THE DISTRIBUTION OF OWNERSHIP IN THE 200 LARGEST NON-FINANCIAL CORPORATIONS

PREPARED FOR THE TEMPORARY NATIONAL ECONOMIC COMMITTEE IN THE RESEARCH AND STATISTICS SECTION, TRADING AND EXCHANGE DIVISION, SECURITIES AND EXCHANGE COMMISSION.

Washington, D. C.
October, 1940

SECURITIES AND EXCHANGE COMMISSION
Washington

Sumner T. Pike
Commissioner

September 24, 1940

The Honorable Joseph C. O'Mahoney
Chairman, Temporary National Economic Committee
Washington, D. C.

My dear Senator O'Mahoney:

As the Commission's representative on your Committee, I have the honor to transmit herewith a report on "The Distribution of Ownership in the 200 Largest Non-Financial Corporations." This report was prepared by the staff of the Securities and Exchange Commission and is submitted as part of a study of corporate practices which the Temporary National Economic Committee assigned to the Commission.

I. *Background for Study of the Distribution of Stock Ownership of Large Corporations*

This study of the distribution of stock ownership and control in the 200 largest corporations was assigned to the Commission by the Committee as an essential part of the investigation into the "concentration of economic power in their (the large corporations') financial control over production and distribution of goods and services" ordered by Congress in its joint resolution of June 16, 1938. These 200 large corporations account for the bulk of activities in manufacturing and mining industries, electric and gas utilities, transportation and communication, and, accordingly, an analysis of the distribution of their ownership gives a picture of the ownership of most of the Nation's productive facilities. Such ownership provides, of course, a significant clue to the ultimate center of economic power in these fields.

The figures which have been assembled in this report present for the first time on a broad scale information on the size distribution of shareholdings in these 200 corporations and on the largest shareholdings appearing on the books of these corporations. The data are shown in more detail and, in several respects, presented with greater refinement than has been possible in previous studies in this field. They permit the study of some important aspects of the ownership of large corporations which have remained largely unexplored and include the first detailed information on foreign ownership of a considerable number of large corporations.

The report is primarily statistical and the information presented has been based wherever possible on primary sources. An effort has been made to present the original data as fully as possible to enable members of Congress and others interested in the problem of distribution of ownership in large corporations to rearrange the material and to analyze it from whatever point of view seems desirable. Material submitted in reports under the several Acts administered by the Securities and Exchange Commission greatly facilitated the task of assembling the data for this study.

II. *Summary of Findings*

Omitting the explanations and qualifications set forth in the text, the chief findings of the report may be briefly summarized as follows:

1. Three family groups - the du Ponts, the Mellons and the Rockefellers - have shareholdings valued at nearly $1,400,000,000 which directly or indirectly give control over fifteen of the 200 largest non-financial corporations with aggregate assets of over $8,000,000,000 - or more than 11 percent of their total assets. Thirteen family groups - including these three - with holdings worth $2,700,000,000 own over 8 percent of the stock of the 200 corporations.

2. Only one-half of the large shareholdings of individuals in the 200 corporations are in the direct form of outright ownership, the other half being represented by trust funds, estates and family holding companies. The study clearly shows the importance of these instrumentalities for perpetuating the unity of control over a block of stock held by an individual or the members of a family.

3. Each large interest group has shown a strong tendency to keep its holdings concentrated in the enterprise in which the family fortune originated. It is apparently uncommon for the income from the original investment (or other income) to be utilized in the acquisition of large or controlling positions in other big corporations. The branching out of the Mellon family into a dominating position in half a dozen important corporations in as many industries is rather unusual and not duplicated among the other interest groups controlling any of the 200 corporations. Many large family interest groups, however, have greatly expanded their industrial sphere of influence by indirect means, viz., the acquisition of control over additional enterprises by the corporations which they control, such acquisitions being financed mainly out of undistributed profits.

4. In the case of about 40 percent of these 200 largest corporations, one family, or a small number of families, exercise either absolute control, by virtue of ownership of a majority of the voting securities, or working control through ownership of a substantial minority of the voting stock. About 60 of the corporations, or an additional 30 percent, are controlled by one or more other corporations. Thus, a small group of dominant security holders is not in evidence in only 30 percent of the 200 large corporations.

5. The financial stake of officers and directors in their own corporations is relatively small. Officers and directors own six percent of the common stock and slightly over two percent of the preferred stock of the 200 corporations. One-half of the individual officers and directors own securities having a market value (as of September 30, 1939) of less than $20,000 each. There were only 245 cases - or slightly more than one per company - in which a single officer or director held stock worth more than $1,000,000 in his corporation. But these few cases accounted for 87 percent of the aggregate value of holdings of all officers and directors. Most of the large holdings are in the hands of officers or directors who represent dominant or controlling family groups.

6. The 20 largest shareholdings in each of the 200 corporations account, on the average, for nearly one-third of the total stock. In the average corporation the majority of the voting power is concentrated in the hands of not much over one percent of the stockholders.

7. Another aspect of concentration of ownership in the 200 corporations is shown in the distribution of all stock outstanding by the market value of individual shareholdings - a type of information hitherto unavailable. There were about 4,000,000 shareholdings with a value of less than $500 - out of a total of nearly 8,500,000 record shareholdings in the 200 corporations - but they comprised only three percent of the value of all shares of the 200 corporations. The 1,375,000 shareholdings worth $501 to $1,000 apiece made up only another three percent. On the other hand, there were 415,000 shareholdings with a value of over $10,000 each which accounted for about seventy percent of the value of the total stock outstanding in the 200 corporations.

8. The number of Americans owning corporate stock is smaller than generally believed and probably amounts to only eight to nine million. Thus, less than one in five persons receiving income own corporate stock. (These figures, of course, do not include persons who are indirect stockholders through insurance companies, banks, etc., nor, of course, do they represent the total number of investors.)

On the average, every stockholder holds shares in three different stock issues and in about two and one-half corporations. However, considerably over one-half of all stockholders own shares of one issue only. In general the number of issues held increases fairly rapidly with income though even individuals with large income are generally stockholders in only a relatively moderate number of different corporations.

9. The great bulk of the eight to nine million domestic stockholders own only small amounts of stock and the dividends they receive represent but a minor proportion of their total income. About half of all stockholders have an annual dividend income of less than $100 and holdings worth less than $2,000. The group which depends economically to a large extent on the dividends from corporate stocks or the market value of those stocks is very small and probably numbers not much more than 500,000 people.

10. The ownership of the stock of all American corporations is highly concentrated. For example, ten thousand persons (0.008 percent of the population) own one-fourth, and seventy-five thousand persons (0.06 percent of the population) own fully one-half, of all corporate stock held by individuals in this country.

11. Foreign investors have a considerable stake in the stock of the 200 largest non-financial corporations. Stockholders residing outside the United States are estimated to own over six percent of the common stock and nearly four percent of the preferred stock of these corporations, their holdings having a value at the end of 1937 of about $1,800,000,000 and $200,000,000 respectively. These individual holdings represent not less than about three-quarters of total foreign portfolio investments in the stock of all American corporations. Foreign ownership exceeds ten percent of total stock outstanding in about one-tenth of the 200 corporations. Foreigners, however, apparently have majority control of only one of the 200 corporations, the Shell Union Oil Corp., though their holdings are also very substantial in Allied Chemical & Dye Corp. and The American Metals Co. Ltd.

III. *Acknowledgments*

The report on "The Distribution of Ownership in the 200 Largest Non-Financial Corporations" was undertaken by the Commission's Monopoly Study Division and prepared under the direction of Raymond W. Goldsmith, Chief of the Research and Statistics Section, and Rexford C. Parmelee. The following persons collaborated in the preparation of the report: Irwin Friend (Chapter II); Helene Granby (Chapter III); and James Gorham (Chapters IV to VII). James Gorham also did a considerable amount of preparatory work for the entire Study.

The Commission desires to express its appreciation of the high degree of cooperation of the 200 corporations studied and of their officers, directors and principal shareholders in furnishing the basic statistical data on which the report is based. The Commission also acknowledges the assistance of the Treasury Department in making available certain unpublished statistical material derived from income tax statistics which has been used in Chapters II and VIII and in Appendixes I and II.

Sincerely yours,

(signed)

Sumner T. Pike
Commissioner.

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CHAPTER I

SCOPE AND MEANING OF STUDY OF DISTRIBUTION OF OWNERSHIP IN LARGE CORPORATIONS

1. *Place of study in the agenda of the Temporary National Economic Committee*

The importance within the agenda of the Temporary National Economic Committee of a study of the distribution of ownership in corporations is, perhaps, indicated by the fact that the President, in his message to Congress of April 20, 1938 on "Strengthening and Enforcement of Anti-Trust Laws", 1/ chose as his first topic the concentration of economic power, and devoted a considerable part of his discussion of that subject to the distribution of stock ownership in corporations. His statement may serve as an apt introduction to this report: "The danger of this centralization [of corporate assets and income] is not reduced or eliminated, as is sometimes urged, by a wide public distribution of their securities. The mere number of security holders gives little clue to the size of their individual holdings or to their actual ability to have a voice in the management. In fact, the concentration of stock ownership of corporations in the hands of a tiny minority of the population matches the concentration of corporate assets." This report supports, it is claimed, the President's assertion that the mere number of security holders obscures the more important fact of concentration of stock ownership in the hands of relatively few persons. It also provides important clues towards an answer to the second assertion that most security holders have little voice in the management. A full study of this problem, however, lies beyond the province of this report.

While the total number of Americans owning the corporate stock is known to be large, the correct figure has been uncertain, with no attempt at a careful determination made since 1932. Utilization of new and more comprehensive material has permitted the estimation for this study of the number of stockholders within a reasonable margin of error. The number of men and women owning, at the present time, stock in at least one corporation is found to be probably between 8,000,000 and 9,000,000 or 6 to 7 percent of the country's population. This figure is considerably lower than the prevalent rough estimates, which have placed the number of stockholders at between 10,000,000 and 15,000,000.

