.31
1935.....	7	12.31	56	6.01	63	11.90
1936.....	7	15.62	55	8.57	62	15.25
Average.....		8.50		.91		7.98

¹ Denotes loss.

This comparison of rates of returns for long-line and short-line companies indicates that from the farm-machinery business only, the long-line companies were much more profitable than the short-line companies. For the 10-year period the rates of return on the farm-machinery business for the long-line companies averaged annually 8.5 percent as compared with less than 1 percent for the short-line companies.

COMPARISON OF RATES OF RETURN OF PRINCIPAL LONG-LINE COMPANIES

It has been explained that the investments of the long-line companies as a group averaged 85.13 percent of the total for all companies during the years 1913-18, 93.29 percent of the total for the years 1919-26, 92.09 percent for the years 1927-36, excluding Caterpillar Tractor Co., and 98.15 percent for the year 1937. The following tabulation indicates the relative importance of each of the long-line companies from the standpoint of size of investments.

Comparison of ratios of total investments for the principal long-line manufacturers to the combined total investments¹ for various periods from 1913 to 1937, inclusive

	Annual average 1913-18	Annual average 1919-26	Annual average 1927-36	Annual average 1937
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
International Harvester Co.	59.79	63.90	55.53	58.76
Deere & Co.	13.65	14.61	11.63	14.06
Allis-Chalmers Manufacturing Co.			8.09	12.82
J. I. Case Co.		7.55	6.57	6.40
Emerson-Brantingham Corporation.	5.54	5.59		
Oliver Farm Equipment Co.			5.20	3.89
Minneapolis-Moline Power Implement Co. ² ..	5.27		2.72	2.22
The Massey-Harris Co.			1.48	
B. F. Avery & Sons Co. ....	.88	1.64	.87	
Long-line companies combined.	85.13	93.29	92.09	98.15
Short-line companies.	14.87	6.71	7.91	1.85
Total.	100.00	100.00	100.00	100.00

¹ For all companies for which the information was available, except Caterpillar Tractor Co.

² Moline Plow Co., 1913-18.

It has been shown that the long-line manufacturers as a group generally had higher rates of return than the short-line manufacturers. It is significant that of the long-line manufacturers, the two most important companies, namely, International Harvester Co. and Deere & Co., whose operations extended throughout the period from 1913 to 1937, inclusive, had higher rates of return than any of the other long-line manufacturers. For instance, the rate of return on the total investment for International Harvester Co. averaged 9.62 percent and for Deere & Co., 11.10 percent. These rates of return compare with 6.22 percent for Allis-Chalmers Manufacturing Co., 6.59 percent for J. I. Case Co., 2.63 percent for Minneapolis-Moline Power Implement Co., and 4.26 percent for B. F. Avery & Sons Co. For Oliver Farm Equipment Co. and the Massey-Harris Co., the losses exceeded the profits for the periods covered so that the average annual rates of loss on the total investment were 0.55 percent for Oliver Farm Equipment Co. and 5.54 percent for the Massey-Harris Co. Comparisons of the annual rates of return based on the total investment for each of the principal long-line farm-machinery manufacturers from 1913 to 1937, inclusive, are presented in the following table 3.

TABLE 3.—Comparison of rates of return on total investment for each of the principal long-line farm-machinery manufacturers, 1913-37

Year	International Harvester Co.	Deere & Co.	Allis-Chalmers Manufacturing Co.	J. I. Case Co. ¹	Emerson-Brantingham Corporation ¹	Oliver Farm Equipment Co.	Minneapolis-Moline Power Implement Co. ²	The Massey-Harris Co.	B. F. Avery & Sons Co.	Long-line farm-machinery manufacturers combined
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1913	10.05	9.65	.....	.....	6.14	.....	7.31	.....	7.06	10.09
1914	17.44	7.63	.....	.....	3.49	.....	3.79	.....	9.12	6.62
1915	8.58	.....	.....	.....	1.27	.....	3.48	.....	1.11	7.30
1916	17.41	10.61	.....	.....	1.82	.....	3.48	.....	7.66	10.32
1917	17.18	13.94	.....	.....	6.07	.....	10.21	.....	13.98	15.72
1918	17.86	17.76	.....	.....	9.03	.....	10.21	.....	25.46	16.92
Annual average	12.34	10.89	.....	.....	3.73	.....	6.65	.....	11.30	11.18
1919	8.32	19.25	.....	12.64	6.77	.....	.....	.....	21.55	10.43
1920	11.13	12.21	.....	13.29	4.95	.....	.....	.....	18.67	11.14
1921	2.26	3.74	.....	3.07	3.52	.....	.....	.....	3.24	6.1
1922	1.74	3.15	.....	1.21	3.42	.....	.....	.....	12.76	3.07
1923	6.85	4.79	.....	2.42	3.25	.....	.....	.....	2.65	5.12
1924	8.62	4.99	.....	.....	3.04	.....	.....	.....	5.96	6.47
1925	14.03	10.89	.....	13.09	3.10	.....	.....	.....	4.14	12.56
1926	15.85	18.56	.....	17.10	3.29	.....	.....	.....	6.40	15.61
Annual average	8.74	7.70	.....	7.43	3.83	.....	.....	.....	4.89	7.77
1927	14.41	21.80	8.63	17.16	.....	.....	.....	.....	6.26	14.56
1928	17.03	25.80	9.39	17.46	.....	.....	.....	.....	11.09	17.02
1929	17.20	28.93	12.12	9.20	.....	.....	.....	.....	4.38	16.23
1930	8.62	15.95	6.73	6.73	.....	.....	.....	.....	11.70	8.26
1931	.....	.....	3.98	17	.....	.....	.....	.....	19.23	.....
1932	.....	.....	3.91	.....	.....	.....	.....	.....	.....	.....
1933	.....	.....	3.97	.....	.....	.....	.....	.....	.....	.....
1934	.....	.....	3.55	.....	.....	.....	.....	.....	.....	.....
1935	.....	.....	3.46	.....	.....	.....	.....	.....	.....	.....
1936	.....	.....	6.06	.....	.....	.....	.....	.....	.....	.....
Annual average	8.76	11.51	5.05	5.40	.....	.....	.....	.....	1.11	7.40
1937	13.18	24.91	13.88	14.68	.....	.....	.....	.....	.....	15.10
Annual average	9.62	11.10	6.22	6.59	.....	.....	.....	.....	4.26	7.69

¹ Rates of return for J. I. Case Threshing Machine Co., a predecessor company, 1919 to 1928, inclusive, and for Emerson-Brantingham Corporation consolidated with J. I. Case Co. in 1928.

² Rates of return for Moline Plow Co., a predecessor company, 1913 to 1918, inclusive.

³ Loss.

⁴ Based on net profit for 11 months.

⁵ Based on net profit for 10 months.

COMPARISONS OF SALES AND OPERATING RESULTS

The concentration of the business in the hands of a few farm machinery manufacturers is further indicated by the volume of sales of the group of long-line companies as compared with the combined sales of all other companies for which the information is available. During the years 1913-18, the combined sales of all companies averaged \$232,910,470 per annum, and ranged from \$184,150,089 in 1915 to \$326,636,666 in 1918. During the years 1919-26, the annual average sales for all companies amounted to \$255,535,094. The sales decreased from \$341,271,658 in 1920 to \$169,710,816 in 1921, and increased thereafter to \$33,301,277 in 1926. For the years 1927-36, the total sales averaged \$387,237,715 annually. The greatest volume of sales during this period was for the year 1929 in the amount of \$634,400,846, decreasing thereafter to a low of \$145,353,371 in 1932 and increasing thereafter to \$521,070,464 in 1936. For the year 1937 the sales for all companies included in the sample amounted to \$610,425,375. During these periods information was available on the volume of sales for a maximum of 26 companies during 1913-18, 16 companies during 1919-26, 72 companies during 1927-36, and 17 companies during 1937.

During the years 1913-18, the sales of International Harvester Co. alone averaged 58.68 percent of the total sales for all companies for which the information was available. During the years 1919-26, this company's sales averaged 69.29 percent of the total, and for the years 1927-36, its total net sales averaged 57.86 percent of the total, excluding the sales of Caterpillar Tractor Co. for the reasons already given. In 1937 International's net sales amounted to 55.94 percent of the total sales for all companies included in the sample for that year.

However, it should be borne in mind that the net sales of International Harvester Co. included domestic and foreign sales of products manufactured in this country and abroad and large amounts for motortrucks which are used primarily for industrial purposes. The comparisons also include the net sales of products other than farm implements and machines for Allis-Chalmers Manufacturing Co. and for some of the larger short-line companies. The comparisons of sales, therefore, are not strictly confined to the farm-machinery business of the companies. Because of the multiplicity of operations in some of the companies, it was not possible to segregate definitely the farm-machinery operations from other operations for all years. However, a study was made of the sales of 63 companies for the year 1936 in order to determine as accurately as possible the sales applicable to the farm-machinery business only. The relative importance of the farm-machinery sales for each of the long-line companies is indicated in the following tabulation, which compares the sales of the long-line companies individually and as a group, and of the short-line companies as a group for the year 1936.

Company	Net sales of farm machinery, 1936	Percentage of sales of long-line companies	Percentage of sales of long-line and short-line companies combined
		Percent	Percent
International Harvester Co.....	\$124,832,407	44.66	41.26
Deere & Co.....	64,985,395	23.25	21.48
J. I. Case Co.....	21,905,648	7.84	7.24
Oliver Farm Equipment Co.....	18,171,169	6.50	6.01
Allis-Chalmers Manufacturing Co.....	31,440,290	11.25	10.39
Minneapolis-Moline Power Implement Co.....	10,419,474	3.73	3.44
Massey-Harris Co.....	4,955,029	1.77	1.64
B. F. Avery & Sons Co.....	2,797,918	1.00	.92
Total long-line companies.....	279,507,330	.....	92.38
Total short-line companies.....	23,064,579	.....	7.62
Total.....	302,571,909	100.00	100.00

The figures for International Harvester Co. do not include its sales of motor-trucks and binder twine, although these products are used on the farm; a considerable portion of its sales are for industrial use primarily. Since this company is the only one for which the figures are submitted who manufactures these products, its sales of motor-trucks and binder twine were not included in order to afford a better comparison of the farm-machinery sales of all companies. If the sales of these products were included, International's sales would represent 56.43 percent of the total for the long-line companies and 52.99 percent of the total for all companies, instead of 44.66 and 41.26 percent, respectively, as shown in the tabulation. However, on either of the bases of comparison it is evident that International Harvester Co.'s sales predominate.

A further indication of the relative importance of International Harvester Co. and Deere & Co. in the farm-machinery business is the proportion of various types of implements sold by each of these companies compared with the total sales for all companies for which the information is available. The following tabulation shows the percentages of sales of the more important farm implements and machines by International and Deere and all other companies for the years 1921 and 1936.

Percentages of the total number of representative farm implements and machines sold for use in the United States by International Harvester Co. and Deere & Co. as compared with other manufacturers during 1921 and 1936

Farm implement or machine	International Harvester Co.		Deere & Co.		Other companies	
	1921	1936	1921	1936	1921	1936
Grain and rice binders.....	73.2	56.5	13.5	31.7	13.3	11.8
Combines (all widths).....	84.1	11.8	-----	15.8	14.9	72.4
Grain threshers (all sizes).....	4.6	20.4	-----	10.0	95.4	69.6
Mowers.....	62.4	53.4	14.3	21.8	23.3	24.8
Rakes, sulky dump.....	51.2	50.6	14.7	19.1	34.1	30.3
Rakes, side delivery.....	53.3	36.9	25.7	27.4	21.0	35.7
Hay loaders.....	43.9	38.6	26.3	25.4	29.8	36.0
Corn binders.....	70.1	64.6	17.3	24.5	12.6	10.9
Corn pickers.....	97.5	24.3	-----	21.1	2.5	54.6
Corn huskers and shredders.....	48.4	22.1	-----	-----	51.6	77.9
Ensilage cutters, silo fillers.....	21.0	22.3	-----	.6	79.0	77.1
Walking plows, moldboard, 2-horse and larger.....	8.4	17.5	10.4	12.2	81.2	70.3
Sulky plows, horse-drawn.....	13.0	22.3	12.2	14.3	74.8	63.4
Tractor plows, moldboard.....	15.8	35.8	5.3	25.6	78.9	38.6
Disk harrows.....	32.2	37.5	17.9	22.0	49.9	40.5
Spike tooth harrows.....	31.5	26.8	21.6	19.7	46.9	53.5
Spring tooth harrows.....	27.1	32.9	19.4	19.9	53.5	47.2
Corn planters.....	32.3	33.4	25.0	43.3	42.7	23.3
Cultivators, riding, 1-row, 2-horse.....	34.8	40.5	18.7	22.9	46.5	36.6
Cultivators, riding, 2-row-horse-drawn.....	23.1	22.5	27.1	12.8	49.8	64.7

The foregoing tabulation shows that International Harvester Co. and Deere & Co. accounted for a greater proportion of the total sales of many of the lines of farm implements and machines. International Harvester Co. increased its proportion of the total units in 1936 over 1921 in the case of 9 implements or machines and for 11 implements and machines its proportion of the total decreased. Deere & Co. had increases in its proportion of the sales in the case of 16 implements out of a total of 20. All the other companies combined gained on only 8 implements and machines and lost ground on 12 out of the total of 20. This is significant when it is remembered that one important company, namely, Allis-Chalmers Manufacturing Co. entered the farm-machinery field within this period and gained a considerable proportion of the business, especially in the tractor and power-drawn implement lines. The other companies which usually had the next largest proportions of the sales generally followed in the order of J. I. Case Co., Oliver Farm Equipment Co., Allis-Chalmers Manufacturing Co., Minneapolis-Moline Power Implement Co., the Massey-Harris Co., and B. F. Avery & Sons Co. Obviously, the proportions of the total were not consistently in this order for each kind of farm implement or machine. In regard to some implements and machines a few of the short-line manufacturers sold a substantial proportion of the total.

The national business conditions and the purchasing power of the farmer are important factors affecting the trends of sales, profits, and rates of return of the farm-machinery manufacturers. Table 4, which follows, shows for all companies

for which the information was available the total volume of net sales, including sales of products other than farm implements and machines, for each of the years 1927 to 1936, inclusive, and the income and expenses per dollar of net sales for each year. The ratios show the trend in costs and expenses in relation to sales and the effect of the variations on profits.

TABLE 4.—Costs, expenses, and profits or losses per dollar of net sales applicable to the entire business for all farm-machinery manufacturers for which the data are available, 1927-36

Year	1927	1928	1929	1930	1931
Number of companies.....	59	63	67	69	70
Net sales all companies combined.....	\$434, 202, 738	\$499, 145, 288	\$634, 400, 846	\$532, 425, 137	\$302, 802, 595
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	68.14	65.25	65.62	68.89	74.97
Gross profit on sales.....	31.86	34.75	34.38	31.11	25.03
Distribution and administrative expenses.....	16.45	17.15	18.01	21.05	28.25
Net profit on sales.....	15.41	17.60	16.37	10.06	1 3.20
Other income (net).....	1.96	1.95	2.46	2.67	3.01
Net income from outside investments.....	.19	.18	.16	.12	.15
Net profit applicable to total investment.....	17.56	19.73	18.99	12.85	1.04
Less interest on borrowed funds.....	.40	.45	.57	.89	1.37
Net profit applicable to stockholders' investment.....	17.16	19.28	18.42	11.96	1 1.41
Less Federal income tax.....	2.73	2.80	2.44	1.59	.32
Net profit after Federal income tax.....	14.43	16.48	15.98	10.37	1 1.73
Year	1932	1933	1934	1935	1936
Number of companies.....	71	71	72	71	70
Net sales all companies combined.....	\$145, 353, 371	\$154, 547, 894	\$244, 104, 192	\$404, 324, 631	\$521, 070, 464
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	85.68	79.53	71.34	69.11	68.11
Gross profit on sales.....	14.32	20.47	28.66	30.89	31.89
Distribution and administrative expenses.....	41.10	33.15	24.36	17.84	15.72
Net profit on sales.....	1 26.78	1 12.68	4.30	13.05	16.17
Other income (net).....	4.58	4.74	4.45	3.67	2.49
Net income from outside investments.....	.30	.40	.38	.32	.17
Net profit applicable to total investment.....	1 21.90	1 7.54	9.13	17.04	18.83
Less interest on borrowed funds.....	2.45	1.74	.81	.40	.27
Net profit applicable to stockholders' investment.....	1 24.35	1 9.28	8.32	16.64	18.56
Less Federal income tax.....	.12	.06	2.43	2.41	3.26
Net profit after Federal income tax.....	1 24.47	1 9.34	5.89	14.23	15.30

¹ Denotes loss.

There were important differences in the ratios of costs, expenses, and profits to net sales as between the long-line companies as a group and the short-line companies as a group. In order to make a comparison that is indicative of the farm-machinery business, it was necessary to limit the information to those companies for which a segregation could be made of the farm-machinery business from the total business insofar as possible. The information, however, includes the motor-truck and binder-twine businesses of International Harvester Co. which could not be segregated without an undue amount of work. Therefore, while the ratios in the preceding table are based on the total business of the companies, the comparisons in the following table are limited to the domestic farm-machinery business,

subject to the above qualification. Table 5, which follows, shows for each of the years 1927 to 1936, inclusive, the net sales and income and expenses per dollar of net sales applicable only to the farm-machinery business of all companies combined for which the information was available, and the segregation of the information according to long-line companies as a group and to short-line companies as a group.

TABLE 5.—Costs, expenses, and profits or losses per dollar of net sales, applicable to the farm-machinery business ¹ of long-line and short-line farm-machinery manufacturers for which the information was available, 1927-36

Year	1927	1928	1929	1930	1931
Number of companies, long-line and short-line combined	52	55	59	61	62
Net sales, total amount	\$296,652,379	\$353,347,781	\$457,134,509	\$360,929,949	\$196,374,936
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales	100.00	100.00	100.00	100.00	100.00
Cost of goods sold	68.83	66.42	66.58	68.87	74.04
Gross profit on sales	31.17	33.58	33.42	31.13	25.96
Distribution and administrative expenses	16.47	16.45	17.60	22.05	30.62
Net profit on sales	14.70	17.10	15.82	9.08	² 4.66
Other income (net) from the business	1.92	1.93	2.65	3.41	4.45
Net profit applicable to farm-machinery business ¹	16.62	19.03	18.47	12.49	² 2.21
Number of companies, long-line manufacturers combined	5	5	7	7	7
Net sales, total amount	\$272,020,967	\$324,122,600	\$426,913,551	\$336,528,653	\$181,392,323
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales	100.00	100.00	100.00	100.00	100.00
Cost of goods sold	68.43	66.18	66.24	68.43	73.57
Gross profit on sales	31.57	33.82	33.76	31.57	26.43
Distribution and administrative expenses	15.84	15.81	17.18	21.66	30.11
Net profit on sales	15.73	18.01	16.58	9.91	² 3.68
Other income (net) from the business	2.00	2.00	2.77	3.53	4.67
Net profit applicable to farm-machinery business ¹	17.73	20.01	19.35	13.44	.99
Number of companies, short-line manufacturers combined	47	50	52	54	55
Net sales, total amount	\$24,631,412	\$29,225,181	\$30,220,958	\$24,401,296	\$14,982,613
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales	100.00	100.00	100.00	100.00	100.00
Cost of goods sold	73.26	69.14	71.44	74.96	79.83
Gross profit on sales	26.74	30.86	28.56	25.04	20.17
Distribution and administrative expenses	23.51	23.86	23.59	27.28	36.75
Net profit on sales	3.23	7.00	4.97	² 2.24	² 16.58
Other income (net) from the business	1.11	1.07	1.15	1.72	1.84
Net profit applicable to farm-machinery business	4.34	8.07	6.12	² 5.52	² 14.74

Year	1932	1933	1934	1935	1936
Number of companies, long-line and short-line combined	63	63	64	63	62
Net sales, total amount	\$87,270,497	\$94,020,391	\$159,651,416	\$279,621,787	\$347,927,901
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales	100.00	100.00	100.00	100.00	100.00
Cost of goods sold	88.11	82.16	71.92	69.85	68.28
Gross profit on sales	11.89	17.84	28.08	30.15	31.72
Distribution and administrative expenses	46.43	36.07	25.41	17.66	15.60
Net profit on sales	² 34.54	² 18.83	2.67	12.49	16.12
Other income (net) from the business	5.00	6.18	4.96	4.09	2.91
Net profit applicable to farm-machinery business ¹	² 29.54	² 12.65	7.63	16.58	19.03

¹ Includes the motortruck and binder-twine business of International Harvester Co.

² Denotes loss.

TABLE 5.—Costs, expenses, and profits or losses per dollar of net sales, applicable to the farm-machinery business of long-line and short-line farm-machinery manufacturers for which the information was available, 1927-36—Continued

Year	1932	1933	1934	1935	1936
Number of companies, long-line manufacturers combined.....	7	7	7	7	7
Net sales, total amount.....	\$78,945,748	\$85,399,141	\$146,664,523	\$261,774,439	\$324,863,322
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	86.50	81.72	71.68	69.63	67.96
Gross profit on sales.....	13.50	18.28	28.32	30.37	32.04
Distribution and administrative expenses.....	47.15	37.34	25.56	17.50	15.39
Net profit on sales.....	² 33.65	² 19.06	2.78	12.87	16.65
Other income (net) from the business.....	5.19	6.45	5.22	4.26	3.04
Net profit applicable to farm-machinery business ¹	² 28.46	² 12.61	7.98	17.13	19.69
Number of companies, short line manufacturers combined.....	56	56	57	56	55
Net sales, total amount.....	\$8,324,749	\$8,621,250	\$12,986,893	\$17,847,348	\$23,064,579
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	103.37	86.52	74.66	73.06	72.77
Gross profit on sales.....	² 3.37	13.48	25.34	26.94	27.23
Distribution and administrative expenses.....	39.55	30.06	23.67	19.92	18.54
Net profit on sales.....	² 42.92	² 16.58	1.67	7.02	8.69
Other income (net) from the business.....	3.17	3.54	1.93	1.42	1.04
Net profit applicable to farm-machinery business.....	² 39.75	² 13.04	0.60	8.44	9.72

¹ Includes the motortruck and binder-twine business of International Harvester Co.

² Denotes loss.

The largest proportion of the farm machinery manufactured in the United States is sold in the United States. During 5 years between 1928 and 1936, inclusive, the smallest proportion of the total farm machinery and repair parts of domestic manufacture sold in the United States for any one of the long-line farm-machinery manufacturers was 66.35 percent, while the highest was 92.13 percent. Thus it can be seen that the maximum proportion sold in foreign countries for any one company was 33.65 percent. The proportions of the net sales of farm machinery and repair parts of domestic manufacture sold in the United States, Canada and other foreign countries, by the principal long-line manufacturers, are shown in the following tabulation:

Company	Proportion of farm-machinery and repair parts sales in—			
	United States	Canada	Other foreign countries	Total
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
International Harvester Co.....	84.98	2.73	12.29	100
Deere & Co.....	90.21	4.33	5.46	100
Allis-Chalmers Manufacturing Co.....	92.13	1.32	6.55	100
J. I. Case Co.....	72.85	7.05	20.10	100
Oliver Farm Equipment Co.....	86.42	6.26	7.32	100
Minneapolis-Moline Power Implement Co.....	84.42	6.09	9.49	100
The Massey-Harris Co.....	66.35	17.14	16.51	100
B. F. Avery & Sons Co.....	71.40	.02	28.58	100

¹ For years 1929, 1932, 1933, 1935, and 1936.

² For years 1932 to 1936, inclusive, based on only part of the sales of the tractor and implement line.

³ For years 1932, 1933, 1935, and 1936.

⁴ For years 1930, 1932, 1933, 1935, and 1936.

⁵ For years 1928, 1931, 1935, and 1936.

The proportion of sales by International Harvester Co. in the United States, Canada, and other foreign countries is based on its sales of farm machinery and repair parts of domestic manufacture only. As indicated previously, the company owns important foreign subsidiary companies that manufacture and distribute farm machinery in foreign countries, but the sales of these foreign companies were not included in arriving at the percentages shown in the tabulation.

A rather substantial proportion of the total sales of farm machinery and repair parts by all companies is accounted for by the sales of repair parts. For instance, during the years 1929, 1932, 1933, 1935, and 1936, the total sales in the United States of implements and tractors by International Harvester Co. amounted to \$328,942,858 while the sales in the United States only of implement and tractor repair parts for that period amounted to \$74,460,441. The net sales for Deere & Co. in the United States for the same 5 years included \$29,865,688 of farm implements and \$4,983,680 of repair parts. The ratio of sales of repair parts to sales of new farm implements by these two companies was perhaps larger than for other farm-machinery manufacturers, for the reason that these two companies have been in business a longer time than most of the other companies and therefore have a larger proportion of implements and machines in use than the other companies, some of which have only recently begun to manufacture farm implements and machines. Also, the ratio of sales of repair parts to farm implements would vary for different companies for the reason that only some of the companies manufacture tractors which require more parts replacement. However, the sales of repair parts constituted an important part of the sales of farm-machinery manufacturers and were generally larger in relation to their farm-machinery sales during the depression years.

The profits on sales of repair parts were higher than on sales of new farm implements. For instance, the net profit on the \$74,460,441 of repair part sales by International Harvester Co. was equal to \$16,521,972, which represented 22.19 percent of the sales, while on the new implements and tractors the percentage of profit to net sales was only 6.73 percent. For Deere & Co. the net profit on the sales of \$4,983,680 of repair parts was \$1,058,316, which equaled 21.24 percent of the net sales of repair parts, while on the sales of new farm implements the net profit was equal to 18.13 percent of the net sales. It was also found that the gross margins of profit of retail farm-machinery dealers was higher on sales of repair parts than on sales of new farm implements and machines. The fact that the margins of profit on the repair parts were higher for both the farm-machinery manufacturers and the retail dealers perhaps accounts for the numerous complaints by farmers that the prices of repair parts for farm machines are particularly high

INTERNATIONAL HARVESTER CO.

Information concerning investments and earnings of the group of International Harvester companies is presented herein for the years 1913 to 1927, inclusive. Such information for International Harvester Co. of New Jersey and International Harvester Corporation, which were merged in 1918, has been combined for the years 1913 to 1918, in order to be comparable with the information for the subsequent years.

International Harvester Co. was organized in 1902 as a consolidation of McCormick Harvesting Machine Co., Deering Harvester Co., Plano Manufacturing Co., Warder, Bushnell & Glessner Co., and Milwaukee Harvester Co. Combined operations of these companies accounted for about 90 percent of the grain binders and 80 percent of mowers built in the United States at the time of the consolidation. It appears that the primary purpose of the consolidation was to eliminate keen competition and obtain larger profits.

At the time of the consolidation, International Harvester Co. was strictly a short-line company, but from that time it has steadily lengthened its line so that it now manufactures many types and sizes of farm tillage implements, seeding and planting machines, cultivators, harvesting machines, farm hauling equipment and farm-power-developing machines. It also manufactures motor trucks and tractors of many types and sizes for both farm and industrial purposes. It developed as a full line company through the acquisition of additional competing and noncompeting companies, and the conversion of its own plants, or construction of new plants, to manufacture other lines. By these means the company strengthened its monopoly position with respect to harvesting machines and lengthened its line of other farm implements and machines.

From the standpoint of size, in terms of capital invested, and volume of sales, International Harvester Co. dominates the farm-machinery industry. In 1936, its farm machinery sales of domestic manufacture, including motor trucks and binder twine, were equivalent to approximately 53 percent of the combined farm-machinery sales for all companies included in this discussion. If the company's sales of motortrucks and binder twine are not included, since it is the only one of the reporting companies who manufacture these products, and since a considerable portion of the sales of motortrucks are for industrial use primarily, its sales for 1936 would still be equivalent to over 41 percent of the combined farm machine sales of these companies.

The company's investments for the year 1936, devoted to the United States farm machinery, motortruck and twine business, exceeded 55 percent of the combined investments of all companies, including International, for which information is presented herein.

At present, International Harvester Co. has 15 manufacturing plants in the United States, 3 in Canada, 3 in France, 2 in Germany, 2 in Sweden, and in 1937 it announced that a plant was to be built in Australia. The company sells its products through its transfer houses and motortruck sales and service stations in 157 cities of the United States. In addition, the company owned or controlled 108 retail stores in various parts of the country in 1937.

Rates of return have been computed on the investment applicable to the entire operations, domestic and foreign, and on the investment applicable to only the United States farm-machinery, motortruck, and binder-twine business. Table 6 which follows, summarizes the investments, profits, and rates of return for the years 1913 to 1937, inclusive, on three bases, namely, the total investment, the investment of all classes of stockholders combined, and the investment of common stockholders only. The information concerning investments and profits for International Harvester Co. of New Jersey and International Harvester Corporation, which were merged in 1918, has been combined for the years 1913 to 1918, in order to be comparable with the information for the subsequent years.

As nearly as can be determined, the investments represent the actual amounts invested in assets. The assets were appreciated \$17,958,873 at the time of the company's formation in 1902, but it appears that this appreciation has since been written off.

The total investment consists of the capital stocks outstanding, surplus, surplus reserves, reserves for Federal income and profits taxes, and all borrowed funds except trade notes. The stockholders' investment consists of these same items, except borrowed funds. The common stockholders' investment, or common stock equity, consists of the common stock outstanding, surplus, surplus reserves, and reserves for Federal income and profits taxes.

The profits applicable to the total investment represent the net income from all sources before deducting interest on borrowed funds and provisions for Federal income and profits taxes. The profits applicable to the stockholders' investment represent the net income after deducting interest on borrowed funds, but before deducting provisions for Federal income and profits taxes. The profits applicable to the stockholders' investment, less the dividends accrued to the preferred stockholders, represent the profits used in computing the rates of return on the common stock equity.

TABLE 6.—Summary of investments, profits and rates of return, for International Harvester Co. and subsidiaries, 1913-37

Year	Investments ¹			Profits ² applicable to—			Rates of return		
	Total	Stockholders	Common-stock equity	Total investment	Stockholders' investment	Common-stock equity	Total investment	Stockholders' investment	Common-stock equity
1913	\$209,115,243	\$173,530,023	\$113,539,023	\$22,896,850	\$19,563,368	\$15,363,368	10.95	11.27	13.33
1914	238,751,958	183,361,177	123,361,177	18,483,928	14,889,758	10,689,758	7.74	8.12	8.67
1915	240,501,698	188,845,005	128,845,005	19,913,832	17,448,928	13,218,928	8.28	9.24	10.38
1916	235,354,033	198,302,043	138,302,043	27,030,017	25,408,381	21,208,381	11.48	12.81	13.34
1917	240,791,286	215,108,965	155,108,965	41,293,808	40,190,998	35,990,998	17.15	18.68	23.20
1918	255,353,686	238,029,821	178,029,821	45,694,200	44,503,441	40,303,441	17.86	18.70	22.64
1919	236,313,139	236,313,139	176,313,089	19,655,771	19,655,771	15,465,771	8.32	8.32	8.77
1920	235,196,655	235,196,655	175,196,655	25,182,955	26,182,955	21,026,955	11.13	11.13	12.52
1921	231,626,578	231,626,578	172,414,628	5,242,099	5,242,099	1,026,426	2.26	2.26	3.00
1922	223,986,498	223,986,498	164,762,598	3,898,737	3,898,737	3,316,936	1.74	1.74	3.19
1923	221,620,255	221,620,255	161,395,355	15,177,287	15,177,287	10,961,614	6.85	6.85	6.80
1924	224,266,616	224,266,616	163,873,266	19,327,580	19,327,580	15,097,016	8.62	8.62	9.21
1925	236,119,692	236,119,692	174,499,692	33,132,785	33,132,785	28,769,149	14.03	14.03	16.49
1926	254,195,444	254,195,444	190,072,044	40,289,214	40,289,214	35,730,875	15.85	15.85	18.80
1927	308,855,582	306,643,082	239,228,091	44,519,726	44,423,999	39,633,445	14.41	14.49	16.57
1928	340,086,198	340,086,198	308,646,359	57,915,405	57,915,405	52,822,896	17.03	17.03	14.33
1929	382,555,221	377,093,138	300,982,119	65,797,144	65,011,406	60,171,728	17.20	17.40	19.99
1930	412,708,651	396,178,651	316,569,193	35,539,422	34,943,442	29,298,870	8.62	8.82	9.26
1931	383,971,145	383,971,145	302,663,092	175,619	175,619	3,555,284	0.05	0.05	3.84
1932	357,362,331	357,362,331	275,322,683	8,985,016	8,985,016	14,682,911	2.51	2.51	3.53
1933	339,086,342	339,086,342	237,214,194	1,155,320	1,155,320	3,563,644	0.34	0.34	3.77
1934	334,452,944	334,452,944	252,770,494	20,084,870	20,084,870	14,367,506	6.01	6.01	5.68
1935	347,110,509	347,110,509	295,438,199	43,026,366	43,026,366	37,920,550	12.40	12.40	14.06
1936	371,866,818	371,866,818	290,194,418	49,611,685	49,611,685	45,323,884	13.34	13.34	15.62
1937	364,509,270	364,509,270	282,836,870	48,051,274	48,051,274	42,334,206	13.18	13.18	14.97
Annual average	289,022,701	279,148,017	214,700,339	27,804,235	27,238,227	22,478,134	9.62	9.76	10.47

¹ Average of investments at beginning and end of year, except for borrowed money, which was averaged monthly in some years.

² Before Federal income and profits taxes.

³ Denotes loss.

⁴ 11 months only, due to change in fiscal-year basis.

The profits shown in table 6 differ materially from the profits reported by the company in its published annual reports, being considerably larger in most years than the amounts reported by the company. This resulted from a reclassification of income and expenses by segregating and classifying as surplus certain items not directly related to the results of the yearly operations from the manufacture and sale of farm machinery and other products. These items included capital gains and losses, revaluations of securities and other assets, provisions for inventory and other reserves, and many other charges and credits. Also, as previously explained, the profits shown in the table were computed before the deduction for Federal income and profits taxes, since such taxes are not operating expenses but are contingent upon profits and represent a division of the earnings of the business.