Only about 1 in 15 inhabitants of this country and less than 1 in 5 persons receiving income owns corporate stock. Most of these stockholders receive only very small amounts of dividends or none at all. Indeed, it is probable that about one-half of the 8,500,000 stockholders receive less than $100 in dividends even in a year of relatively large dividend disbursements such as 1937, and that not more than about 2,000,000 stockholders have an annual dividend income of more than $500. Dividend income, and its fluctuations, are of much less importance for the economic well-being of most of the remaining 6,500,000 stockholders - and for many of the 2,000,000 stockholders with dividend income of over $500 -- than regularity of employment, the level of wage and salary rates or the size of their other income.

1/ For full text see "Investigation of Concentration of Economic Power", Part 1, Exhibit No. 1, pp. 185-191.

At least three out of four stockholders are not dependent for their livelihood on the vicissitudes of their shareholdings. They are not a distinct group with a predominant interest in high dividend rates or high prices of stocks. The number of persons for whom stocks constitute the major source of income and the major portion of property is very small. It is unlikely that this group comprises much more than 500,000 persons or one-half percent of the population. For the remaining eight million stockholders the dividends they receive are only a supplement, though sometimes an important one, to their income. Their shareholdings represent only part of their wealth, though often not a negligible part. Safeguarding the integrity of the stock investment of these 8,000,000 stockholders against encroachment by large stockholders, management or creditors is, therefore, an essential problem of public policy not so much on account of the contribution stocks make to their income and capital as for two other reasons: (1) The necessity of preserving or strengthening the faith of this numerous group of people of generally moderate income in the equitableness of the economic system under which they live; and (2) the importance of creating conditions which favor and justify the purchase by millions of small investors of equity securities in enterprises with which they cannot maintain direct contacts and which they cannot effectively supervise by their own unaided efforts.

2. *Scope of study*

While a broad picture of the concentration of ownership of all corporate stock has been available for many years in the Treasury's "Statistics of Income", very little has been known hitherto about the distribution of ownership of stock in individual corporations. It is known, of course, that the stock of the great majority of all small and medium-sized corporations is owned by a very small number of stockholders, usually members of a family or a small group of business associates. Figures have also been widely publicized of the large number of individuals owning stock in some giant corporations. However, with few exceptions -- mainly the result of the reports made under Section 16 (a) of the Securities Exchange Act of 1934, Section 17 (a) of the Public Utility Holding Company Act of 1935 and of special investigations conducted under Congressional mandate -- not much information has been available on the distribution and concentration of stock ownership in individual large corporations. Exploration of this problem, therefore, forms the main immediate objective of this study.

The selection of the corporations to be included in an intensive study of the ownership of equity securities was dictated by the major objective of the Temporary National Economic Committee, i.e., the study of "the concentration of economic power in and financial control over production and distribution of goods and services."2/ In keeping with this objective it was decided to limit the study to large corporations engaged directly or through wholly owned subsidiaries in the production of goods and services, omitting large corporations in the financial field, such as commercial banks, trust companies, insurance companies and investment companies. The decision to exclude financial corporations was influenced by the fact that the distribution of ownership and the control of two important branches of finance, the life insurance companies and investment companies and trusts have been the subject in the recent past of study and investigation by federal agencies. 3/

2/ Public Resolution No. 113, 75th Cong. 3d Sess., Section 2 (a).

3/ See, for life insurance companies, "Investigation of Concentration of Economic Power", Parts 4, 10, 10a, and, for investment companies, the report of the Securities and Exchange Commission on "Investment Trusts and Investment Companies" Part Two, [illegible]".

The specific number of large non-financial corporations to be included in this study was, to a certain extent, arbitrary and contingent upon the availability of materal and the amount of time and personnel alloted to the study. While it was essential to cover in this group of corporations a large proportion of the non-financial sector of the corporate economy, the number of corporations to be included had to be kept as small as compatible with this objective in order to make possible analysis of individual cases and to prevent the study from becoming unwieldy. The number was finally set at 200 since it was found that inclusion of the 200 largest non-financial corporations would insure a coverage of not much less than one-half of the total assets, dividends, shareholdings and stockholders 4/ of all non-financial domestic corporations.5/ Limitation of the study to the 200 largest non-financial corporations seemed the more justified as basic data on the size distribution of ownership in an additional 1500 large and medium-size corporations with securities listed on a national securities exchange are presented in a companion report.

The 200 non-financial corporations included in this study have been selected on the basis of the balance sheet value of their total assets at the end of the fiscal year 1937.6/ The most important exceptions to this general principle of selection consisted in (1) the elimination of companies in receivership or bankruptcy on January 31, 1940, and (2) the exclusion of corporations the majority of whose common stock was owned by a company already included in the group of the 200 largest non-financial corporations, unless the value of common and preferred stock issued by the subsidiary and outstanding with the public exceeded $60,000,000, the minimum limit of assets which determined the inclusion or non-inclusion of a corporation in the study.7/ The study thus covers, broadly speaking, the 200 non-financial corporations (other than companies in bankruptcy and receivership and subsidiaries without sufficient publicly held equity securities) which had total balance sheet

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4/ The report distinguishes throughout between the two terms "stockholder" and "shareholding". A stockholder is a person (including a corporation) who owns shares of one or more issues of stock of one or more corporations; a shareholding is a block of shares of one issue of stock, which block is either owned beneficially by one person (a beneficial shareholding), or registered in the books of the issuing corporation in the name of one person (a book or record shareholding).

5/ A factor in fixing the number at 200 was the precedent established by earlier studies in this field, especially "The Modern Corporation and Private Property" by Berle and Means, and "The Structure of the American Economy" by the National Resources Committee.

6/ For a more detailed description of the principles followed in selecting the 200 corporations, see Appendix V.

7/ A few additional deviations which were found necessary are described in Appendix V. While the principle of selection was similar to that employed by Berle and Means, the group of corporations included in this study differs considerably from that used by Berle and Means, mainly because of the exclusion of companies in bankruptcy, the inclusion of a number of closely held large corporations and changes in total assets between 1932 and 1937. The differences in the lists are discussed briefly in Appendix V.

assets of over $60,000,000 at the end of the fiscal year 1937. The exceptions made from this principle of selection are sufficiently small to justify the designation of the group finally chosen as the 200 largest non-financial corporations.

These 200 corporations at the end of 1937 had assets of nearly $70,000,000,000, or about 25 percent of the assets of all corporations and about 45 percent of those of all non-financial corporations. They paid, in 1937, about $2,000,000,000 in dividends, or about 40 percent of dividends paid by all corporations and 45 percent of those of all non-financial corporations.8/ They had about eight and one-half million shareholdings or about one-third of the shareholdings in all American corporations and about two-fifths of those in all non-financial corporations. Perhaps more important than these figures is the fact that the 200 corporations predominated in almost all of the major manufacturing industries of the country, its electric, gas and water utilities, its railroads, and large sections of its retail distribution and its service industries.

For these 200 large corporations this report shows the size distribution of book shareholdings (Chapter III), analyzes the holdings of officers and directors (Chapter IV) and of foreign stockholders (Chapter VIII), and studies the 20 largest book shareholdings, first for broad groups of companies (Chapter V) and then for individual corporations (Chapters VI and VII). As a result of this study it is now known approximately what proportion of shares outstanding is held in small, medium-sized and large blocks, what proportion is held by the management and by large stockholders not visibly represented in the management, what proportion is held abroad, and who are the large and probably the dominant stockholders of the 200 largest non-financial American corporations. Material is presented in a companion report on the size distribution of ownership, though not on its other characteristics, for over 1,700 corporations with close to 14,000,000 book shareholdings, including about 185 corporations with approximately 8,000,000 shareholdings which form part of the group of the 200 largest non-financial corporations.

The emphasis in this report is placed on primary factual information, i.e., statistical tables and lists of data pertaining to individual stock issues. It has been felt preferable to present the original data as fully as possible, thus enabling Congress and other students interested in the problem of distribution of ownership in large corporations to rearrange the material in such ways as may best be adapted to their purposes and to analyze the material along various lines which it has not been possible to follow in this study. It is mainly for this reason that the presentation is not restricted to tables showing aggregate figures for shareholdings of all the 200 large corporations and for certain industry, size and stock price groups of corporations, but that there are also made available to the reader in Appendixes III, VII, VIII and X all the important data for each of the more than 400 issues of common and preferred stock of the 200 corporations.

3. *Sources of data*

While the sources and the nature of the data utilized will be explained in full in each of the following chapters, it may be helpful at this point to summarize the sources of the material on which this report is based.

8/ These figures are after the exclusion of intercorporate dividends.

Practically all the material underlying Chapters III to VII was obtained through questionnaires answered by the 200 corporations included in the study and by many of their officers, directors and shareholders. In particular, the data for Chapter III were collected with the help of a questionnaire 9/ addressed to the 200 corporations. The basic material for Chapter IV consisted, for the great majority of the corporations, of the reports of their officers, directors and principal stockholders, made to the Securities and Exchange Commission under Section 16 (a) of the Securities Exchange Act of 1934. Many of these reports, however, were reinterpreted or amended through direct correspondence with these stockholders to make the information usable for this study. They were supplemented by reports from the directors and officers of those companies without any issue of equity securities listed on a national securities exchange and, therefore, not falling within the purview of Section 16 (a). The lists of the 20 largest book shareholdings on which Chapters V to VII are based were obtained directly from the 200 corporations. The information, however, was supplemented in numerous cases by information derived from correspondence with the record holders. The material presented in Chapter VIII on the holdings of foreign stockholders was obtained from data on dividend payments to foreigners collected by the Bureau of Internal Revenue.

In contrast to Chapters III to VIII, which are based almost entirely on material hitherto unavailable, the discussion of the number and distribution of stockholders and shareholdings in all American corporations presented in Chapter II uses to a considerable extent published data, particularly statistics of the Bureau of Internal Revenue, supplemented by material collected by the Income Tax Study, a Works Projects Administration project sponsored by the Treasury Department, and other primary material which has recently become available.

4. *Some implications and limitations of study*

This study of the 200 largest non-financial corporations has shown a high degree of concentration of ownership. The top 1 percent of book shareholdings, for example, accounted for about 60 percent of the common shares of these corporations. For most of the individual companies not much more than one percent of the common shareholdings of record comprised the majority of all common stock outstanding. The 20 largest book shareholdings accounted for more than 50 percent of the common stock outstanding in about one-fourth of the 200 corporations; from 25 to 50 percent in one-fifth of the corporations; and from 10 to 25 percent in one-third of the corporations. 10/

9/ For a copy of this questionnaire see Appendix XII.

10/ Book shareholdings, as reflected in the books of the corporations, are in many respects an inadequate measure of the distribution of the ultimate beneficial ownership of stock. A small proportion of the names appearing in the books of the corporations are not those of the beneficial owners but those of nominees, such as brokers, banks and trustees. Thus, what appears to be a large concentrated block may in reality represent the property of numerous owners, each of whom holds but a small number of shares. On the other hand, the beneficial owner of a large amount of stock may have distributed his holding among several nominees. These difficulties are discussed in some detail in Chapter III.

Among the 196 issues of preferred stock of these corporations there were 32 instances in which the 20 largest record owners held over 50 percent of the issue; about 44 cases in which they held from 25 to 50 percent; and another 70 instances in which they held from 10 to 25 percent.

As a first step in an analysis of the control situation in large corporations, the shares held by family and other interest groups, which may be scattered over a number of record holdings and often represent legally distinct holdings, must be brought together. A considerable amount of this reclassification of record holdings has been done in the listings of the legal and beneficial holders of the 20 largest record shareholdings shown in Appendix X and discussed in Chapters VI and VII.

Even a combination of distinct record holdings of voting stock which actually work in concert does not yet definitely solve the problems of who ordinarily controls each of the 200 corporations and under what circumstances such control, though secure in the usual course of events, might be endangered or lost. The material presented in Chapters VI and VII of this study, however, identifies not only the large actually controlling blocks of stock but provides information on the existence of minority blocks which, due to a realignment of forces, might become part of a controlling group. Also, by showing the ways in which the beneficial holdings of families and interest groups have been broken up among separate individuals and legal instrumentalities,11/ information has been developed that not only indicates the location of control in the recent past but also the lines along which control might be rearranged at some future date. The material presented in this study thus sheds light on situations in which, although large family aggregations of stock exist, ownership and management are separated as in companies with a widely dispersed stock ownership, but for a different reason, viz, because of the legal separation between voting control of and beneficial interest in the income from such aggregations of stock. A consideration of such situations leads to forms of control, not covered by this study, which are independent of or are not primarily dependent on ownership.

Studies and investigations, many of them made by agencies of the Federal government, have in recent years brought to the attention of Congress and of the public the various forms and the prevalence of devices of control over corporations other than the outright ownership of stock embodying control proportionate to the capital contributed by all stockholders. Voting trusts, nonvoting stocks, stocks with multiple voting rights, blank stock (authorization to issue unlimited amounts of stock without extending preemptive rights to old stockholders), management stock and management contracts are some of the more important of these devices. Other types of control devices which confer a power of control much larger than corresponds to investment are represented by pyramided capital structures and holding company systems. Here a relatively small investment in the voting stock of the top company of the group gives control over the much larger funds contributed by all stockholders in the entire group of companies. Often equally effective and much more common as a method of control, however, is the power residing in the

11/ The most important of these legal instrumentalities, trusts and personal holding companies, are mechanisms for keeping together blocks of stock which may represent a controlling or influential position in one or a number of corporations.

control over the proxy machinery, a power strongly abetted by the inertia of the great mass of small stockholders. This power is wielded, in most cases, by the officers of the corporation who, in turn, are largely dependent on the support or acquiescence of the large stockholders unless holdings are very widely scattered.

The present report does not deal with these control devices. They are hardly open to statistical study and can be explored only by an analysis of individual cases, such as was devoted, for example, to investment companies and trusts in the Securities and Exchange Commission's study.12/ These devices, however, are only additions to ownership control. Many of them are ancillary to or dependent on ownership for their effective working. Notwithstanding the great importance of these devices, particularly the control over the proxy machinery, ownership of voting stock remains the basic, the stablest and the most secure vehicle of control. The high degree of concentration of ownership found in this study must therefore, be regarded as the minimum measure of control over the 200 largest non-financial American corporations exercised by a small number of large stockholders.

12/ See the Securities and Exchange Commission's report on "Investment Trusts and Investment Companies", Part Two, Ch. V, p.361 et seq. and Part Three, Ch. II, p. 51 et seq.

CHAPTER II

THE DISTRIBUTION OF OWNERSHIP OF AMERICAN CORPORATIONS

Before reporting the results of the detailed study of the distribution of stock ownership in the 200 largest non-financial corporations, it will be helpful to present a brief overall picture of the number of stockholders and shareholdings and of the distribution of ownership in all domestic corporations. Such a picture is of considerable interest in itself in any study of our corporate system and will, in addition, permit a rough comparison of the distribution of stock ownership of the 200 corporations presented in Chapters III to VIII with that of all domestic corporations.

Much of the material used in this chapter has not been available previously. Utilization of this material has permitted a more accurate characterization of important aspects of the distribution of stock ownership in American corporations than has been possible in the past. A fairly detailed description of the sources of the material utilized in this chapter, the methods of estimation and their limitations as well as a fuller treatment of the results will be found in Appendix I and II.

1. *The present distribution of ownership*

a. *Types of stockholders*

At the end of 1937, approximately 35 percent of the stock of all American corporations was owned by other domestic corporations, 1/ about 1 percent by non-profit institutions, and between 2 percent and 3 percent by foreigners. The remainder, somewhat over 60 percent of the total stock outstanding, was owned by domestic individuals and estates and trusts, the latter accounting for somewhat over 10 percent of the outstanding stock. 2/ About 10 percent of all stock, comprising close to 20 percent of the stock owned directly by individuals, was registered in the names of brokers. 3/

In the remainder of the chapter certain sections will be concerned with all types of stockholders, while others will be devoted to domestic individuals only. Where the difference is of any importance, it will be pointed out. 4/

1/ Includes relatively small amounts owned by personal holding companies.

2/ These estimates are based largely on the statistics of dividends received, as compiled by the Bureau of Internal Revenue.

3/ In appendix I, it is indicated that somewhat over 10 percent of all stock listed on the New York Stock Exchange was registered in the names of brokers. This percentage was reduced to 10 percent in estimating roughly the proportion of all stock registered in the names of brokers. Such stock is estimated to have comprised close to 20 percent of the stock owned directly by individuals on the assumption that only a small proportion of the shares owned by corporations or fiduciaries was registered in the names of brokers.

4/ For example, in considering the concentration of ownership of all American corporations as a whole, the discussion is best confined to individuals and estates and trusts, since the intercorporate holdings cancel out. On the other hand, this is not true of the concentration of ownership in individual corporations or in the average corporation.

b. *Number of stockholders*

At the end of 1937 there were, it is estimated, from 8,000,000 to 9,000,000 persons in this country owning stock in at least one corporation. 5/ The figure appears to be valid also for the end of 1939. This estimate is substantially below the prevalent rough approximations of 10,000,000 to 15,000,000 stockholders. 6/ It implies that only about one out of every fifteen inhabitants of this country and less than one out of every five income recipients owned corporate stock.

Though the number of stockholders at the end of 1937 (or 1939) was probably in the neighborhood of 8,000,000 to 9,000,000, the number may have been as low as 7,000,000 or as high as 10,000,000. A considerable degree of confidence can be put in these limits because they are based on separate estimates made by four methods largely independent of each other. 7/

c. *Relations between income and stock ownership* 8/

The great majority of these 8,000,000 to 9,000,000 stockholders have small incomes, with over 90 percent receiving net income of less than $5,000 in 1937.

5/ The number of foreign, corporate, and institutional stockholders in American corporations is very small in comparison to the number of domestic individual stockholders (See Appendix I). For qualifications of the estimate of the total number of stockholders, see id.

6/ For instance, the estimate of 10,000,000 to 12,000,000 for 1932 in "The Security Markets," published by the Twentieth Century Fund, and the estimate of 15,000,000 in the April 1938 issue of "Investor America," a publication of the American Federation of Investors.

7/ The first method of approach is based on the allocation of dividends received by domestic individuals to different income groups, the data being obtained primarily from Federal income tax returns. For some of these groups, the number of dividend recipients is known, while for others it may be estimated on the basis of an assumed average dividend receipt per individual. This method results, after an upward adjustment for persons owning non-dividend-paying stocks only, in an estimate of about 6,000,000 to 7,000,000 stockholders in 1937. The second method, also largely based on Federal income tax data, starts with an analysis of the proportion of persons in the different income levels who received dividends. This method leads to an estimate of about 7,000,000 to 8,000,000 stockholders in 1937. A third estimate of about 10,000,000 stockholders is obtained by dividing the estimated number of shareholdings of domestic individuals in American corporations by the estimated average number of stock issues held by such persons, the latter being approximated on the basis of a sample of Federal income tax returns. The fourth approach, completely independent of the three others, is based on a survey conducted in November 1939 covering a sample of 5,000 persons chosen so as to be representative of the general adult population with respect to sex, marital status, age, geographical distribution and economic level. The results of this survey, made for the New York Stock Exchange by Elmo Roper, were summarized in "The Exchange", January 1940, pp. 14-16. This inquiry showed that about 18 percent of the persons interviewed owned stock. If this ratio is applied to the appropriate population, an estimate of about 9,000,000 stockholders is obtained.

8/ The discussion in this section is confined to domestic individuals and estates and trusts.