The adjustments of profits referred to above were made for the years 1913-18 and for the years 1927-36 on the basis of field examinations of the company's books and records by examiners of the Federal Trade Commission in its studies of the farm machinery industry.²

The adjustments for the intervening years and for the year 1937 were based on information submitted by the company in answer to a questionnaire. The accounting techniques in this questionnaire were closely defined and prescribed in order to obtain comparability and uniformity of the data throughout. However, a field examination might have revealed the necessity for further adjustments, the probable effect of which would have been to increase the profits shown in the table for the years covered by the questionnaire.

The table shows that for the 25-year period, 1913 to 1937, inclusive, the annual average rates of return were 9.62 percent on the total investment, 9.76 percent on the stockholders' investment, and 10.47 percent on the common-stock equity.

From 1913 to 1918, inclusive, the annual average rate of return on the total investment was 12.34 percent; for the years 1919-26 it was 8.74 percent; for the years 1927-36 it was 8.76 percent; for 1937 it was 13.18 percent; and for all years it was 9.62 percent. It will be noted the average ratio of return for the years 1919-26 and 1927-36 were approximately the same. However, if the operating results for three of the depression years, namely, 1931, 1932, and 1933 are eliminated from the comparisons, the average return for seven of the years 1927-36 would be 12.85 percent. It is significant that this return is slightly higher than the average return of 12.34 percent during the years 1913-18, and only slightly under the return of 13.18 percent for the year 1937.

Table 7, which follows, summarizes the investments, profits, and rates of return applicable to only the investment in the United States farm machinery, motor-truck, and twine business. The details from which the table was prepared were obtained by the Federal Trade Commission's accountants from the company's records at its offices and are available for only the years 1927 to 1936, inclusive.

The investment in the United States farm machinery, motortruck, and twine business represents the total investment of the United States group of companies from which was deducted the investments in marketable securities, in foreign subsidiaries, in the steel and lumber operations, and all other investments not directly concerned with the manufacture and sale of farm machinery, motortruck, and binder twine. The profits used in computing the rates of return represent the net income to the company from its United States operations, excluding income from such outside investments and before deducting interest on borrowings and provisions for Federal income and profits taxes.

² See reports of the Federal Trade Commission on the Causes of High Prices of Farm Implements and on the agricultural implement and machinery industry.

TABLE 7.—Summary of investments, profits, and rates of return on the United States farm machinery, motortruck, and binder twine business of International Harvester Co., 1927-36

Year	Average investment (beginning and end of year)	Profits ¹	Rates of return	Year	Average investment (beginning and end of year)	Profits ¹	Rates of return
			Percent				Percent
1927	\$201,253,551	\$30,243,253	15.03	1934	\$190,585,911	\$14,538,139	7.63
1928	214,969,732	42,432,318	19.74	1935	211,177,831	32,438,555	15.36
1929	247,826,393	51,100,456	20.62	1936	240,160,842	34,172,854	15.93
1930	269,186,426	28,318,636	10.52	Annual average	219,539,572	23,640,338	10.61
1931	230,084,071	4,049,812	1.76				
1932	202,619,093	² 7,958,234	² 3.93				
1933	187,531,877	² 487,124	² .26				

¹ Before Federal income taxes. ² Denotes loss. ³ 11 months only due to change in fiscal year closings.

Table 7 shows that the investment in the United States farm machinery, motortruck, and twine business averaged \$219,539,573 for the 10 years 1927-36. During the same period the annual average of the total investment applicable to the entire operations of the company, both domestic and foreign, was \$357,805,583. The average of the investment in the United States farm machinery, motortruck, and twine business was 61 percent of the total investment.

During the 10-year period, an average rate of 10.61 percent was earned on the investment in the United States farm machinery, motortruck, and twine business, as compared with 8.76 percent on the total investment in the company's entire operations, domestic and foreign. From this comparison it is concluded that the company realized a larger profit on the investment in the United States farm machinery, motortruck, and twine business than on the investments in any of the other fields of the company's operations combined.

The following table 8 is presented as a further indication of the profitableness of the company's operations as a whole. The table summarizes for each of the years 1913 to 1937, inclusive, the total net sales, the net income from all operations after providing for all the costs and expenses of doing business, including Federal income and profits taxes and all other taxes, the dividends paid, and surplus at the end of each year.

TABLE 8.—Summary of net sales, net income, dividends paid, and surplus for International Harvester Co. and subsidiaries, 1913-37

Year	Net sales	Net income	Dividends paid				Surplus end of year
			Cash, preferred	Cash, common	Stock, common	Total	
1912			\$4,200,000	\$4,000,000			\$31,586,544
1913	\$124,073,201	\$19,366,020	4,200,000	3,000,000		\$8,200,000	38,457,323
1914	110,923,865	14,312,147	4,200,000	2,000,000		7,200,000	42,983,149
1915	108,991,839	17,150,187	4,200,000	2,000,000		6,200,000	47,459,585
1916	120,951,072	24,610,857	4,200,000	2,000,000		6,200,000	54,041,745
1917	161,455,930	32,715,583	4,200,000	2,800,000		7,000,000	61,051,338
1918	193,604,388	27,807,431	4,200,000	3,800,000		8,000,000	68,036,663
1919	206,481,295	12,155,771	4,200,000	4,800,000		9,000,000	71,641,252
1920	216,649,643	22,682,955	4,200,000	5,750,000	\$10,090,000	19,950,000	68,348,793
1921	115,965,079	5,242,099	4,215,673	5,112,786	3,645,414	12,973,873	59,526,173
1922	126,562,018	3,936,737	4,215,673	4,847,920	3,802,290	12,865,883	62,201,488
1923	151,288,113	13,927,257	4,215,673	4,993,835	1,958,368	11,167,876	61,307,627
1924	159,140,463	16,577,580	4,230,564	4,993,835		9,224,399	55,123,042
1925	202,963,567	33,285,214	4,363,636	4,993,835		9,357,471	64,933,301
1926	237,463,917	36,841,663	4,558,339	5,992,620		10,550,941	77,040,332
1927	232,286,979	48,787,070	4,792,085	6,294,630	6,072,504	17,159,219	83,242,886
1928	322,907,292	56,291,179	5,099,173	7,651,231	4,280,348	17,030,752	29,759,714
1929	268,058,488	29,999,190	5,442,615	11,023,014		16,465,629	50,074,083
1930	160,215,760	1,228,896	5,646,123	11,023,044		16,669,167	59,108,107
1931	82,778,774	1,100,062	5,735,947	11,022,963		16,758,910	54,695,735
1932	89,460,873	1,100,062	5,727,895	6,318,983		12,046,878	45,065,978
1933	133,963,981	15,072,169	5,718,964	2,523,041		8,242,005	44,937,715
1934	211,448,382	37,367,225	5,717,304	2,546,736		8,264,040	40,622,312
1935	247,612,099	40,918,276	5,705,616	3,159,308		8,864,824	51,375,726
1936	341,497,226	36,726,763	4,287,801	11,992,766		16,280,567	64,993,425
1937			5,717,068	16,981,019		22,698,087	74,788,101
Total	4,630,842,896	564,109,599	118,990,049	149,621,548	29,768,924	298,370,521	

¹ Denotes loss.

² 11 months only due to change in fiscal-year basis.

Table 8 shows that the company's net sales of all products, both domestic and foreign, amounted to \$4,630,842,896 for the 25 years, 1913 to 1937, inclusive. The average annual sales for this period amount to \$185,233,716. It will be noted that the net sales of \$341,497,226 in 1937 were the largest of any year during the period.

The table shows that during the 25-year period dividend payments aggregated \$298,370,521, of which \$118,990,049 was paid in cash on the preferred stock at the rate of 7 percent per annum, \$149,621,548 was paid in cash on the common stock at varying rates, and \$29,758,924 in common stock was paid on the common stock.

After the payment of dividends there remained \$265,739,078 of net income. This increase in surplus, however, was offset by net charges during the period of \$222,537,521. Of this amount, \$136,251,474 was represented principally by large amounts appropriated from surplus from time to time for reserves to provide for possible shrinkage in inventory values, for maintenance and depreciation on plant and equipment in addition to the amounts provided for out of income, for doubtful accounts receivable, contingency reserves, etc. The remainder, \$88,286,047, is made up of two items, one for \$22,148,277 representing bonuses or additional compensation paid to the managerial group of employees during each of the years 1927-30 and 1936, and the other for \$66,137,770 representing the transfer in 1928 of that amount from surplus to the capital-stock account, when the company's outstanding common stock was changed from shares of the par value of \$100 per share to shares without par value. In this exchange, four shares of no-par-value common was issued for each old share.

It will be noted that the surplus at the end of 1912 was \$31,586,544, and \$74,788,101 at the end of 1937. The increase of \$43,201,557, together with \$29,758,924 of stock dividends during the period, and \$66,137,770 of surplus transferred to capital stock as described above, account for at least \$139,098,251 of earnings reinvested in the business.

The difference between the net sales and net income for the years as shown in the preceding table is accounted for principally by the cost of goods manufactured and sold and the distribution and administrative expenses. The following table 9 shows the total net sales of all products by the company during the years 1927 to 1937, inclusive, and the per dollar of net sales of income, expenses, and profits. The ratios show the trend during the period of costs and expenses and their relation to sales, and the effect of the variations on profits.

TABLE 9.—*Summary of income and expenses per dollar of net sales for International Harvester Co. and subsidiaries, 1927-37*

	1927	1928	1929	1930	1931	1932
Net sales, total amount.....	\$254,163,917	\$282,286,979	\$322,907,292	\$268,058,488	\$160,215,750	\$82,778,774
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	69.71	65.64	65.13	69.58	75.84	80.70
Gross profit on sales.....	30.29	34.36	34.87	32	24.16	19.90
Distribution and administrative expenses.....	14.94	16.16	17.47	20.08	26.38	35.00
Net profit on sales.....	15.35	18.20	17.40	10.34	2.22	15.10
Other income (net).....	2.09	2.16	2.91	2.86	2.18	3.56
Total.....	17.44	20.36	20.31	13.20	4.04	11.64
Net income from outside investments.....	.09	.16	.07	.07	.15	.73
Net profit applicable to total investment.....	17.53	20.52	20.38	13.27	.11	10.81
Interest on borrowed money.....	.04	.....	.06	24	.....	.....
Net profit applicable to stockholder's investment.....	17.49	20.52	20.32	13.03	.11	10.81
Provision for Federal income and profits taxes.....	2.99	3.23	2.89	1.84	.25	.22
Net income.....	14.50	17.29	17.43	11.19	1.14	11.03

² Denotes loss.

TABLE 9.—*Summary of income and expenses per dollar of net sales for International Harvester Co. and subsidiaries, 1927-37—Continued*

	1933	1934	1935	1936	1937
Net sales, total amount.....	\$89,460,873	\$133,953,981	\$211,448,382	\$247,612,099	\$341,497,226
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	76.43	69.96	69.74	69.53	72.39
Gross profit on sales.....	23.57	30.04	30.26	30.47	27.61
Distribution and administrative expenses.....	27.78	21.35	15.77	14.12	15.12
Net profit on sales.....	¹ 4.21	8.69	14.49	16.35	12.49
Other income (net).....	4.71	5.60	5.46	3.51	1.48
Total.....	.50	14.29	19.95	19.86	13.97
Net income from outside investments.....	.79	.71	.39	.18	.10
Net profit applicable to total investment.....	1.29	15.00	20.34	20.04	14.07
Interest on borrowed money.....					
Net profit applicable to stockholder's investment.....	1.29	15.00	20.34	20.04	14.07
Provision for Federal income and profits taxes.....	.06	3.74	2.68	3.51	3.32
Net income.....	1.23	11.26	17.66	16.53	10.75

¹ 11 months only due to change in fiscal-year basis.

The net sales shown in table 9 for the years 1927 to 1937, inclusive, aggregate \$2,394,383,761, and represent the domestic and foreign sales of all of the company's products. During the years 1927 to 1936, inclusive, the net sales applicable to the United States farm machinery, motortruck, and twine business aggregated \$1,593,801,486, an average of \$159,380,149 per annum. The domestic sales of farm implements, motortrucks, and binder twine represented 77.6 percent of the entire sales of the company, which averaged \$205,288,654 for the years 1927 to 1936, inclusive.

The following table 10 is presented to indicate the relative importance of each class of sales comprising the domestic farm machinery, motor truck, and binder-twine business, and their relative profitableness. The table shows the net sales and margins of profits for each of the years 1929, 1932, 1933, 1935, and 1936.

TABLE 10.—*Net sales and margins of profits applicable to various classes of sales applicable to the United States farm machinery, motortruck and binder twine business of International Harvester Co. for the years 1929, 1932, 1933, 1935, and 1936*

	Implements and tractors	Implement and tractor replacement parts	Motor-trucks and parts	Twine	Collateral products	Total
Net sales:						
1929.....	\$121,138,203	\$16,687,452	\$48,620,139	\$9,901,346	\$4,482,533	\$200,829,673
1932.....	15,652,512	9,594,780	22,463,285	4,417,598	1,226,859	53,355,034
1933.....	16,836,521	10,404,691	20,431,528	2,907,230	1,738,776	52,318,746
1935.....	79,965,861	19,183,938	46,961,452	5,118,120	3,559,863	154,789,234
1936 ¹	95,349,761	18,589,580	59,484,879	3,615,548	4,072,097	181,111,865
Total.....	328,942,858	74,460,441	197,961,283	25,959,812	15,080,128	642,404,552
Percent gross profit to net sales:	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1929.....	32.69	42.43	31.45	20.09	7.37	32.02
1932.....	¹ 12.04	36.56	30.68	34.83	¹ 1.93	18.80
1933.....	4.04	32.89	30.61	34.20	2.19	21.77
1935.....	^c 28.13	41.84	26.36	30.71	.06	28.73
1936.....	29.06	40.32	28.34	23.62	.88	29.23
Average.....	26.94	39.66	29.13	26.76	2.54	28.51
Net profit to net sales:						
1929.....	13.42	28.84	8.77	14.55	7.37	13.49
1932.....	² 69.21	¹ 6.66	¹ 1.76	25.66	¹ 1.93	¹ 19.08
1933.....	¹ 40.82	4.51	5.87	25.36	2.19	² 8.47
1935.....	12.09	30.17	9.88	18.99	.06	13.61
1936.....	14.59	29.68	14.79	14.26	.88	15.89
Average.....	6.73	22.19	9.35	18.49	2.54	9.70

¹ Sales for 1936 are for 11 months only due to change in fiscal year basis.

² Denotes loss.

Table 10 shows that gross margins of profit of 39.66 percent resulted from the sales of replacement parts for implements and tractors, 29.13 percent from the sales of motortrucks and parts, 26.94 percent from the sales of implements and tractors, 26.76 percent from the sale of twine, and 2.54 percent from the sale of collateral products. The net profit on sales followed a slightly different trend in that the average for the five years was 22.19 percent for implement and tractor replacement part sales, 18.49 percent for twine, 9.35 percent for motortrucks and parts, and 6.73 percent for implements and tractors. It will be observed that the sales of implements and tractors declined from approximately \$121,000,000 in 1929 to a low of \$15,600,000 in 1932. The decline was much more pronounced in implements and tractors than in any other line of products. In 1932 and 1933 the sales of motortrucks and parts exceeded the sale of farm implements and tractors.

DEERE & Co.

This company was founded in 1837 by John Deere at Grand Detour, Ill., who developed a plow that would successfully scour in the heavy Illinois prairie soil. Production of this plow was begun by a partnership of John Deere and Maj. Leonard Andrus under the name Grand Detour Plow Co. In 1847 John Deere withdrew from the partnership and started in business in Moline, Ill., under the name Deere & Tate and later Deere, Tate & Gould Co. The other partners withdrew from the business and John Deere continued the plow business alone, beginning in 1852. The business expanded into the manufacture of tillage implements as well as plows and the business was incorporated as Deere & Co. in 1868. Branch houses were established at strategic points for distributing the products which were manufactured by the company, and additional farm implements which were purchased. By 1893 it appears the number and types of implements manufactured were such that the company might be described as a long-line concern.

Through an expansion program which began in 1911 Deere & Co. acquired, through exchanges of stock, a number of other companies and expanded its own plants until the company became the second largest manufacturer of farm implements and machines in the United States, which position it still holds. The principal companies acquired since that time were Syracuse Chilled Plow Co., Syracuse, N. Y., manufacturers of chilled plows, Van Brunt Manufacturing Co., Horicon, Wis., manufacturers of grain drills, Dain Manufacturing Co., Ottumwa, Iowa, and Welland, Ontario, manufacturers of haying machinery, Waterloo Gasoline Engine Co., Waterloo, Iowa, manufacturers of tractors and gasoline engines, Killefer Manufacturing Co., Los Angeles, Calif., manufacturers of heavy tillage tools and road machinery, and the potato machinery business of Hoover Manufacturing Co., Avery, Ohio. Deere & Co. is a combined manufacturing and holding company owning or controlling 10 factories in the United States and 1 in Canada. It has an extensive branch house distribution system with each branch house separately incorporated. In 1936 there were 54 branches of which 41 were located in the United States and 13 were located in Canada. The company also has over 100 company-owned retail stores.

The profitableness of this company's operations is indicated in table 11, which follows. This table summarizes the investments, profits, and rates of return for the company for each of the years 1913 to 1937, inclusive, on four bases of investment, namely, the total investment, the investment of all classes of stockholders combined, the investment of the common stockholders only, and the investment in the farm-machinery business.

The total investment consists of the capital stock outstanding, surplus, surplus reserves, reserves for Federal income and profits taxes, and borrowed funds. The investment of all stockholders consists of these same items, except borrowed funds. The common stockholders' investment for common stock equity consists of the common stock outstanding, surplus, surplus reserves, and reserves for Federal income and profits taxes. The investment in the farm-machinery business consists of the total investment, less investments in securities of other companies and property not used in the farm-machinery business.

The net profits applicable to each basis of investment are before deductions for provisions for Federal income and profits taxes. Subject to this qualification, the profits applicable to the total investment represent the net income from all sources before deducting interest on borrowed funds; the profits applicable to the stockholders' investment represent the net income after deducting interest on borrowed funds; the profits applicable to the common-stock equity represent the net income to all stockholders, less dividends accruing to the preferred stockholders; and the profits applicable to the investment in the farm-machinery business represent the net income, excluding income from outside investments, and before deducting interest on borrowed funds.

At the time of the acquisition of other companies in 1910, appreciation of \$17,904,400 was recorded in the company's accounts as trade names, trade-marks, patents, and good will. This amount represented the excess in value assigned to common stock issued for properties in excess of their historical cost. The appreciation was written off against surplus in 1929. The amount of appreciation has been deducted from the investments in computing the rates of return shown in the following table.

TABLE 11.—*Summary of investments, profits and rates of return for Deere & Co. and subsidiaries, 1913-37*

Year	Investments ¹			
	Total	Stockholders	Common-stock equity	Farm-machinery business
1913	\$52,627,597	\$43,006,166	\$5,177,666	\$50,279,253
1914	57,224,278	44,605,182	6,776,682	54,543,449
1915	59,634,379	43,955,539	6,127,039	56,960,394
1916	55,733,194	44,723,799	6,895,299	52,870,138
1917	49,760,772	46,015,537	10,037,607	46,989,041
1918	49,236,833	48,195,133	13,195,133	46,319,600
1919	53,627,525	53,249,275	18,556,775	-----
1920	56,486,185	56,305,435	22,132,485	-----
1921	57,696,939	52,925,403	19,362,203	-----
1922	56,155,750	46,745,393	13,168,943	-----
1923	52,992,308	43,738,420	9,992,170	-----
1924	51,385,116	43,249,298	9,837,448	-----
1925	48,397,286	44,806,786	11,909,986	-----
1926	49,222,396	49,222,396	16,343,146	-----
1927	55,094,406	53,761,073	21,626,273	51,314,867
1928	60,661,542	58,858,209	27,460,159	56,894,591
1929	76,999,777	69,974,777	38,576,677	73,309,751
1930	88,786,366	80,153,033	48,754,983	85,325,094
1931	89,115,473	81,019,640	49,826,640	85,791,794
1932	81,481,288	74,789,621	43,825,045	78,041,028
1933	69,900,857	68,242,524	37,326,151	66,254,048
1934	66,652,933	65,599,600	34,708,006	62,643,503
1935	73,778,788	69,015,455	38,111,599	69,309,891
1936	86,720,188	78,490,605	47,574,456	81,946,661
1937	87,252,291	83,327,291	52,411,172	-----
Annual average	63,464,979	57,759,024	24,388,431	63,674,569

Year	Profits ² applicable to—			
	Total investment	Stockholders' investment	Common-stock equity	Farm-machinery business
1913	\$5,080,220	\$4,244,869	\$1,596,874	\$5,328,463
1914	3,219,462	2,155,135	³ 492,860	3,462,718
1915	4,441,225	3,633,397	985,402	4,747,078
1916	5,915,103	5,438,063	2,790,068	6,428,115
1917	7,933,104	7,582,616	5,064,161	8,399,285
1918	8,742,057	8,058,425	5,608,425	9,607,008
1919	10,324,750	10,311,430	7,861,430	-----
1920	6,895,458	6,887,083	4,437,083	-----
1921	³ 2,159,078	³ 2,676,961	³ 5,126,961	-----
1922	³ 1,770,779	³ 2,520,779	³ 4,871,130	-----
1923	2,539,209	1,789,209	³ 573,029	-----
1924	2,566,338	1,853,838	³ 482,992	-----
1925	5,270,188	5,270,188	2,967,412	-----
1926	9,134,916	9,134,916	6,833,368	-----
1927	12,008,427	11,941,023	9,691,587	11,873,671
1928	15,651,710	15,566,173	13,368,309	15,550,816
1929	22,273,320	21,835,721	19,637,854	22,147,841
1930	14,161,170	13,740,906	11,543,041	14,031,933
1931	655,541	347,097	³ 1,838,863	612,107
1932	³ 5,758,936	³ 6,055,904	³ 8,223,424	³ 5,719,460
1933	³ 4,400,169	³ 4,460,402	³ 6,624,548	³ 4,442,200
1934	1,148,295	1,119,437	³ 1,042,975	983,258
1935	10,831,438	10,744,679	8,581,409	10,363,957
1936	19,650,227	19,525,391	17,361,263	19,256,428
1937	21,730,827	21,504,386	19,340,258	-----
Annual average	7,042,561	6,678,798	4,335,647	7,664,439

See footnotes at end of table.

TABLE 11.—Summary of investments, profits and rates of return for Deere & Co. and subsidiaries, 1913-37—Continued

Year	Rates of return			
	Total invest- ment	Stockholders' investment	Common- stock equity	Farm- machinery business
	Percent	Percent	Percent	Percent
1913	9.65	9.87	30.84	10.80
1914	5.63	4.83	\$ 7.27	6.35
1915	7.41	8.27	16.08	8.33
1916	10.61	12.16	40.46	12.16
1917	15.94	16.48	50.45	17.87
1918	17.76	16.72	42.50	20.74
1919	19.25	19.36	42.37	-----
1920	12.21	12.23	20.05	-----
1921	\$ 3.74	\$ 5.06	\$ 26.48	-----
1922	\$ 3.15	\$ 5.39	\$ 36.99	-----
1923	4.79	4.09	\$ 5.73	-----
1924	4.99	4.29	\$ 4.91	-----
1925	10.89	11.76	24.92	-----
1926	18.56	18.56	41.81	-----
1927	21.80	22.21	44.81	23.14
1928	25.80	26.46	48.68	27.33
1929	28.93	31.21	50.91	30.21
1930	15.95	17.14	23.68	16.45
1931	.74	.43	\$ 3.69	.71
1932	\$ 7.07	\$ 8.10	\$ 18.76	\$ 7.33
1933	\$ 8.29	\$ 6.54	\$ 17.75	\$ 6.70
1934	1.72	1.71	\$ 3.00	1.57
1935	14.68	15.57	22.52	14.95
1936	22.66	24.88	36.49	23.50
1937	24.91	25.91	36.90	-----
Annual average	11.10	11.56	17.78	12.04

¹ Investments were averaged at the beginning and end of year, except borrowed money which was generally averaged monthly. The appreciation was deducted from the investments.

² The net profits were before deduction of Federal income and profits taxes.

³ Denotes loss.

Table 11 shows that the annual average rates of return for the 25 years, 1913 to 1937, inclusive, were 11.10 percent on the total investment, 11.56 percent on the stockholders' investment, 17.78 percent on the common stock equity, and 12.04 percent on the investment in the farm-machinery business.

From 1913 to 1918, inclusive, the annual average return on the total investment amounted to 10.89 percent; for the years 1919-26 it was 7.70 percent; for the years 1927-36 it was 11.51 percent; and for 1937 it was 24.9 percent. It will be noted that particularly high rates of return were earned during the years 1927 through 1929 and for the years 1936 and 1937, also that the annual average rate for the years 1927-36, despite the adverse results for the depression years, was higher than the annual average rate for the years 1913-18.

Table 12 which follows, summarizes for each of the years 1913 to 1937, inclusive, the total net sales, the net income after providing for all of the costs and expenses of doing business, including Federal income and profits taxes and all other taxes, the dividends paid, and surplus at the end of each year.

Table 12 shows that the company's net sales aggregated \$992,818,891 for the 25 years, 1913-37. It will be noted that the net sales for 1937 were considerably larger than for any other year during the period. The sales consisted almost entirely of farm implements and machines and replacement parts since the company's operations were devoted almost entirely to the manufacture of these products.

Regular quarterly cash dividends were paid on the 7 percent preferred stock from 1913 to September 1, 1921; from December 1, 1921, to December 1, 1924, only 3 percent was paid annually; on March 2, 1925, a dividend of 1 percent was paid; during 1925, 1926, and 1927 the regular dividends and the dividends in arrears were also paid; from March 1, 1928, to March 1, 1932, regular dividends were paid on the preferred stock while irregular dividends were paid thereafter so that in 1935 the dividends were considerably in arrears, but during 1936 and 1937 the full dividends had been paid together with the arrears so that, in effect, for the entire period from 1913 to 1937, inclusive, dividends equivalent to the regular amounts were paid on the preferred stock.

Throughout the 25-year period, dividends were paid on the common stock only during 5 years, namely, 1928 to 1931, inclusive, and during 1937. The total cash dividends paid on the common stock during these 5 years was \$6,000,619. This compares with a cash dividend on the preferred stock for the period aggregating \$59,064,885. During 1930, 1931, and 1937 the company recorded stock dividends on the common stock aggregating \$11,139,267. These stock dividends, of course, merely represent transfers to the capital stock account from the surplus account.

After the payment of dividends there remained a balance of net income amounting to \$59,375,573, of which amount \$14,380,174 represented a net increase in the surplus account during the period. The remainder, amounting to \$44,995,399, represented net charges to surplus for various purposes, including appreciation of \$17,904,400 which was written off in 1929 and substantial amounts appropriated from time to time for reserves to provide for doubtful accounts receivable, for possible shrinkage in inventory values, for depreciation on plant and equipment, in addition to the amounts provided for out of income and for other contingencies.

TABLE 12.—*Summary of net sales, net income, dividends, and surplus for Deere & Co. and subsidiaries, 1913 to 1937, inclusive*

	Net Sales	Net income	Dividends paid				Surplus at end of year
			Cash		Common stock	Total	
			Preferred	Common			
1912							\$4,470,698
1913	\$33,055,641	\$4,179,906	\$2,647,995			\$2,647,995	5,926,925
1914	29,278,913	2,077,686	2,647,995			2,647,995	5,384,008
1915	25,461,158	3,534,232	2,647,995			2,647,995	5,964,038
1916	26,443,876	5,235,634	2,647,995			2,647,995	7,434,035
1917	31,497,602	7,045,706	2,518,455			2,518,455	9,847,605
1918	39,949,174	5,742,992	2,450,000			2,450,000	12,232,593
1919	50,822,855	5,257,177	2,450,000			2,450,000	15,039,770
1920	58,987,583	4,647,717	2,450,000			2,450,000	17,237,457
1921	21,833,719	12,752,801	2,450,000			2,450,000	12,034,686
1922	20,261,586	12,520,779	1,312,500			1,312,500	8,201,407
1923	28,610,517	1,789,209	1,050,000			1,050,000	8,940,616
1924	27,311,804	1,853,838	1,035,000			1,035,000	9,759,454
1925	38,258,199	4,514,666	1,980,000			1,980,000	12,234,020
1926	46,236,589	7,662,850	3,712,500			2,712,500	16,244,370
1927	47,587,269	10,442,253	5,266,250			5,276,250	19,076,118
1928	58,624,190	13,777,751	2,205,000	\$1,100,394		3,305,394	25,069,792
1929	74,505,652	19,202,081	2,205,000	1,135,038		3,340,038	19,007,303
1930	61,641,297	12,373,527	2,205,000	1,160,276	\$863,725	4,229,001	22,977,415
1931	25,944,271	1,888,476	2,196,250	602,003	296,462	3,094,715	20,289,254
1932	7,730,798	1,055,904	1,007,500			1,007,500	14,114,650
1933	8,127,833	1,460,402	310,000			310,000	9,469,341
1934	20,339,731	901,514	465,000			465,000	9,384,076
1935	47,203,077	9,055,635	1,705,000			1,705,000	13,784,523
1936	66,010,814	16,951,004	3,703,200			3,703,200	21,682,534
1937	97,103,723	14,936,476	5,786,250	2,002,908	9,979,080	17,768,238	18,850,872
Total 1913-17	992,818,891	135,580,344	59,064,885	6,000,619	11,139,267	76,204,771	

¹ Denotes loss.

The net increase in surplus during the period of \$14,380,174 together with \$11,139,267 of stock dividends account for at least \$25,519,441 of earnings reinvested in the business.

The difference between the net sales and the net income for each year shown in the preceding table is accounted for principally by the cost of goods manufactured and sold and the distribution and administrative expenses. In order to indicate the relative importance of costs and expenses in relation to sales, table 13 which follows, is presented. This table shows for each of the years 1927 to 1937, inclusive, the total net sales and the income and expenses per dollar of net sales. The ratios show the trend during the period of costs and expenses in relation to sales and the effect of the variations on profits.

TABLE 13.—Summary of income and expenses per dollar of net sales for Deere & Co. and subsidiaries, 1927 to 1937, inclusive

	1927	1928	1929	1930	1931	1932
Net sales—total amounts.....	\$47,587,259	\$58,624,190	\$74,505,652	\$61,641,297	\$25,944,271	\$7,730,798
Net sales.....	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00
Cost of goods sold.....	58.34	58.33	56.81	59.67	65.47	100.88
Gross profit on sales.....	41.66	41.67	43.19	40.33	34.53	1.88
Distribution and administrative expenses.....	17.44	16.12	14.30	18.74	35.93	85.86
Net profit on sales.....	24.22	25.55	28.89	21.59	¹ 1.40	¹ 86.74
Other income (net).....	.73	.98	.84	1.17	3.76	12.76
Net profit applicable to farm machinery business.....	24.95	26.53	29.73	22.76	2.36	¹ 73.98
Net income from outside investments.....	.28	.17	.16	.21	.17	1.51
Net profit applicable to total investment.....	25.23	26.70	29.89	22.97	2.53	¹ 74.49
Interest on borrowed money.....	.14	.15	.58	.68	1.19	3.84
Net profit applicable to stockholders' investment.....	25.09	26.55	29.31	22.29	1.34	¹ 78.33
Provision for Federal income and profits taxes.....	3.15	3.05	3.54	2.22	.61	-----
Net profit after Federal income tax.....	21.94	23.50	25.77	20.07	.73	¹ 78.33

	1933	1934	1935	1936	1937
Net sales—total amounts.....	\$8,127,833	\$20,330,731	\$47,203,077	\$66,010,814	\$97,103,723
Net sales.....	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00
Cost of goods sold.....	85.55	63.76	59.40	56.10	60.71
Gross profit on sales.....	14.45	36.24	40.60	43.90	39.28
Distribution and administrative expenses.....	75.99	36.13	21.43	17.64	20.13
Net profit on sales.....	¹ 61.54	.11	19.17	26.26	19.15
Other income (net).....	6.89	4.73	2.79	2.91	2.82
Net profit applicable to farm machinery business.....	¹ 54.65	4.84	21.96	29.17	21.97
Net income from outside investments.....	.51	.81	.99	.60	.41
Net profit applicable to total investment.....	¹ 54.14	5.65	22.95	29.77	22.38
Interest on borrowed money.....	.74	.14	.19	.19	-----
Net profit applicable to stockholder's investment.....	¹ 54.88	5.51	22.76	29.58	22.38
Provision for Federal income and profits taxes.....	-----	1.07	3.58	3.90	7.00
Net profit after Federal income tax.....	¹ 54.88	4.44	19.18	25.68	15.38

¹ Denotes loss.

It will be observed from the preceding table that the cost of goods sold ranged from 58.33 cents in 1928 to 100.88 cents per dollar of net sales in 1932. The distribution and administrative expenses, including provisions for bad debts, range from 14.30 cents in 1929 to 85.86 cents per dollar of net sales in 1932. The ranges in the annual net profit were from high figures of 25.77 in 1929 and 25.68 cents per dollar of net sales in 1936, to a low figure which was a loss occurring in 1932 of 78.33 cents per dollar of net sales.

All of the foregoing discussion relates to the company's entire business which includes for some years a comparatively small amount of manufacturing in Canada for the Canadian trade. Of the farm implements and repair parts manufactured in the United States, during the 5 years, 1929, 1932, 1933, 1935, and 1936, a very large proportion were sold in the United States. To be more specific, 89.98 percent were sold in the United States, 4.44 percent were sold in Canada and 5.58 percent were sold in other foreign countries. In general, the company exports even a smaller proportion of its farm implements and repair parts than is indicated because of large sales of tractors and farm implements to the Russian Government in 1929 which did not recur in other years.

Repair parts accounted for 14.26 percent of the total sales in the United States. It is of interest to note that the ratio of net profit to sales of repair parts averaged 21.24 percent while the net profit on new farm implements and machines averaged 18.13 percent during the 5 years

ALLIS-CHALMERS MANUFACTURING CO.

Prior to 1927 Allis-Chalmers Manufacturing Co. was engaged principally in the manufacture of a diversified line of power, electrical, and industrial machinery. Beginning in 1927, or about that time, the company began to develop its business in the farm-implement and machinery field. This development was effected through the expansion of existing plants and by the purchase of properties of other farm-implement manufacturers.

The company was incorporated under the name of Allis-Chalmers Co. in 1901 as a consolidation of a number of companies manufacturing heavy industrial machinery. In 1913 it was reorganized under the name of Allis-Chalmers Manufacturing Co. The only products manufactured for farm use during the early years were gasoline engines, begun in 1903, and farm tractors, which were first made in 1915. The need for other products to sell with its engines and tractors caused the company to begin expanding in the farm-implement and machinery line. The acquisition, early in 1928, of Monarch Tractor Co. and La Crosse Plow Co. added horse-drawn as well as tractor-drawn plows and tillage implements to the company's line. In 1931, the company acquired the Advance-Rumely Co., makers of threshers and combines, and in 1932 it acquired the Birdsell Manufacturing Co., makers of clover hullers. It provided itself with a distributing organization for its growing line of farm machinery by continuing the operations of an extensive selling organization acquired as part of the Advance-Rumely Co. In 1932 it also purchased the distribution business and property owned by B. F. Avery & Sons Co., Inc., in Argentina.

In 1927 the company's sales of farm implements and machines and allied products amounted to only 7.7 percent of its total sales, but by 1936 they amounted to over 58 percent of the total. For the 10 years, 1927-36, the company's farm-machinery sales averaged 34.75 percent of the total sales for those years.

The following table 14 summarizes the investments, profits, and rates of return for Allis-Chalmers Manufacturing Co. for each of the years 1927 to 1937, inclusive. The company did not segregate its assets between those used for the farm-machinery business and those used for other manufactured products. For this reason, the Commission's examiners were unable to establish the amount of investment applicable to the farm-machinery business. The information submitted in the table is, therefore, limited to the total investment and the stockholders' investment in the entire business.

The stockholders' investment consists of the outstanding capital stocks, surplus, surplus reserves, and reserve for Federal income and profits taxes. The total investment comprised the same items plus borrowed funds. The profits used to compute the rates of return on the total investment represent the net income to the company from all sources before deducting interest on borrowings and provision for Federal income and profits taxes. The profits used to compute rates of return on the stockholders' investment represent the net profits after deducting interest on borrowings and before deducting Federal income and profits taxes.

Intangible values for goodwill and patents were deducted from the investments in computing rates of return primarily because there was a lack of evidence that the book value represented a cash or equivalent cost. A value for goodwill and patents was first set up on the books in 1913. The original value was subsequently adjusted by certain deductions for sales of goodwill and patents and certain additions for purchases. The annual expenditures incurred in taking out new patents were charged off to current operations. No provision was made for amortization of the remainder of the amount for goodwill and patents. The amounts deducted from each basis of investment averaged \$12,334,087 for the 11 years, 1927 to 1937, inclusive.

TABLE 14.—Summary of investments, profits, and rates of return for Allis-Chalmers Manufacturing Co., 1927-37

	Total investment	Stock-holders' investment		Total investment	Stock-holders' investment
Average investments: ¹			Profits—Continued		
1927	\$48,374,805	\$38,754,805	1934	\$2,240,476	\$1,002,906
1928	44,254,485	29,784,485	1935	3,251,464	2,477,176
1929	46,992,322	32,247,045	1936	6,399,263	5,879,113
1930	52,554,992	37,892,075	1937	11,043,748	10,767,768
1931	56,778,397	42,372,065	Annual average	3,396,212	2,697,706
1932	55,839,092	42,175,092	Rates of return:		
1933	53,102,343	39,439,729		Percent	Percent
1934	51,788,973	38,024,030	1927	8.63	9.53
1935	53,625,215	39,193,169	1928	9.39	11.21
1936	58,132,617	45,770,812	1929	12.12	15.07
1937	79,539,034	59,406,567	1930	9.34	10.77
Annual average	54,634,752	40,459,989	1931	3.98	3.37
Profits:			1932	² 3.91	² 7.01
1927	4,175,224	3,693,724	1933	² 3.97	² 7.34
1928	4,155,910	3,339,910	1934	² 4.46	² 2.64
1929	5,694,700	4,860,888	1935	6.06	6.32
1930	1,906,109	4,079,609	1936	11.01	12.84
1931	2,260,387	1,428,431	1937	13.83	18.13
1932	² 2,182,043	² 2,555,043	Annual average	6.22	6.67
1933	² 2,105,953	² 2,893,906			

¹ Average investments at beginning and end of year.

² Denotes loss.

Table 14 shows that the annual average rates of return on the 11 years, 1927-37, were 6.22 percent on the total investment and 6.67 percent on the stockholders' investment. The trend in earnings was upward from 1927 through 1929 and downward thereafter until 1933. It will be noted that there was marked improvement in the following years with the result that the rates of return for 1937 on each basis of investment were higher than in any previous year during the period under review.

The net income to the company after providing for all costs and expenses of doing business, including Federal income and all other taxes, aggregated \$22,222,974 for the 11 years, 1927-37, inclusive. During this period, the company paid out a total of \$20,680,488 in dividends. The net increase in surplus was, therefore, \$1,542,486. However, net charges to surplus during this period of \$4,342,409 operated to reduce the company's surplus from \$15,155,141 at the beginning of 1927 to \$12,355,218 at the end of 1937. The charges to surplus other than dividends are accounted for principally to premiums of \$1,650,000 paid in connection with the retirement of preferred stock in 1927 and to the appropriation of \$2,000,000 for reserves for contingencies and receivables in 1932.

Table 15 which follows gives the amounts of net sales and the income and expenses per dollar of net sales for each of the years 1927-37, inclusive. The ratios show the trend during these years of costs and expenses in relation to sales and the effect of the variations on profits.

TABLE 15.—*Summary of income and expenses per dollar of net sales for Allis-Chalmers Manufacturing Co., 1927-37.*

	1927	1928	1929	1930	1931	1932
Net sales, total amounts.....	\$30,593,711	\$33,495,732	\$45,274,134	\$41,464,656	\$27,323,845	\$14,328,776
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	77.68	76.97	77.51	75.93	79.48	87.68
Gross profit on sales.....	22.32	23.03	22.49	24.07	20.52	12.32
Distribution and administrative expenses.....	12.52	12.78	11.41	13.69	17.31	32.04
Net profit on sales.....	9.80	10.25	11.08	10.38	3.21	¹ 19.72
Other income (net).....	3.08	1.78	1.28	1.27	4.69	4.10
Total.....	12.88	12.03	12.36	11.65	7.90	¹ 15.62
Income from outside investments.....	.77	.38	.22	.19	.36	.39
Net profit applicable to total investment.....	13.65	12.41	12.58	11.84	8.26	¹ 15.23
Interest on borrowed money.....	1.58	2.44	1.84	1.99	3.04	5.39
Net profit applicable to stockholders' investment.....	12.07	9.97	10.74	9.85	5.22	¹ 20.62
Provision for Federal income and profits taxes.....	1.53	1.21	1.17	1.15	.63	.....
Net income.....	10.54	8.76	9.57	8.70	4.59	¹ 20.62

	1933	1934	1935	1936	1937
Net sales, total amounts.....	\$13,016,819	\$19,749,551	\$38,259,894	\$57,993,350	\$87,353,016
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	88.65	80.12	75.57	74.05	73.49
Gross profit on sales.....	11.35	19.88	24.43	25.95	26.51
Distribution and administrative expenses.....	32.50	24.61	17.57	16.28	14.98
Net profit on sales.....	¹ 21.15	¹ 4.73	6.86	9.67	11.53
Other income (net).....	4.64	3.32	1.57	1.37	1.12
Total.....	¹ 16.51	¹ 1.41	8.43	11.04	12.65
Income from outside investments.....	.33	.19	.06	1.01	.....
Net profit applicable to total investment.....	¹ 16.18	¹ 1.22	8.49	11.03	12.65
Interest on borrowed money.....	6.05	3.86	2.02	.90	.32
Net profit applicable to stockholders' investment.....	¹ 22.23	¹ 5.08	6.47	10.13	12.33
Provision for Federal income and profits taxes.....	.....	.18	1.29	3.21	3.44
Net income.....	¹ 22.23	¹ 5.26	5.18	6.92	8.89

¹ Denotes loss.

The company's sales aggregated \$408,854,084 for the 11 years 1927-37. As previously indicated, the company's sales comprise two lines of products, namely, the farm-implement and tractor line, and the general line; the latter comprises electrical equipment, mining machinery, industrial equipment, and machinery and equipment not usable for agricultural purposes. Some indication has already been given of the proportion of farm-machinery sales to the total sales of the company. The following tabulation compares the results to the company from the farm implement and tractor business, and the results from all other manufacturing activities for the 10-year period.

Percentages of total sales of the farm implement and tractor line, and of the general line, and margins of profit on each class of sales

Year	Farm implement and tractor line			General line		
	Percentage of total sales	Percentage of gross profit on sales	Percentage of net profit on sales	Percentage of total sales	Percentage of gross profit on sales	Percentage of net profit on sales
1927.....	7.70	21.28	3.76	92.30	22.41	10.31
1928.....	14.89	28.13	16.51	85.11	22.13	9.16
1929.....	23.60	16.51	5.14	76.40	24.33	12.91
1930.....	29.98	19.87	5.80	70.02	25.87	12.33
1931.....	22.75	21.62	4.15	77.25	20.20	5.39
1932.....	43.64	27.13	11.14	56.36	8.85	126.36
1933.....	39.59	15.06	127.74	60.41	8.92	116.83
1934.....	45.43	24.03	17.88	54.57	16.42	12.11
1935.....	54.69	28.98	9.98	45.31	18.94	3.10
1936.....	58.16	28.10	11.04	41.84	22.96	7.76
Average.....	34.75	24.76	4.39	65.25	21.08	6.41

¹ Denotes loss.

It will be noted that the sales comprising the farm implement and tractor line averaged 34.75 percent of total sales, for the 10-year period, and the sales of all other manufactured products averaged 65.25 percent of the total. It will also be noted that a higher average gross profit was earned on the farm implement and tractor sales than was earned on the sales of other products during the period, but the reverse was true with regard to net profit. However, in 1935 and 1936, net profits of 9.98 and 11.04 percent, respectively, were earned on farm implement and tractor sales, as compared with 3.10 and 7.76 percent, respectively, from sales of all other manufactured products. Sales of the farm implement and tractor line comprised 54.69 and 58.16 percent, respectively, of the total sales in 1935 and 1936, and the sales of all other manufactured products amounted to 45.31 and 41.84 percent, respectively, in those years; yet, in 1935 79.53 and in 1936 66.44 percent of the total net profit on sales was realized from sales of the farm implement and tractor line.

The following table 16 shows the net sales and margins of profits applicable to the different classes of products applicable to the farm implement and tractor division for the years 1930, 1932, 1933, 1935, and 1936. The table shows that farm implements and machinery comprised the bulk of the company's sales in those years and that the gross profit and net profit on sales of replacement parts, which averaged 46.18 and 23.61 percent, respectively, exceeded the profit on any other class of product.

TABLE 16.—*Net sales and margins of profits applicable to the farm implement and tractor division of Allis-Chalmers Manufacturing Co., for the years 1930, 1932, 1933, 1935, and 1936*

	New farm implements and machinery	Replacement parts	Second-hand machinery	New road machinery	Total
Net sales:					
1930.....	\$10,780,324	\$1,626,136	\$26,240		\$12,432,700
1932.....	4,270,607	1,265,058	309,903	\$407,935	6,253,483
1933.....	2,891,046	1,326,256	437,220	498,237	5,152,759
1935.....	16,806,952	2,445,856	416,077	1,257,319	20,926,204
1936.....	28,555,982	2,884,308	307,188	1,981,828	33,729,306
Total.....	63,304,911	9,547,594	1,496,628	4,145,319	78,494,452
Percent of gross profit to net sales:	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1930.....	15.67	47.47	32.41		19.87
1932.....	2.17	46.75	47.53	7.81	27.13
1933.....	10.91	38.77	11.59	19.34	15.06
1935.....	26.52	46.75	51.82	19.79	28.98
1936.....	26.68	48.12	45.47	16.80	28.10
Average.....	23.70	46.18	33.68	13.68	26.10
Percent of net profit to net sales:					
1930.....	1.46	34.40	18.83		5.80
1932.....	116.93	9.70	10.50	131.54	111.14
1933.....	132.20	12.32	145.58	153.91	127.74
1935.....	7.45	28.24	33.45	.53	9.98
1936.....	9.58	31.63	28.92	1.59	11.04
Average.....	3.94	23.61	4.42	19.71	5.61

¹ Denotes loss.

J. I. CASE CO.

The present J. I. Case Co. was founded in 1842 by Jerome I. Case, as the J. I. Case Threshing Machine Co., and was incorporated in 1880. The name of the latter company was changed to the present title on June 1, 1929. The company's business comprises the manufacture and sale of threshers, combines, tractors, grain binders, corn binders, corn pickers, tractor plows, manure spreaders, and many other implements used on the farm.

In 1919 the company acquired the Grand Detour Plow Co., and in 1928 purchased the implement plant and business of Emerson-Brantingham Corporation, of Rockford, Ill., and the rights of J. I. Case Plow Works to the use of the name "Case" and "J. I. Case" on plows, harrows, and certain other tools. In February 1937 the company purchased the properties of Rock Island Plow Co.

Like International and Deere, this company early set up its own branch house distribution for domestic trade. In 1937 it sold its products through 53 directly owned branches, 42 of which were in the United States, 6 in Canada, and 5 in South America.

Table 17, which follows, summarizes the investments, profits, and rates of return for the company for each of the years 1927 to 1937, inclusive. Rates of return have been computed on three bases of investment, namely, the total investment, the stockholders' investment, and the investment in the farm-machinery business. Insofar as could be determined, the investments on each of the three bases reflect the actual investment in assets. The profits used in computing the rates of return are before deduction of Federal income tax.

TABLE 17.—Summary of investments, profits, and rates of return for J. I. Case Co., 1927-37

	Total invest- ment	Stockholders' investment	Investment in farm- machinery business
Average investments:¹			
1927.....	\$32,754,521	\$31,821,188	\$32,531,944
1928.....	35,561,467	34,143,364	35,418,135
1929.....	47,845,392	40,535,434	47,718,176
1930.....	51,291,541	46,100,708	51,118,087
1931.....	48,390,254	44,806,921	48,159,736
1932.....	43,243,602	41,774,852	43,016,620
1933.....	40,784,544	40,338,711	40,562,264
1934.....	40,032,988	40,032,988	39,826,368
1935.....	40,932,540	40,932,540	40,742,668
1936.....	42,748,335	42,748,335	42,564,261
1937.....	39,684,556	39,684,556	
Annual average.....	42,115,431	40,265,418	42,165,826
Profits:			
1927.....	5,620,211	5,574,622	5,621,074
1928.....	6,210,203	6,141,833	6,211,444
1929.....	4,404,034	3,952,528	4,407,718
1930.....	3,451,421	3,239,091	3,455,079
1931.....	80,714	25,618	86,005
1932.....	² 2,111,719	² 2,174,112	² 2,100,789
1933.....	² 1,447,928	² 1,463,724	² 1,430,590
1934.....	¹ 208,664	¹ 208,664	¹ 205,366
1935.....	2,872,618	2,872,618	2,873,345
1936.....	3,996,800	3,996,800	4,002,892
1937.....	³ 5,825,574	³ 5,825,574	
Annual average.....	2,608,479	2,521,177	2,291,141
Rates of return:			
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1927.....	17.16	17.52	17.28
1928.....	17.46	17.99	17.54
1929.....	9.20	9.75	9.24
1930.....	6.73	7.03	6.76
1931.....	.17	4.05	.18
1932.....	¹ 4.88	² 5.20	² 4.85
1933.....	² 3.55	² 3.63	² 3.55
1934.....	4.52	4.52	4.52
1935.....	7.02	7.02	7.05
1936.....	9.35	9.35	9.40
1937.....	³ 14.68	³ 14.68	
Annual average.....	6.19	6.26	5.43

¹ Average investments at beginning and end of year except for borrowed money which was averaged monthly.

² Denotes loss.

³ 10 months only due to change from calendar to fiscal year basis.

Table 17 shows that the annual average rates of return for the 11-year period were 6.19 percent on the total investment, 6.26 percent on the stockholders' investment, and 5.43 percent on the investment in the farm machinery business. Rates of return on each basis of investment were highest in 1927 and 1928 and lowest in 1932. The trend was downward between 1928 and 1932 and upward thereafter. Also, while losses were sustained in 1932, 1933, and 1934, they were progressively smaller, and marked recovery is indicated in the following 3 years when profits were again earned. Rates of return were higher in 1937 than in any year since 1928. The improvement in 1936 and 1937 is particularly significant in view of the loss of business sustained by the company because of the shut-down of the Racine plants during the latter part of October and during the months of November and December 1936, and January and part of February 1937, on account of a strike.

The following tabulation shows the investment, profits and rates of return for J. I. Case Threshing Machine Co. for each of the years 1919 to 1926, inclusive, before the present company's business was further expanded as a long-line company by the acquisition of the business of Emerson-Brantingham Corporation and the development and introduction of a new line of improved tractors.

Year	Total investment ¹	Net profits before Federal taxes	Percent rate of return
1919.....	\$29,567,032	\$3,736,324	12.64
1920.....	29,483,875	3,917,995	13.29
1921.....	28,124,783	² 583,431	² 2.07
1922.....	26,525,509	321,270	1.21
1923.....	26,235,267	634,633	2.42
1924.....	26,050,864	147,711	.57
1925.....	26,498,243	3,468,673	13.09
1926.....	27,580,065	4,717,429	17.10
Annual average.....	27,508,205	2,045,075	7.43

¹ Average of investment at beginning and end of year.

² Loss.

As shown above, the rate of return on the total investment of the J. I. Case Threshing Machine Co. averaged 7.43 percent for the years 1919-26. It will be noted that this average return for this period was only slightly higher than the average return of 6.19 percent for the years 1927-37.

The rate of return on the total investment for the years 1919 to 1937, inclusive, averaged 6.59 percent.

Table 18 which follows, summarizes the net sales, net income, dividends paid, and surplus for the years 1919 to 1937, inclusive.

TABLE 18.—Summary of net sales, net income, dividends paid, and surplus for J. I. Case Co.¹, 1919-37

Year	Net sales	Net income	Dividends		Total	Surplus end of year
			7 percent preferred	Common		
1918.....						\$6,260,728
1919.....	32,707,838	\$2,909,482	\$880,250	\$581,000	\$1,461,250	7,558,960
1920.....	35,148,109	2,926,963	910,000	² 4,770,000	² 680,000	3,815,922
1921.....	17,255,198	³ 583,431	910,000		910,000	1,622,491
1922.....	15,720,716	321,270	910,000		910,000	1,317,373
1923.....	18,587,952	634,633	910,000		910,000	1,042,007
1924.....	16,994,159	147,711				1,189,718
1925.....	22,302,155	2,793,673	804,909		804,909	2,078,482
1926.....	26,356,765	3,817,429	⁴ 1,592,318		1,592,318	4,603,593
1927.....	22,130,546	4,574,622	734,909	742,227	1,477,136	6,429,100
1928.....	25,542,696	5,091,833	734,954	752,196	1,487,150	8,355,615
1929.....	27,646,234	3,252,528	729,444	859,242	1,588,686	12,717,996.
1930.....	24,786,691	2,639,091	712,775	1,158,128	1,870,903	13,015,451
1931.....	13,017,524	³ 23,618	712,775	577,020	1,289,795	10,686,181
1932.....	4,455,256	³ 2,174,112	712,775		712,775	7,798,821
1933.....	4,611,848	³ 1,463,724	407,300		407,300	6,057,570
1934.....	8,586,233	³ 208,664	407,300		407,300	5,429,588
1935.....	17,036,934	2,447,618	407,300		407,300	7,439,034
1936.....	21,905,648	3,296,800	⁵ 1,629,200	766,745	2,395,945	8,338,575
1937 ⁶	30,072,945	4,275,574	534,581	1,150,716	1,685,297	9,928,853
Total 1919-37.....	384,865,447	34,685,678	14,640,790	11,357,274	25,998,064	-----

¹ Known as J. I. Case Threshing Machine Co. prior to June 1, 1929.

² Includes stock dividend of \$3,900,000 paid in common stock.

³ Denotes loss.

⁴ Includes arrearages for 1924-25.

⁵ Includes arrearages for 1933-35.

⁶ 10 months only due to change from calendar to fiscal year basis.

Table 18 shows that the company's net sales amounted to \$384,865,447 for the 19 years 1919 to 1937, inclusive. During this period, net income, after providing for all costs and expenses of doing business, including Federal income and profits taxes, aggregating \$34,685,678. During the same period, dividend payments amounted to \$25,998,064, so that there was a net increase in surplus of \$8,687,614. Surplus was further increased by an amount of \$3,399,312, representing the difference between the par value and proceeds from sale of common stock, and the difference between the par value and cost of preferred stock reacquired and canceled. The total increase in surplus was, therefore, \$12,086,926. During the period, charges to surplus of \$8,418,801, representing principally appropriations for reserves, accounted for a net increase in surplus between 1919 and 1937 of \$3,668,125.

Of the dividend payments of \$25,998,064, during the years 1919 to 1937, inclusive, \$14,640,790 represented cash dividends paid on preferred stock at the rate of 7 percent per annum, and \$11,357,274 represented dividends in cash and in stock on common stock. Of this latter amount, \$3,900,000 was distributed as a stock dividend on common stock in 1920. In 1919, dividends of 7 percent on common stock were paid in Liberty Loan bonds, amounts of less than \$50 being paid in cash. In addition to the stock dividend, paid in 1920, a cash dividend of 10 percent was paid on the common. No dividends on the common were paid thereafter until 1927, when 6 percent in cash was paid. Cash dividends on the common stock were paid at this rate during each of the years 1928 to 1931, inclusive. No dividends on the common were paid thereafter until 1936, when 4 percent was paid. In 1937, the cash dividends on common stock were paid at the rate of 6 percent.

The difference between the net sales and net income for the year, as shown in the preceding table, is accounted for principally by the cost of goods manufactured and sold and the distribution and administrative expenses.

The following table 19 shows the ratio per dollar of net sales, of cost of goods sold, gross profit on the sales, distribution and administrative expenses, and net profits. These ratios are given for each of the years 1927 to 1937, inclusive, and show the trend during that period of costs and expenses in relation to sales, and their effect on profits.

TABLE 19.—Summary of income and expenses per dollar of net sales for J. I. Case Co.,¹ 1927-37

	1927	1928	1929	1930	1931	1932
Net sales—total amounts.....	\$22, 130, 546	\$25, 542, 696	\$27, 646, 234	\$24, 786, 691	\$13, 017, 524	\$4, 455, 256
Net sales.....	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00	<i>Cents</i> 100.00
Cost of goods sold.....	54.05	53.55	59.39	60.46	68.22	85.81
Gross profit on sales.....	45.95	46.45	40.61	39.54	31.78	14.19
Distribution and administrative expenses.....	23.65	25.36	27.71	28.84	36.95	78.67
Net profit on sales.....	22.30	21.09	12.90	10.70	² 5.17	² 64.48
Other income (net).....	3.10	3.23	3.04	3.24	5.83	17.33
Net profit applicable to farm-machinery business.....	25.40	24.32	15.94	13.94	.66	² 47.15
Income from outside investments.....			¹ .01	¹ .01	¹ .04	¹ .25
Net profit applicable to total investment.....	25.40	24.32	15.93	13.93	.62	² 47.40
Interest on borrowed money.....	.21	.27	1.63	.86	.80	1.40
Net profit applicable to stockholders' investment.....	25.19	24.05	14.30	13.07	¹ .18	² 48.80
Provision for Federal income and profits taxes.....	4.52	4.11	2.53	2.42	-----	-----
Net income.....	20.67	19.94	11.77	10.65	¹ .18	² 48.80

¹ Known as J. I. Case Threshing Machine Co. prior to June 1, 1929.

² Denotes loss.

TABLE 19.—*Summary of income and expenses per dollar of net sales for J. I. Case Co., 1927-37—Continued*

	1933	1934	1935	1936	1937 ²
Net sales—total amounts.....	\$4,611,848	\$8,586,233	\$17,036,934	\$21,905,648	\$30,072,945
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Net sales.....	100.00	100.00	100.00	100.00	100.00
Cost of goods sold.....	75.26	63.37	57.39	58.47	56.80
Gross profit on sales.....	24.74	36.63	42.61	41.53	43.20
Distribution and administrative expenses.....	66.66	41.98	25.41	23.10	24.31
Net profit on sales.....	³ 41.92	³ 5.35	17.20	18.43	18.89
Other income (net).....	10.70	2.96	3.34	3.15	.47
Net profit applicable to farm-machinery business.....	³ 31.22	³ 2.39	16.86	18.28	19.36
Income from outside investments.....	³ 17	³ 04	.....	³ 03	.01
Net profit applicable to total investment.....	³ 31.39	³ 2.43	16.86	18.25	19.37
Interest on borrowed money.....	.34	.....	.....	.....	.....
Net profit applicable to stockholders' investment.....	³ 31.73	³ 2.43	16.86	18.25	19.37
Provision for Federal income and profits taxes.....	.....	.....	2.49	3.20	5.15
Net income.....	³ 31.73	³ 2.43	14.37	15.05	14.22

² 10 months only due to change from calendar to fiscal year basis.

³ Denotes loss.

The sales of farm implements and machines and sales of replacement parts constitute the two main classes of the company's sales. For certain years, namely 1929, 1932, 1933, 1935, and 1936 segregations were made of the sales, and it was found that for these years sales of farm implements and machines averaged 85.16 percent of the total net sales, and replacement parts averaged 14.80 percent of the total. The proportions of each class of sales to the total are as follows for each year:

Net sales

Year	Farm implements and machines	Replacement parts	Total net sales	Year	Farm implements and machines	Replacement parts	Total net sales
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1929.....	86.45	13.55	100	1936.....	89.31	10.69	100
1932.....	68.25	31.75	100	Average.....	85.16	14.84	100
1933.....	69.78	30.22	100				
1935.....	86.33	13.67	100				

Of the total farm implements and machines sold during the 5 years, it was found that an average of 73.15 percent was sold in the United States, 6.63 percent in Canada, and 20.22 percent in other foreign countries. For the replacement parts an average of 71.14 percent was sold in this country, 9.45 percent in Canada, and 19.41 percent in other foreign countries.

Based upon total sales by all manufacturers in 1936, it is of interest to note that J. I. Case Co. produced and sold nearly 5½ percent of the total sales of farm implements and machines in the United States, and manufactured and sold nearly 11 percent of the total sales in the export field.

MINNEAPOLIS-MOLINE POWER IMPLEMENT CO.

This company was organized under the laws of Delaware on March 30, 1929, for the purpose of acquiring the assets, subject to the liabilities, of Minneapolis Steel & Machinery Co., organized in 1902; Minneapolis Threshing Machine Co., organized in 1887; and Moline Implement Co., organized in 1865.

Although no one of the three acquired companies manufactured a complete line of farm implements and machines, their combined operations represented a

practically complete line. Prior to the merger, each of the companies manufactured in its respective plants a partial line, which upon merger, naturally presented a situation of duplications of operations to some extent. With the merging of the three companies, the three plants were continued in operation, and through coordination, the duplication of operations was eliminated. Thus, operations of the Minneapolis plant, formerly belonging to Minneapolis Steel & Machinery Co., were limited, in general, to production of tractors and power mowers, the fabrication of structural steel, and the performance of miscellaneous mechanical contract work. The Hopkins plant, formerly belonging to the Minneapolis Threshing Machine Co., assumed the heavy line of implements, such as harvesters, threshers, grain drills, hammer mills, headers, and combines. The Moline plant, formerly belonging to the Moline Implement Co., was devoted to the manufacture of the light line of implements.

In the merger, common and preferred stocks were issued for the net assets of the predecessor companies, to retire, or provide funds for the retirement of, the outstanding stocks and certain of the indebtedness of these companies. There appears to have been no appreciation in asset values as a result of the merger, the only change being an increase of \$162,544.82 in cash, through sale of stocks. This is indicated by the following tabulation, which comprises the stockholders' equity before and after merger, and accounts for the increase.

After merger (new company):

\$6.50 no-par-value cumulative preferred stock, 100,000 shares, assigned value.....	\$11, 000, 000
No-par-value common stock, 700,000 shares, assigned value..	6, 363, 123
Total capital stock.....	17, 363, 123
Surplus.....	3, 601, 339
Stockholders' equity.....	20, 964, 462

Before merger (predecessor companies):

Preferred stock.....	3, 439, 950
Common stock.....	6, 458, 280
Total capital stock.....	9, 898, 230
Surplus.....	6, 288, 973
Stockholders' equity.....	16, 187, 203
Increase.....	4, 777, 259

Accounted for as follows:

Liquidation of current indebtedness of predecessors.....	2, 073, 714
Retirement of other obligations of predecessors.....	1, 041, 000
Retirement of bonds of Minneapolis Steel & Machinery Co....	1, 500, 000
Additional cash.....	162, 545
Total.....	4, 777, 259

All of the preferred stock of the new company, and 20,000 shares of its common stock, together with 10,000 shares of common stock of Minneapolis Steel & Machinery Co., were sold for \$10,600,000. Of these proceeds, \$4,777,259.32 were used as accounted for above, \$3,439,950 were used to retire preferred stocks of predecessors, \$2,000,000 were used in part payment for assets of Moline Implement Co., and \$382,791 were used in payment of accrued dividends and premiums in retirement of preferred stocks, and expenses of merger, etc.

In addition to the 20,000 shares common stock sold for cash, the new company issued 120,000 shares common stock to Moline Implement Co., 240,000 shares of common stock to Minneapolis Threshing Machine Co., and 320,000 shares of common stock to Minneapolis Steel Machinery Co., in part payment of assets acquired. This accounts for the issue of all of the 100,000 shares of preferred stock and 700,000 shares of common stock issued by the new company at organization.

The common stocks issued to the various predecessor companies, in turn, were distributed by them to their stockholders on the basis of 4 shares for each share of outstanding common stock in the case of Moline Implement Co., 12 shares for each share of outstanding common stock of Minneapolis Threshing Machine Co., and 2 shares for each share of outstanding common stock of Minneapolis

Steel & Machinery Co. In addition, the \$2,000,000 in cash received by Moline Implement Co. in part payment of assets was distributed by that company to its stockholders on a pro rata basis in the form of a dividend.

The reduction of \$2,687,634 in surplus during the merger is accounted for as follows:

Difference between stated value of \$11,000,000 of preferred stock of new company and proceeds from sale.....	\$1, 600, 000
Surplus capitalized by transfer to capital stock account of new company.....	1, 622, 920
Payment for dividends and premiums in retirement of preferred stocks of predecessor companies and expenses of merger, etc.....	382, 791
Total.....	3, 605, 711
Less amount realized in excess of par value in sale of 10,000 shares Minneapolis Steel & Machinery Co. common stock.....	500, 000
Amount realized in excess of stated value in sale of 2,000 shares common stock of new company.....	418, 077
Total.....	918, 077
Decrease in surplus.....	2, 687, 634

The rates of return for Minneapolis-Moline Power Implement Co. have been computed on three bases of investments: namely, the total investment, the stockholders' investment, and the investment in the farm machinery business. The total investment consists of the capital stocks outstanding, borrowings, surplus and surplus reserves, and reserve for Federal income taxes. The same items comprise the stockholders' investment, except for borrowings; and the investment in the farm machinery business consists of the total investment, from which was deducted the investment in the company's structural steel business, abandoned properties, and securities of other companies.

The earnings used to compute the rates of return on the total investment represent the net income from all sources before deducting interest on borrowings, and before providing for Federal income taxes. To compute the rates of return on the stockholders' investment, the net income, after deducting interest, but before providing for Federal income taxes, was used. To obtain the rates of return on the investment in the farm machinery business, the net income, before including any income or losses from property not used in the business, and before deducting interest on borrowings and provisions for Federal income taxes, was used.

The following table shows for each of the years 1929 to 1937, inclusive, the investments, profits, and rates of return applicable to the total investment, the stockholders' investment, and the investment in the farm machinery business. Insofar as could be determined, the investment on each of the three bases reflects the actual investment in assets.

TABLE 20.—*Summary of investments, profits, and rates of return for Minneapolis-Moline Power Implement Co., 1929-37*

	Total invest- ment	Stockholders' investment	Investment in farm- machinery business
Average investments:¹			
1929.....	\$20,744,398	\$20,744,398	\$19,249,836
1930.....	22,001,107	20,655,274	20,593,997
1931.....	21,204,037	19,308,204	20,023,432
1932.....	19,168,254	16,939,087	18,167,180
1933.....	16,077,220	14,848,787	15,172,852
1934.....	13,746,738	13,596,738	12,845,754
1935.....	13,433,452	13,025,119	12,449,052
1936.....	13,830,840	13,230,840	12,848,579
1937.....	13,784,216	13,784,216	(?)
Annual average.....	17,110,029	16,236,974	16,418,835
Profits:²			
1929.....	1,852,892	1,852,892	1,726,248
1930.....	512,027	455,589	532,347
1931.....	† 1,381,037	† 1,454,657	† 1,258,155
1932.....	† 2,145,830	† 2,251,864	† 1,839,004
1933.....	† 1,293,333	† 1,354,418	† 1,128,555
1934.....	† 1,043,903	† 1,050,467	† 913,436
1935.....	† 18,448	† 27,858	89,117
1936.....	708,576	699,197	632,068
1937.....	‡ 2,339,970	‡ 2,339,970	(?)
Annual average.....	† 52,121	† 87,958	† 272,421
Rates of return:	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1929.....	8.93	8.93	8.97
1930.....	2.33	2.21	2.58
1931.....	† 6.51	† 7.53	† 6.28
1932.....	† 11.19	† 13.29	† 10.12
1933.....	† 8.04	† 9.12	† 7.44
1934.....	† 7.59	† 7.73	† 7.11
1935.....	† 4.14	† 4.21	.56
1936.....	5.12	5.28	4.92
1937.....	‡ 16.98	‡ 16.98	(?)
Annual average.....	† 3.30	† 4.54	† 1.66

¹ Investments averaged at beginning and end of year, except for borrowed money which was averaged monthly.