The prevalence and importance of stock ownership vary greatly among persons of different economic levels. 9/ The proportion of stockholders is lowest among people of small means and steadily increases with total income. For the country as a whole somewhat less than 20 percent of all income recipients own stock in at least one corporation. However, probably fewer than 10 percent of individuals with an income of less than $1,000 belong to the stockholding group. The proportion increases rapidly with income as indicated by the fact that 70 percent of individuals with income in the neighborhood of $10,000 and almost all persons (94 percent) with income over $50,000 received dividends in 1937, attesting their ownership of at least one issue of stock. 10/

The importance of dividends as a source of income increases sharply with total income. For all individuals, dividends in 1937 represented about 7 percent of aggregate income. 11/ Dividends, however, constituted slightly over 16 percent of the total income of individuals filing Federal income tax returns. 12/ The percentage rose from 5 percent of total income for taxpayers with a net income of less than $5,000 to almost 60 percent of total income for individuals with a net income of $100,000 or more. At the other extreme, dividends contributed less than 2 percent to the total income of the approximately 40,000,000 income recipients not filing tax returns with the U. S. Treasury. 13/

Moreover, the importance of dividends as a source of income increases with total income even among dividend recipients. The proportion of dividends to total income probably was as low as 10 percent in 1937 for dividend recipients with net income of less than $1,000, while it was higher than 70 percent for dividend recipients with a net income of $100,000 or more. 14/

9/ Certain shortcomings involved in the use of income tax data for a study of the relations covered in this section should be mentioned: (1) no distinction is made between taxable individuals and taxable estates and trusts; (2) a return may cover more than one person, e.g., husband and wife; and (3) dividends received through non-taxable fiduciaries are not reflected in the data. These deficiencies, however, do not affect the results substantially.

10/ Some characteristics of the relationship between income and the number of stocks owned will be presented, infra.

11/ See Survey of Current Business for June 1940, p. 8.

12/ See Statistics of Income for 1937, Part 1, p. 12. This estimate takes into account the fact that over half of the income from fiduciaries is dividend income. (Id., pp. 173 and 186.)

13/ These 40,000,000 people are mainly income recipients with incomes of less than $1,000 or $2,500, depending on family status, and, in addition, non-reporting persons who did not file income tax returns though legally required to do so.

14/ This is the ratio of dividend income to statutory net income of dividend recipients. The ratio of dividend income to total income of dividend recipients, which cannot be estimated as readily, would be somewhat smaller. The difference is considerable only in the very high income brackets.

These figures illustrate the relatively small importance of dividends received by stockholders with small incomes and show that the incomes of stockholders of moderate means, who constitute the great majority of the 8,000,000 to 9,000,000 persons owning stock, depend only secondarily on the dividends they receive.

d. *Number of shareholdings*

To complete the overall picture it is necessary to determine the number of shareholdings in all American corporations, i.e., the number of holdings of shares by individuals or other classes of holders.15/ Comparable information for the 200 largest non-financial corporations will be presented in Chapter III.

There were about 17,500,000 shareholdings at the end of 1937 in corporations with securities listed on a national securities exchange. 16/ The number of shareholdings was obtained for practically all such corporations from reports submitted by the companies to the Securities and Exchange Commission. It was also possible to derive from reports made to government agencies or from financial manuals 17/ a satisfactory approximation of the number of shareholdings in banks and insurance companies; and in investment companies, public utility holding companies and large non-financial companies, none of whose securities were listed on a national securities exchange. The number of shareholdings in these companies at the end of 1937 is estimated to have been about 4,000,000. A rough estimate had to be made for all other companies, consisting mainly of over 400,000 small and medium-sized corporations. This estimate (based largely on the frequency distribution by size of assets of practically all corporations in the United States and on the relationship between assets and number of shareholdings for a sample of corporations collected in 1922 by the Federal Trade Commission) indicated the existence of another 3,000,000 to 6,000,000 shareholdings. The total number of shareholdings in 1937 (or 1939), therefore, probably was about 26,000,000. 18/ Approximately five-sixths of these shareholdings were in common stocks, preferred shareholdings aggregating only somewhat over 4,000,000. 19/

Of the total of 26,000,000 shareholdings in American corporations, it is estimated that somewhat less than 1,000,000 were owned by domestic corporations and non-profit organizations or by foreign stockholders, with the remaining 25,000,000 owned by domestic individuals.

15/ A stockholder is considered to have as many shareholdings as the number of different issues in which he holds stock.

16/ Actually, there were about 15,500,000 book or record shareholdings which are estimated to represent about 17,500,000 beneficial shareholdings (See Appendix I).

17/ For details, see id.

18/ The number of shareholdings may well have been as low as 24,500,000 or as high as 27,500,000. For qualifications of this estimate, see id.

19/ It is estimated that somewhat over 20,000,000 of the 26,000,000 shareholdings were in dividend-paying stocks.

e. *Relation between income and number of shareholdings*

The comparison of 26,000,000 shareholdings (of which over 21,000,000 were in common stocks) and 8,000,000 to 9,000,000 stockholders indicates that on the average every stockholder held shares in three different stock issues and in about two and one-half corporations. 20/ This average, however, is of restricted significance in view of the great variability in the number of stocks owned by individual investors. Considerably over one-half of all stockholders held shares in one issue only. On the other hand, there were a few stockholders who owned shares in over a hundred issues. 21/ In general the number of issues held increased fairly rapidly with a stockholder's total net income or his dividend income.

Preliminary data, based on a random sample of 5,000 Federal income tax returns 22/ reporting dividend income of less than $10,000 for 1936, indicate that stockholders with net income of less than $5,000, and more than $1,000 or $2,500 (depending on their marital status), received dividends from 2.4 corporations on the average in that year. 23/ About 62 percent received dividends from only one corporation and only 3.7 percent held stock in ten or more corporations paying dividends. Stockholders with net income from $5,000 to $10,000 reported stock holdings in about 3.2 dividend-paying corporations on the average: 55 percent reported receipt of dividends from one corporation only; another 7.0 percent owned shares in ten or more dividend-paying corporations.

A comparable preliminary tabulation is also available for all individuals with dividend income of $10,000 or over. Of these persons those with a net income of $100,000 or more held stock in 25 dividend-paying corporations on the average, whereas persons with net income from $10,000 to $15,000 held, on the average, stock in 13 dividend-paying corporations. There were only 41,880 persons with dividend income over $10,000, not much over one-half percent of all dividend recipients, but they accounted for between 700,000 and 800,000 shareholdings in dividend-paying stock issues, or about 4 percent of the approximately 20,000,000 shareholdings of domestic individuals in such stocks.

f. *Concentration of stock ownership* 24/

Since the total dividends paid by American corporations to domestic individuals and fiduciaries in 1937 amounted to somewhat over $4,500,000,000, the 8,000,000 to 9,000,000 stockholders seem to have received an average dividend income of slightly over $500, corresponding to an average investment with a market value of about $10,000 for the year. 25/

20/ These averages are not affected substantially by the inclusion of domestic corporations, non-profit organizations and foreign stockholders. The following discussion is restricted to domestic individuals and estates and trusts.

21/ In 1936, 101 individual income tax returns reported receipt of dividends from 100 or more corporations.

22/ See note 9, for an enumeration of some limitations of these data.

23/ There is no reason to assume that the figures would be much different in 1937.

24/ The discussion in this section is confined to domestic individuals and estates and trusts.

25/ By the end of the year the average market value of this investment had declined, it is estimated, to about $7,000.

Compared to the average dividend income of $500 in 1937, most stockholders received only very small amounts in dividends and had correspondingly small investments in stock. Probably in the neighborhood of half of the 8,000,000 to 9,000,000 stockholders in 1937--a year of relatively high dividend payments--received less than $100 in dividends and not more than 2,000,000 stockholders had an annual dividend income of over $500. There were not many more than 100,000 stockholders with a dividend income exceeding $5,000, while fewer than 10,000 individual stockholders received over $50,000 in dividends.

The numerous stockholders receiving small amounts of dividends accounted for only a negligible portion of all dividends received by individuals. In 1937 the 50 percent of the stockholders each of whom received less than $100 in dividends accounted together for considerably less than 5 percent of total dividend income of individuals. The more than 80 percent of the stockholders with a dividend income of less than $500 probably received not much over 10 percent of the total dividend income of individuals. Thus the importance of the ownership of corporate stock by these small stockholders is hardly considerable in spite of their large number.

These figures suggest that notwithstanding the wide dispersion of ownership indicated by the large number of stockholders, ownership of stock was highly concentrated in the hands of a relatively few persons. This is shown quite convincingly in Chart I. 26/ Thus the 10,000 persons with the highest dividend incomes, comprising not much over 1/10 of 1 percent of the total number of stockholders and about 1/50 of 1 percent of the total number of income recipients, received about 25 percent of all dividends paid to individuals and may, therefore, be estimated to have owned, directly or indirectly, about one-fourth of all stock of domestic corporations. 27/ Fewer than 75,000 persons, i.e., less than 1 percent of the number of stockholders and considerably less than 1/5 of 1 percent of the total number of income recipients, were necessary to account for one-half of all dividends received by individuals. This certainly represents an impressive degree of concentration of ownership. In Chart I it is shown that dividend income is concentrated even more highly than total income. 28/

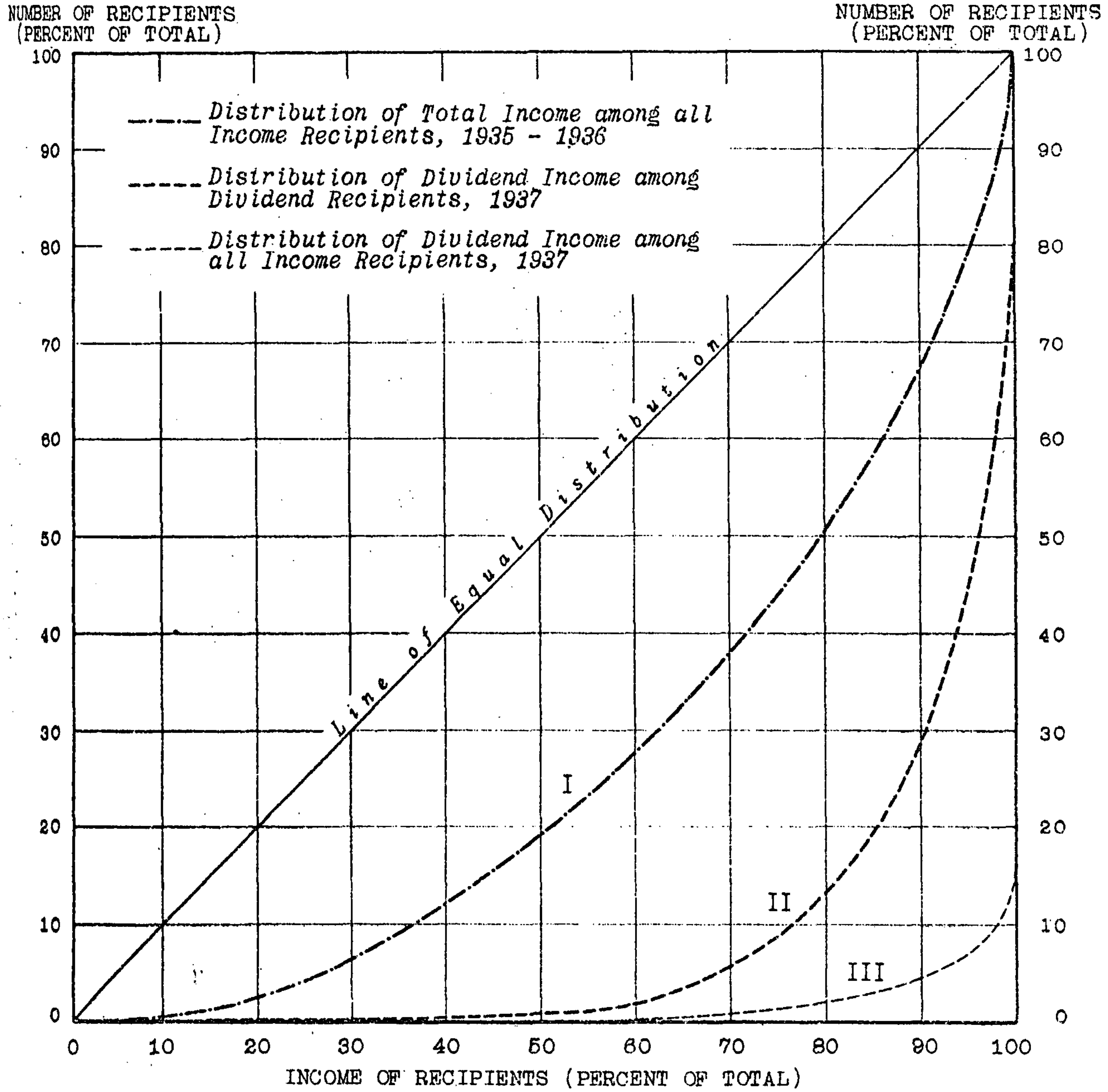
26/ In Chart I three Lorenz curves are presented to depict the relative concentration of total income and dividend income. (In general, the larger the area between the Lorenz curves and the line of equal distribution, the greater the concentration. For a more detailed discussion of this type of graphic presentation, see Chapter III.) The data on the distribution of total income were obtained from "Consumer Incomes in the United States", prepared by the National Resources Committee, while the data on the distribution of dividend income are presented in Appendix I.

27/ See note 9, for an enumeration of some limitations of these data. The data have been adjusted in part for the manner of reporting dividends received through fiduciaries. (See Appendix I and Appendix II).

28/ The Lorenz curve for total income is based on the distribution of total income among consumer units, made up of families pooling their income in a common fund and single individuals. Actually, however, there is little difference between the Lorenz curve based on the distribution of income among families and that based on the distribution among single individuals.

CHART I

CONCENTRATION OF TOTAL INCOME AND DIVIDEND INCOME



Note: These curves indicate the smallest proportion of income recipients or dividend recipients necessary to account for any given proportion of the total income or dividend income received by domestic individuals. Thus Curve I indicates the percentage of income recipients, cumulated from the largest income recipient downward, necessary to account for any percentage of total income received by individuals; Curve II indicates the percentage of dividend recipients, cumulated from the largest dividend recipient downward, necessary to account for any percentage of total dividend income received by individuals; and Curve III indicates the percentage of income recipients, cumulated from the largest recipient downward, necessary to account for any percentage of total dividend income received by individuals.

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g. *Concentration of stock ownership in individual corporations*

The concentration of corporate ownership in the aggregate for all domestic corporations, which has been described in the preceding sub-section, does not necessarily reflect a similar concentration of stock ownership in individual corporations or in single issues. The concentration of corporate stock in the hands of the wealthy may result from either large shareholdings in single issues or a wide diversification of holdings in many corporations. One of these two aspects of the distribution of stock ownership, the number of shareholdings typically held by individuals, has already been discussed in sub-section e, when it was shown that, though the higher the total income or dividend income the higher the number of stock held, even individuals with large income are stockholders in only a relatively moderate number of different corporations. The other aspect of the distribution of stock ownership involving the size distribution of shareholdings in the average corporation, will be considered briefly in this sub-section.

Prior to this study, data on the distribution of shareholdings in individual corporations by number of shares were rare and information on the distribution of shareholdings by market value practically non-existent. 29/ As this subject will be discussed in detail in Chapter III of this report for the 200 largest non-financial corporations and has been covered in a separate report for a group of 1,710 corporations with securities listed on a national securities exchange, a few summary figures will suffice at this point.

The average shareholding in these 1,710 companies, which accounted for about three-fifths of the number of shareholdings in all domestic corporations, had a market value, at the end of 1937, of about $3,000. The average shareholding of domestic individuals appears to have been considerably lower, not much over $2,000. 30/ However, the average is again not particularly representative of the distribution. About half of all shareholdings had a market value, at the end of 1937, of less than $500. In spite of their large number, shareholdings with a value of less than $500 accounted for only about 4 percent of the market value of all stock outstanding in these corporations and roughly 5 percent of the stock in non-corporate shareholdings. Shareholdings with a value of over $10,000 each constituted only 4 percent of all shareholdings but accounted for about 60 percent of the total market value of shares outstanding. 31/ If corporate shareholdings are excluded, both of these ratios would, of course, be somewhat reduced; it is not possible, however, to estimate on the basis of available data how large the reduction would be.

29/ For an exception, see the Securities and Exchange Commission report on "Investment Trusts and Investment Companies" Part Two, Chapter V, p. 361 et seq.

30/ This is approximately the same figure that is obtained by dividing the average market value of the investment of domestic individuals in American corporations at the end of 1937, namely $7,000, by the average number of stocks held, which has been estimated to be about three.

31/ Although these proportions are based on record shareholdings, they are not much different from those which would be obtained from beneficial shareholdings. (For details see Appendix I.)

These figures give a rough indication of the inequality of the distribution of ownership in the average corporation with securities listed on a national securities exchange. The picture once more is that of a wide dispersion of ownership which is more apparent than real. Notwithstanding the large number of shareholdings in most large corporations, not much over one percent of the holders are required in most cases to account for the majority of the stock outstanding or for voting control. These findings are particularized in Chapter III in a study of the size distribution of shareholdings in the 200 largest non-financial corporations and in Chapter VI in an analysis of the 20 largest book shareholdings in each of the stock issues of these corporations.

Though practically no data are available on the distribution of ownership of the average small corporation, it is, of course, known that these companies usually have only very few stockholders. 32/ The problem of concentration of ownership in these companies, however, does not have the same economic meaning or importance as the concentration of ownership in the large corporations covered by this study, because it does not imply control over funds contributed by a large number of smaller stockholders, unable to influence the management of their own accord, and because ownership control of these corporations does not carry with it a position of economic power.

2. *Trends in the distribution of ownership*

The first part of this chapter has given a broad outline of the distribution of ownership at the end of 1937, an outline which is believed to be still valid at the present time in all important respects. It is of some interest to compare this picture, even if only in a cursory manner, with the characteristics of the distribution of ownership in prior years and to indicate any trends which seem to have existed. Though only scattered data are available for such a comparison, it is possible to discern and explain in part some important trends in the distribution of ownership, particularly in the past decade.

a. *Number of stockholders*

The first detailed estimation of the number of stockholders in domestic corporations indicated the existence of between 4,000,000 and 6,000,000 stockholders at the end of 1927. 33/ A substantial increase in the number of stockholders unquestionably occurred over the next ten years, as there were probably between 8,000,000 and 9,000,000 stockholders in 1937. Though any measure of the extent of the increase is subject to a considerable margin of error, the rate of growth appears to have been less spectacular than is often assumed, the increase in the number of stockholders between 1927 and 1937 probably amounting to about 70 percent. The predominant part of this increase took place in the first half of the period, i.e., before 1933.

32/ In 1922, the only year for which such information is available, about one-half of a representative sample of companies had less than a dozen stockholders. (See Appendix I, Table 17).

33/ Means, Gardiner C., *The Modern Corporation and Private Property*, (1932), p. 374.

b. *Number of shareholdings*

While the first careful and reasonably accurate estimate of the number of stockholders was made for as late a year as 1927, there exist prior estimates of the number of shareholdings. Thus it has been estimated that the total shareholdings in American corporations was about 4,400,000 in 1900, 14,400,000 in 1923, and 18,000,000 in 1928. 34/ At the end of 1937 the number of shareholdings, it is estimated, was about 26,000,000, the increase in the preceding decade taking place largely in the first half of the period. Though the estimates of the number of shareholdings, particularly those for the earlier years, are subject to considerable error, there is little doubt that the number had been increasing at a fairly rapid rate for several decades prior to the end of 1932 and that there has been relatively little change since that year.

c. *Implications of increase in number of stockholders and shareholdings, 1927-1937*

The increase in the number of stockholders between 1927 and 1937 was proportionately much greater than the increase in the equity capital of domestic corporations through new issues. The proportion of the total equity in all American corporations held by the average individual stockholder, therefore, was smaller at the end of 1937 than at the end of 1927. The increase in the number of stockholders probably resulted in large part from a shift in ownership of part of the stock outstanding at the beginning of the period from the hands of a relatively small number of stockholders to a larger number of stockholders, each holding a smaller average proportion of the total stock capitalization. Only a relatively small part of the increase appears to be attributable to the absorption, through public offerings, of newly-issued shares by persons not previously owning stock. 35/

It is to be expected that a considerable increase in the number of stockholders such as occurred over the period 1927-1937 would be accompanied by a rise in the number of shareholdings. However, an increase in the number of shareholdings may reflect not only an increase in the number of stockholders but also the absorption of newly-issued securities by persons already owning stock of a greater diversification of their holdings of outstanding stock. 36/

34/ The first two estimates were made by H. T. Warsnow (The Distribution of Corporate Ownership in the United States, Quarterly Journal of Economics, November 1924); the third by Gardiner C. Means (The Diffusion of Stock Ownership, Quarterly Journal of Economics, August 1930). As a result of an apparent upward bias in the manner of their derivation, these figures, originally estimated as the number of book shareholdings, are probably a closer approximation of the number of beneficial holdings. (See Appendix II). They have been used as such in this report without upward adjustment.