² Not available for 1937.

³ Before provision for Federal income and profits taxes.

⁴ Denotes loss.

⁵ 10 months only due to change from calendar to fiscal year basis.

Table 20 shows that for the 9 years, 1929 to 1937, inclusive, the losses exceeded the profits on each of the three bases of investment, resulting in an annual average loss of 0.3 percent on the total investment, 0.54 percent on the stockholders' investment, and 1.66 percent on the investment in the farm machinery business. The trend in earnings was steadily downward between 1929 and 1932, after which there was gradual improvement until 1936 when rates of return were higher than in any year during the period.

The accumulated losses during the depression years accounted principally for the decline in the company's surplus from \$2,378,508, at the end of 1929, to a deficit of \$3,112,197, at the end of 1937. No dividends on the common stock were paid during this period, and full dividends on the preferred stock were paid only in the years 1929, 1930, and 1937. Partial dividends on the preferred stock were paid in 1931 and 1936, and no dividends were paid during the years 1932 to 1935, inclusive. Altogether, \$2,313,038 in dividends was paid on the preferred stock. At the end of 1937, the company was in arrears in dividends in the amount of \$3,356,250 on the preferred stock.

Both the common and preferred stocks have voting rights under certain conditions. Whenever four quarterly dividends become in arrears on the preferred stock, the entire voting power is vested in the preferred stock until such time as all dividends then in default shall thereafter be paid, after which the preferred stock shall be divested of such voting power, and it shall thereupon vest in the common stock as before.

The company's net sales of farm implements and machines aggregated \$56,572,413 from the time of its organization in 1929 to the end of 1936, as follows:

Year:	Net Sales	Year—Continued.	Net Sales
1929	\$14, 631, 984	1934	\$3, 571, 224
1930	11, 679, 347	1935	8, 048, 362
1931	4, 234, 829	1936	10, 419, 474
1932	2, 087, 567		
1933	1, 899, 626	Total	56, 572, 413

As indicated previously, Minneapolis-Moline Power Implement Co. was primarily engaged in the manufacture and sale of farm implements and machines, but was also engaged, to some extent, in fabricating and distributing structural steel, which sales are not included above. For certain years: Namely, 1930, 1932, 1933, 1935, and 1936, segregations were made of the sales, and it was found that the sales of farm implements and machines and repair parts were equal to 86.02 percent of the total sales for those years, while sales of structural steel were equal to 13.98 percent of the total sales.

Of the sales applicable to the farm machinery business, during the 5 years enumerated above, 84.81 percent represented sales of farm implements and machines, while 15.19 percent represented sales of repair parts for farm machinery. As the total volume of sales declined in 1932 and 1933, the proportion of sales of repair parts to the total was increased. The comparisons for each year are as follows:

Net sales

Year	Farm implements and machines	Replacement parts	Total net sales	Year	Farm implements and machines	Replacement parts	Total net sales
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1930	86.70	13.30	100	1936	89.05	10.95	100
1932	65.33	34.67	100	Average ...	84.81	15.19	100
1933	65.99	34.01	100				
1935	86.06	13.94	100				

The farm implements and machines and replacement parts were sold in the United States, Canada, and other foreign countries. During the 5 years referred to, the sales of farm implements in the United States averaged 84.75 percent of all of the company's sales of farm implements and machines, and the sales of repair parts for farm machinery in the United States represented 82.55 percent of the total sales of replacement parts.

B. F. AVERY & SONS Co.

This company was incorporated in Kentucky in 1877, under the name of B. F. Avery & Sons, Inc., as a manufacturer of plows and tillage implements. It was reorganized in 1932, at which time the present company, B. F. Avery & Sons Co. was organized to take over the properties and continue the manufacturing business of B. F. Avery & Sons, Inc. About 2 years later it took over the properties of B. F. Avery & Sons Plow Co., a distribution subsidiary of B. F. Avery & Sons, Inc.

From 1877 to 1918 the Avery interests continued to manufacture plowing and tillage implements mainly of the type used in the South. In 1918 it acquired the Champion lines of harvesting and haying machines from International Harvester Co. Since that date it has manufactured practically a full line of farm implements and machines except that it makes no tractors or manure spreaders. Its distribution is carried on partly through 4 of its own sales branches and 12 domestic jobbers, and partly through an arrangement with the Allis-Chalmers Manufacturing Co. whereby certain implements are sold to the latter company for sale and use with Allis-Chalmers tractors in the United States and South America.

Rates of return on the investment of B. F. Avery & Sons Co. for each of the years 1927 to 1936, inclusive, are presented in table 21 which follows. The rates of return have been computed on three bases of investment, namely, the total investment, the stockholders' investment, and the investment in the farm-machinery business. The total investment consists of the company's capital stock outstanding, surplus, surplus reserves, reserve for Federal income taxes and borrowed money. The stockholders' investment consists of the same items except borrowings. The investment in the farm-machinery business consists of the total investment less investments in real estate not used in the farm-machinery business, and some stock of another company.

The earnings used to compute the rates of return on the total investment consist of the net income from all sources before deductions for interest on borrowed money and provisions for Federal income taxes. The earnings used to compute the rates of return on the stockholders' investment consist of the net income after deductions for interest on borrowed money, but before provisions for Federal income taxes. The earnings used to compute the rates of return on the investment in the farm-machinery business consist of the net income before income from outside investments and before deductions for interest on borrowed money and provisions for Federal income taxes.

The company's accounting records in recent years have been kept on the basis of the fiscal year ending June 30. For the purpose of presenting the information of investments, profits, and rates of return, such information for the fiscal year ending in each year was considered as of the previous calendar year. For example, information for the year ending June 30, 1937, was considered as applying to the year 1936, and so on, for each of the prior years in the series. This was done in order that the information might be comparable with similar information for other companies during those years.

TABLE 21.—*Summary of investments, profits, and rates of return for B. F. Avery & Sons Co., 1927-36*

	Total invest- ment	Stockholders' investment	Investment in farm- machinery business
Average investments: ¹			
1927	\$7,109,003	\$5,794,420	\$7,097,503
1928	7,730,309	6,184,059	7,708,059
1929	8,716,288	6,095,428	8,694,788
1930	7,974,035	5,124,893	7,952,535
1931	5,713,301	3,265,201	5,695,301
1932	4,048,500	1,643,351	4,034,000
1933	3,664,854	1,273,304	3,650,354
1934	3,621,277	1,349,833	3,606,777
1935	3,574,194	1,577,300	3,559,694
1936	3,992,031	2,285,959	3,977,981
Annual average	5,614,379	3,459,375	5,597,699
Profits: ²			
1927	445,161	379,964	445,161
1928	856,931	769,093	856,931
1929	381,988	223,479	381,988
1930	³ 933,105	³ 1,094,261	³ 933,105
1931	³ 1,098,841	³ 1,281,703	³ 1,098,841
1932	³ 213,620	³ 334,158	³ 213,620
1933	44,103	³ 27,445	44,103
1934	258,550	193,334	258,550
1935	291,935	243,023	291,935
1936	590,235	521,830	590,235
Annual average	62,334	³ 40,684	62,334
Rates of return:			
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1927	6.26	6.56	6.27
1928	11.09	12.44	11.12
1929	4.38	3.67	4.39
1930	³ 11.70	³ 21.35	³ 11.73
1931	³ 19.23	³ 39.25	³ 19.29
1932	³ 5.28	20.33	³ 5.30
1933	1.20	³ 2.16	1.21
1934	7.14	14.32	7.17
1935	8.17	15.41	8.20
1936	14.79	22.83	14.84
Annual average	1.11	³ 1.18	1.11

¹ Average Investments beginning and end of year, except for borrowing which were averaged monthly.

² Before provision for Federal income and profits taxes.

³ Denotes loss.

Table 21 shows that the annual average rates of return for the 10-year period were 1.11 percent on the total investment and on the investment in the farm-machinery business, and a loss of 1.18 percent on the stockholders' investment. Rates of return on each of the three bases of investment were highest in 1936 and lowest in 1931. The trend in rates of return on each of the three bases was generally the same, increasing in 1928 as compared with 1927 and decreasing in each year thereafter until 1931, when the trend was reversed. Although losses were sustained in 1932, they were considerably less than in 1931. Continued improvement is reflected in each of the following years, particularly for the year 1936.

Information concerning this company's operations is available as far back as the year 1913. Such information reveals that on the whole this company's operations have been fairly profitable from 1913 through 1936. From 1913 to 1918, inclusive, the average rate of return on the total investment was 11.30 percent and from 1919 to 1926, inclusive, it was 4.89 percent. The annual average return was 4.89 percent for the period 1913 to 1926, inclusive, and for the years 1913 to 1936, inclusive, it was 4.26 percent. The investments, profits and rates of return for each of the years 1913 to 1926, inclusive, are as follows:

Year	Total investment ¹	Net profit applicable to total investment ²	Rates of return
1913			<i>Percent</i>
1914	\$3,150,275	\$223,049	7.06
1915	3,198,699	291,604	9.12
1916	3,519,853	35,916	1.11
1917	3,411,028	261,179	7.66
1918	3,450,577	482,310	13.98
	4,190,573	1,067,111	25.46
Annual average, 1913-18	3,488,334	394,023	11.30
1919	4,539,027	978,194	21.55
1920	6,347,522	1,185,123	18.67
1921	7,078,313	3229,065	33.24
1922	5,889,894	751,692	12.76
1923	5,560,368	147,194	2.65
1924	5,933,330	353,547	5.96
1925	6,266,567	259,406	4.14
1926	6,264,892	400,654	6.40
Annual average, 1919-26	5,984,989	292,920	4.89

¹ Average of investment at beginning and end of year.
² Before Federal income and profits taxes.
³ Denotes loss.

At the beginning of 1927 the company's surplus amounted to \$312,517, and at the end of 1936 it amounted to \$1,274,943. The fact that there was an increase in surplus despite the heavy losses sustained during the depression years, is accounted for by a credit to surplus in 1932 of \$4,675,435 as a result of the reorganization previously referred to, whereby capital stock of the amount of \$611,165 of the reorganized company was issued in exchange for the outstanding common and preferred stocks of the predecessor company of the par value of \$5,286,600. The credit to surplus of the amount referred to wiped out the accumulated deficit at the time of reorganization. During this period the company paid no dividends on its common stock, but did pay dividends during the years when preferred stock was outstanding. A total of \$650,650 in dividends on preferred stock was paid during the 10 years.

During the 10 years, 1927 to 1936, inclusive, the company's net sales aggregated \$30,765,132 as follows:

Year:	Net sales	Year—Continued:	Net sales
1927	\$4,952,135	1933	\$1,315,706
1928	6,708,314	1934	2,009,143
1929	6,180,117	1935	2,028,285
1930	3,059,561	1936	2,797,918
1931	1,156,214		
1932	557,739		
		Total, 1927-36	30,765,132

An analysis of sales for the years 1928, 1931, and 1934 to 1936, inclusive, disclosed that domestic sales accounted for approximately 70 percent of the total gross sales for the 5 years. The analysis also indicated that replacement parts for farm machinery constituted an important part of the company's sales. During the 5 years, sales of farm implements and machines in this country averaged 60.17 percent of the total United States sales, while replacement parts averaged 39.83 percent of the total. The following tabulation shows the percentage of each class of sales to the total sales for each of the 5 years:

Gross sales

Year	Farm implements and machines	Replacement parts	Total United States sales
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1928	69.17	30.83	100
1931	31.49	68.51	100
1934	52.25	47.75	100
1935	54.28	45.72	100
1936	62.26	37.74	100
Average	60.17	39.83	100

OLIVER FARM EQUIPMENT CO.

This company is the successor, by reorganization in 1929, to the Oliver Chilled Plow Works, the manufacturing activities of which were established in 1855 by James Oliver to manufacture chilled cast-iron plows. Prior to 1929 the manufacturing efforts of the Oliver Chilled Plow Works were confined to horse-drawn and tractor-drawn plows and tillage implements. The formation of the new company was part of a plan to expand and lengthen the Oliver line. In accordance with this plan, Oliver Farm Equipment Co. acquired the net assets of the following companies, in addition to those of the predecessor, Oliver Chilled Plow Works: Nichols-Shepard Co. (threshing machines); Hart-Parr Co. (makers of one of the oldest tractor lines); American Seeding Machine Co. (grain drills and seeders); and MacKenzie Manufacturing Co. (potato machinery).

Net assets amounting to \$33,516,580 were acquired by Oliver Farm Equipment Co. from the five predecessor companies for \$9,775,055 in cash, together with 480,762 shares of convertible participating stock and 346,170 shares of common stock, to which a value of \$23,741,525 was assigned.

In addition, an amount of \$20,625,652 in cash was realized from the sale to bankers of 200,000 shares of prior preferred stock, 31,028 shares of convertible participating stock and 15,014 shares of common stock, all of no par value. Of the amount realized, \$9,775,055 was used in part payment for the assets of predecessor companies and the remainder was used to liquidate liabilities of those companies which were assumed by the new company, and for other corporate purposes.

Table 22, which follows, summarizes the investments, profits, and rates of return for Oliver Farm Equipment Co. from the time of its organization in 1929 through 1937. The rates of return are computed on three bases, namely, the total investment, stockholders' investment, and investment in the farm-machinery business.

The investments include an undetermined amount of appreciation in the recorded value of the assets acquired by Oliver Farm Equipment Co. from Hart-Parr Co., one of the predecessors. It appears that an appraisal was made of the properties of Hart-Parr Co. in 1927, as a result of which the property was appreciated in value \$1,076,130. It is understood that the original amount of appreciation has been depreciated each year since, but the details are not available, and therefore no adjustment is made to eliminate any appreciation from the investments. In any event the rates of return presented in the following table would not be materially affected by the deduction of all or any part of the original appreciation:

TABLE 22.—Summary of investments, profits, and rates of return for Oliver Farm Equipment Co., 1929-37

	Total investment	Stockholders' investment	Investment in farm-machinery business
Average investments: ¹			
1929.....	\$37,742,980	\$37,108,084	\$37,631,194
1930.....	46,259,415	33,584,837	45,932,854
1931.....	43,669,122	28,541,372	43,105,420
1932.....	37,453,470	25,227,637	36,596,237
1933.....	31,320,614	21,720,198	29,774,594
1934.....	25,956,189	17,588,229	24,688,243
1935.....	22,141,096	14,521,288	21,542,567
1936.....	23,298,811	14,484,817	22,735,385
1937.....	24,134,591	17,534,591	.....
Annual average.....	32,441,809	23,367,895	32,750,817
Profits: ²			
1929.....	\$ 2,735,737	\$ 2,704,138	\$ 2,742,794
1930.....	610,950	41,960	617,992
1931.....	15,875	4,889,342	63,422
1932.....	4 3,571,644	4 4,309,548	4 3,468,093
1933.....	4 2,456,601	4 3,015,661	4 2,344,022
1934.....	4 2,252,685	4 2,679,471	4 2,114,852
1935.....	4 554,263	4 939,821	4 525,389
1936.....	1,353,813	908,738	1,390,471
1937.....	2,962,874	2,562,763	(³)
Annual average.....	4 128,438	4 624,027	4 454,710

See footnotes at end of table.

TABLE 22.—*Summary of investments, profits, and rates of return for Oliver Farm Equipment Co., 1929-37—Continued*

	Total investment	Stockholders' investment	Investment in farm-machinery business
Rates of return:	Percent	Percent	Percent
1929.....	7.25	7.29	7.29
1930.....	1.32	.12	1.35
1931.....	.04	43.12	1.15
1932.....	49.54	417.08	49.48
1933.....	47.84	413.88	47.87
1934.....	48.68	415.23	48.57
1935.....	42.50	46.47	42.44
1936.....	5.81	6.27	6.12
1937.....	12.28	14.62	(⁵)
Annual average.....	4.40	42.67	41.39

¹ Investments averaged at beginning and end of year, except for borrowed money which was averaged monthly.

² Before provision for Federal income and profits taxes.

³ Includes earnings of predecessor companies from Jan. 1, 1929, to dates of acquisition.

⁴ Denotes loss.

⁵ Not available for 1937.

Table 22 shows that for each of the three bases of investment, losses exceeded profits for the 9 years 1929-37, and the annual average rates of loss on the investment were 0.40 percent on the total investment, 2.67 percent on the stockholders' investment, and 1.39 percent on the investment in the farm-machinery business. The trend in earnings was downward between 1929 and 1932 and upward thereafter.

It will be noted that there was a considerable decline in investments during the period. Between 1930 and 1935, the average of the total investment declined from \$46,259,415 to \$22,141,096, a decrease of \$24,118,319. This decrease of more than 50 percent is accounted for principally by average decreases of \$9,177,498 in capital stocks outstanding, \$5,054,770 in borrowings and \$9,761,051 in surplus.

For the 9 years, 1929-37, all costs and expenses of doing business including Federal income and all other taxes exceeded income by \$6,557,971. This net loss, together with dividend payments of \$3,751,864 on preferred stock and other net charges to surplus of \$9,096,941, representing principally appropriations for reserves, account for total charges to surplus during the period of \$19,406,776. This condition led to a plan of recapitalization whereby the outstanding preferred and common stocks were exchanged in 1935 for a new issue of no-par value common stock, resulting in a reduction in stated value of capital stock of \$17,222,292 which was credited to surplus. Thus the net charge to surplus during the period was \$2,184,484. This amount when deducted from the surplus of \$8,116,832 at the beginning of the period accounts for the surplus of \$5,932,348 at December 31, 1937, of which \$3,077,951 represented capital surplus and \$2,854,397 represented earned surplus at that date.

Sales during the 9 years aggregated \$138,227,913 and were as follows for each year:

Year:	Net sales	Year:	Net sales
1929.....	\$27,437,973	1935.....	\$11,812,927
1930.....	23,705,663	1936.....	18,171,169
1931.....	15,100,933	1937.....	26,206,911
1932.....	4,349,251		
1933.....	4,196,275	Total.....	138,227,913
1934.....	7,246,811		

The sales included only farm implements and repair parts, most of which had been manufactured in the company's plants, but part of them had been purchased from other manufacturers for resale by the company. An analysis of sales for 1932, 1933, 1935, and 1936 developed that over 91 percent of the total sales for those years were of products of the company's own manufacture.

THE MASSEY-HARRIS CO.

This company was incorporated on March 1, 1928, as a wholly owned subsidiary of Massey-Harris Co., Ltd., of Toronto, Canada. The latter company was organized in 1892 by consolidation of the separate businesses founded in 1840, in Canada, by Daniel Massey and John Harris. After manufacturing a varied line of farm implements and machines in Canada for many years, the Canadian company began operations in the United States in 1910, by acquiring control of Johnston Harvester Co. From that time until 1928, a limited number of farm implements and machines was manufactured in the United States by that company and its successor, Massey-Harris Harvester Co. By the acquisition in 1928 of the J. I. Case Plow Works, makers of plow and tillage implements, and the addition of other implements to its line, the American company became a long-line company, distributing through six important wholesale branch houses and 14 subbranches selling to jobbers and dealers in the United States.

At the time of organization in 1928, the Massey-Harris Co. acquired the net assets of J. I. Case Plow Works from the holding company, Massey-Harris Co., Ltd., for a total consideration of \$2,957,806, consisting of \$1,262,500 of its capital stock and the assumption of \$1,695,306 of liabilities of the J. I. Case Plow Works. The new company recorded the plant and equipment so acquired at an amount of \$1,587,488 in excess of cost, and credited the appreciation to capital surplus account.

As of May 31, 1928, the Massey-Harris Co. acquired from the holding company the net assets of Massey-Harris Harvester Co., under which the holding company's United States operations had been conducted prior to the formation of the Massey-Harris Co. The net assets acquired amounted to \$8,193,938, for which the new company issued its capital stock of the par value of \$2,750,000, and became obligated to Massey-Harris Co., Ltd., for \$5,432,674. The difference of \$11,264 between the value of the assets acquired and the consideration given was recorded as an addition to surplus by the Massey-Harris Co.

Table 23, which follows, summarizes the investments, profits or losses, and rates of profit or loss on investment for the Massey-Harris Co. for each of the years 1927 to 1936, inclusive. The information for the year 1937 is not available. For the other years the information applies to the operations of the Massey-Harris Co., the domestic company, and not to operations of Massey-Harris Co., Ltd., the Canadian holding company.

The rates of return have been computed on the total investment and the stockholders' investment. The total investment consists of the capital stocks outstanding, surplus, surplus reserves, and borrowed funds. The borrowings were deducted from the sum of these items to obtain the stockholders' investment. The earnings used to compute the rates of return on the total investment represent the net income from all sources before deducting interest on borrowed funds. The earnings applicable to the stockholders' investment represent the net income from all sources after deducting interest on borrowed funds.

The appreciation of \$1,587,487 in plant and equipment was reduced from year to year through property retirements and accruals for depreciation. The net amount of appreciation in each year was deducted from the investments in computing rates of return.

TABLE 23.—*Summary of investments, profits, and rates of return for the Massey-Harris Co.,¹ 1927-36*

	Total investment	Stockholders' investment		Total investment	Stockholders' investment
Average investments: ²					
1927.....	\$6,989,500	\$2,725,824	1933.....	\$971,426	\$1,085,123
1928.....	8,886,783	5,159,917	1934.....	\$837,900	\$899,061
1929.....	14,290,752	8,601,881	1935.....	\$658,173	\$689,192
1930.....	14,774,586	8,683,986	1936.....	\$150,319	\$197,076
1931.....	12,561,719	7,335,186			
1932.....	10,914,224	5,744,700	Annual average.....	\$527,724	\$676,800
1933.....	8,705,450	4,149,675			
1934.....	7,008,177	3,222,477	Rates of return:	Percent	Percent
1935.....	5,693,015	2,465,615	1927.....	0.71	\$ 5.24
1936.....	5,468,950	2,041,050	1928.....	2.05	\$ 5.57
Annual average.....	9,529,316	5,013,031	1929.....	.61	\$ 2.65
Profits or losses:			1930.....	5.44	\$ 12.59
1927.....	49,505	\$ 142,730	1931.....	5.20	\$ 11.22
1928.....	\$ 181,834	\$ 287,198	1932.....	10.70	\$ 23.04
1929.....	96,396	\$ 228,189	1933.....	11.16	\$ 26.15
1930.....	\$ 803,775	\$ 1,093,111	1934.....	11.96	\$ 27.90
1931.....	\$ 652,691	\$ 822,938	1935.....	11.56	\$ 27.95
1932.....	\$ 1,167,010	\$ 1,323,385	1936.....	2.75	\$ 9.66
			Annual average.....	5.54	\$ 13.50

¹ For this company from Mar. 1, 1928, and for Massey-Harris Harvester Co. prior thereto.

² Average of investments at beginning and end of year, except for borrowings which were averaged monthly.

³ Loss.

Table 23 shows that losses were sustained on the stockholders' investment in every one of the 10 years, and in every year but 2 on the total investment. The losses throughout the period resulted in annual average rates of losses on the total investment of 5.54 percent and 13.5 percent on the stockholders' investment. The accumulated losses throughout the 10-year period resulted in a deficit for the company at the end of 1936 of \$7,130,771. The company paid no dividends during these years.

The company's sales aggregated \$58,039,702 for the 10 years, 1927 to 1936, inclusive. The net sales for each year were as follows:

Year:	Net sales	Year—Continued.	Net sales
1927.....	\$4,615,687	1933.....	\$1,587,592
1928.....	9,393,763	1934.....	2,215,882
1929.....	14,073,883	1935.....	3,093,038
1930.....	11,399,130	1936.....	5,197,623
1931.....	5,426,361		
1932.....	1,036,743	Total, 1927-36.....	58,039,702

The company's sales included a small amount of malleable iron, in addition to its sales of farm implements and machines and replacement parts. An analysis of the sales for the years 1929, 1932, 1933, 1935, and 1936 disclosed that the sales of farm implements and machines for those years averaged 81.69 percent of the total net sales, while replacement parts averaged 15.41 percent of the total and the sales of other products, consisting largely of malleable iron, represented 2.9 percent of the total.

SALARIES AND OTHER COMPENSATION OF CORPORATION OFFICERS

Information concerning salaries and other compensation paid to officers of the principal farm machinery manufacturers was obtained from International Harvester Co., Deere & Company, Allis-Chalmers Manufacturing Co., Minneapolis-Moline Power Implement Co., Oliver Farm Equipment Co., the Massey-Harris Co., Caterpillar Tractor Co., J. I. Case Co., and B. F. Avery & Sons Co. The information is available for only the years 1927 to 1936, inclusive.

The following table shows the total salaries and other compensation paid to officers of the principal manufacturers of farm implements and machines for each of the years 1927 to 1936, inclusive:

TABLE 24.—Total salaries and other compensation paid to officers of principal corporations engaged in manufacturing farm implements and machines, 1927 to 1936, inclusive

	Inter-national Harvester Co.	Deere & Co.	Allis-Chalmers Manufacturing Co.	Minneapolis-Moline Power Implement Co.	Oliver Farm Equipment Co.	The Massey-Harris Co.	Caterpillar Tractor Co.	J. I. Case Co.	B. F. Avery & Sons Co.	Total	
										Amount	Percent 1929=100
Total salaries:											
1927	\$153,000	\$123,200.00	\$141,700.00			\$27,000.00	\$273,890.50	\$124,825.00	\$56,500.00	\$1,658,415.50	-----
1928	487,250	123,200.00	146,000.00			27,000.00	275,766.60	136,200.00	107,184.10	1,298,308.70	-----
1929	488,500	118,200.00	146,000.00	\$225,145.80	\$77,416.80	27,000.00	298,333.28	145,612.57	73,000.00	1,569,208.45	100.00
1930	448,500	133,200.00	151,722.00	179,560.14	110,104.22	27,000.00	270,833.18	143,949.60	42,761.43	1,507,630.57	96.08
1931	438,400	121,815.00	137,700.00	148,868.96	155,229.82	22,225.00	290,082.90	127,916.60	1,474,661.79	93.97	-----
1932	373,137	95,759.70	132,297.00	119,916.00	120,268.93	26,487.12	297,750.00	111,420.48	32,393.51	1,472,381.36	81.03
1933	296,837	86,392.00	126,272.04	82,988.56	72,831.92	24,848.34	214,050.00	112,399.44	25,191.74	1,042,811.04	66.45
1934	364,300	102,447.59	123,947.12	82,376.00	80,447.96	23,916.66	223,849.86	112,399.90	33,100.16	1,146,807.25	73.08
1935	382,902	115,704.00	147,405.04	84,831.00	82,860.32	13,717.52	284,300.00	108,558.24	26,239.92	1,246,578.04	79.43
1936	437,377	140,343.44	223,598.67	87,896.00	82,868.97	10,358.33	340,366.60	103,616.20	34,000.08	1,400,425.29	93.07
Total other compensation:											
1927	1,119,345	95,000.00	29,777.00					10,500.00		1,224,845.00	-----
1928	283,636	264,000.00	29,777.00					59,000.00		1,695,413.00	-----
1929	1,607,005	337,000.00	33,985.00					51,000.00		2,031,990.00	100.00
1930	1,047,560	225,828.60	49,044.00							1,322,462.60	65.08
1931	27,163	2,907.70	37,633.00		75,000.00					1,142,833.70	7.03
1932	8,383		15,810.00		57,990.00					82,183.00	4.04
1933	4,317		1,825.00		40,960.00					46,122.00	2.27
1934	4,281		1,125.00		49,140.00					54,546.00	2.68
1935	3,746		1,575.00							19,511.00	.96
1936	157,280		1,425.00					28,586.50		210,106.62	11.82
Total compensation:											
1927	1,572,345	218,200.00	171,477.00			27,000.00	273,890.50	135,325.00	56,500.00	2,283,260.50	-----
1928	1,770,886	387,200.00	179,985.00			27,000.00	275,766.60	199,200.00	107,184.10	2,934,713.70	-----
1929	2,095,505	455,200.00	179,985.00	225,145.80	77,416.80	27,000.00	298,333.28	196,612.57	73,000.00	3,601,198.45	100.00
1930	1,496,900	359,028.60	200,766.00	179,560.14	110,104.22	27,000.00	270,833.18	143,949.60	42,761.43	2,830,093.17	78.59
1931	465,593	124,722.70	175,453.00	148,868.96	230,229.82	22,225.00	290,082.90	127,916.60	32,393.51	1,617,485.49	44.92
1932	381,520	95,759.70	148,107.00	119,916.00	178,258.93	26,487.12	297,750.00	111,420.48	25,345.13	1,354,564.36	37.61
1933	303,154	85,392.00	127,097.04	82,988.56	113,811.92	24,848.34	214,050.00	112,399.44	25,191.74	1,088,933.04	30.24
1934	368,603	102,447.59	125,072.12	82,376.00	129,587.96	23,916.66	223,849.86	112,399.90	33,100.16	1,201,353.25	35.16
1935	386,648	115,704.00	148,980.04	84,831.00	82,860.32	13,717.52	284,300.00	108,558.24	40,489.92	1,296,089.04	35.16
1936	594,657	140,343.44	225,023.67	87,896.00	82,868.97	10,358.33	340,366.60	132,202.70	86,815.20	1,700,531.91	47.22

Table 24 shows that the total compensation paid to officers of the nine companies declined each year from \$3,601,198 in 1929 to \$1,088,933 in 1933, and then increased each year to \$1,700,531 in 1936. The decline in total compensation from 1929 to 1933 was due to declines in both total salaries and total other compensation, principally other compensation. While total compensation in 1933 was 30.24 percent of 1929, total salaries and total other compensation were 66.45 percent and 2.27 percent, respectively, of 1929. Other compensation accounted for \$2,031,990 of the total compensation of \$3,601,198 in 1929, and only \$46,122 of the total compensation of \$1,088,933 in 1933. The increase in total compensation from \$1,088,933 in 1933 to \$1,700,531 in 1936 was due to increases in both salaries and other compensation, principally salaries.

The following table shows the number of officers and the average total compensation paid to officers of principal corporations engaged in manufacturing farm implements and machines for each of the years 1927 to 1936, inclusive, for which the information was available:

TABLE 25.—Number of officers and average total compensation paid to officers of principal corporations engaged in manufacturing farm implements and machines, 1927 to 1936, inclusive

	NUMBER OF OFFICERS								
	International Harvester Co.	Deere & Co.	Allis-Chalmers Manufacturing Co.	Minneapolis Moline Power Equipment Co.	Oliver Farm Equipment Co.	The Massey-Harris Co.	Caterpillar Tractor Co.	J. I. Case Co.	B. F. Avery & Sons Co.
1927	11	7				2	15	7	5
1928	13	7	8			2	14	7	5
1929	13	6	8	13	7	2	11	8	5
1930	12	6	8	8	6	2	10	8	15
1931	13	6	8	6	7	4	11	8	5
1932	15	6	9	6	5	3	11	8	15
1933	14	6	9	6	5	3	10	9	4
1934	14	7	9	6	5	3	12	9	3
1935	17	7	9	6	5	3	12	9	3
1936	17	7	11	6	5	3	12	8	3

	AVERAGE TOTAL COMPENSATION PER OFFICER								
	International Harvester Co.	Deere & Co.	Allis-Chalmers Manufacturing Co.	Minneapolis Moline Power Equipment Co.	Oliver Farm Equipment Co.	The Massey-Harris Co.	Caterpillar Tractor Co.	J. I. Case Co.	B. F. Avery & Sons Co.
1927	\$142,940	\$31,171				\$13,500	\$18,259	\$19,332	\$11,300
1928	147,524	55,314	\$21,435			13,500	23,021	27,886	21,437
1929	161,193	75,867	22,498	\$17,319	\$19,714	13,500	24,394	24,952	14,600
1930	124,674	59,838	25,096	28,817	18,551	13,500	27,083	17,994	10,399
1931	35,808	20,787	21,932	24,812	36,265	5,556	26,639	15,990	6,479
1932	28,952	15,960	16,456	19,986	35,652	8,829	24,341	13,928	5,955
1933	24,846	14,232	14,122	13,832	27,947	8,283	21,405	12,489	6,298
1934	26,329	14,635	13,897	13,729	25,918	7,972	19,895	12,489	11,033
1935	24,307	16,529	16,553	14,139	16,572	4,573	23,692	12,062	13,479
1936	37,259	20,049	20,457	14,649	16,574	5,179	28,364	16,525	28,938

¹ Includes 1 officer for part of year omitted in computing average compensation per officer.

² Includes 2 officers for part of year. The salary of 1 officer was eliminated and the other converted to annual basis in computing average compensation per officer.

³ All salaries for part of year and converted to annual basis in computing average compensation per officer.

⁴ Includes 2 officers for part of year omitted in computing average compensation per officer.

⁵ Includes 3 officers for part of year whose salaries were converted to annual basis in computing average compensation per officer.

⁶ Includes 1 officer for part of year whose salary was converted to annual basis in computing average compensation per officer.

⁷ Includes 1 secretary-treasurer for 10 months and 1 secretary for 2 months; 2 officers used in computing average compensation per officer.