35/ New issues of investment companies and trusts and of utility companies are two important instances in which, it appears, the purchasers frequently did not previously own stock in any corporation.

36/ Changes in record shareholdings also reflect shifts into or out of brokers' names, but an attempt has been made (Appendix II) to adjust for this mechanical factor in order to isolate the trends in beneficial shareholdings which are discussed above. The effect of such shifts does not seem to be so important as has been supposed.

For the period 1927-1937 37/ the most important reason for the increase in the number of shareholdings by about 8,000,000 seems to have been the purchase of shares by persons not previously owning stock. There is some evidence--though the data are not conclusive--of a slight decline in the average number of shareholdings per individual over the period, possibly occasioned by the shift of ownership in the direction of the new smaller owners.

One aspect of the increase in the number of shareholdings is subject to some degree of measurement; viz, the acquisition of newly-issued stock by persons not previously holding such stock. It is estimated that the absorption of newly-issued stocks accounted for somewhat less than one-fourth of the increase in the number of shareholdings from 1927 to 1937. 38/ The remainder of the increase must be attributed to transactions involving a shift in ownership from larger to smaller stockholders, such as is reflected, for example, in the odd-lot purchase balance on the New York Stock Exchange. 39/ All of these tendencies are, of course, also reflected in the increase in the number of stockholders.

d. *Concentration of stock ownership*

There is, then, evidence of a wider diffusion of ownership in American corporations at the end of 1937 than at the end of 1927, both in the larger number of stockholders and the smaller proportion of the total equity in American corporations owned by the average stockholder. Further evidence pointing in this direction is provided by the substantial purchase balance in odd-lot transactions on the New York Stock Exchange from the end of 1927 to the end of 1937. The question naturally arises whether this constitutes a significant or important diminution over this period in the degree of concentration of stock ownership in the hands of a few persons, in spite of the fact that a very high degree of concentration has previously been shown to have existed even at the end of 1937. Data on the distribution of dividend income in 1927 and 1937 would seem to furnish the simplest means of investigating this problem. Unfortunately the data available (viz, information tabulated from income tax returns) are not on a strictly comparable basis through this period. In particular, an important element of non-comparability between 1936 and 1937 and earlier years is introduced by the different treatment of dividends received through fiduciaries and partnerships. Nevertheless, it is still possible to use these data to obtain a rough idea of changes in the concentration of dividend income over the period from 1927 to 1937. 40/

37/ The number of shareholdings at the end of 1927 was probably not much smaller than at the end of 1928, for which it was estimated at 18,000,000 by Gardiner C. Means.

38/ For details see Appendix II.

39/ The purchase balance of odd-lot customers on the New York Stock Exchange and the acquisition of newly-issued stock by persons not previously holding such stock are, of course, not entirely independent as part of the increase in the number of shareholdings resulting from the absorption of newly-issued shares may be reflected in the odd-lot balance on the New York Stock Exchange. (On the New York Stock Exchange odd-lot trading refers generally to trading in lots from 1 to 99 shares.)

40/ See Appendix II, for details and qualifications. A partial adjustment was made in the data for 1937 for purposes of comparability with prior years.

The following table shows that though there is some evidence of a smaller degree of concentration of stock ownership in the hands of a few persons at the end of the period than at the beginning, the difference is not very substantial. Furthermore, there is no suggestion of a continued trend in this direction, as the only indication of diminution in the concentration of stock ownership appears in the first part of the period and there is even some evidence of a slight reversal of this tendency in the second part. 41/

Largest individual dividend recipients reporting on income tax returns	Percentage of all cash dividends received by domestic individuals					
	1927	1929	1931	1933	1935	1937
Largest 1,000 recipients	12.5	11.7	12.7	13.1	13.0	10.4
Largest 25,000 recipients	43.5	39.5	39.1	42.2	41.2	37.6
Largest 100,000 recipients	66.0	59.4	56.5	58.0	60.0	57.5

The same results are presented somewhat differently in the table below which shows for each year the number of stockholders and the proportion of the population of the United States necessary to account for one-half of the total cash dividends received by domestic individuals.

	1927	1929	1931	1933	1935	1937
Number	38,000	51,300	59,500	45,000	47,000	61,000
Percent of population	.032	.042	.048	.036	.037	.047

It is not impossible that the apparent shift in corporate ownership indicated by income tax data may simply reflect differences in reporting on income tax returns, tax evasion devices, or other mechanical factors. However, in conjunction with the smaller average proportion of the total capitalization of American corporations held by individuals at the end of the period, and the substantial purchase balance of odd-lot transactions on the New York Stock Exchange over this period, these data do appear to indicate a somewhat wider diffusion of ownership in 1937 than a decade earlier.

These figures, of course, do not directly reflect changes in the degree of concentration of ownership in the average corporation. Such changes would have to be ascertained by a study of the distribution of ownership in a representative sample of corporations for both the years 1927 and 1937, a study for which necessary data are not available. It seems likely, however, on

41/ The apparent decrease in the concentration of dividend income from the end of 1935 to the end of 1937 is partly, and may be entirely, due to such changes in reporting methods as could not be adjusted for. However, the direction of the change is in accord with the substantial purchase balance in odd-lot transactions on the New York Stock Exchange from 1935 through 1937.

the basis of the data already presented, that there was a somewhat wider diffusion of ownership in the average corporation at the end of the decade than at the beginning though the difference was probably not very pronounced. 42/

Very little is known about changes in the distribution of ownership of corporate stock for earlier periods. Prior studies, based on dividends received by individuals in different net income classes as reported in Federal income tax data, suggest that there was a considerable shift in corporate ownership from larger to smaller stockholders during the period 1916 to 1921, with little change in the subsequent years up to 1927. 43/

42/ Further evidence pointing to a wider diffusion of ownership in the average corporation at the end of the decade than at the beginning is furnished by the fact that for 43 very large corporations (comprising those companies among the 200 largest non-financial companies for which the information was readily available) each record shareholding in 1937 represented on the average a smaller proportion of the total capitalization of these companies than it did in 1927. (See Appendix II). This evidence, however, is far from conclusive, particularly in view of the non-random nature of the companies included.

43/ H. T. Warshow in the Quarterly Journal of Economics for November 1924 covered the years 1916-1922 while Gardiner C. Means in the August 1930 issue of the same journal extended this study to the end of 1927.

CHAPTER III

THE SIZE DISTRIBUTION OF OWNERSHIP OF THE 200 LARGEST NON-FINANCIAL CORPORATIONS

1. *Scope and arrangement of chapter*

This chapter summarizes the statistical material accumulated on the distribution by size of shareholdings of the common and preferred stocks of the 200 largest non-financial corporations. Chapter IV deals with the holdings of officers and directors in these 200 corporations; supplementary information on the holdings of persons other than officers and directors owning more than 10 percent of any issue of equity securities of these companies is presented in Appendix VIII. In Chapters V to VII the 20 largest record shareholdings in each equity issue of the 200 corporations are analyzed. Finally, Chapter VIII describes the extent of the foreign holdings in the 200 corporations. Together Chapters III through VIII give a fairly detailed picture of the distribution of ownership of the equity securities of the 200 largest non-financial corporations and of large or controlling shareholdings in these companies at the end of 1937.

The remainder of this chapter is divided into six sections. In the first of these sections the 200 corporations covered in the study are compared with all domestic corporations with respect to size of assets, value of equity securities, and number of shareholdings using the overall estimates developed in Chapter II. It is found that the 200 largest non-financial corporations represent between two-fifths and one-half of the assets, dividends, shareholdings and stockholders of all non-financial domestic corporations. Determination of the distribution of ownership in these 200 corporations, therefore, goes very far toward answering the question of the concentration of ownership in one of the most significant segments of our corporate economy.

The four sections then following (Sections 3 to 6) describe and discuss the main statistical features of the size distribution of stock ownership of the 200 largest non-financial corporations. In Section 3 this statistical discussion deals with the total number and value of shareholdings in the 200 corporations as a whole and in groups classified by industry and size of issuer, type and price of issue, number of shareholdings, and average value per shareholding. Sections 4 and 5 summarize the material on the size distribution of all shareholdings in the 200 corporations. The discussion in Section 4 is based on the distribution of the approximate total of 8,500,000 shareholdings by the estimated market value of each holding. In contrast, the basic material of Section 5 consists of a classification of these same 8,500,000 shareholdings by the number of shares included in each holding. Section 6 is devoted to a discussion of the degree of concentration of ownership existing in the 200 largest non-financial corporations, for industry and size groups of issuers and for selected individual issues and may be regarded, in many respects, as a summary of the findings of the entire chapter. Section 7 describes briefly the nature of the data utilized in this chapter.

The statistical material on which Chapter III as a whole is based is so voluminous that it was found preferable to present in the text only a few figures and a number of charts. However, the basic data on the size distribution of shareholdings for each of the more than 400 issues of common and preferred stocks of the 200 corporations are presented in detail in Sections I to III of Appendix III. Statistical aggregates on the number of shareholdings and on the distribution of shareholdings by number of shares and estimated value of holdings will be found in the tables constituting Appendix IV.

2. *Comparison of 200 largest non-financial corporations with all domestic corporations*

Although the 200 corporations included in the study represent only an insignificant fraction--not more than 0.2 percent--of all domestic corporations, they accounted, in 1937, for about 8,500,000 shareholdings, out of about 24,000,000 record shareholdings in all domestic corporations. The 200 corporations whose distribution of ownership is studied in detail in this report, thus accounted for about one-third of the shareholdings of all domestic corporations and about two-fifths of those of non-financial corporations.

On the other hand, it is not possible to determine how many of the 8,000,000 to 9,000,000 stockholders in American corporations owned shares of at least one stock issue of these 200 corporations. It is obvious, of course, that the number of persons holding shares of one or more issues of the 200 corporations is considerably smaller than 8,500,000--the number of record shareholdings--since many investors undoubtedly owned shares in more than one equity issue of these corporations. There are neither over-all nor sample data to serve as a basis for an estimate of the average number of different issues of these 200 corporations held by persons who own shares in at least one issue (the so-called "duplication ratio"). Use of the duplication ratio of about 3 applicable to all corporations 1/ yields an estimate of about 3,000,000 persons owning stock in the 200 largest non-financial corporations.

The market value of the 404 issues of common and preferred stock of the 200 corporations at the end of 1937 amounted to about $33,000,000,000. This was somewhat over one-third of the estimated value of the stock of all domestic corporations and probably around one-half of the value of the stock of all non-financial corporations. Of the 404 issues, 295 were listed (or admitted to unlisted trading privileges) on the New York Stock Exchange or the New York Curb Exchange. The market value at the end of 1937, of these issues aggregated about $28,600,000,000, or approximately 60 percent of the value of all equity securities listed on the two New York exchanges and nearly 65 percent of that of the stocks of non-financial corporations so listed.

The 200 corporations in 1937 paid dividends amounting to about $2,200,000,000. This was equivalent to fully 30 percent of aggregate dividends paid by all American corporations and about 35 percent of those paid by non-financial corporations. If intercorporate dividends were eliminated, which can be done only very roughly for the 200 corporations, the share of the 200 largest non-financial corporations in dividends paid to non-corporate stockholders would probably be over 35 percent for all domestic corporations and about 40 percent for non-financial corporations.

1/ Cf. Chapter II.

The total assets of the 200 corporations, based upon consolidated balance sheets at the end of 1937, amounted to about $70,000,000,000. 2/ They were thus equal to about 25 percent of the assets of all domestic corporations submitting balance sheets to the Bureau of Internal Revenue and to slightly over 40 percent of the assets of all non-financial corporations. 3/

Measured either by number of shareholdings, market value of securities, dividends paid or total assets, the 200 largest non-financial corporations studied in detail in this report, then, represent between two-fifths and one-half of all non-financial corporations.

The proportion of assets represented in the group of 200 corporations varies, of course, very much among the major industries. Only a very small fraction is covered of all corporate assets in the service industries (with the exception of motion pictures), in the construction industries and in merchandising with the exception of certain branches of retail trade such as chain stores, mail order houses and department stores. The proportion is also low--not over 10 percent--in most consumers' goods industries, such as textiles, paper and printing, leather, and beverages. In the tobacco and in the food industries (mainly as a result of the high coverage in the meat packing industry) however, about one-half and one-third, respectively, of total corporate assets are covered. In the chemical industry also about one-third of the total corporate assets is accounted for by those companies included in the study, but the proportion appears to be relatively higher in heavy chemicals. One-half or more of total assets is represented for such important industries as petroleum refining, automobiles, steel, non-ferrous metals and several important sections of the machinery industries. The proportion of assets covered by the companies in the group here studied is also high in the railroad and the electric power industries, amounting to about one-half in both cases.

3. *Number and value of shareholdings*

a. *Aggregate number and value of shareholdings*

The 200 largest American non-financial corporations, around the end of 1937, reported slightly under 8,500,000 record shareholdings, consisting of 7,027,000 holdings of common stock and 1,394,000 holdings of preferred stock. 4/ The aggregate value of these shareholdings at the prices of December 31, 1937 amounted to approximately $33,300,000,000. The 208 common stock issues of the 200 companies had an aggregate value of about $28,100,000,000 while their 196 issues of preferred stock were valued at $5,200,000,000.

2/ For lists of companies, showing the total assets of each, see Appendix V.

3/ Both the figures for the aggregate assets of the 200 corporations and for the corporations reporting to the Bureau of Internal Revenue include certain duplications resulting from inter-corporate shareholdings, loans and other transactions. It is probable that these duplications are relatively more important for all corporations than for the 200 corporations and that, therefore, the actual proportion of total assets represented by the 200 corporations is slightly higher than the figures given in the text.

4/ For discussion of differences between record and beneficial shareholdings, see infra.

Charts II and III show the importance of manufacturing companies in the group of 200 corporations. (For details see Appendix IV, Table 22 for common stock and Table 28 for preferred stock.) Among common stocks, the 101 issues of 96 manufacturing corporations accounted for about 52 percent of the total number of shareholdings and 65 percent of the estimated total market value. Among the preferred stocks the predominance of manufacturing companies was only slightly less pronounced, the 75 issues of 61 manufacturing corporations representing almost 41 percent of the total number of shareholdings and slightly over 50 percent of the total market value of the issues included in the study. Measured by the number of shareholdings and the market value of the shares held, the most important industries in the manufacturing group were petroleum refining, machinery and tools, automobiles and parts, chemicals, non-ferrous metals, iron and steel, tobacco products and foods.

The electric, gas and water utility companies held second place among the major industrial groups. The 47 common stock issues of the 45 companies in this industry accounted for about 22 percent of the total shareholdings, but for only 11 percent of the aggregate market value. Among the preferred stocks, on the other hand, this industry was first in importance, the 81 issues of the 39 companies represented accounting for slightly under 50 percent of the total number of preferred shareholdings, but for only about 35 percent of the total market value of all such issues included in the study. Communications ranked third among the major industrial groups, due mainly to the large number of shareholdings and the very substantial aggregate value of the common stock of the American Telephone & Telegraph Co. Railroads (which had been more affected by the exclusion of companies in receivership than any other industry group) accounted for but 9 percent of the number of common shareholdings and for only 6 percent of their aggregate value; among preferred stocks the comparable proportions were nearly 7 percent of shareholdings and somewhat over 6 percent of the market value of all issues covered. The fifth major industry group, merchandising, had about 3-1/2 percent of the number and 4-1/2 percent of the value of common shareholdings, but less than 2 percent of the number and less than 3 percent of the value of preferred shareholdings.

The number and value of shareholdings of common stock of the 200 corporations are classified in Table 23 by the size of the issuer; the comparable picture for preferred stock issues is presented in Table 29. The 44 giant corporations with assets of over $500,000,000 each accounted for 3,844,000 common shareholdings, or 55 percent of the total number of common shareholdings in all of the 200 corporations, and for 616,000 preferred shareholdings, equivalent to 45 percent of the total. The proportions represented by these giant corporations were slightly lower when measured by the market value of the shares outstanding, amounting to about 47 percent for common stocks and 42 percent for preferred stock issues.

The classification of shareholdings of the 404 issues by price on December 31, 1937 is shown for common stocks in Table 24 and for preferred stocks in Table 30. Among the common shareholdings approximately 25 percent was in issues selling at under $10 per share, 30 percent in issues priced between $10 and $30, 28 percent in issues in the $30 to $60 range and 17 percent in issues selling at over $60 per share. Among preferred stocks the proportion of issues selling at higher prices was, of course, larger. Thus, only 4 percent of the total preferred shareholdings was in issues selling at under $10 per share, and 21 percent each in issues in the $10 to $30 and $30 to $60 ranges. On the other hand, about 55 percent of all preferred shareholdings was in issues with a price of $60 or more.