Table 25 shows that International Harvester Co. paid the highest average total compensation per officer of all companies for which such data were available for the 10-year period, except during 1931, 1932, and 1933, when Oliver Farm Equipment Co. paid the highest average total compensation per officer. International Harvester Co. paid average total compensation per officer of \$142,940 in 1927, \$147,524 in 1928, \$161,193 in 1929, \$124,674 in 1930, \$26,329 in 1934, \$24,307 in 1935, and \$37,259 in 1936. Oliver Farm Equipment Co. paid average total compensation per officer of \$36,265 in 1931, \$35,652 in 1932, and \$27,947 in 1933. Deere & Co. paid substantial average total compensation per officer during the years 1927 to 1930, inclusive. Such compensation was \$31,171 in 1927, \$55,314 in 1928, \$75,867 in 1929, and \$59,838 in 1930.

The following tables show the salaries and other compensation paid to individual officers of International Harvester Co., Deere & Co., Allis-Chalmers Manufacturing Co., Minneapolis-Moline Power Implement Co., Oliver Farm Equipment Co., the Massey-Harris Co., Caterpillar Tractor Co., J. I. Case Co., and B. F. Avery & Sons Co. for each of the years 1927 to 1936, inclusive, for which the information was available.

TABLE 26.—Salaries and other compensation paid to officers of *International Harvester Co.*, 1927 to 1936, inclusive

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
Cyrus H. McCormick, chairman of board of directors:¹										
Salary.....	\$10,000	\$10,000	\$10,000	\$10,000	\$3,648	\$6,000	\$5,144	\$5,000	\$3,750	
Other compensation.....	35,160	600	280	25,400	480	885	475	550	450	
Total.....	45,160	10,600	10,280	35,400	9,128	6,885	5,619	5,550	4,200	
Harold F. McCormick, chairman of executive committee:²										
Salary.....	10,000	10,000	10,000	10,000	8,648	7,568	5,448	5,000	5,000	\$20,000
Other compensation.....	25,160	440	360	25,360	720	600	525	825	500	1,080
Total.....	35,160	10,440	10,360	35,360	9,368	8,168	5,973	5,825	5,500	21,080
Alexander Legge, president:³										
Salary.....	100,000	100,000	50,000		63,673	66,053	50,384			
Other compensation.....	253,386	305,909	362,850		480	795	625			
Total.....	353,386	405,909	412,850		64,153	66,848	51,009			
Herbert F. Perkins, first vice president:										
Salary.....	65,000	65,000	70,000	75,000	35,674					
Other compensation.....	122,106	144,091	189,763	177,460	4,893	315				
Total.....	187,106	209,091	259,763	252,460	40,567	315				
Addis E. McKinstry, vice president:⁴										
Salary.....	50,000	50,000	50,000	50,000	46,336	45,084	43,323	60,000	20,000	20,000
Other compensation.....	116,885	143,055	186,955	157,438	3,904	1,219	662	717	727	1,160
Total.....	166,885	193,055	236,955	207,438	50,239	46,303	42,985	60,717	20,727	21,160
Henry B. Uley, vice president:										
Salary.....	35,000	35,000	35,000	35,000						
Other compensation.....	76,433	77,659	85,496	45,180						
Total.....	111,433	112,659	120,496	80,180						

¹ Resigned, September 1935.
² Chairman of finance committee, 1928; chairman of executive committee, 1928; chairman of finance committee, 1933; chairman of board of directors, September 1935.
³ Died Dec. 3, 1933.
⁴ President, December 1933; resigned as president Apr. 30, 1935; chairman of executive committee, 1936.

TABLE 26.—Salaries and other compensation paid to officers of International Harvester Co., 1927 to 1936, inclusive—Continued

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
George A. Ranney, vice president and treasurer: ⁵										
Salary.....	\$47,500	\$50,000	\$60,000	\$60,000	\$55,648	\$49,731	\$14,848			
Other compensation.....	131,295	152,711	197,585	161,440	2,877	1,201	576			
Total.....	178,795	202,711	257,585	221,440	58,525	50,932	15,424			
Cyrus McCormick, Jr., vice president:										
Salary.....	39,500	45,000	55,000	55,000	51,023	4,141				
Other compensation.....	121,168	142,340	184,833	184,180	3,562	687				
Total.....	160,668	187,340	239,833	209,180	54,585	4,828				
William S. Elliott, general counsel: ⁶										
Salary.....	32,500	35,000	45,000	45,000	41,773	37,359	31,182	\$39,319	\$40,000	\$45,000
Other compensation.....	80,735	101,473	128,671	107,058	2,510	616	563	537	327	17,730
Total.....	113,235	136,473	173,671	152,058	44,283	37,975	31,745	39,856	40,327	62,730
William M. Reay, comptroller: ⁷										
Salary.....	47,500	50,000	60,000	60,000	55,648	49,731	41,457	42,318	7,053	
Other compensation.....	131,381	152,624	195,252	133,834	2,936	578	32	16		
Total.....	178,881	202,624	255,252	193,834	58,584	50,309	41,489	42,334	7,053	
Wm. M. Gale, secretary:										
Salary.....	16,000	16,000	16,000	16,000	14,948	13,431	11,303	12,420		
Other compensation.....	25,636	26,036	27,320	15,200	1,090	188	104	10		
Total.....	41,636	42,036	43,320	31,200	16,038	13,619	11,407	12,430		
William P. Kelley, comptroller: ⁸										
Salary.....		21,250	22,500	22,500	20,960	20,335	17,322	24,390	26,333	6,750
Other compensation.....		36,098	47,490	44,500	1,607	313	26	10		
Total.....		57,348	69,990	67,000	22,627	20,648	17,348	24,400	26,333	6,750
Sydney G. McAllister, vice president: ⁹										
Salary.....					25,398	28,585	27,961	38,333	53,333	66,067
Other compensation.....					1,324	290	130	541	700	28,175
Total.....					26,722	28,815	28,091	38,874	54,033	94,812

TABLE 26.—Salaries and other compensation paid to officers of International Harvester Co., 1927 to 1936, inclusive—Continued

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
Sanford B. White, secretary:										
Salary.....									\$11,967	\$15,833
Other compensation.....										6,700
Total.....									11,967	22,533
Charles R. McDonald, vice president: ¹³										
Salary.....										11,527
Other compensation.....										7,020
Total.....										19,147
Christian E. Jarchow, comptroller:										
Salary.....										15,850
Other compensation.....										8,565
Total.....										24,415
John P. Wilson, consulting counsel:										
Salary.....			\$5,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	10,000	10,000
Other compensation.....		\$600	400	400	720	670	450	750	575	1,080
Total.....		600	5,400	10,400	10,720	10,670	10,450	10,750	10,575	11,080
Total salaries.....	\$453,000	487,250	488,500	448,500	438,430	373,137	298,837	364,322	382,902	427,377
Total other compensation.....	1,119,345	1,283,636	1,607,005	1,047,590	27,163	8,383	4,317	4,261	3,746	157,280
Total.....	1,572,345	1,770,886	2,095,505	1,496,090	465,593	381,520	303,154	368,603	386,648	584,657

¹³ Elected vice president, June 1, 1936.

TABLE 27.—Salaries and other compensation, paid to officers of Deere & Co., 1927 to 1936, inclusive

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
William Butterworth, chairman:										
Salary.....	\$36,000	\$36,000	\$36,000	\$36,000.00	\$32,850.00	\$25,920.00	\$23,040	\$23,040.00	\$25,920	\$19,800.00
Other compensation.....	20,000	50,000	75,000	50,040.00	60.00					
Total.....	56,000	86,000	111,000	86,040.00	32,910.00	25,920.00	23,040	23,040.00	25,920	19,800.00
C. D. Wiman, president:										
Salary.....	20,000	20,000	20,000	25,000.00	22,812.54	17,999.92	16,000	15,999.84	18,000	24,166.72
Other compensation.....	20,000	50,000	75,000	50,080.00	80.00					
Total.....	40,000	70,000	95,000	75,080.00	22,892.54	17,999.92	16,000	15,999.84	18,000	24,166.72
Burton F. Peck, vice president:										
Salary.....	10,000	10,000	10,000	10,000.00	9,124.92	7,199.88	6,400	12,799.87	14,400	19,333.28
Other compensation.....	10,000	25,875	24,500	16,185.00	100.00					
Total.....	20,000	35,875	34,500	26,185.00	9,224.92	7,199.88	6,400	12,799.87	14,400	19,333.28
Frank Silloway, vice president:										
Salary.....	25,000	25,000	25,000	30,000.00	27,375.00	21,600.02	19,200	19,200.00	21,600	29,000.00
Other compensation.....	20,000	0,875	79,500	52,330.00	80.00					
Total.....	45,000	85,875	104,500	82,330.00	27,455.00	21,600.02	19,200	19,200.00	21,600	29,000.00
Floyd R. Todd, vice president:										
Salary.....	5,000	5,000								
Other compensation.....	5,000	12,500								
Total.....	10,000	17,500								
T. F. Wharton, secretary and comptroller:										
Salary.....	20,000	20,000	20,000	25,000.00	22,812.54	17,999.88	16,000	15,999.84	18,000	24,166.72
Other compensation.....	17,500	59,750	78,000	53,113.60	2,487.70					
Total.....	37,500	79,750	98,000	78,113.60	25,300.24	17,999.88	16,000	15,999.84	18,000	24,166.72
C. W. Crampton, treasurer:										
Salary.....	7,200	7,200	7,200	7,200.00	6,840.00	5,040.00	4,752	4,608.00	5,184	6,960.00
Other compensation.....	2,500	5,000	5,000	4,050.00	100.00					
Total.....	9,700	12,200	12,200	11,250.00	6,940.00	5,040.00	4,752	4,608.00	5,184	6,960.00
C. N. Stone, vice president, salary										
Total salaries.....	123,200	123,200	118,200	133,200.00	121,815.00	95,759.70	85,392	102,447.59	115,704	140,343.44
Total other compensation.....	95,000	264,040	337,000	225,828.60	2,907.70					
Total.....	218,200	387,200	455,200	359,028.60	124,722.70	95,759.70	85,392	102,447.59	115,704	140,343.44

TABLE 28.—Salaries and other compensation paid to officers of *Allis-Chalmers Manufacturing Co., 1928-36, inclusive*

	1928	1929	1930	1931	1932	1933	1934	1935	1936
Otto H. Falk, president: ¹									
Salary	\$50,000	\$50,000	\$49,583	\$45,000	\$40,833	\$36,145.83	\$35,937.50	\$38,958.31	\$44,583.31
Other compensation	1,040	1,060	3,650	2,400	775	425.00	550.00	850.00	750.00
Total	51,040	51,060	53,233	47,400	41,608	36,570.83	36,487.50	39,808.31	45,333.31
Max W. Babb, vice president: ²									
Salary	24,000	24,000	25,783	23,400	21,233	20,270.83	23,018.75	28,008.31	35,870.18
Other compensation	6,675	7,375	11,360	8,440	3,081	400.00	575.00	725.00	675.00
Total	30,675	31,375	37,143	31,840	24,314	20,670.83	23,593.75	28,733.31	36,545.18
W. A. Thompson, comptroller and secretary: ³									
Salary	15,000	15,000	16,858	15,300	13,883	13,764.63	12,218.80	13,983.31	19,829.15
Other compensation	5,900	6,726	8,280	6,490	2,581				
Total	20,900	21,726	25,118	21,790	16,464	13,764.63	12,218.80	13,983.31	19,829.15
Raymond Dill, treasurer: ⁴									
Salary	11,000	12,000	12,891	11,700	10,616	10,872.97	9,831.30	12,425.00	4,908.34
Other compensation	4,125	4,983	7,350	6,490	2,581				
Total	15,125	16,983	20,241	18,190	13,197	10,872.97	9,831.30	12,425.00	4,908.34
Koepf, assistant secretary: ⁵									
Salary	7,500	7,800	8,796	7,920	7,186	8,255.41	7,918.76	10,866.69	16,262.50
Other compensation	1,837	2,212	2,917	2,420	1,101				
Total	9,337	10,012	11,643	10,340	8,287	8,255.41	7,918.76	10,866.69	16,262.50
D. A. Stewart, assistant treasurer: ⁶									
Salary	7,200	7,200	7,140	6,480	5,880				
Other compensation	1,800	2,052	2,520	1,980	787				
Total	9,000	9,252	9,660	8,460	6,667				
William Watson, general works manager: ⁷									
Salary	17,000	20,000	19,833	18,000	16,333	15,933.33	14,375.00	16,320.81	22,504.15
Other compensation	5,900	6,726	8,280	6,490	2,581				
Total	22,900	26,726	28,093	24,490	18,914	15,933.33	14,375.00	16,320.81	22,504.15

TABLE 29.—Salaries paid to officers of Minneapolis-Moline Power Implement Co., 1929 to 1936, inclusive

	1929	1930	1931	1932	1933	1934	1935	1936
A. J. Bisbee 1	\$11,979.00							
Alvin Brown 2	6,416.62							
H. B. Dimneen, vice president	16,866.59	\$17,599.92	\$15,781.30	\$12,672	\$12,428.28	\$13,518	\$13,800	\$11,500
C. L. Gillette, vice president	12,700.00	16,800.00	16,350.00	12,960	12,710.76	14,040	14,585	17,000
J. A. Hosp 3	2,200.00							
F. A. Kenaston 4	5,000.00							
R. W. Lea 5	10,266.62							
W. C. MacFarlane, president	82,170.47	99,999.97	89,666.66	72,000	85,994.10	30,000	30,000	30,000
P. H. Noland, vice president	3,374.96	4,576.92	13,450.00	10,800	10,592.28	12,650	14,050	17,000
W. S. Reddie, treasurer	17,766.66	13,500.00	5,449.00	4,505	4,507.62	4,596	4,596	4,596
J. S. Record, chairman of board	19,000.00	10,000.00	5,449.00	4,505	4,507.62	4,596	4,596	4,596
W. C. Rich, secretary	8,337.50	9,000.00	8,172.00	6,888	6,755.52	7,572	7,800	7,800
N. A. Wiff, vice president	23,938.30	2,083.33						
Total salaries paid	225,145.80	179,560.14	148,868.96	119,916	82,988.56	82,376	84,831	87,896

1 Treasurer, Minneapolis Threshing Machine Co.

2 Treasurer, Moline Implement Co.

3 Secretary, Minneapolis Threshing Machine Co.

4 Chairman of board, Minneapolis Threshing Machine Co.

5 President, Moline Implement Co.

TABLE 30.—Salaries and other compensation paid to officers of the Oliver Farm Equipment Co., 1929 to 1936, inclusive

	1929	1930	1931	1932	1933	1934	1935	1936
M. W. Ellis, president, salary	1,920,000.00	\$33,550.00						
W. A. Weed, vice president, salary	113,333.44	10,416.72						
L. J. Brown, vice president, salary	48,333.36							
R. C. Rodfing, works manager, salary	112,000.00	21,700.00	4 \$12,600.00					
W. D. Fowler, treasurer, salary	3,750.00	14,812.50	6 3,375.00					
T. A. Freeman, secretary, salary	40,000.00	14,812.50	13,145.66	\$10,758.00	\$10,260.00	\$10,260.00	\$11,986.61	\$15,232.50
A. H. Witt, comptroller, salary	140,000.00	14,812.50	4 9,000.00					
C. B. Messinger, president, ¹ Salary			73,031.25	57,990.00	40,280.00	27,011.52	25,139.84	24,847.36
Other compensation			75,000.00	57,990.00	40,980.00	49,140.00		
Total			148,031.25	115,980.00	81,270.00	76,151.52	25,139.84	24,847.36
M. E. Forbes, vice president, salary			29,055.00	28,638.00	9 2,022.00			
J. S. Wintner, vice president, salary			15,622.91	16,910.00	15,260.00	15,260.00	15,260.00	15,069.18
R. Hanger, comptroller, salary				6,572.93	4,999.92	4,999.92	5,354.03	7,710.00
Ch. Strieght, executive vice president, salary								20,009.93
M. H. Pettitt, president, salary						22,916.52	25,119.84	
Total salaries	77,416.80	110,104.22	155,229.82	120,268.93	72,831.92	60,447.96	82,860.32	82,868.97
Total other compensation			75,000.00	57,990.00	40,980.00	49,140.00		
Total	77,416.80	110,104.22	230,229.82	178,258.93	113,811.92	129,587.96	82,860.32	82,868.97

¹ For 8 months.² For 4 months.³ Vice president, 1930 and 1931.⁴ Resigned Apr. 13, 1931, covers salary from Jan. 1 to July 31, 1931.⁵ For 3 months.⁶ Resigned Feb. 26, 1931, covers salary from Jan. 1 to Mar. 31, 1931.⁷ Resigned July 15, 1931, covers salary from Jan. 1 to Aug. 31, 1931.⁸ President, 1931, 1932, 1933, and 1936; chairman of board 1933 to 1936.⁹ Resigned Jan. 15, 1933.

TABLE 31.—Salaries paid to officers of the Massey-Harris Co., 1927 to 1936, inclusive

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
G. C. Weyland, president.....	\$15,000	\$15,000	\$15,000	\$15,000	\$5,125	\$9,561.51	\$8,200.00	\$7,500.00	\$6,666.67	\$4,583.33
William M. LeVetours, secretary-treasurer.....	12,000	12,000	12,000	12,000	11,100	12,949.99	12,740.00	12,386.66	2,654.18	4,858.31
George White, vice president.....	.....	.....	.....	.....	7,000	3,975.62	3,908.34	4,030.00	4,395.67	7,916.60
L. M. Donaldson, vice president.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
J. C. Garrick, assistant secretary-treasurer—1936.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
C. E. Krause, secretary.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total salaries paid.....	27,000	27,000	27,000	27,000	22,225	26,847.12	24,848.34	23,916.66	13,717.52	10,388.33

1 For 10 months.

1 For 2 months.

TABLE 32.—Salaries paid to officers of the Caterpillar Tractor Co., 1927 to 1936, inclusive

Officers	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
C. L. Best, chairman of board.....	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$39,333.30	\$36,000	\$30,000	\$32,066.62	\$42,200	\$50,000.00
R. C. Force, president ¹	50,000.00	50,000.00	50,000.00	50,000.00	49,166.60	45,000	37,500	25,000.00	25,000	25,000.00
B. C. Heacock, vice president ²	30,000.00	30,000.00	30,000.00	34,999.95	33,333.30	30,000	30,000	32,066.62	42,200	50,000.00
G. Parker Holt, executive vice president.....	15,000.00	15,000.00	15,000.00	15,000.00	14,750.00	15,750	18,750	20,100.00	28,300	35,000.00
O. L. Stan, vice president.....	25,000.00	25,000.00	25,000.00	27,499.98	29,500.00	27,000	22,500	24,050.00	32,900	40,000.00
C. O. Wold, vice president.....	.....	31,666.66	20,000.00	20,000.00	19,666.60	18,000	15,000	16,150.00	19,500	21,600.00
A. T. Brown, vice president.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
T. J. Connor, vice president.....	15,000.00	15,000.00	15,000.00	19,166.60	19,666.66	18,000	15,300	13,400.00	16,200	20,500.00
H. P. Mee, treasurer ³	15,000.00	15,000.00	18,333.28	20,000.00	19,666.60	18,000	15,000	19,166.62	22,500	23,000.00
J. V. Munro, vice president.....	.....	.....	.....	.....	7 14,750.00	13,500	11,250	16,150.00	19,500	21,600.00
N. Bornstein, secretary.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
D. G. Sherwin, vice president ⁴.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
H. M. Hale, treasurer.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
G. L. Bell, secretary ⁵	17,500.00	20,000.00	20,000.00	24,166.62	24,583.30	22,500	17,750	10 8,675.00	10,050	.....
A. S. Weaver, vice president.....	13 20,000.00	20,000.00	20,000.00	20,000.00	19,666.60	18,000	15,000	.....	.....	.....
I. E. Jones, vice president.....	15,000.00	15,000.00	15,000.00	.....	.....	.....	.....	.....	.....	.....
M. M. Baker, vice president.....	20,000.00	14,999.94	13 15,000.00	.....	.....	.....	.....	.....	.....	.....
P. E. Holt, vice president.....	7,500.00	.....	.....	.....	.....	.....	.....	.....	.....	.....
E. N. Pearson, secretary-treasurer.....	13 2,865.50	6,600.00	.....	.....	.....	.....	.....	.....	.....	.....
K. B. Harlan, secretary.....	13 4,025.00	.....	.....	.....	.....	.....	.....	.....	.....	.....
R. E. Mann, treasurer.....	13 5,000.00	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	273,890.50	275,766.60	268,333.28	270,833.18	290,082.90	267,750	214,050	223,840.86	284,300	340,366.60

¹ Chairman of executive committee, 1930-36.

² President, 1930-36.

³ Appointed Nov. 20, 1928.

⁴ Appointed Mar. 31, 1936.

⁵ Appointed Dec. 7, 1934.

⁶ Vice president, 1933-36.

⁷ Appointed Feb. 3, 1931.

⁸ Treasurer, 1936.

⁹ Appointed Oct. 23, 1934.

¹⁰ Appointed Dec. 31, 1933.

¹¹ Vice president, 1931-33.

¹² Resigned Dec. 31, 1933.

¹³ Western Harvester Co.

¹⁴ Resigned Jan. 31, 1933.

¹⁵ Resigned Oct. 15, 1931.

¹⁶ Resigned Oct. 9, 1928.

TABLE 33.—Salaries and other compensation paid to officers of J. I. Case Co., 1927 to 1936, inclusive

	1927	1928	1929	1930	1931 *	1932	1933	1934	1935	1936
L. R. Clausen, president:										
Salary	\$50,000	\$20,000	\$50,000.00	\$49,166.60	\$42,916.67	\$36,333.28	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00
Other compensation		25,000	25,000.00							
Total	50,000	75,000	75,000.00	49,166.60	42,916.67	36,333.28	30,000.00	30,000.00	30,000.00	30,000.00
D. P. Davies, vice president:										
Salary	15,000	15,000	15,000.00	14,750.00	12,875.00	11,166.64	9,999.84	10,000.00	10,000.00	9,999.84
Other compensation	1,500	5,000	2,500.00							3,500.00
Total	16,500	20,000	17,500.00	14,750.00	12,875.00	11,166.64	9,999.84	10,000.00	10,000.00	13,499.84
E. J. Gittins, vice president:										
Salary	25,000	25,000	25,000.00	24,583.20	21,458.33	18,333.30	15,000.00	15,000.00	15,000.00	10,325.00
Other compensation	5,000	10,000	10,000.00							
Total	30,000	35,000	35,000.00	24,583.20	21,458.33	18,333.30	15,000.00	15,000.00	15,000.00	10,325.00
W. B. Brinton, vice president:										
Salary	1,200	1,200	1,200.00	1,200.00	1,000.00	600.00	600.00	600.00	600.00	650.00
Total	1,200	1,200	1,200.00	1,200.00	1,000.00	600.00	600.00	600.00	600.00	650.00
E. E. Russell, vice president:										
Salary	10,000	10,000	10,000.00	10,000.00	10,000.00	9,008.20	7,800.00	7,800.00	7,800.00	7,800.00
Other compensation	1,000	1,500	1,000.00							586.50
Total	11,000	11,500	11,000.00	10,000.00	10,000.00	9,008.20	7,800.00	7,800.00	7,800.00	8,386.50
W. L. Clark, vice president:										
Salary							15,999.84	15,999.90	16,000.00	15,999.84
Other compensation										9,500.00
Total							15,999.84	15,999.90	16,000.00	25,499.84
H. H. Bigger, vice president:										
Salary	11,250	20,000	20,000.00	19,666.60	17,166.60	14,833.24	12,999.84	13,000.00	13,833.24	15,000.00
Other compensation		10,000	5,000.00							4,500.00
Total	11,250	30,000	25,000.00	19,666.60	17,166.60	14,833.24	12,999.84	13,000.00	13,833.24	19,500.00

Theodore Johnson, secretary:										
Salary	12,375	15,000	14,750.00	13,500.00	12,687.50	12,000.00	12,000.00	12,000.00	12,000.00	14,500.00
Other compensation	3,000	7,500.00	-----	-----	-----	-----	-----	-----	-----	7,000.00
Total	15,375	22,500	14,750.00	13,500.00	12,687.50	12,000.00	12,000.00	12,000.00	12,000.00	21,500.00
H. P. Howell, treasurer:										
Salary	-----	9,412.57	9,833.20	9,000.00	8,458.32	8,000.00	8,000.00	8,000.00	8,000.00	9,666.52
Other compensation	-----	3,000.00	-----	-----	-----	-----	-----	-----	-----	3,500.00
Total	-----	12,412.57	9,833.20	9,000.00	8,458.32	8,000.00	8,000.00	8,000.00	8,000.00	13,166.52
Total salaries										
Total other compensation	124,825	136,200	143,049.60	127,916.60	111,420.48	112,399.90	112,399.90	112,399.90	108,588.24	103,616.20
Total	10,500	59,000	143,049.60	127,916.60	111,420.48	112,399.44	112,399.44	112,399.90	108,588.24	28,586.50
Total	135,325	195,200	143,049.60	127,916.60	111,420.48	112,399.44	112,399.44	112,399.90	108,588.24	132,202.70

PART V

INVESTMENTS, PROFITS, AND RATES OF RETURN
FOR CEMENT COMPANIES

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SCHEDULE OF TABLES

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INVESTMENTS, PROFITS, AND RATES OF RETURN FOR CEMENT COMPANIES

This report deals with the operating results of a representative group of 18 cement companies which had 59 percent of the country's total cement producing capacity in 1938. It is estimated that altogether there are about 90 companies in the cement-producing industry. However, seven of the larger companies account for 45 percent of the total capacity. This concentration has come about through consolidations, mergers, and acquisitions of competing companies. The 7 largest companies, as well as several of the smallest companies and a number of medium-sized companies, are included in the 18 companies. The larger companies operate chains of plants of varying productive capacity in various sections of the country. The plants of the other companies are likewise scattered throughout the country so that all 18 companies operate in practically every State. The 18 companies are as follows:

Aetna Portland Cement Co.
Alpha Portland Cement Co.
Great Lakes Portland Cement Co.
Huron Portland Cement Co.
Ideal Portland Cement Co.
Lawrence Portland Cement Co.
Lehigh Portland Cement Co.
Lone Star Cement Corporation.
Marquette Cement Manufacturing Co.
Medusa Portland Cement Co.
Missouri Portland Cement Co.
Nazareth Cement Co.
North American Cement Co.
Oregon Portland Cement Co.
Pennsylvania-Dixie Cement Corporation.
Riverside Cement Co.
Superior Portland Cement, Inc.
Universal-Atlas Cement Co.

All of these companies or their subsidiaries, and other members of the Cement Institute, were charged with certain monopolistic practices by the Federal Trade Commission in a complaint served July 2, 1937. The charges of the Commission in that complaint are summarized in the following sentence quoted from the complaint:

"For more than 8 years last past, respondents have maintained and now have in effect a combination among themselves to hinder, lessen, restrict, and restrain competition in price, among producing respondents in the course of their aforesaid commerce among the States."

In the past, certain trade practices in the industry have also been the subject of investigation by the Federal Trade Commission, which are set forth in two reports, viz., Price Bases Inquiry, The Basing-Point Formula and Cement Prices 1932, and Cement Industry, 1933. These reports deal largely with cement prices, including uniformity and inflexibility of delivered prices and pricing policies.

The present study deals only with the financial aspects of the industry as reflected by the operations of the 18 companies, or their predecessors, covering a 20-year period from 1917 to 1936, inclusive. Except for one company, the financial information for all companies or their predecessors is available throughout the 20-year period. Such information, which is the basis for this report, was obtained from the files of the Income Tax Unit of the Bureau of Internal Revenue except in some instances when published reports were used largely because of the inability to obtain information on a consolidated basis from tax returns for some companies and their subsidiaries in the later years. Under the provisions of the Revenue Act of 1934, such holding companies and their subsidiaries could no longer file consolidated returns as a basis for tax payment but were required to file separate tax returns.

Since the information was obtained primarily from the tax returns of the individual companies, the data are presented in such a manner as to avoid disclosure with respect to any company in view of the regulations of the Treasury Department governing the publicity of returns.

Rates of return on invested capital have been computed on two bases, namely the stockholders' investment and common stockholders' equity, after deducting appreciation. The stockholders' investment consists of common and preferred stocks and surplus and the common stockholders' equity consists of common stock and surplus. On each basis, the investments were averaged as of the beginning and end of each year, after eliminating appreciation.

The profits used in computing rates of return on investments represent the taxable net income, as finally determined by the Bureau of Internal Revenue, in all cases where tax returns were used. In those instances where the basic information was obtained from published reports, the net income as reported by the companies in such reports, before provisions for Federal taxes, was used.

Table 1, which follows, summarizes the investments, profits, and rates of return for all companies under review as a group for the years 1917-36 on the basis of the stockholders' investment and on the basis of the common stockholders' equity. The companies for which the information is presented range in number from 28 in 1917 down to 18 in 1936. The larger number of companies in the earlier years includes those companies acquired by merger or consolidation during the 1920's by a number of the 18 companies.

TABLE 1.—Investments, profits, and rates of return on stockholders' investment and common stockholders' equity for cement companies, 1917-36

Year	Number of companies	Investments ¹		Net profits ² applicable to—		Rate of return on—	
		Stockholders' investment	Common stockholders' equity	Stockholders' investment	Common stockholders' equity	Stockholders' investment	Common stockholders' equity
1917	28	\$104,608,687	\$90,438,587	\$15,013,684	\$14,249,920	Percent 14.35	Percent 15.76
1918	28	108,546,048	94,506,778	10,279,946	9,448,382	9.47	10.00
1919	28	118,538,175	104,503,885	15,010,091	14,125,639	12.66	13.52
1920	24	133,952,013	121,062,964	17,227,511	16,234,137	12.86	13.41
1921	24	144,319,698	132,917,239	11,060,256	10,288,699	7.66	7.74
1922	24	151,186,438	137,064,569	21,492,879	20,721,265	14.22	15.12
1923	25	171,443,899	154,914,800	42,933,117	41,949,457	25.04	27.08
1924	25	196,669,943	179,879,656	42,923,059	41,767,760	21.82	23.22
1925	26	222,983,545	196,489,686	45,433,381	43,425,694	20.38	22.10
1926	21	248,953,612	207,341,427	41,479,149	38,859,499	16.66	18.74
1927	22	263,607,594	216,823,100	34,647,571	31,495,740	13.14	14.53
1928	22	267,353,813	214,036,162	31,923,017	27,674,905	11.94	12.93
1929	19	269,996,548	210,559,647	27,659,265	24,049,403	10.24	11.42
1930	18	249,216,143	191,903,642	22,537,526	19,803,268	9.04	10.32
1931	18	214,735,815	158,704,913	³ 5,067,678	³ 7,379,649	³ 2.36	³ 4.65
1932	18	194,234,472	141,130,621	³ 15,621,990	³ 17,552,536	³ 8.04	³ 12.44
1933	18	179,677,026	132,210,668	³ 5,932,999	³ 7,199,751	³ 3.30	³ 5.45
1934	18	184,314,551	140,697,192	4,658,830	3,110,296	2.53	2.21
1935	18	173,330,985	134,191,443	123,451	³ 884,255	.07	³ 7.70
1936	18	170,471,267	134,879,605	18,835,349	17,521,470	11.05	12.99
Annual average	-----	188,407,014	154,712,804	18,830,771	17,085,467	9.99	11.04

¹ Investments averaged at beginning and end of year, after deducting appreciation.

² Net profit before deducting Federal income tax.

³ Denotes loss.

The table shows that during the 20-year period the average annual rate of return for the companies as a group was approximately 10 percent on the stockholders' investment and 11 percent on the common stockholders' equity. Except for the depression years when losses were sustained which reduced the averages for the period, high returns were earned in most years.

During the first 6 years, 1917-22, the highest return was 14.35 percent in 1917 and the lowest was 7.66 percent in 1921, on the basis of the stockholders' investment. During these years, returns approaching those of 1917 were earned in 1919, 1920, and 1922.

During the next 8 years, 1923-30, the highest return was earned in 1923 and the lowest in 1930 on the same basis of investment. In 1923, the return was slightly over 25 percent and in 1930 it was slightly over 9 percent. During these years, returns exceeding 20 percent were earned in 1924 and 1925, and in the next 4 years they ranged from over 10 percent to more than 16 percent.

During the next 3 years, 1931-33, losses equivalent to 2.36 percent, 8.04 percent, and 3.30 percent, respectively, were sustained on the stockholders' investment. On this basis of investment, profits were again earned in the following years equivalent to 2.53 percent in 1934, 0.07 percent in 1935, and 11.05 percent in 1936. The return for 1936, it will be noted, compares favorably with the returns for the predepression years.

Prior to 1931, the first year in which losses were sustained, the average return on the stockholders' investment during the years under review was 14.32 percent as compared with a loss of 0.27 percent for the later years. Likewise, during the years 1917-30, the average return on the common stockholders' equity was 15.72 percent as compared with a loss of 1.47 percent for the years 1931-36. Throughout, the trend in rates of return on the common stockholders' equity followed closely those applicable to the stockholders' equity, except that during profitable years the returns were higher and during unprofitable years the losses were greater. The slightly higher average return on the common stockholders' equity than the for stockholders' investment is accounted for by the fact that the margin of capital represented by preferred stock produced earnings in excess of the dividends paid or accrued thereon.

Because of the inability to segregate interest on long-term debt from the total charges for all interest payments reported on tax returns, it was not practicable to compute rates of return on the total investment including long-term debt. However, it appears that the proportion of long-term debt to the total capitalization was not large so that the average return on the total investment would not be materially lower than the average return on the stockholders' investment.

As previously stated, the amounts for stockholders' investment and common stockholders' equity used in computing rates of return excluded appreciation. Most of the appreciation was recorded during the years 1925-29 as the result of reorganizations, mergers, and consolidations of some of the companies under review. The aggregate amount of appreciation which was deducted from the investments under review ranged from \$12,734,344 in 1917 to \$16,793,766 in 1924, to \$48,952,389 in 1926 to \$52,401,690 in 1929 and to \$49,989,789 in 1936. Since the appreciation was generally recorded in the plant and property accounts, some of it may have been removed as property was retired from service. This could not be determined in the absence of an examination of the books and records of the respective companies. To whatever extent appreciation may have been written off, is reflected in understatement of the investment bases with slightly overstated rates of return. However, the failure to adjust for any appreciation which may have been eliminated through retirements does not materially affect the rates of return. This is evident from the fact that if returns had been computed on investment, including all appreciation, the average return on the stockholders' investment for the 20-year period would only be 1.6 percent lower than the average computed return of 10 percent, and the common stockholders' equity would only be 2.08 percent lower than the computed return of 11 percent.

Tables 2 and 3, which follow, show the rates of return for individual companies and their predecessors for each of the years 1917-36 on the basis of the stockholders' investment and on the basis of the common stockholders' equity. The names of the companies are omitted to avoid disclosure of identity.

It has been explained that the companies for which rates of return were computed range in number from 28 in 1917 down to 18 in 1936 and that the larger number of companies in the earlier years includes companies acquired by merger or consolidation during the 1920's by a number of the 18 companies. In the succeeding tables, all such predecessor companies have been grouped according to their present affiliation in order to show comparative returns for each company and its predecessors during each of the years 1917 to 1936, inclusive.

TABLE 2.—Rates of return on stockholders' invested capital for 18 cement companies and their predecessors, 1917-36

Company number	1917 per- cent	1918 per- cent	1919 per- cent	1920 per- cent	1921 per- cent	1922 per- cent	1923 per- cent	1924 per- cent	1925 per- cent	1926 per- cent	1927 per- cent
1.....	0.56	0.92	16.39	17.77	31.42	19.47	26.19	20.84	28.99	14.77	15.21
2 ¹											
3.....	12.40	10.60	12.20	13.16	10.87	28.14	39.50	28.26	27.00	30.63	20.73
4.....	9.64	7.25	10.75	6.86	7.72	13.34	23.13	19.18	20.39	16.25	7.04
5.....	11.54	6.64	11.14	6.78	2.43	3.01	19.99	21.53	37.24	30.40	26.19
6.....	19.28	12.37	21.14	17.35	12.63	23.85	39.79	38.65	39.22	40.02	30.08
7.....	3.11	6.45	1.50	25.23	8.93	32.86	43.83	36.65	30.98	23.50	46.13
8.....	28.42	15.78	11.81	24.31	12.64	20.17	22.71	21.76	29.59	24.75	21.01
9.....	3.49	3.49	10.85	4.12	12.72	30	20.12	18.56	20.60	22.21	11.37
10.....	13.64	9.80	11.15	12.41	4.06	8.87	21.75	19.79	16.60	12.94	9.59
11.....	6.76	8.22	12.23	17.66	3.32	7.48	21.05	24.89	15.48	6.83	9.65
12.....	¹ 6.13	¹ 1.78	¹ 6.0	9.92	17.24	27.06	39.28	31.76	29.17		12.43
13.....	13.69	12.91	17.68	28.54	21.91	43.93	53.88	23.68	19.15	17.27	20.96
14.....	16.35	10.20	17.20	13.22	10.33	19.52	32.45	24.76	20.72	17.50	12.60
15.....	11.94	8.89	6.94	5.39	6.89	6.83	16.07	16.66	19.76	15.18	11.71
16.....	10.07	8.41	12.95	11.34	5.10	11.58	20.95	19.62	18.60	13.66	12.08
17.....	7.43	7.55	7.86	10.50	7.33	7.52	13.15	17.57	16.73	14.24	10.51
18.....	27.27	11.17	12.72	17.74	9.00	15.49	15.62	16.41	14.89	14.97	16.32
Average.....	14.35	9.47	12.66	12.86	7.66	14.22	25.04	21.82	20.38	16.66	13.14

Company number	1928 per- cent	1929 per- cent	1930 per- cent	1931 per- cent	1932 per- cent	1933 per- cent	1934 per- cent	1935 per- cent	1936 per- cent	Annual average percent
1.....	7.84	9.84	9.68	4.06	12.22	17.11	14.89	15.41	16.79	6.81
2 ¹										
3.....	17.94	22.32	24.80	2.81	11.53	6.40	7.52	3.86	15.05	14.98
4.....	13.07	7.02	8.44	2.83	15.67	13.71	1.17	.42	6.12	7.80
5.....	11.85	32.43	17.20	155.37						9.02
6.....	22.58	6.60	11.59	18.35	20.41	19.58	1.47	2.38	9.16	15.63
7.....	48.10	21.20	10.23	8.00	15.29	3.95	15.31	9.88	24.30	22.67
8.....	19.74	17.73	10.80	15.29	17.94	15.48	1.11	1.29	7.67	10.82
9.....	9.65	6.30	9.56	15.30	13.23	12.75	1.53	13.30	4.99	4.56
10.....	9.02	5.41	3.92	1.45	14.67	11.63	2.39	14.12	6.66	7.28
11.....	4.49	8.24	8.66	12.21	15.41	12.46	1.52	16.14	1.54	5.88
12.....	8.89	15.78	14.82	16.89	2.83	11.16	4.00	10.07	11.16	12.07
13.....	21.82	15.14	4.46	1.57	.74	.30	6.25	2.49	10.02	15.02
14.....	9.19	12.09	11.39	122.07	28.34	19.85	2.19	.67	18.92	13.23
15.....	15.48	9.39	6.03	10.33	10.93	16.82	2.29	2.23	10.86	7.79
16.....	11.75	7.51	5.33	14.59	17.91	13.63	1.82	2.45	8.03	7.22
17.....	8.73	9.39	10.87	12.76	11.02	11.58	3.37	4.43	9.99	8.74
18.....	21.21	20.07	17.45	5.52	.36	5.07	12.72	15.68	34.17	15.21
Average.....	11.94	10.24	9.04	12.36	18.04	13.30	2.53	.07	11.05	9.99

¹ Indicates loss.² For the reason that this company was not in operation during all of the years, 1917-36, its rates of return are omitted in order to avoid disclosure of identity. However, the results of its operations are reflected in the annual averages for the 18 companies as a group.

TABLE 3.—Rates of return on common stockholders' equity for 18 cement companies and their predecessors, 1917-36

Company No.	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
1	0.56	0.92	16.39	17.77	31.42	19.47	26.19	20.84	28.99	14.77	15.21
2											
3	12.40	10.60	12.20	13.16	10.87	7.72	13.34	23.13	19.18	20.39	81.97
4	9.64	7.25	10.75	6.86	4.72	3.37	23.21	29.97	29.97	16.25	7.04
5	9.15	4.37	10.83	4.83	1.47	3.7	29.21	29.97	29.97		
6	24.66	14.29	26.67	21.93	14.86	30.41	50.07	45.70	44.01		
7	3.11	6.45	1.50	25.23	8.93	32.86	43.83	36.65	30.98	23.50	46.13
8	41.06	20.29	13.99	31.22	14.58	24.15	26.51	24.59	32.94	26.81	22.40
9	3.49	3.49	10.85	4.12	2.72	3.0	20.12	15.56	20.60	22.21	11.37
10	13.64	9.80	11.15	12.41	4.06	8.87	21.75	19.79	16.60	12.94	9.59
11	17.15	16.96	23.95	31.71	4.38	12.42	31.23	28.09	16.97	6.83	9.65
12	6.13	1.78	1.70	9.92	17.24	27.06	39.28	31.76	29.17		12.43
13	13.69	12.91	17.68	23.54	21.91	43.93	53.88	23.58	19.15	17.27	20.96
14	17.62	10.44	18.28	13.79	10.53	29.40	34.01	25.65	21.32	17.91	12.80
15	12.40	9.02	6.93	5.30	6.88	6.82	16.49	17.05	20.22	15.45	11.86
16	11.34	8.98	15.14	12.26	4.81	12.23	22.69	21.10	19.88	14.23	12.57
17	16.99	13.67	10.50	10.37	7.59	7.59	13.94	19.46	21.03	17.78	12.01
18	27.27	11.17	12.72	17.74	9.00	15.49	15.62	16.41	15.30	28.79	28.11
Average	15.76	10.00	13.52	13.41	7.74	15.12	27.08	23.22	22.10	18.74	14.53

Company No.	1928	1929	1930	1931	1932	1933	1934	1935	1936	Annual average
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
1	7.84	9.84	9.68							6.81
2										
3	32.07	36.69	39.52	.67	25.28	7.30	8.79	1.94	22.90	24.15
4	13.07	7.02	8.44	2.83	5.67	3.71	1.17	.42	6.12	7.80
5										
6										
7	18.10	21.20	10.23	8.00	15.29	3.95	15.31	9.88	24.30	22.67
8	20.88	18.60	11.09	16.28	9.28	6.72	1.88	1.09	8.07	11.35
9	9.65	6.30	9.56	5.30	13.23	2.75	1.53	3.30	4.99	4.56
10	7.70	4.38	1.90	5.31	11.46	4.62	1.77	7.97	8.13	7.55
11	4.66	8.45	8.89	3.54	6.79	2.86	1.60	7.69	7.81	6.55
12	8.89	15.78	14.82	16.89	2.83	1.16	4.00	10.07	11.16	12.07
13	44.55									31.03
14	9.26	12.33	11.39	22.07	28.34	9.85	2.19	.67	18.92	13.51
15	15.75	9.43	6.14	10.93	11.44	7.13	2.16	2.55	11.05	7.87
16	12.16	7.55	5.19	5.61	9.37	4.74	1.82	2.45	8.03	7.25
17	9.42	9.39	10.87	12.76	1.02	1.58	3.37	4.43	9.99	9.12
18	26.39	20.07	17.45	5.52	.36	5.07	12.72	15.68	34.17	15.98
Average	12.93	11.42	10.32	4.65	12.44	5.45	2.21	1.70	12.99	11.04

¹ Indicates loss.

² For the reason that this company was not in operation during all of the years, 1917-36, its rates of return are omitted in order to avoid disclosure of identity. However, the results of its operations are reflected in the annual averages for the 18 companies as a group.

Tables 2 and 3 show that on the average substantial returns were earned by each of the 17 companies and their predecessors, despite losses sustained during the depression years. On the basis of stockholders' investment, the lowest average return earned by any company during the 20-year period was 4.56 percent and the highest return was 22.67 percent. In addition, 4 other companies each earned returns of approximately 15 percent per annum; 4 earned from 9 to over 13 percent; and 7 earned from nearly 6 percent to 8¾ percent. As a group all companies earned an average return of about 10 percent. On the basis of the common stockholders' equity, the respective returns were higher, averaging just over 11 percent for all companies under review during the 20-year period.

While there is substantial variation in the returns of the respective companies and their predecessors, the returns are quite comparable when the companies are grouped according to size. On the basis of plant capacity, the 18 companies represented 59 percent of the plant capacity for the industry in 1938.¹ Each of 3 of the 18 companies represented over 5 percent of the total capacity for the industry; 4 represented from 3 to 5 percent each; 6 represented from 1 to 3 percent each; and 5 represented under 1 percent each. According to this grouping, the two groups of medium-sized companies earned higher average returns than either of the other two groups, followed by the group of largest companies. The average returns earned by each group during the 20-year period, 1917-36, are as follows:

Average annual rates of return, 1917-36

	On stockholders' investment	On common stockholders' equity
	<i>Percent</i>	<i>Percent</i>
Group 1. 3 companies each with over 5 percent of total plant capacity.....	9.71	10.19
Group 2. 4 companies each with from 3 to 5 percent of total plant capacity.....	10.65	12.57
Group 3. 6 companies each with from 1 to 3 percent of total plant capacity.....	10.43	12.53
Group 4. 5 companies each with under 1 percent of total plant capacity.....	8.26	8.73
All groups with 59 percent of total plant capacity in 1938.....	9.99	11.04

The annual rates of return on the stockholders' investment and the common stockholders' equity for each year from 1917 to 1936, inclusive, for each of the groups of companies classified by size of plant capacity are shown in table 4, which follows:

¹ United States' plant capacity 255,697,000 barrels. P. 263 of November 1939, issue of Concrete,

TABLE 4.—Rates of return on stockholders' investment and common stockholders' equity for 18 cement companies and their predecessors, grouped according to size of plant capacity,¹ 1917-36

Year	Rates of return on stockholders' investment				
	Group of 3 companies each with over 5 percent of total capacity	Group of 4 companies each with from 3 to 5 percent of total capacity	Group of 6 companies each with from 1 to 3 percent of total capacity	Group of 5 companies each with less than 1 percent of total capacity	All groups with 59 percent of total capacity
	Percent	Percent	Percent	Percent	Percent
1917	13.89	13.47	12.30	3.23	14.35
1918	9.66	10.21	8.90	5.56	9.47
1919	13.26	12.72	12.03	8.23	12.66
1920	12.44	12.94	12.47	18.37	12.86
1921	7.28	7.62	8.45	9.44	7.66
1922	13.37	13.37	17.62	16.97	14.22
1923	25.31	20.74	30.47	29.07	25.04
1924	21.75	20.89	22.08	28.40	21.82
1925	18.44	21.31	24.47	23.11	20.38
1926	15.13	18.48	21.91	8.91	16.66
1927	11.05	15.55	15.95	15.06	13.14
1928	9.04	16.04	15.66	11.85	11.94
1929	9.12	9.97	13.82	10.26	10-24
1930	7.98	8.77	11.92	8.77	9.04
1931	¹ 1.45	¹ 4.00	¹ 2.90	¹ 3.39	¹ 2.36
1932	¹ 7.67	¹ 8.23	¹ 9.38	¹ 5.61	¹ 8.04
1933	¹ 2.85	¹ 4.48	¹ 3.01	¹ 2.68	¹ 3.30
1934	2.73	2.75	2.41	.93	2.53
1935	¹ 2.21	2.28	¹ 1.83	¹ 2.30	.07
1936	9.64	16.08	9.46	7.70	11.05
Average	9.71	10.65	10.43	8.26	9.99

Year	Rates of return on common stockholders' equity				
	Group of 3 companies each with over 5 percent of total capacity	Group of 4 companies each with from 3 to 5 percent of total capacity	Group of 6 companies each with from 1 to 3 percent of total capacity	Group of 5 companies each with less than 1 percent of total capacity	All groups with 59 percent of total capacity
	Percent	Percent	Percent	Percent	Percent
1917	15.46	20.26	12.24	4.56	15.76
1918	10.33	10.66	8.80	7.01	10.00
1919	14.18	13.51	12.24	10.62	13.52
1920	12.72	13.65	12.70	24.08	13.41
1921	7.30	7.68	8.33	11.84	7.74
1922	13.68	13.99	20.87	21.97	15.12
1923	26.14	21.94	39.04	35.09	27.08
1924	22.44	21.98	26.53	30.05	23.22
1925	19.37	23.10	30.30	24.12	22.10
1926	15.92	24.52	27.31	8.91	18.74
1927	11.41	21.21	19.24	15.06	14.53
1928	8.77	20.16	20.75	12.11	12.93
1929	9.61	11.54	19.11	10.44	11.42
1930	8.19	11.52	15.93	8.86	10.32
1931	¹ 3.80	¹ 5.98	¹ 6.99	¹ 0.79	¹ 4.65
1932	¹ 11.49	¹ 12.28	¹ 18.63	¹ 6.15	¹ 12.44
1933	¹ 4.51	¹ 6.95	¹ 7.16	¹ 2.86	¹ 5.45
1934	2.56	3.45	.37	.99	2.21
1935	¹ 9.90	3.14	¹ 5.12	¹ 3.32	¹ 3.70
1936	10.59	22.88	10.73	6.84	12.99
Average	10.19	12.57	12.53	8.73	11.04

¹ Based on 1933 plant capacity for the industry aggregating 255,697,000 barrels.

¹ Indicates loss.

PART VI
INVESTMENTS, PROFITS, AND RATES OF RETURN
FOR RAYON COMPANIES

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SCHEDULE OF TABLES

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INVESTMENTS, PROFITS, AND RATES OF RETURN FOR RAYON COMPANIES

INTRODUCTION

This report contains a brief history of the rayon industry, including certain statistical data on the quantities of rayon produced and consumed, together with the price trends of rayon textile fiber and competitive fibers such as cotton, wool, and silk, and deals with the operating results of eight of the principal rayon yarn and rayon staple fiber producing companies. The operations of these eight companies are to some extent correlated to the general historical information pertaining to the entire industry. In connection with the financial information presented for these eight companies there are given the trends of investments, profits, rates of return, and other statistical data for all eight companies combined and for each of the eight companies, from 1915 to 1938, inclusive. The eight companies are as follows:

American Viscose Corporation.
E. I. du Pont de Nemours & Co. (rayon department).
Celanese Corporation of America.
Industrial Rayon Corporation.
The American Enka Corporation.
North American Rayon Corporation.
Tubize-Chatillon Corporation.
American Bemberg Corporation.

American Viscose Corporation had a monopoly of the rayon business in this country prior to 1920, through control of patents on manufacturing processes. After the expiration of these patents other companies entered the field so that in 1938 there were 29 rayon yarn and staple fiber producers. However, these 8 companies produced the bulk of the rayon in this country.

There was a remarkable growth in the production of rayon yarn and staple fiber. The last year that American Viscose Corporation was the sole producer was 1919, when slightly over 8,000,000 pounds were produced. Thereafter, the domestic production increased rather consistently to 342,000,000 pounds in 1937 and decreased to about 288,000,000 pounds in 1938. Although other companies entering the field have accounted for a substantial portion of the increase, American Viscose Corporation remained the principal producer. Its proportion of the total had decreased from time to time to 30 percent of the domestic production in 1938.

In 1938, the eight companies produced 91 percent of the total United States production of rayon yarn and staple fiber by the viscose, cuprammonium, and acetate processes. These three processes are the only ones used in the production of rayon. In that year, three of the eight companies produced 67 percent of the total production. Considering the rayon yarn separately from the staple fiber it appears that only four of the eight companies used the acetate process and those four accounted for 90 percent of the total rayon yarn produced by the acetate process. Seven of the eight companies produced rayon yarn either by the viscose or cuprammonium process and these seven companies accounted for 92 percent of the total production of rayon yarn by these processes. Only three of these eight companies produced rayon staple fiber but these three accounted for 88 percent of the total production of rayon staple fiber in 1938.

HISTORY OF RAYON

Rayon is a synthetic textile fiber that for many years was referred to as artificial silk, whose basic raw material is cellulose. The principal commercial sources of cellulose are spruce, western hemlock, and cotton linters, although it may be obtained from many other less economical sources. Rayon is produced by chemical and mechanical processes which make a fine filament that is spun into yarns suitable for weaving into many kinds of fabrics.

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The history of experiments in the manufacture of textile fiber extends back to 1735, when a French scientist named Reamur developed a process whereby a solution, that was forced through a small orifice, coagulated to form a thread. His solution was made from gums and resins. It was not until 1855 that Audemars, a Swiss chemist, first used dissolved cellulose to produce fine threads. However, Count Hilaire de Chardonnet is acclaimed the original discoverer of rayon as he received a patent from the French Government November 11, 1884, after years of research, covering his process of producing artificial silk. He used a nitro cellulose solution that was produced from bleached cotton linters by the action of a mixture of nitric and sulfuric acids. The solution was forced through a small glass orifice into water which hardened the threadlike fiber. In 1890-capitalists provided funds to build the first factory for commercial production of artificial silk. This process was known as the nitrocellulose process, but has now been entirely supplanted by other processes in this country, although it was used quite extensively prior to 1934.

The cuprammonium process was being developed about the same time as the nitro cellulose process. The cuprammonium process involved the dissolving of cellulose in an alkaline copper reagent. In connection with this process a spinnerette was used to stretch the filaments, thereby producing for the first time a thread finer than silk.

The most widely used process, accounting for about 85 to 90 percent of the world rayon production, but a lesser proportion of the United States production, in recent years is the viscose process which was patented in 1892 by Messrs. Cross and Bevan, of Great Britain. The cellulose compound that they produced was subjected to numerous operations in connection with treating and spinning it into filaments and yarn. The first successful spinning of this product was developed by Stearn in 1898 and improved by Topham in 1900, which later date marks the beginning of the manufacture of rayon by the viscose process.

The technical operations in making rayon yarn by the viscose process at the present time are generally as described here. The first step is to prepare the cellulose from cotton linters or from wood pulp by dissolving all noncellulose materials, leaving a fibrous mass that is then made into a board or sheet form by a process similar to that used by the paper manufacturing industry. The sheets from various batches, after selection in order to obtain uniformity of production, are subjected to a caustic soda bath where they are allowed to soak. The sheets, thus treated, are run through a shredding machine which produces a white mass that is dumped into hoppers and stored for from 36 to 100 hours in a temperature of 17 to 24 degrees centigrade. This operation, called the ripening process, through control of the duration and temperature, develops a product of the proper viscosity. After ripening, the material is mixed with carbon disulfide forming a spongy substance that is further treated with a caustic soda solution to form the raw viscose of the consistency of honey. This is filtered and further ripened from 2 to 5 days before it is ready for spinning. The viscose material is forced by pressure pumps through a spinnerette, having numerous small orifices, into a coagulating bath containing a sulfuric acid solution. The filament emerging from the orifices hardens in this bath and is twisted into yarn. The number and size of filaments in the yarn are determined by the type of jets or openings in the spinnerette. Further treatment of the yarn removes the remaining acids and other chemicals and the yarn is then ready for marketing.

Another process, which was developed during the World War, is the cellulose-acetate process. In recent years this process has been used to a greater extent than in the earlier years. This process involves the use primarily of acetic acid to convert cotton linters into a cellulose product. This is carried through a series of operations from which a spinning "dope" or solution is made. This solution is then forced through spinnerettes into an enclosure where the filament is dried by hot air and then spun into yarn. This method is termed "dry" spinning, which contrasts with "wet" spinning or viscose yarn.

In recent years a staple fiber has been produced by the viscose and acetate processes. This staple fiber can be used in woven and knit goods and to some extent has become a substitute for wool and cotton in heavier fabrics, whereas theretofore the rayon yarn had been considered primarily as a substitute for silk. Of course, rayon no longer is considered merely as a substitute for other textile fibers as it now has a distinct position in the textile field.

PRODUCTION STATISTICS

The domestic production of rayon yarn and staple fiber, combined, increased from 363,000 pounds in 1911 to 287,749,000 pounds in 1938. Production in 1936 and 1937 exceeded the production for the year 1938. The following tabulation gives the domestic production of rayon yarn and staple fiber, separately, for each of the years 1911-38. The table shows that the production of rayon yarn by the viscose, cuprammonium and nitrocellulose processes increased from 363,000 pounds in 1911 to 181,795,000 pounds in 1938. While the production of rayon yarn by the acetate process increased from 50,000 pounds in 1919 to 76,121,000 pounds in 1938, the domestic production of rayon staple fiber increased from 165,000 pounds in 1928 to 29,383,000 pounds in 1938.

United States production of rayon yarn and staple fiber, 1911-1938¹

[Units are thousands of pounds]

Year	Viscose, cuprammonium and nitrocellulose yarn ²	Acetate yarn	Total rayon yarn	Staple fiber	Total rayon yarn and staple fiber
1911	363		363		363
1912	1,111		1,111		1,111
1913	1,816		1,816		1,816
1914	2,422		2,422		2,422
1915	3,885		3,885		3,885
1916	5,778		5,778		5,778
1917	6,544		6,544		6,544
1918	5,846		5,846		5,846
1919	8,228	50	8,278		8,278
1920	10,005	120	10,125		10,125
1921	14,866	120	14,986		14,986
1922	23,947	120	24,067		24,067
1923	34,839	120	34,959		34,959
1924	36,208	120	36,328		36,328
1925	49,429	1,620	51,049		51,049
1926	60,073	2,620	62,693		62,693
1927	70,408	5,147	75,555		75,555
1928	91,232	6,000	97,232	165	97,397
1929	112,954	8,445	121,399	500	121,899
1930	117,543	9,799	127,333	350	127,683
1931	135,249	15,630	150,879	880	151,759
1932	116,379	18,291	134,670	1,100	135,770
1933	172,402	41,096	213,498	2,100	215,598
1934	170,397	38,014	208,321	2,200	210,521
1935	202,010	55,547	257,557	4,600	262,157
1936	214,926	62,712	277,638	12,300	289,938
1937	239,316	82,365	321,681	20,244	341,925
1938	181,795	76,121	257,916	29,833	287,749

¹ Source: Textile Economics Bureau, Inc., Rayon Organon.² Production of nitrocellulose yarn was discontinued in 1934.

In 1938, acetate yarn accounted for 29.5 percent of the total domestic rayon yarn, but accounted for a lesser proportion of the world production. Rayon yarn produced by this process has accounted for a larger proportion of the total each year. The production of rayon staple fiber has not been as extensively developed in this country as in other countries, particularly Italy, Germany, and Japan. In 1939, the world production of rayon yarn amounted to 451,000,000 pounds and the rayon staple fiber amounted to 6,000,000 pounds, whereas in 1937 the world rayon yarn production was 1,205,000,000 pounds as compared to 618,000,000 pounds of rayon staple fiber. In 1938, the world production of staple fiber practically equaled the yarn production, as estimated figures give the world production of rayon yarn as 975,000,000 pounds and of rayon staple fiber as 925,000,000 pounds. This compares with the domestic production of rayon yarn of 258,000,000 pounds and of rayon staple fiber of 30,000,000 pounds. Thus, it is evident that rayon staple fiber, which to some extent is a substitute for cotton and wool, is used more widely in other countries than in the United

States. The domestic production of staple fiber does not equal the consumption although there has been a continuous increase in the domestic production. For instance, in 1938, the domestic production increased nearly 50 percent over 1937, whereas imports increased only about 15 percent. In 1938, the imports of rayon staple fiber amounted to about 24,000,000 pounds as compared to 30,000,000 pounds of domestic production.

In regard to the domestic production of rayon yard and staple fiber, it is significant to compare the production by the eight companies covered in this study to the total. In 1938, three of these companies accounted for 67 percent of the total and all eight accounted for 91 percent of the total domestic production of rayon yarn and staple fiber. As stated before, American Viscose Corporation accounted for 100 percent of the domestic production prior to 1920; therefore, the ratios accounted for by each of the three large companies and by the five small companies as a group, shown in the following tabulation, are for the period from 1920 to 1938, inclusive.

Proportion of the total United States production of rayon yarn and staple fiber by all processes accounted for by each of the 3 large companies and by 5 smaller companies combined, from 1920 to 1938, inclusive

Year	Number of companies	American Viscose Corporation ¹	E. I. du Pont de Nemours & Co.	Celanese Corporation of America	5 smaller companies combined ²	Combined percentage of total United States production
		Percent	Percent	Percent	Percent	Percent
1920.....	1	99	-----	-----	-----	99
1921.....	4	92	2	-----	4	98
1922.....	5	82	6	-----	12	100
1923.....	5	78	8	-----	13	99
1924.....	5	73	10	-----	17	100
1925.....	6	68	13	1	16	98
1926.....	6	59	17	1	16	93
1927.....	7	54	20	3	16	93
1928.....	7	56	19	3	14	92
1929.....	9	52	21	4	17	94
1930.....	8	42	17	5	26	90
1931.....	8	39	17	6	28	90
1932.....	8	34	16	7	29	86
1933.....	8	35	16	10	25	86
1934.....	8	34	20	11	27	92
1935.....	8	35	20	14	23	92
1936.....	8	33	21	14	23	91
1937.....	8	32	22	14	20	88
1938.....	8	30	22	15	24	91

¹ Prior to 1920, American Viscose Corporation produced 100 percent of the total domestic production.

² 5 companies combined include Industrial Rayon Corporation, 1922-38; the American Enka Corporation, 1929-38; North American Rayon Corporation, 1929-38; American Bemberg Corporation, 1927-38; and Tubize-Chatillon Corporation, 1930-38; together with the latter company's predecessors, namely, Tubize Artificial Silk Co. and American Chatillon Corporation from 1921 to 1929, inclusive.

The foregoing tabulation includes both rayon yarn and rayon staple fiber. The viscose, nitrocellulose, and cuprammonium processes are somewhat similar, and for the purpose of this study there was no segregation of production between these processes. Seven of the eight companies used one or more of these three processes in making rayon yarn. However, none used the nitrocellulose process after 1934. One company used the cuprammonium process. Only four of the eight companies used the acetate process. Celanese Corporation of America used the acetate process exclusively and apparently was the sole company using this process for a number of years after its organization in 1918 and continued to be the most important producer by the acetate process as it accounted for 57 percent of the total in 1938. The acetate process has become increasingly important so that in 1938 nearly 30 percent of all domestic rayon yarn was produced by this process. The following two tabulations show, first, the proportions of rayon yarn produced by seven companies using either the viscose, nitrocellulose or cuprammonium process and, secondly, the proportion produced by each company using the acetate process.

Proportion of the total United States production of rayon yarn by the viscose, nitrocellulose¹ and cuprammonium processes, accounted for by 7 companies² from 1920 to 1938, inclusive

Year	Number of companies	American Viscose Corporation	E. I. du Pont de Nemours & Co.	5 smaller companies combined ³	Com- bined per- centage of total United States production ³
		Percent	Percent	Percent	Percent
1920	1	100			100
1921	4	93	2	5	100
1922	5	82	6	12	100
1923	5	79	8	13	100
1924	5	73	10	17	100
1925	5	70	14	16	100
1926	5	62	18	17	97
1927	6	58	21	16	95
1928	6	59	20	15	94
1929	8	56	22	18	96
1930	7	46	17	28	91
1931	7	43	17	31	91
1932	7	39	17	34	90
1933	7	42	17	33	92
1934	7	40	20	33	93
1935	7	43	20	28	91
1936	7	40	22	32	94
1937	7	40	22	29	91
1938	7	33	22	37	92

¹ There has been no production in the United States by the nitrocellulose process since 1934.

² Of the 8 companies covered, there was 1 which produced rayon yarn and staple fiber exclusively by the acetate process, thus only 7 of the 8 used either the viscose, nitrocellulose, or cuprammonium processes.

³ 5 companies combined includes Industrial Rayon Corporation, 1922-38, the American Enka Corporation, 1929-38, North American Rayon Corporation, 1929-38, American Bemberg Corporation, 1927-38, and Tubize-Chatillon Corporation, 1930-38, together with the latter company's predecessors, namely, Tubize Artificial Silk Co. and American Chatillon Corporation, from 1921 to 1929, inclusive.

Proportion of the United States production of rayon yarn accounted for by each company using the acetate process, 1929-38

Year	American Viscose Corporation	E. I. du Pont de Nemours & Co.	Celanese Corporation of America	Tubize-Chatillon Corporation	Com- bined per- centage of total United States production
	Percent	Percent	Percent	Percent	Percent
1929			60	2	62
1930	2	9	67	9	87
1931	2	9	54	4	69
1932	6	9	52	3	70
1933	6	7	53	2	68
1934	8	10	61	(1)	79
1935	10	15	68		93
1936	12	15	63	1	91
1937	11	15	56	2	84
1938	12	18	57	4	91

¹ Less than one-half of 1 percent.

It was previously pointed out that the use of rayon staple fiber in the United States has not progressed as rapidly as in other countries but that in recent years it has become increasingly important. Prior to 1935, the only domestic producer of staple fiber was E. I. du Pont de Nemours & Co. Staple fiber was not produced prior to 1926 and even in 1934 the production was less than 3,000,000 pounds and during the period from 1926 to 1934, inclusive, it was all produced by the one company. By 1938, the production had jumped to nearly 30,000,000 pounds. Of the 8 companies covered in this study, there were 3 producing staple fiber in commercial quantities at the end of 1938, and they accounted for 88 percent of

the total domestic production. This is illustrated in the following tabulation covering the years 1935 to 1938, inclusive:

Proportion of the United States production of rayon staple fiber accounted for by each company, 1935-38

Year	American Viscose Corporation	E. I. du Pont de Nemours & Co.	Industrial Rayon Corporation	Combined percentage of total United States production
	Percent	Percent	Percent	Percent
1935	16	70		86
1936	30	48		78
1937	29	50	(1)	79
1938	54	32	2	88

¹ Less than one-half of 1 percent.

The tremendous growth of the domestic use of rayon as compared to other textiles is illustrated heretofore in the production data and is also forcefully portrayed in the following chart, showing the quantities consumed of rayon yarn and competing yarns. In recent years, there have been relatively small amounts of rayon yarn exported or imported, except there have been some imports of staple fiber. Thus, the relative quantities of domestic production and consumption in the aggregate are not greatly different. However, sometimes there were rather large differences between the annual amounts produced and the amounts consumed for the reason that in certain years the anticipated demand did not materialize and part of the production was carried over to the next year. The following chart shows the pounds consumed domestically of cotton, wool, rayon, and silk, from 1920 to 1938, inclusive.

PRICE TRENDS

The foregoing chart, showing the trends of consumption of rayon yarn, was prepared from data on pages 56 and 57 of Rayon and Staple Fiber Handbook, Third Edition.¹ It is of interest to correlate the rayon production and consumption shown heretofore with the price of rayon as these price trends definitely reflect the influence of the earlier monopolistic position of American Viscose Corporation and the later competitive conditions in the industry.

The trend of the price of rayon yarn ranged upward from \$1.85 per pound in 1911 to \$6 in 1920 and down to 55 cents in 1932. From 1932 to 1938, inclusive, the price ranged from 49 to 65 cents. The prices per pound of 150 denier rayon yarn produced under the viscose process are quoted below from page 46 of Rayon and Staple Fiber Handbook, Third Edition. The dates represent the day on which the given list price went into effect and that price continued in effect until the next price announcement.

Nov. 11, 1911	\$1. 85	Feb. 25, 1929	\$1. 30
Apr. 21, 1914	2. 00	June 18, 1929	1. 15
Nov. 16, 1915	2. 50	July 22, 1930	. 95
Dec. 16, 1915	3. 00	Jan. 9, 1931	. 75
Oct. 1, 1916	3. 30	May 26, 1932	. 65
Nov. 1, 1916	3. 50	June 21, 1932	. 55
Dec. 1, 1916	3. 55	Aug. 29, 1932	. 60
May 1, 1917	3. 80	Apr. 3, 1933	. 50
Aug. 1, 1917	4. 00	Apr. 26, 1933	. 55
Oct. 1, 1917	4. 25	June 20, 1933	. 60
June 1, 1918	4. 50	July 27, 1933	. 65
Sept. 25, 1919	5. 50	May 24, 1934	. 55
Feb. 1, 1920	6. 00	Dec. 13, 1934	. 58
May 7, 1920	5. 00	Dec. 31, 1934	. 60
Sept. 1, 1920	4. 00	Apr. 17, 1935	. 55
Oct. 1, 1920	2. 55	Aug. 8, 1935	. 57
Apr. 15, 1921	2. 70	June 15, 1936	. 60
Sept. 1, 1921	2. 80	Apr. 12, 1937	. 63
Feb. 1, 1924	2. 05	Jan. 14, 1938	. 59
July 1, 1926	1. 65	Jan. 21, 1938	. 54
Dec. 1, 1926	1. 45	May 20, 1938	. 49
Mar. 16, 1927	1. 50	July 29, 1938	. 51

¹ See chart "U. S. Consumption of Cotton, Wool, Rayon, and Silk Fibers," supra, p. 17641.

It may be of interest to compare the wholesale prices of cotton, wool, silk, and rayon yarns. It will be noted from the following tabulation that the trends of prices of rayon and silk were quite comparable. The following tabulation is copied from page 26 of a Report on Development and Use of Rayon and Other Synthetic Fibers by Bureau of Agricultural Economics.

Prices and index numbers ¹ of cotton, wool, silk, and rayon yarns, United States, 1921 to 1937

Calendar year	Cotton ² price index		Wool ³ price index		Silk ⁴ price index		Rayon ⁵ price index	
	Dollars per pound	Percent	Dollars per pound	Percent	Dollars per pound	Percent	Dollars per pound	Percent
1921.....	0.66	90	1.18	69	6.57	92	2.67	...
1922.....	.72	99	1.41	82	7.65	107	2.80	...
1923.....	.77	105	1.73	101	8.65	121	2.80	125
1924.....	.72	99	1.69	99	6.25	87	2.11	92
1925.....	.70	96	1.72	100	6.57	92	2.00	87
1926.....	.58	79	1.44	84	6.19	86	1.81	79
1927.....	.55	75	1.37	80	5.44	76	1.49	65
1928.....	.54	74	1.55	91	5.07	71	1.50	65
1929.....	.54	74	1.49	87	4.93	69	1.24	54
1930.....	.47	64	1.24	72	3.42	48	1.05	46
1931.....	.37	51	1.00	58	2.40	34	.75	33
1932.....	.31	42	.84	49	1.56	22	.64	28
1933.....	.41	56	1.08	63	1.61	22	.61	26
1934.....	.46	63	1.25	73	1.30	18	.59	26
1935.....	.45	62	1.13	66	1.63	23	.57	25
1936.....	.42	58	1.31	77	1.77	25	.59	26
1937.....	.44	60	1.38	81	1.86	26	.62	27

¹ Base is the average of the 3 years 1923, 1924, and 1925.

² Average midmonth contract prices of 40's single combed peeler yarn, New York.

³ Worst yarn, 32's white, crossbred stock, factory.

⁴ Japanese silk yarn, 78 percent, crack, xx, 13/15 denier, white, New York.

⁵ A grade, 150 denier, continuous filament rayon, first quality, New York.

Bureau of Agricultural Economics. Prices are Bureau of Labor Statistics wholesale prices except cotton yarn prices.

GROWTH OF DOMESTIC CORPORATIONS MANUFACTURING RAYON

The earlier history of rayon companies centers around the patents on manufacturing processes but since the expiration of the basic viscose patents in 1919 the development of corporations has been on a more competitive basis.

Several companies were formed prior to 1910, but none of these was successful. The first company was formed in Boston just prior to 1900 to use the Cross and Bevan process. This company was the American Viscose Co., which was in no way connected with the present company of the same name. Another unsuccessful company was the Cellulose Products Co. organized in 1900. In the next year, 1901, General Artificial Silk Co. was formed, and, although it was refinanced several times and produced as much as several hundred pounds of rayon yarn per day, it nevertheless was an unsuccessful venture. It used the Cross and Bevan process through permission from Cellulose Products Co. Silas W. Pettit, who was the largest stockholder of General Artificial Silk Co., acquired in 1904 from Cellulose Products Co. the rights to the use of the Cross and Bevan process and to use the spinning processes. He operated under the name, Genasco Silk Works and produced as much as five or six hundred pounds of yarn per day but his operations were unprofitable. All the rights of Silas W. Pettit were purchased by Courtaulds, Ltd., a British rayon firm in 1910.

Courtaulds, Ltd., is controlled by the Courtaulds family, which successfully made rayon yarn in England as early as 1904. Large profits were made from the business and after acquiring the rights of Silas W. Pettit it formed the American Viscose Co., a predecessor of American Viscose Corporation. This company was successful from the very first and still is the largest producer of rayon in the United States. Throughout this period control of these companies was retained by the Courtaulds family. During the period from 1910 to 1919, American Viscose Corporation, or predecessors, through patents had a monopoly in the rayon business, and was the only domestic producer of rayon yarn. In 1920, other companies began to come into this industry and, in 1939, there were about 29 companies producing rayon yarn and staple fiber. The proportion of the total United States production of rayon yarn and staple fiber by American Viscose

Corporation has been decreasing each year and dropped from 100 percent in 1919 to about 30 percent in 1938. However, American Viscose Corporation and the other 7 companies covered in this report account for about 91 percent of the total production. Therefore, the other 21 companies in this industry have not obtained a very large share of the business. There is one rather important producer of rayon included among the companies not covered herein. That producer is Eastman Kodak Co. However, the cellulose products produced by that company are used for many things other than the manufacture of rayon yarn.

The history and organization of some of the more important rayon companies are briefly reviewed here.

ORGANIZATION OF AMERICAN VISCOSE CORPORATION AND PREDECESSORS

A knowledge of the processes, formulas, etc., with the full and free right to use this knowledge was indispensable to the successful development of the artificial silk industry in America by the Viscose process. American Viscose Co., organized in 1909, was using on a royalty basis certain specified patents owned by Courtaulds, Ltd., under a contractual arrangement. This arrangement was terminated on May 20, 1915, and superseded by a new contract as of that date under which the patents were to be transferred outright to American Viscose Co. At this time, a new corporation, the Viscose Co., was organized and succeeded to all the property, patent rights, and processes of American Viscose Co. which then passed out of existence. The Viscose Co. was owned by American Viscose Corporation which in turn was controlled by Courtaulds, Ltd. Later, the Viscose Co. was dissolved and American Viscose Corporation operated the properties and business.

The Viscose Co. was incorporated in Pennsylvania on May 20, 1915, with an authorized capitalization of \$10,000,000. On that date, the new company purchased the assets of its predecessor, American Viscose Co. In consideration of the transfer of the assets of the predecessor corporation to it, the Viscose Co. issued to American Viscose Co. \$9,999,500 of its capital stock, paid \$500 cash and acquired all of the contracts and assumed all of the liabilities of the predecessor.

The tangible assets of American Viscose Co. were carried on its books at \$3,731,559.58 and the liabilities at \$99,977.31 indicating a net book value of tangible assets of \$3,631,582.27. The Viscose Co. recorded the same value upon its books and \$500 paid in cash, making the value of its net tangible assets \$3,632,082.27. The difference between this latter sum and the \$10,000,000 par value of the stock, amounting to \$6,367,917.73 was entered upon the books of the Viscose Co. as goodwill.

The transfer of all of the assets of American Viscose Co. to the Viscose Co. and the consideration issued therefor was effected by an agreement dated May 20, 1915, between these two companies. This contract also provided, among other things, for the transfer to the new company of certain patents which the predecessor had been using under a royalty agreement with Courtaulds, Ltd., and which had been acquired outright by the predecessor under an agreement with Courtaulds, dated May 20, 1915, just prior to the transfer of the predecessor's net assets to the new company. The contract effecting the transfer of all the net assets, patents, and business by the predecessor, American Viscose Co., to the newly organized Viscose Co. also provided that on delivery of a proper assignment of the patents, the purchaser was to pay Courtaulds, Ltd., \$5,000,000 in installments of \$500,000 each on December 31 of each of the years 1915 to 1924, inclusive, together with interest, half yearly, at the rate of 6 percent per annum from and including May 20, 1915. These payments are not represented in the above statement.

The American Viscose Corporation was organized by Courtaulds, Ltd., in 1922, as a holding company to acquire the capital stocks of the Viscose Co. and a newly formed company, Viscose Corporation of Virginia. In May 1937, these two subsidiary operating companies were merged with American Viscose Corporation.

American Viscose Corporation is engaged almost solely in the production of rayon yarns and staple fiber, while some of the other rayon companies also produce other cellulose products. American Viscose Corporation manufactures rayon yarn and staple fiber by the viscose and acetate processes. The quantities produced by this company and the relation to the total domestic production from 1920 to 1938, inclusive, were presented heretofore. Prior to 1920, this company was the only domestic producer of rayon yarn.

HISTORY OF E. I. DU PONT DE NEMOURS & COMPANY

This company was known primarily as a manufacturer of explosives prior to the World War but now is considered as a diversified chemical manufacturer. Its products include organic chemicals (such as dyestuffs and ethyl alcohol), fabrics and finishes (such as rubber-coated fabrics and paint and varnish), rayon, cellophane, cellulose film, inorganic heavy chemicals, explosives, electro chemicals, ammonia, pigments, plastics, and smokeless powder. This company holds an important position in the rayon industry and has recently completed a plant for the production of "Nylon" yarn, an extremely tough synthetic material, that has many uses for which ordinary rayon yarn is not adaptable.

E. I. du Pont de Nemours & Co. was incorporated in 1915 to acquire the assets and business of E. I. du Pont de Nemours Powder Co., which had been organized in 1903, but the business originally had been founded in 1802. Prior to 1915, the Powder Co. had acquired approximately 100 companies and since 1915 many important companies have been acquired. The acquisition of the rayon company is the only one specifically mentioned here. Du Pont Rayon Co., incorporated in 1920 as du Pont Fibersilk Co., was controlled 60 percent by Du Pont and 40 percent by French interests until 1929, when Du Pont acquired 100 percent control. In 1936, du Pont Rayon Co. was dissolved and the rayon business has since been conducted as a department of E. I. du Pont de Nemours & Co. This company produces rayon yarn and staple fiber by the viscose and acetate processes. From 1926 to 1933, inclusive, this company was the only domestic producer of staple fiber.

CELANESE CORPORATION OF AMERICA

This company was incorporated January 5, 1918, in Delaware, under the name, American Cellulose & Chemical Manufacturing Co. Ltd., and the name was changed to the present title in 1927. This company has expanded with the growth of the rayon business and is considered the third largest rayon producer. This company is reported to have recently developed a new yarn 4 or 5 times as strong as rayon for use in hosiery and tire fabrics.

This corporation was formed to make cellulose acetate, under the Dreyfuss patents and processes. It has not confined its operations entirely to the production of rayon yarn and staple fiber, as it also has weaving plants. It also controls Celluloid Corporation through ownership of 51 percent of the stock, which company manufactures plastic products.

INDUSTRIAL RAYON CORPORATION

This company was organized in 1925 to acquire control of Industrial Fibre Corporation. In 1936, Industrial Rayon Corporation organized and continued to control, as a wholly owned subsidiary, Rayon Machinery Corporation, which is engaged in designing, developing, and partially manufacturing machines for producing rayon yarn and staple fiber by a mechanized continuous process.

TUBIZE-CHATILLON CORPORATION

This company was organized in 1930, and merged Tubize Artificial Silk Co. and American Chatillon Corporation. In 1933, it acquired Argus Knitting Mills, Inc., and Janome Rayon Corporation which were engaged in knitting and manufacturing underwear. Tubize-Chatillon Corporation or its predecessors produced rayon yarn by the nitrocellulose process from 1921 to 1934, inclusive, and by both the viscose and acetate processes from 1929 to 1938, inclusive.

NORTH AMERICAN RAYON CORPORATION, THE AMERICAN ENKA CORPORATION, AND AMERICAN BEMBERG CORPORATION

These three corporations are in some manner affiliated or associated with each other. For instance, the American Enka Corporation is controlled by Algemeene Kunstzijde Unie N. V. (A. K. U.) General Rayon Union, while North American Rayon Corporation is affiliated with Algemeene Kunstzijde Unie, N. V., and Vereingte Glanzstoff-Fabriken, A. G. Also, North American Rayon Corporation and American Bemberg Corporation have identical officers and practically all of the directors of each are identical.

North American Rayon Corporation was organized in 1927 for the purpose of manufacturing viscose artificial silk, artificial straw, and artificial horsehair. The company has exclusive rights in the United States to use all patents and processes of Vereinigte Glanzstoff-Fabriken, A. G.

The American Enka Corporation, incorporated in 1928, operates under the licenses, technical and organizing assistance of the Dutch "Enka" in the production of viscose rayon yarns.

American Bemberg Corporation was organized in 1925 to manufacture rayon yarns by the cuprammonium process. This company acquired the sole rights within the United States to all the patents and processes of J. P. Bemberg, A. G., Germany.

INVESTMENTS, PROFITS, AND RATES OF RETURN

The profitableness of the rayon producers, expressed in rates of return on investments, is indicated for all eight companies, individually and as a group, from 1915 to 1938, inclusive, on two bases, namely total investment and stockholders' investment. The total investment consisted of long-term borrowings, stocks outstanding, surplus and surplus reserves. The stockholders' investment included all those items except long-term borrowings. Inasmuch as some of these rayon companies had only small bond issues or other long-term debt, the total investment is only slightly greater than the stockholders' investment and the rates of return are only slightly higher on the stockholders' investment.

The period covered by this study began with 1915 and ended with 1938. It has been previously explained that American Viscose Corporation was the only domestic rayon company operating from 1910 to 1919, inclusive, for the reason that that company held patents which gave it exclusive rights during that period. Therefore, rates of return are available for only one company from 1915 to 1920, inclusive, two companies from 1921 to 1924, inclusive, and additional companies thereafter so that data are available for a maximum of eight companies in 1933 and for each year through 1938.

Table 1, which follows, shows the rates of return for a maximum of eight of the principal rayon companies as a group. The total investments and stockholders' investments, together with the net profit applicable thereto, before deductions of Federal income and profits taxes, also appear in this table.

TABLE 1.—*Investments, profits, and rates of return on total investment and stockholders' investment of principal rayon companies, 1915-38*

Year	Number of companies	Investments ¹		Net profit ² applicable to		Rate of return on	
		Total investment	Stockholders' investment	Total investment	Stockholders' investment	Total investment	Stockholders' investment
						Percent	Percent
1915	1	\$7,802,514	\$7,802,514	\$2,053,688	\$2,053,688	26.32	26.32
1916	1	8,515,125	8,515,125	9,297,590	9,297,590	109.19	109.19
1917	1	14,115,285	14,115,285	13,544,710	13,544,710	95.96	95.96
1918	1	21,493,151	21,493,151	14,935,062	14,935,062	69.49	69.49
1919	1	30,452,940	30,452,940	29,543,991	29,543,991	97.02	97.02
1920	1	40,718,557	40,718,557	26,143,901	26,143,901	64.21	64.21
1921	2	51,233,438	51,233,438	21,514,935	21,514,935	50.12	41.99
1922	2	65,993,964	65,993,964	33,074,742	33,074,742	50.12	43.15
1923	2	89,088,674	89,088,674	38,442,134	38,442,134	43.15	43.15
1924	2	110,609,981	110,609,981	29,569,118	29,569,118	26.73	26.73
1925	3	141,686,961	139,626,786	43,363,509	43,285,459	30.60	31.00
1926	4	150,274,707	155,515,337	32,076,675	31,819,525	20.14	20.46
1927	4	166,747,563	164,540,948	42,952,358	42,895,093	25.76	26.07
1928	5	193,075,705	198,354,567	48,755,802	48,732,505	24.49	24.57
1929	6	227,972,035	227,474,520	41,139,382	41,104,440	18.05	18.07
1930	7	244,580,148	244,129,132	12,136,617	12,118,707	4.96	4.96
1931	7	234,468,037	234,184,986	7,864,173	7,849,009	3.35	3.35
1932	7	223,194,878	222,992,562	3,270,884	3,262,728	1.47	1.46
1933	8	238,337,272	236,310,948	28,979,503	28,847,518	12.16	12.21
1934	8	249,887,924	247,263,836	17,204,637	17,080,926	6.88	6.91
1935	8	255,413,411	250,509,172	17,223,195	17,036,317	6.74	6.80
1936	8	267,014,691	261,190,221	30,632,027	30,420,669	11.47	11.65
1937	8	281,347,564	275,192,838	34,154,084	33,880,661	12.14	12.31
1938	8	298,603,637	282,568,454	7,537,214	6,884,305	2.52	2.44
Average		206,493,948	202,293,833	28,886,293	28,688,413	13.99	14.18

¹ Investments averaged at beginning and end of year, after deducting appreciation.

² Net profits before deductions for Federal income and profits taxes.

It will be observed from the foregoing table that the average annual rate of return during the 24-year period, 1915-38, for these rayon companies combined was 13.99 percent on the total investment and 14.18 percent on the stockholders' investment. Very high rates of return were made from 1916 to 1920, inclusive ranging from 64.21 to 109.19 percent on the total investment and the same on the stockholders' investment. During the period from 1921 to 1929, inclusive, they ranged from 18.05 to 50.12 percent on the total investment. The profits dropped to 4.96 percent in 1930, and continued to decline to 1.47 percent in 1932. They recovered sharply in 1933 when profits of 12.16 percent were made. During the next 2 years the profits were 6.88 percent and 6.74 percent while during 1936 and 1937 they were 11.47 percent and 12.14 percent, respectively. During 1938 the profits were much lower, amounting to 2.52 percent on the total investment and 2.44 percent on the stockholders' investment.

For the reason that new companies were added from time to time and the business of most of the respective companies increased necessitating enlargements of plants, the combined investments of these companies increased each year, with the exception of 1930, 1931, and 1932, from \$7,802,514 in 1915 to \$298,603,637 in 1938. However, the trend of growth in the investments of all the individual companies was not as regular as the trend of the combined investments would indicate. For instance, the total investment of American Viscose Corporation increased from \$7,802,514 in 1915, to \$125,343,834 in 1926, and decreased to \$114,371,246 in 1938. However, the investment of this company was not solely confined to the rayon business. Its investment in the rayon business amounted to only \$51,835,009 in 1926, and \$72,292,865 in 1938. The investments, profits, and rates of return of American Viscose Corporation on the total investment and the investment in the rayon business are discussed fully in another part of this report. The investment of the rayon department of E. I. du Pont de Nemours & Co. increased from \$2,873,357 in 1921, to \$61,658,741 in 1938, while for Celanese Corporation of America the increase was from \$8,893,505 in 1925, to \$53,803,381 in 1938. The investment of Industrial Rayon Corporation increased from \$4,178,334 in 1926 to \$23,601,458 in 1938. The foregoing pronounced increases contrast with the very small increases of from \$15,753,987 in 1930, to \$16,813,874 in 1938 for the American Enka Corporation and from \$10,315,022 in 1929 to \$12,201,734 in 1938 for North American Rayon Corporation. For 2 companies there were decreases. The investment of Tubize-Chatillon Corporation decreased from \$12,498,074 in 1933 to \$11,324,620 in 1938 while for American Bemberg Corporation the decrease was from \$8,214,378 in 1928 to \$4,828,583 in 1938.

Table 2, which follows, shows the total investment averaged annually for each of the eight rayon companies for the period for which the data are available from 1915 to 1938, inclusive:

TABLE 2.—Total investment of principal rayon companies, 1915-38

Year	American Viscose Corporation	Rayon department of E. I. du Pont de Nemours & Co.	Celanese Corporation of America	Industrial Rayon Corporation	The American Enka Corporation	North American Rayon Corporation	Tubize Chatillon Corporation	American Bemberg Corporation	Total
1915.....	\$7,802,514								\$7,802,514
1916.....	8,515,125								8,515,125
1917.....	14,115,285								14,115,285
1918.....	21,493,151								21,493,151
1919.....	30,452,940								30,452,940
1920.....	40,718,557								40,718,557
1921.....	48,360,081	\$2,873,357							51,233,438
1922.....	61,975,409	4,018,555							65,993,964
1923.....	82,789,989	6,298,685							89,088,674
1924.....	101,694,877	8,945,104							110,639,981
1925.....	118,753,185	14,040,271							132,793,456
1926.....	126,343,834	20,180,049	\$8,893,605	\$4,178,334					159,595,621
1927.....	121,869,469	24,361,800	9,572,490	4,223,035					166,747,363
1928.....	123,976,517	29,645,159	16,293,159	8,528,134					199,075,705
1929.....	122,875,307	38,412,481	28,711,517	13,371,671					203,456,975
1930.....	119,053,547	41,146,085	35,187,053	13,163,439					214,540,124
1931.....	117,640,919	37,031,338	33,449,720	12,477,377					207,609,294
1932.....	114,089,503	33,530,013	33,292,666	12,443,593					203,357,272
1933.....	115,490,027	32,408,389	30,724,229	14,406,070					203,120,635
1934.....	116,099,729	38,691,167	31,955,805	16,708,360					203,596,961
1935.....	111,710,302	46,023,551	35,152,862	16,677,902					210,572,617
1936.....	113,524,244	50,000,317	45,639,484	16,583,536					225,747,587
1937.....	116,097,461	54,630,853	48,634,999	18,256,139					237,649,452
1938.....	114,371,246	61,638,741	53,803,381	23,601,458					253,443,826
Average.....	86,199,304	30,216,439	32,341,160	13,432,234	15,458,138	11,849,322	11,406,739	5,590,612	206,493,948

The proportion of the combined investment of the eight companies that is accounted for by each, during 1938, is shown in the following tabulation in which the investment in the rayon business alone of American Viscose Corporation was used instead of the total investment.

	Average investment, 1938	Proportion of the combined investment of the 8 companies	Proportion of the production of rayon yarn and staple fiber, 1938
American Viscose Corporation.....	\$72,292,865	28	33
Rayon department of E. I. du Pont de Nemours & Co....	61,658,741	24	24
Celanese Corp. of America.....	53,893,381	21	17
Industrial Rayon Corporation.....	23,601,458	9	} 26
The American Enka Corporation.....	16,813,874	7	
North American Rayon Corporation.....	12,201,734	5	
Tubize-Chatillon Corporation.....	11,324,620	4	
American Bemberg Corporation.....	4,828,583	2	
Total.....	256,525,256	100	100

The relative sizes of the larger rayon companies are more readily illustrated by the percentages in the foregoing tabulation. For instance, the three largest companies had 73 percent of the total investment of the eight companies in 1938. The three smallest companies accounted for only 11 percent of the total investment of the eight companies. These ratios of investments to the total of the eight companies quite closely correspond to the ratios of individual production of rayon yarn and staple fiber combined. For example, American Viscose Corporation accounted for about 33 percent of the production of rayon yarn and staple fiber in 1938 and had 28 percent of the investment of the eight companies. The rayon department of Du Pont accounted for about 24 percent of the production of the eight companies and had 24 percent of the investment of these eight companies. For the five smaller companies combined the investment amounted to 27 percent and the production was equal to 26 percent of the total of the eight companies. Thus, it is evident that in most instances the relative quantities of rayon produced by the respective companies correspond quite closely to the investment.

As contrasted to the rather steady annual increase in the combined investments of these eight rayon companies, their combined net profits followed a very erratic trend. The combined net profits increased from \$2,053,688 in 1915 to \$29,543,991 in 1919 and from 1919 to 1929, inclusive, ranged from \$21,514,935 to \$48,755,802. During the period from 1930 to 1938, inclusive, the combined net profits ranged from \$3,270,884 to \$34,154,084. The combined net profits were four and one-half times larger in 1937 than in 1938, when they aggregated only \$7,537,214. The trends of net profits of the respective rayon companies are equally as irregular as the trend of the combined net profits. This is illustrated in table 3, which follows:

TABLE 3.—*Net profit, before deductions for Federal income tax, applicable to total investment for each of the principal rayon companies, 1915-38*

Year	American Viscose Corporation	Rayon department of E. I. du Pont de Nemours & Co.	Celanese Corporation of America	Industrial Rayon Corporation	The American Enka Corporation
1915	\$2,053,688				
1916	9,297,590				
1917	13,544,710				
1918	14,935,062				
1919	29,543,991				
1920	26,143,901				
1921	21,576,076	¹ \$61,141			
1922	31,704,164	1,370,578			
1923	35,991,171	2,450,963			
1924	27,075,432	2,493,686			
1925	38,461,087	4,800,112	\$101,860		
1926	27,261,845	3,074,091	1,205,813	\$534,926	
1927	31,913,593	6,580,831	3,381,716	1,076,218	
1928	35,688,431	7,893,343	2,609,976	1,878,886	
1929	28,790,009	7,313,180	3,477,322	1,660,974	
1930	9,608,080	¹ 371,946	2,121,440	1,760,945	¹ \$674,371
1931	5,226,515	1,648,681	1,010,094	802,097	¹ 236,853
1932	2,685,497	407,072	1,066,866	261,287	¹ 188,511
1933	12,181,462	4,098,499	6,509,556	2,067,792	1,294,083
1934	8,095,302	3,320,703	3,836,043	1,558,121	275,532
1935	7,290,195	2,425,275	4,798,491	709,312	762,195
1936	10,978,817	5,500,675	5,453,712	1,602,060	2,665,666
1937	11,791,682	7,154,255	5,331,671	306,210	3,460,956
1938	¹ 1,900,334	2,555,931	3,225,764	394,601	1,423,144
Average	18,330,748	3,480,821	3,152,166	1,124,110	975,760

Year	North American Rayon Corporation	Tubize-Chatillon Corporation	American Bemberg Corporation	Total
1915				\$2,053,688
1916				9,297,590
1917				13,544,710
1918				14,935,062
1919				29,543,991
1920				26,143,901
1921				21,514,935
1922				33,074,742
1923				38,442,134
1924				29,569,118
1925				43,363,059
1926				32,076,675
1927				42,952,358
1928			\$685,166	48,755,802
1929			13,431	41,139,382
1930	¹ \$98,672		148,587	12,136,617
1931	174,056		1,544,932	7,864,173
1932	141,429		1,510,360	3,270,884
1933	1,450,967		724,206	28,979,503
1934	1,513,194	\$590,801	1,492,474	17,204,637
1935	644,405	¹ 32,995	1,490,618	17,223,195
1936	1,069,788	658,557	759,169	30,632,027
1937	2,399,719	1,272,269	1,403,739	34,154,084
1938	2,927,664	1,777,907	890,398	7,537,214
	546,107	401,603		
Average	868,377	778,013	176,298	28,886,293

¹ Denotes loss.

The rates of return for the respective rayon companies fluctuated in a wide range. The average annual rate of return for the respective companies was highest for the larger companies and was less for the smaller companies, ranging from 21.27 percent for American Viscose Corporation to 3.14 percent for American Bemberg Corporation. However, the rates of return for the later years do not correspond to these annual averages for the period as some of the smaller companies had higher returns. As a matter of fact, in 1938, the highest rate of return was recorded for American Bemberg Corporation, the smallest company. In that year, it earned 18.48 percent on its investment, while American Viscose Corporation, the largest company, had the lowest return, amounting to a loss of 1.66 percent, which was completely contradictory to the annual averages. Two factors may largely account for the loss sustained by American Viscose Corporation in 1938. In the first place the total production of rayon yarn and staple fiber by all companies declined from 342,000,000 pounds in 1937 to 288,000,000 pounds in 1928, and, secondly, the proportion of the total accounted for by American Viscose Corporation was 32 percent in 1937, and was only 30 percent in 1938, indicating a sharp decrease in sales in 1938. Even in 1937, American Viscose Corporation had the second lowest rate of return, amounting to 10.16 percent, and American Bemberg Corporation had the highest return, amounting to 29.84 percent. An impelling factor causing the average rates of return to be higher for the largest companies is that longer periods of time are covered for the larger companies and thus there were included more of the very profitable years prior to 1929 in the averages of the four largest companies. The annual rates of return on the total investment and the stockholders' investment for each company, are shown in tables 4 and 5 which follow.

TABLE 4.—Annual rate of return on total investment for principal rayon companies, 1915-38

Year	American Viscose Corporation	Rayon department of E. I. du Pont de Nemours & Co.	Celanese Corporation of America	Industrial Rayon Corporation	The American Enka Corporation	North American Rayon Corporation	Tubize-Chatillon Corporation	American Bemberg Corporation	Average for group
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1915	26.32								26.32
1916	109.19								109.19
1917	95.96								95.96
1918	69.49								69.49
1919	97.62								97.02
1920	64.21								64.21
1921	44.62	¹ 2.13							41.99
1922	51.16	34.11							50.12
1923	43.47	38.91							43.15
1924	26.63	27.88							26.73
1925	32.39	34.19	1.15						30.60
1926	21.75	15.23	12.60	12.80					20.14
1927	26.19	27.01	20.76	25.48					25.76
1928	28.79	26.63	9.09	22.03				8.34	24.49
1929	23.43	19.04	9.88	12.42		¹ 0.96		¹ 0.04	18.05
1930	8.07	¹ 9.00	5.98	13.38	¹ 4.28	1.30		¹ 7.25	4.96
1931	4.44	4.45	3.03	6.43	1.55	1.32		¹ 9.72	3.35
1932	2.35	1.21	3.47	2.10	1.29	¹ 3.50		¹ 10.43	1.47
1933	10.55	12.65	29.37	14.35	8.86	12.58	4.73	14.64	12.16
1934	6.97	8.58	10.91	9.33	1.84	5.88	¹ 2.27	¹ 9.90	6.88
1935	6.53	5.27	12.13	4.25	5.03	10.06	5.86	¹ 11.10	6.74
1936	9.67	11.00	11.98	9.66	17.12	21.75	12.27	17.27	11.47
1937	10.16	13.10	10.96	1.68	21.19	24.75	16.60	29.45	12.14
1938	¹ 1.66	4.15	6.00	1.67	8.46	4.48	3.55	18.44	2.52
Average.	21.27	11.52	9.75	8.37	6.31	7.33	6.82	3.15	13.99

¹ Denotes loss.

TABLE 5.—Annual rate of return on stockholders' investment for principal rayon companies, 1915-38

Year	American Viscose Corporation	Rayon department of E. I. du Pont de Nemours & Co.	Celanese Corporation of America	Industrial Rayon Corporation	The American Enka Corporation
	Percent	Percent	Percent	Percent	Percent
1915	26.32				
1916	109.19				
1917	95.96				
1918	69.49				
1919	97.02				
1920	64.21				
1921	44.62	2.13			
1922	51.16	34.11			
1923	43.47	38.91			
1924	26.63	27.88			
1925	32.39	34.19	0.36		
1926	21.75	15.23	13.68	18.47	
1927	26.19	27.01	22.11	33.81	
1928	28.79	26.63	9.09	23.43	
1929	23.43	19.04	9.88	12.61	
1930	8.07	1.90	5.98	13.56	14.28
1931	4.44	4.45	3.03	6.45	11.55
1932	2.35	1.21	3.47	2.08	11.29
1933	10.55	12.65	20.37	14.41	8.86
1934	6.97	8.58	11.18	9.33	11.84
1935	6.53	5.27	12.98	4.25	5.03
1936	9.67	11.00	13.07	9.66	17.12
1937	10.16	13.10	11.87	1.67	21.19
1938	1.66	4.15	6.63	1.16	8.46
Average	21.27	11.52	10.19	8.55	6.31

Year	North American Rayon Corporation	Tubize-Chatillon Corporation	American Bemberg Corporation	Average for group
	Percent	Percent	Percent	Percent
1915				26.32
1916				109.19
1917				95.96
1918				69.49
1919				97.02
1920				64.21
1921				41.99
1922				50.12
1923				43.15
1924				26.73
1925				31.00
1926				20.46
1927				26.07
1928			8.45	24.57
1929	10.96		1.25	18.07
1930	1.30		17.42	4.96
1931	1.32		19.77	3.35
1932	3.51		10.49	1.46
1933	12.58	4.36	14.68	12.21
1934	5.88	11.47	19.96	6.90
1935	10.07	6.10	11.17	6.80
1936	21.76	12.75	17.32	11.65
1937	24.57	17.08	29.84	12.31
1938	4.48	3.02	18.48	2.44
Average	7.33	6.87	3.14	14.18

† Denotes loss.

The rates of return for American Viscose Corporation are much higher when calculated solely on the investment in the rayon business instead of the total business. The company was very profitable and followed the practice of reinvesting its earnings in Government securities or securities of other companies from which the rate of profit was at a much lower rate than on the investment in the rayon business. Comparisons are given below of the yearly rates of return for American Viscose Corporation on the total investment and the investment in the rayon business alone, which excludes the outside investments in securities.

Rates of return

Year	On total investment ¹	On investment in the rayon business	Year	On total investment ¹	On investment in the rayon business
	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
1915.....	26.32	26.32	1928.....	28.79	59.36
1916.....	109.19	109.19	1929.....	23.43	44.55
1917.....	95.96	95.96	1930.....	8.07	10.95
1918.....	69.49	100.56	1931.....	4.44	4.83
1919.....	97.02	268.96	1932.....	2.35	1.32
1920.....	64.21	156.83	1933.....	10.55	17.01
1921.....	44.62	87.16	1934.....	6.97	10.12
1922.....	51.16	97.00	1935.....	6.53	9.22
1923.....	43.47	88.13	1936.....	9.67	14.78
1924.....	26.63	54.18	1937.....	10.16	15.36
1925.....	32.39	72.64	1938.....	² 1.66	² 4.34
1926.....	21.75	46.01			
1927.....	26.19	52.82			
			Average.....	21.27	37.52

¹ Total investment and stockholders' investment are identical.

² Denotes loss.

During the earlier period when American Viscose Corporation had a monopoly on the rayon business its profits were very high. During the period from 1921 to 1929, inclusive, while the annual rates of return generally were decreasing the company nevertheless had high rates of return. It was during this period that other companies were coming into this field and even after 1929 more new companies started up in the rayon business. American Viscose Corporation did not make as high profits from 1930 to 1938, inclusive, as before, but it averaged 6.35 percent on its total investment and 8.51 percent on its investment in the rayon business. This is illustrated in the following tabulation.

American Viscose Corporation	Total business	Rayon business
Average annual investments:		
1915 to 1920.....	\$20,516,262	\$11,886,090
1921 to 1929.....	100,845,419	45,580,834
1930 to 1938.....	115,341,886	65,057,559
1915 to 1938.....	86,199,305	44,460,920
Average annual net profit:		
1915 to 1920.....	15,919,824	15,479,808
1921 to 1929.....	30,940,201	28,633,845
1930 to 1938.....	7,328,580	5,534,835
1915 to 1938.....	18,330,749	16,683,207
Average annual rate of return:		
1915 to 1920..... percent.....	77.60	130.23
1921 to 1929..... do.....	30.68	62.82
1930 to 1938..... do.....	6.35	8.51
1915 to 1938..... do.....	21.27	37.52

The reduction in net sales after 1929 and the decrease in the net operating profits and the net profits per pound of rayon yarn and staple fiber further indicate the effect of competition in this industry after American Viscose Corporation's monopolistic position was discontinued. The following tabulation illustrates the trend of sales, the ratio of net profit to sales, net profit per pound of rayon yarn and staple fiber, and the rate of return on the investment solely in the rayon business of American Viscose Corporation.

Year	Net sales American Viscose Corporation	Net operating profit per dollar of net sales	Net operating profit per pound of rayon yarn and staple fiber produced ¹	Rate of return on the investment in the rayon business
				Percent
1915	\$5, 118, 953	\$0. 42	\$0. 55	26. 32
1916	14, 057, 304	. 67	1. 63	109. 19
1917	19, 706, 678	. 70	2. 10	95. 96
1918	22, 006, 264	. 67	2. 52	100. 56
1919	38, 278, 052	. 76	3. 53	268. 96
1920	33, 525, 953	. 75	2. 51	156. 83
1921	36, 033, 419	. 57	1. 51	87. 16
1922	47, 436, 725	. 65	1. 58	97. 00
1923	54, 778, 834	. 63	1. 26	88. 13
1924	52, 596, 583	. 47	. 94	54. 18
1925	69, 062, 071	. 52	1. 03	72. 64
1926	49, 505, 021	. 47	. 63	46. 01
1927	66, 788, 069	. 43	. 71	52. 82
1928	67, 873, 201	. 49	. 61	59. 36
1929	70, 222, 147	. 38	. 43	44. 55
1930	42, 502, 765	. 24	. 19	10. 95
1931	41, 469, 250	. 11	. 08	4. 83
1932	29, 802, 040	. 05	. 03	1. 32
1933	40, 717, 894	. 25	. 13	17. 01
1934	35, 602, 624	. 20	. 10	10. 12
1935	43, 893, 145	. 13	. 06	9. 22
1936	53, 306, 607	. 21	. 11	14. 78
1937	48, 150, 567	. 22	. 10	15. 36
1938	42, 074, 969	2. 06	2. 03	24. 34
Average	42, 687, 881	. 40	. 39	37. 52

¹ In all years the quantities produced were not identical with the quantities sold but over a period of time they tended to be equal and in most years are approximately the same.

² Denotes loss.

The net profit on each dollar of net sales of American Viscose Corporation ranged from 76 cents to a loss of 6 cents. During 1919 and 1920 only about one-fourth the selling price was required to produce rayon yarn. The net profit per pound of rayon ranged from \$2.10 to \$3.53 from 1917 to 1920, inclusive. This high profit per pound was possible because of the high prices for rayon yarn at that time. Two important factors must be given weight in regard to the rise in prices; one was the World War, and the other was the monopoly enjoyed by American Viscose Corporation. Reference is made to the discussion heretofore of the prices of rayon yarn, which is briefly reviewed here. In November 1911 the list price of 150 denier rayon yarn from the viscose process was \$1.85 per pound; in April 1914, it was \$2 per pound. By December 1915 the list price had risen to \$3 and, in August 1917, \$4 per pound. It increased to \$6 per pound by February 1920, but dropped back to \$5 in May and \$4 in September that year; and in October 1920 it dropped to \$2.55 per pound. From 1921 to 1929, inclusive, the price ranged from \$1.15 to \$2.80 per pound. During July 1930 the price dropped to 95 cents per pound, and by June 1932 it had dropped to 55 cents. Since 1932, through 1938, the price has ranged from 49 cents in May 1938 to 65 cents in July 1933. The only year in which American Viscose Corporation had a loss was in 1938, when it had an average loss of 3 cents per pound. This was apparently due to increased costs per pound resulting from decreased sales and possibly other factors, together with the trend of prices. However, other companies made a profit during that year.

It is of interest to compare the net sales, net profit, dividends paid, and reinvested earnings of American Viscose Corporation. The annual net sales are shown heretofore, and the net earnings before deductions for Federal income tax have also been presented. After the provisions for Federal income tax, the balance of the net profit was transferred to surplus. The distribution of these net profits are summarized below for the period from 1915 to 1938, inclusive.

	Totals, 1915-38	Annual average
Net sales.....	\$1,024,509,135	\$42,687,881
Net profit after provision for Federal income tax.....	354,455,728	14,768,989
Dividends paid:		
In cash on preferred stock.....	13,689,696	570,404
In cash on common stock.....	182,472,299	7,603,012
Stock dividends consisting of preferred stock issued to common stockholders later retired for cash.....	40,568,456	1,690,353
Total dividends in cash or redeemed in cash.....	236,730,451	9,863,769
Net profit after dividends.....	117,725,277	4,905,220
Surplus transferred to surplus reserves.....	42,000,000	
Surplus transferred to capital stock.....	20,914,789	
Amortization of goodwill.....	25,682,470	
Premium and dividends on stock repurchased.....	7,029,482	
Other additions to surplus (net).....	284,798	
Balance in surplus at the end of 1938.....	22,383,334	

It was previously shown that in 1915 when the predecessor company of American Viscose Corporation was formed, the net worth of the assets of the original American Viscose Co. was \$3,632,082. This amount represents practically all the capital invested at that time or since by Courtaulds, Ltd., in American Viscose Corporation. At December 31, 1938, the invested capital consisting of common stockholders' equity amounted to \$113,538,834. About 95 percent of the common stock is still retained by Courtaulds, Ltd. Practically all of the \$113,538,834 represents reinvested earnings, with the exception of the \$3,632,082 previously mentioned, and it is very probable that a substantial portion of this amount consisted of reinvested earnings, as the original company had been organized in 1909 and had been operating successfully. The invested capital at the end of 1938, amounting to \$113,538,834, consisted of \$49,155,500 of common stock, \$22,383,334 of surplus, \$42,000,000 of surplus reserves. The latter amount includes reserve for fire insurance of \$25,000,000 and reserve for contingencies, etc., of \$17,000,000.

The foregoing tabulation illustrates the source of the reinvested earnings classified as surplus and surplus reserves. Also from the tabulation it may be seen that \$25,682,470 was used to write off goodwill¹ which had been reflected in the capital-stock account, and that \$20,914,789 of surplus was transferred to the capital-stock account. These amounts plus the original \$3,632,082 more than account for the capital stock amounting to \$49,155,500; the difference may be accounted for by repurchases by the company of small amounts of capital stock for cash.

On the original investment of \$3,632,082 in 1915, the investors—primarily Courtaulds, Ltd.—received \$236,730,451 of dividends in cash, or in preferred stock later redeemed for cash, together with \$7,029,482 premium and accrued dividends on the stock redeemed, and they also retained practically the entire equity in the business, which was valued at \$113,538,834 at the end of 1938.

¹ Goodwill of \$6,367,918 was recorded on the books of the Viscose Co. at organization in May 1915. Additional goodwill amounting to \$19,314,552 arose as the result of the formation of American Viscose Corporation, December 1922.

The net profit per dollar of net sales and per pound of rayon yarn and staple fiber for the rayon department of E. I. du Pont de Nemours & Co. followed somewhat the same trend as for American-Viscose Corporation, except that a profit was made in 1938. The annual net sales, the net profit per dollar and per pound, and the rates of return on the total investment are presented in the following tabulation for the rayon department of E. I. du Pont de Nemours & Co.:

Year	Net sales, E. I. du Pont de Nemours & Co. (rayon department)	Net profit per dollar of net sales	Net profit per pound of rayon yarn and staple fiber produced ¹	Rate of return on total investment (percent)
1921	\$626, 784	² \$0. 09	³ \$0. 20	² 2. 13
1922	3, 442, 369	. 43	1. 02	34. 11
1923	5, 838, 491	. 46	. 97	38. 91
1924	6, 924, 535	. 40	. 75	27. 88
1925	12, 058, 479	. 42	. 75	34. 19
1926	14, 478, 146	. 24	. 31	15. 23
1927	23, 939, 906	. 29	. 46	27. 01
1928	26, 441, 740	. 32	. 46	26. 63
1929	30, 123, 469	. 25	. 31	19. 04
1930	22, 145, 405	. 01	. 01	² . 90
1931	19, 098, 278	. 09	. 07	4. 45
1932	15, 458, 060	. 03	. 02	1. 21
1933	21, 578, 730	. 20	. 12	12. 65
1934	24, 447, 709	. 14	. 08	8. 58
1935	30, 294, 142	. 09	. 05	5. 27
1936	38, 029, 402	. 17	. 10	11. 00
1937	39, 145, 579	. 22	. 11	13. 10
1938	34, 525, 988	. 09	. 05	4. 15
Average	20, 510, 956	. 19	. 14	11. 52

¹ In all years the quantities produced were not identical with the quantities sold, but over a period of time they tend to be equal and in most years are approximately the same. The annual quantities sold, which more nearly relate to the net profits, are not available.

² Denotes loss.

Tables 6a and 6b and 7a and 7b, which follow, show in further detail the investments, profits, and rates of return for American Viscose Corporation (1915-38) and for the rayon department of E. I. du Pont de Nemours & Co. (1921-38).

TABLE 6A.—Summary of investments, profits, and rates of return for American Viscose Corporation and subsidiaries, 1915-38

	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928
Capital stock:											
Preferred.....											
Common.....	\$49,155,500	\$49,155,500	\$49,175,000	\$49,187,500	\$49,187,500	\$49,400,000	\$49,400,000	\$49,400,000	\$49,400,000	\$49,400,000	\$13,807,600
Surplus.....	22,383,334	24,048,157	25,816,265	18,869,722	32,175,883	37,436,075	30,362,449	53,506,262	55,987,136	53,642,295	49,400,000
Surplus reserves.....	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Reserve for Federal income and profits taxes.....							181,529	443,318	1,174,167	3,132,541	4,130,654
Total.....	113,538,834	115,203,657	116,991,265	110,057,222	113,363,383	118,836,075	112,143,978	135,349,580	138,561,333	138,174,836	146,204,881
Less goodwill.....								19,314,552	19,314,552	19,314,552	19,314,552
Total investment.....	113,538,834	115,203,657	116,991,265	110,057,222	113,363,383	118,836,075	112,143,978	116,035,028	119,246,811	118,860,284	126,890,329
Less outside investments ¹	33,863,189	50,203,571	51,922,660	51,795,386	54,155,500	58,942,141	52,733,315	49,301,179	38,984,214	54,998,778	71,479,595
Total investment in principal business.....	79,675,645	64,910,086	65,068,605	58,261,836	59,207,883	59,893,934	59,410,663	66,733,849	80,262,597	63,861,506	55,401,734
Average investment in rayon business.....	\$44,460,920	\$72,262,865	\$64,989,346	\$61,665,221	\$98,734,859	\$59,909,652	\$59,072,256	\$73,498,223	\$72,062,051	\$59,636,120	\$55,280,281
Net profit applicable to rayon business.....	\$16,683,207	\$3,140,846	\$9,080,515	\$9,113,936	\$5,414,873	\$6,026,696	\$10,147,059	\$832,615	\$3,550,049	\$7,898,675	\$6,569,629
Rate of return on rayon business percent.....	37.52	4.34	15.36	9.22	10.12	17.01	1.32	4.83	10.95	44.55	56.36
Average total investment.....	\$86,199,305	\$114,371,246	\$116,097,461	\$113,524,244	\$111,710,302	\$116,099,279	\$114,089,503	\$117,540,919	\$119,053,547	\$122,875,307	\$123,076,517
Net profit applicable to total investment.....	\$18,330,749	\$1,900,334	\$11,794,082	\$10,978,817	\$8,095,302	\$12,181,462	\$2,085,497	\$5,226,515	\$9,608,080	\$28,790,009	\$35,088,431
Rate of return on total investment percent.....	21.27	1.66	10.16	6.53	6.97	10.55	2.35	4.44	8.07	23.43	28.79

¹ Principally Government securities and obligations

* Indicates loss.

TABLE 6A.—Summary of investments, profits, and rates of return for American Viscose Corporation and subsidiaries, 1915-38—Continued

	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915
Capital stock:													
Preferred.....	\$13,807,600	\$28,807,600	\$41,600,000	\$41,582,000	\$41,582,000	\$41,582,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Common.....	49,400,000	49,250,000	52,000,000	51,977,500	51,977,500	51,977,500	41,036,473	40,877,575	20,916,593	8,981,659	8,120,751	4,380,870	444,129
Surplus.....	41,133,820	38,934,328	30,153,705	20,514,852	20,514,852	0	0	0	0	0	0	0	0
Reserve for Federal income and profits taxes.....	32,000,000	28,100,000	25,100,000	25,100,000	1,100,000	0	0	0	0	0	0	0	700,000
Indebtedness.....	4,035,837	3,266,976	4,840,000	6,226,725	4,336,086	3,861,677	7,537,131	10,005,045	12,373,737	11,369,727	7,250,000	1,000,000	26,303
Total.....	140,377,237	148,358,904	153,683,705	135,170,954	119,510,438	97,421,177	58,573,378	50,882,620	43,290,330	30,351,386	25,370,751	15,595,656	14,170,432
Less goodwill.....	19,314,552	25,682,470	23,682,470	25,675,819	25,675,819	25,675,819	6,367,918	6,367,918	6,367,918	6,367,918	6,367,918	6,367,918	6,367,918
Total investment.....	121,062,705	122,676,434	129,011,235	109,495,135	93,834,619	71,745,358	52,205,460	44,514,702	36,922,412	23,983,468	19,002,833	9,227,737	7,802,514
Less outside investments ¹	65,912,876	66,654,540	80,363,111	59,695,355	52,408,047	35,888,963	25,249,674	24,459,356	25,383,700	14,167,596	0	0	0
Total investment in principal business.....	55,149,829	56,021,894	47,648,124	49,799,750	41,426,572	35,856,395	26,955,786	20,055,346	11,538,652	9,815,872	19,002,833	9,227,737	7,802,514
Average investment in rayon business.....	\$55,585,862	\$51,835,009	\$48,723,937	\$45,613,161	\$38,641,483	\$31,406,090	\$23,505,566	\$15,796,999	\$10,677,262	\$14,409,352	\$14,115,285	\$8,515,125	\$7,802,514
Net profit applicable to rayon business.....	\$29,360,511	\$23,846,723	\$35,394,473	\$24,712,805	\$34,053,431	\$30,464,311	\$20,488,246	\$24,774,790	\$28,717,753	\$14,490,319	\$13,544,710	\$9,287,590	\$2,053,688
Rate of return on rayon business..... percent.....	52.82	46.01	72.64	54.18	38.13	97.00	87.16	156.83	268.96	100.56	95.96	109.19	26.32
Average total investment.....	\$121,869,569	\$125,343,834	\$118,753,185	\$101,664,877	\$82,789,989	\$61,975,409	\$48,360,081	\$40,718,557	\$30,452,940	\$24,493,151	\$14,115,285	\$8,515,125	\$7,802,514
Net profit applicable to total investment.....	\$31,913,593	\$27,261,845	\$38,461,087	\$27,075,432	\$35,991,171	\$31,704,164	\$21,576,076	\$26,143,901	\$29,543,991	\$14,935,062	\$13,544,710	\$9,287,590	\$2,053,688
Rate of return on total investment..... percent.....	26.19	21.75	32.39	26.63	43.47	51.16	44.62	64.21	97.02	69.49	95.96	109.19	26.32

¹ Principally Government securities and obligations.

TABLE 6B.—Summary of income, expenses, and surplus for American Viscose Corporation and subsidiaries, 1915-33

	Total	1933	1937	1936	1935	1934	1933	1932	1931	1930	1929	1925
Net sales.....	\$1,024,509,135	\$42,074,969	\$48,150,567	\$53,306,607	\$43,893,145	\$35,602,624	\$40,717,804	\$29,802,040	\$41,469,259	\$42,502,765	\$70,222,147	\$67,873,201
Manufacturing cost.....	525,497,320	37,736,755	32,091,203	37,235,631	33,702,519	24,161,825	26,102,668	24,064,105	31,559,152	26,100,243	37,019,790	29,352,669
Administration and distribution ex- pense.....	26,824,840	2,653,385	2,208,450	1,941,549	1,454,116	1,303,145	1,102,765	1,202,526	1,271,754	1,390,200	1,470,396	1,279,804
Depreciation.....	60,148,498	4,202,153	3,264,329	3,123,634	3,078,831	3,063,683	3,461,620	3,189,694	3,870,716	4,740,070	4,737,127	4,312,084
Total operating expense.....	612,471,658	44,592,293	37,533,991	42,300,814	38,235,466	28,518,655	30,667,033	28,456,325	36,701,622	32,239,563	43,197,313	34,944,587
Net income from operations.....	412,037,477	12,517,324	10,616,576	11,005,793	5,657,679	7,083,969	10,050,841	1,345,715	4,767,628	10,263,202	27,024,834	32,928,614
Other income.....	12,078,831	147,972	1,048,964	729,962	612,307	115,555	690,080	355,396	418,775	473,880	874,411	670,490
Other deductions.....	424,116,398	12,360,352	11,715,540	11,735,755	6,270,586	7,199,824	10,656,921	1,701,111	5,186,403	10,737,082	27,809,275	33,569,104
Net profit applicable to principal business.....	39,941,000	1,240,912	1,811,107	1,864,881	1,873,322	2,088,666	2,034,403	1,852,882	1,076,466	2,848,407	1,329,646	784,620
Net income applicable to total invest- ment.....	439,927,966	1,900,334	11,791,682	10,978,817	7,290,195	8,095,302	12,181,462	2,685,497	5,226,515	9,608,080	28,790,009	35,688,431
Less interest on long-term debt.....	280,083	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Net profit.....	439,657,281	1,900,334	11,791,682	10,978,817	7,290,195	8,095,302	12,181,462	2,685,497	5,226,515	9,608,080	28,790,009	35,688,431
Less Federal income and excess-prof- its taxes.....	85,201,553	24,010	1,617,248	1,545,434	959,394	888,821	1,607,807	181,529	443,315	1,212,817	3,132,449	4,130,654
Net profit after Federal income tax.....	354,455,728	1,924,344	10,174,434	9,433,383	6,330,801	7,206,481	10,513,565	2,503,968	4,783,197	8,395,263	25,657,560	31,557,777
Surplus at beginning of year.....	24,048,157	24,048,157	25,816,265	18,869,722	32,175,883	37,436,075	30,562,449	53,406,292	55,957,195	53,642,205	46,866,628	41,133,820
Net income for year.....	354,455,728	1,924,344	10,174,434	9,433,383	6,330,801	7,206,481	10,513,565	2,503,968	4,783,197	8,395,263	25,657,560	31,557,777
Less dividends paid.....	354,455,728	22,123,813	35,090,609	28,303,105	38,506,084	44,612,556	41,076,014	56,010,200	60,770,392	62,037,558	72,594,188	72,691,507
Balance.....	117,725,277	22,123,813	28,698,424	25,844,270	28,669,184	32,318,931	36,136,014	50,882,230	53,360,392	56,109,558	54,849,672	47,025,065

1 Denotes loss.

2 Surplus addition.

TABLE 6B.—Summary of income, expenses, and surplus for American Viscose Corporation and subsidiaries, 1915-38—Continued

	Total	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928
Other deductions:												
Transfers to surplus reserves.....	\$42,000,000				10,000,000							
Surplus capitalized on reorganiza- tion.....	20,914,780											
Goodwill written off.....	25,682,470							\$19,314,652				
Premium and dividends on stock repurchased.....	7,079,482		\$47,000	\$25,528		\$290,375				\$200,000	\$1,380,760	
Adjustment of depreciation re- serve.....	2,709,895				\$8640,105						300,000	\$300,000
Profit on sale of capital assets— net.....	\$2,488,787	\$125,229	414,387	2,437	\$273,242	\$250,618	\$1,331,244		\$108,657	\$77,637	\$199,367	\$188,125
Miscellaneous items.....	\$505,926	\$384,750	\$811,126	2,437	712,809	103,291	31,183	205,229	\$37,213		\$274,016	\$53,438
Surplus at end of year.....	22,383,334	22,383,334	24,048,157	25,816,265	18,869,722	32,175,883	37,430,075	30,562,449	53,806,292	55,987,195	53,642,295	46,866,628
Net sales.....	\$66,788,069	\$49,505,021	\$69,062,071	\$52,596,583	\$54,778,834	\$47,430,725	\$36,033,419	\$33,525,953	\$38,278,052	\$19,706,678	\$14,057,304	\$5,118,953
Manufacturing cost.....	33,539,986	22,280,741	28,589,694	23,639,604	16,363,856	14,061,139	13,537,560	7,437,463	8,143,531	5,304,639	4,157,432	2,685,108
Administration and distribu- tion expense.....	652,371	641,027	1,846,816	1,521,778	1,430,765	647,905	647,025	442,968	349,584	253,750	179,828	181,510
Depreciation.....	3,565,375	3,063,843	2,835,216	2,571,952	2,370,103	3,732,067	846,891	524,611	559,860	394,396	274,131	103,724
Total operating expense.....	37,757,732	25,995,611	33,371,726	27,733,334	20,164,724	16,406,629	15,332,356	8,428,969	7,289,311	5,952,785	4,611,391	2,970,402
Net income from operations.....	29,030,337	23,509,410	35,690,345	24,863,249	34,614,110	31,030,105	20,701,063	25,096,954	29,209,067	14,716,953	9,445,913	2,148,551
Other income.....	1,136,495	1,931,485	710,760	448,482	422,903	329,192	233,329	221,093	88,315	200,476	103,012	21,607
Total.....	30,166,832	25,440,895	36,401,105	25,311,731	35,037,013	31,359,297	20,934,392	25,318,047	14,805,288	13,954,369	9,548,925	2,170,158
Other deductions.....	806,321	1,594,172	1,006,632	598,926	983,642	894,966	446,145	543,257	314,949	409,659	251,335	116,470
Net profit applicable to prin- cipal business.....	29,360,511	23,846,723	35,394,473	24,712,805	34,053,431	30,464,311	20,488,246	24,774,790	14,490,319	13,544,710	9,297,590	2,053,688
Add interest on outside in- vestment.....	2,553,082	3,415,122	3,066,614	2,362,827	1,937,740	1,239,853	1,087,830	1,369,111	444,743			
Net income applicable to total investment.....	31,913,593	27,261,845	38,461,087	27,075,432	35,991,171	31,704,164	21,576,076	26,143,901	14,935,062	13,544,710	9,297,590	2,053,688
Less interest on long-term debt.....											147,329	133,356
Net profit.....	31,913,593	27,261,845	38,461,087	27,075,432	35,991,171	31,704,164	21,576,076	26,143,901	14,935,062	13,544,710	9,150,261	1,920,332

Less Federal income and excess-profits taxes.....	2, 712, 064	+817, 856	4, 843, 000	3, 119, 051	4, 336, 087	3, 861, 677	7, 450, 000	9, 885, 318	12, 254, 010	11, 074, 154	7, 304, 828	2, 651, 846	726, 203
Net profit after Federal income tax.....	29, 200, 929	28, 079, 701	33, 621, 087	23, 956, 381	31, 655, 084	27, 842, 487	14, 126, 076	16, 288, 583	17, 289, 981	3, 860, 908	6, 239, 882	6, 498, 415	1, 194, 129
Surplus at beginning of year.....	38, 834, 328	30, 153, 705	10, 284, 729	20, 514, 852	41, 036, 247	27, 842, 487	30, 877, 375	20, 916, 593	8, 981, 659	8, 120, 751	4, 380, 869	444, 129	---
Net income for year.....	29, 200, 929	28, 079, 701	33, 621, 087	23, 956, 381	31, 655, 084	27, 842, 487	14, 126, 076	16, 288, 583	17, 289, 981	3, 860, 908	6, 239, 882	6, 498, 415	1, 194, 129
Total.....	68, 135, 257	58, 233, 406	43, 905, 816	44, 471, 233	31, 655, 084	68, 878, 734	45, 003, 651	37, 175, 176	26, 271, 640	11, 981, 659	10, 620, 751	6, 942, 544	1, 194, 129
Less dividends paid.....	14, 710, 032	12, 344, 266	13, 312, 000	10, 188, 940	8, 113, 890	48, 202, 000	4, 000, 000	6, 000, 000	6, 000, 000	3, 000, 000	2, 500, 000	3, 150, 000	750, 000
Balance.....	53, 425, 225	45, 889, 140	30, 593, 816	34, 282, 293	23, 541, 194	20, 676, 734	41, 003, 651	31, 175, 176	20, 271, 640	8, 981, 659	8, 120, 751	3, 792, 544	444, 129
Other deductions:													
Transfers to surplus reserves.....	3, 900, 000	3, 000, 000	---	24, 000, 000	1, 100, 000	---	---	---	---	---	---	---	---
Surplus capitalized on reorganization.....	6, 367, 918	---	---	---	---	20, 914, 789	---	---	---	---	---	---	---
Goodwill written off on stock repurchased.....	1, 762, 500	3, 523, 319	---	---	---	---	---	---	---	---	---	---	---
Adjustment of depreciation reserve.....	300, 000	---	---	---	2, 250, 000	---	---	---	---	---	---	---	---
Profit on sale of capital assets (net).....	1 50, 643	---	---	---	1 329, 526	1 323, 007	---	---	106, 806	---	---	---	---
Miscellaneous items.....	11, 630	431, 493	---	1 2, 436	5, 868	84, 952	1 32, 596	297, 601	1 751, 759	---	---	1 588, 325	---
Surplus at end of year.....	41, 133, 820	38, 934, 328	30, 153, 705	10, 284, 729	20, 514, 852	---	41, 036, 247	30, 877, 575	20, 916, 593	8, 981, 659	8, 120, 751	4, 380, 869	444, 129

1 Denotes loss.

2 Surplus addition.

TABLE 7a.—Summary of investments, profits, and rates of return for rayon department of E. I. du Pont de Nemours & Co., 1921-38 1

	Annual average	1938	1937	1936	1935	1934	1933	1932	1931	1930
Capital advances.....										
Capital stock:										
Preferred (7 percent nonvoting).....					\$10,207,044	\$5,755,490	\$4,219,394	\$3,114,583	\$5,040,855	\$9,670,690
Common.....					100,000	100,000	100,000	100,000	100,000	100,000
Surplus:										
Earned.....					124,072	251,209	448,066	2 138,363	47,118	2 1,582,190
Paid in.....					43,511,589	43,511,589	33,821,589	33,821,589	33,821,589	33,821,589
Contingency reserve.....					15,850		290,842	137,400		
Reserve for Federal income and profits taxes.....					366,513	422,356	681,773			11,351
Operative investment—1935 to 1938, inclusive.....		\$90,321,769	\$78,534,738	\$70,330,604						
Total gross investment.....		90,321,769	78,534,738	70,330,604	54,325,068	50,040,654	39,520,694	37,035,209	39,909,562	42,021,440
Less:										
Depreciation on rayon division—1936 to 1938, inclusive.....				18,396,094						
Investment allocated to products other than rayon—1929 to 1935, inclusive.....		24,331,393	21,207,632		6,259,035	6,059,585	6,119,429	5,619,696	4,265,050	3,603,277
Total deductions.....		24,331,393	21,207,632	18,396,094	6,259,035	6,059,585	6,119,429	5,619,696	4,265,050	3,603,277
Net total investment.....		65,990,376	57,327,106	51,934,600	48,066,033	43,981,069	33,401,265	31,415,513	35,644,512	38,418,163
Average total investment.....	\$30,216,440			\$0,000,317	46,023,551	38,691,167	32,408,389	33,530,013	37,031,338	41,146,985
Net profit applicable to total investment.....	3,480,822	2,555,931	7,154,265	5,500,675	2,424,275	3,320,703	4,908,499	407,072	1,648,681	3,371,946
Rate of return on total investment (percent).....	11.52	4.15	13.10	11.00	5.27	8.58	12.65	1.21	4.45	8.09

	1929	1928	1927	1926	1925	1924	1923	1922	1921	Jan. 31, 1921
Capital advances.....	\$10,015,652									
Capital stock:										
Preferred (7 percent nonvoting).....		\$8,916,395	\$5,729,100	\$5,729,100	\$3,854,395	\$599,851	\$599,941			
Common.....	100,000	9,839,313	9,350,693	9,216,749	8,964,450	3,723,650	3,592,500	\$3,500,000	\$3,284,000	\$2,519,000
Surplus:										
Earned.....	915,907	13,236,559	10,356,284	6,994,350	4,538,399	5,409,916	3,287,490	1,148,375	458,734	2,447
Paid in.....	33,821,589									
Surplus reserves:										
Contingency reserve.....		953,638	903,235	444,038	618,616	311,265	305,594	163,469		
Reserve for Federal income and profits taxes.....	273,328									
Operative investment—1886 to 1935, inclusive.....										
Total gross investment.....	45,126,476	32,950,955	26,339,362	22,384,237	17,975,860	10,104,682	7,785,525	4,811,844	3,225,266	2,521,447
Less:										
Depreciation on rayon division—1886 to 1935, inclusive.....										
Investment allocated to products other than rayon—1929 to 1935, inclusive.....	1,252,470									
Total deductions.....	1,252,470									
Net total investment.....	43,874,006	32,950,955	26,339,362	22,384,237	17,975,860	10,104,682	7,785,525	4,811,844	3,225,226	2,521,447
Average total investment.....	38,412,481	29,645,159	24,361,800	20,180,049	14,040,271	8,945,104	6,298,685	4,018,555	2,873,357	
Net profits applicable to total investment.....	7,315,180	7,893,343	6,580,831	3,074,091	4,800,112	2,493,686	2,450,963	1,370,578	461,141	
Rate of return on total investment (percent).....	19.04	26.63	27.01	15.23	34.19	27.88	38.91	34.11	16.13	

1 Includes Du Pont Fibersilk Co., 1921-24; Du Pont Rayon Co., 1925-35; rayon department of E. I. du Pont de Nemours & Co., 1936-38.

2 Denotes deficit.

3 Denotes loss.

	1929	1928	1927	1926	1925	1924	1923	1922	1921
Net sales.....	\$90,123,469	\$26,441,740	\$23,039,906	\$14,478,146	\$12,058,479	\$6,924,535	\$5,838,491	\$3,442,369	\$626,784
Manufacturing cost (not including depreciation).....	18,258,328	14,758,483	14,290,432	8,789,545	5,844,890	3,565,917	2,614,499	1,616,171	519,220
Depreciation.....	2,162,717	1,569,416	1,733,185	1,794,635	894,910	934,403	934,403	1,057,797	103,498
Administration and distribution expenses.....	2,051,579	1,685,432	965,250	530,082	311,901	225,192	229,988	155,522	59,557
Total operating expenses.....	22,472,624	18,013,331	16,990,867	11,074,292	6,981,701	4,163,844	3,178,892	1,967,490	684,275
Net income from operations.....	7,650,845	8,428,409	6,949,039	3,403,884	5,076,778	2,760,691	2,659,599	1,474,870	257,491
Other income.....	75,482	244,442	170,496	196,280	115,014	71,560	60,055	9,857	4,698
Total.....	7,726,327	8,672,851	7,119,535	3,600,164	5,191,792	2,832,621	2,720,264	1,484,736	252,793
Other deductions.....	413,147	779,508	538,704	526,073	391,680	338,935	269,301	114,138	8,348
Net income applicable to total investment.....	7,313,180	7,893,343	6,580,831	3,074,091	4,800,112	2,493,686	2,450,963	1,370,578	261,141
Less Federal income and profit taxes.....	815,796	908,751	907,014	485,993	623,445	306,376	302,910	103,469	-----
Net income for year.....	6,497,384	6,924,592	5,673,817	2,588,098	4,176,667	2,187,310	2,148,053	1,267,109	261,141
Surplus at beginning of year.....	12,739,783	10,083,364	6,721,430	4,538,399	5,469,916	3,287,490	1,148,375	158,734	2,407
Net income for year.....	6,497,384	6,924,591	5,673,817	2,588,098	4,176,667	2,187,310	2,148,053	1,267,109	261,141
Less dividends.....	19,237,167	17,007,955	12,395,247	7,126,497	9,646,583	5,474,800	3,296,428	1,148,375	58,734
	5,296,555	4,267,736	2,311,728	404,732	-----	-----	-----	-----	-----
Total.....	13,940,612	12,740,219	10,083,519	6,721,765	9,646,583	5,474,800	3,296,428	1,148,375	58,734
Net deductions from surplus.....	13,031,074	436	155	335	5,108,184	4,884	8,938	-----	-----
Surplus at end of year.....	909,538	12,739,783	10,083,364	6,721,430	4,538,399	5,469,916	3,287,490	1,148,375	261,141

1 Includes du Pont Fibersilk Co., 1921-24; du Pont Rayon Co., 1925-35; Rayon Department of E. I. du Pont de Nemours & Co., 1936-38.

2 Demotes loss.

3 Surplus deficit.

4 Includes \$5,106,100 of surplus transferred to capital stock account in 1925 and \$13,576,782 of earned surplus transferred to paid-in surplus in 1929.

5 Surplus additions.

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