CHART II

NUMBER AND VALUE OF SHAREHOLDINGS
OF THE 200 LARGEST NON-FINANCIAL CORPORATIONS

Classified by Major Industries

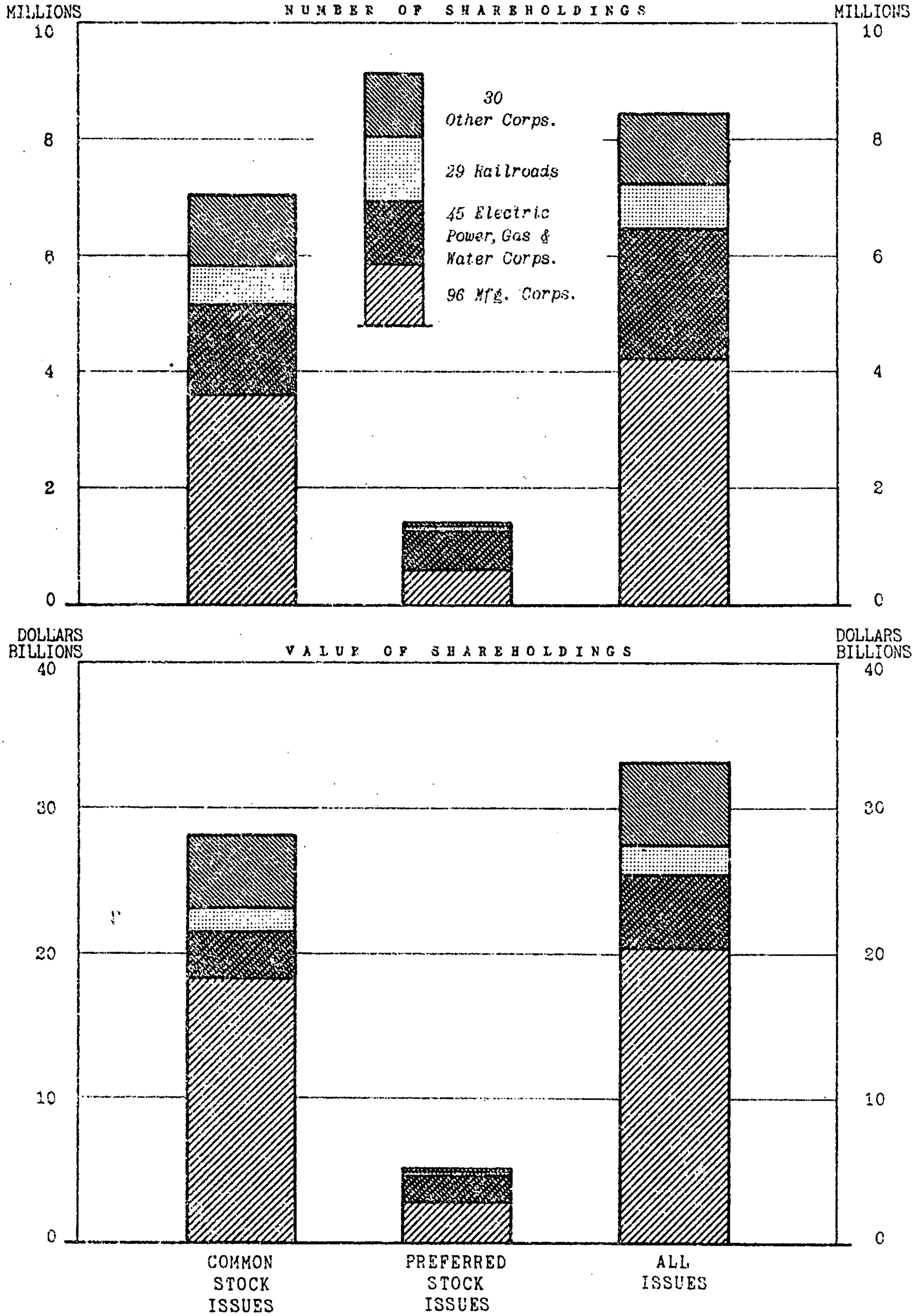

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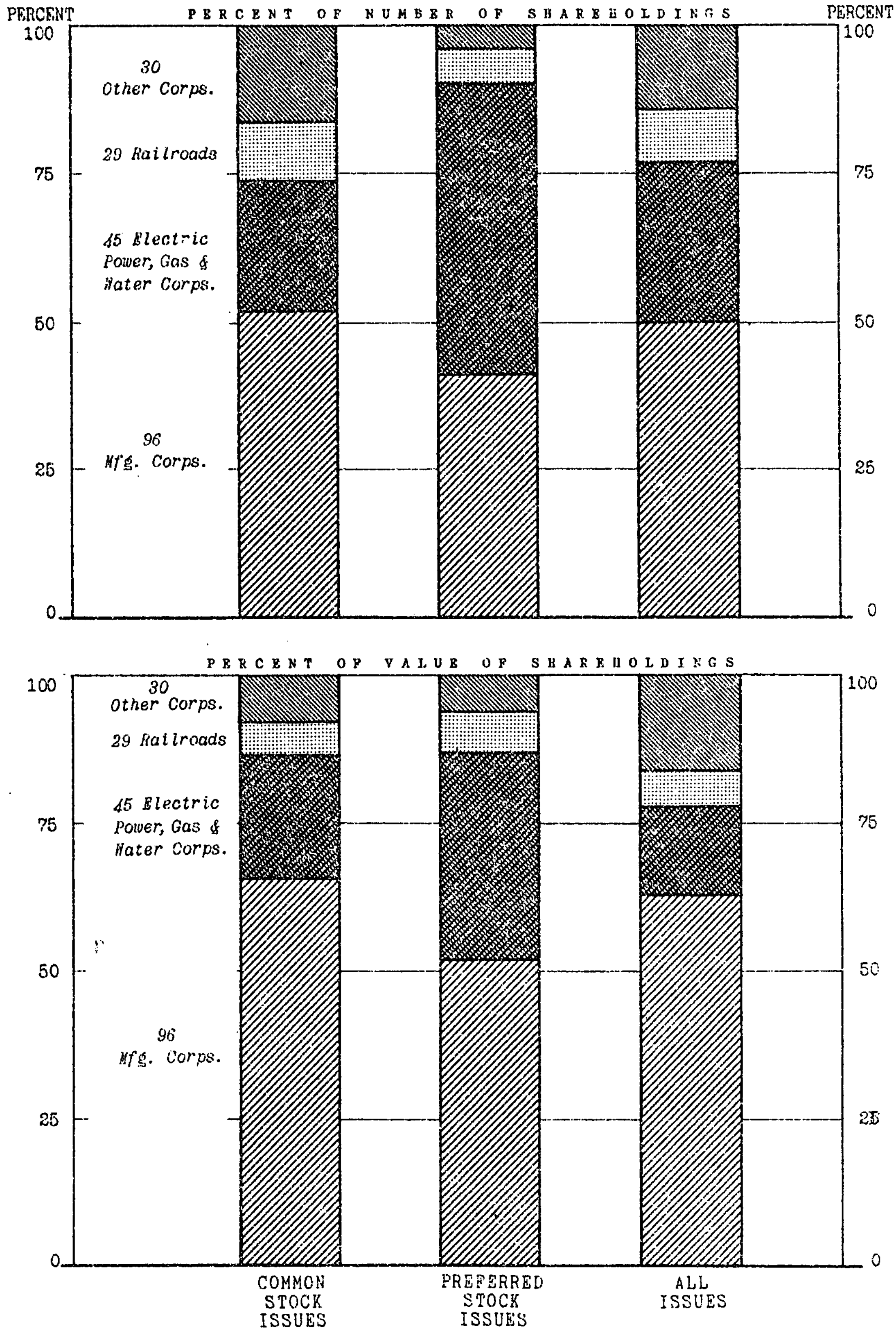
CHART III

DISTRIBUTION OF NUMBER AND VALUE OF SHAREHOLDINGS OF THE 200 LARGEST NON-FINANCIAL CORPORATIONS CLASSIFIED BY MAJOR INDUSTRIES



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Of the total 7,027,000 common shareholdings 87 percent was accounted for by the 155 issues listed on the New York Stock Exchange, as shown in Table 27, and over 99 percent by the 187 issues listed on any exchange. Table 33 indicates that both proportions were considerably lower for preferred stock issues, amounting to 66 percent for the 127 issues listed on the New York Stock Exchange and slightly under 90 percent for the 173 issues listed on any exchange. In other words, unlisted issues included around 10 percent of all preferred shareholdings, but less than 1 percent of all common shareholdings. Measured by the market value of issues, on the other hand, the proportion of unlisted issues is considerably larger among common stocks because of inclusion in this group of a few closely held issues of considerable value. On a combined basis, unlisted issues accounted for about 5-1/2 percent of the total value of all stocks of the 200 corporations.

b. *Distribution of issues by number of shareholdings and by value*

The stocks covered in the study varied in type from 14 issues of common and 4 issues of preferred stock wholly owned by a parent corporation, and the issues held by small groups of individuals, such as the stock of the Ford Motor Co., to the common stock of the American Telephone & Telegraph Co., with 641,308 shareholdings. No distinctions were drawn in the statistical presentation between issues of corporations that were closely held, as opposed to those widely held. While the subject of large shareholdings is treated in detail in Chapters V to VII and in Appendix IX, it may be noted at this point that in nearly 50 of the 208 common stock issues included in the tables 50 percent or more of the outstanding shares was owned by a single family or a small group of holders, while a similar situation prevailed among 24 of the 196 outstanding preferred stock issues. These closely held issues accounted for 11 percent of the total value of all common stock issues and slightly over 8 percent of that of all preferred stock issues included in the study.

The distribution of the 404 issues by the number of shareholdings per issue is shown in Table 25 for common stocks and in Table 31 for preferred stocks. Among the 208 common stocks there were 24 issues with less than 1,000 shareholdings each, including the 14 issues wholly owned by a single other corporation. The number of shareholdings varied between 1,000 and 10,000 in 62 cases, which together accounted for not much over 4 percent of the total common shareholdings in the 200 corporations. The 109 issues with 10,000 to 100,000 shareholdings accounted for nearly 3,700,000 shareholdings in the aggregate, or slightly over 50 percent of the total. There were only 13 issues with more than 100,000 shareholdings each, but combined they accounted for 3,063,000 shareholdings, or nearly 44 percent of the total, the common stock of the American Telephone & Telegraph Co., alone representing nearly 10 percent of all shareholdings in the 208 issues. The importance of a few widely held stocks was evident in the fact that the 20 issues with the largest number of shareholdings--75,000 or more in each case--while representing only one-tenth of all issues, accounted together for more than one-half of all reported common shareholdings in the 200 corporations.

Among preferred stocks the share of a small number of issues with numerous shareholdings was somewhat less pronounced. Of the 196 issues, 34 had less than 1,000 shareholdings each and together accounted for less than 1 percent of total holdings, compared to 24 issues with not even one-tenth of 1 percent of all shareholdings among common stocks. Over 120 issues--or more than 60 percent of the total number against only a little over 30 percent among common stocks--had between 1,000 and 10,000 shareholdings each, and together represented nearly 40 percent of the total against a proportion of less than 5 percent for common stock issues. There were only 39 preferred stock issues--about one-fifth against a comparable proportion of three-fifths among common stocks--which had more than 10,000 shareholdings each, together accounting for about 60 percent of all shareholdings, compared to 95 percent in the case of common stock issues. The largest preferred stock issue--that of the United States Steel Corp.--had less than 67,000 shareholdings or only about 10 percent as many holdings as the most widely held common stock, that of the American Telephone & Telegraph Co. 5/

c. *Average value per shareholding* 6/

The average value per shareholding obtained by dividing the total estimated value of all issues by the number of shareholdings amounted to just over $4,000 for common stocks and to about $3,700 for preferred stocks.

The 208 common stock issues of the 200 corporations are distributed in Table 26 by the value of the average shareholding in each individual issue; comparable data are shown for preferred stocks in Table 32. Only 30 of the common stock issues, or less than 15 percent of the total, had an average value per shareholding of less than $1,000. Together these issues accounted for about 1,600,000 shareholdings, or 23 percent of the total, but their aggregate value amounted to less than 3 percent of that of all 208 issues. At the other extreme, the average value per shareholding exceeded $10,000 in 53 issues, comprising less than 5 percent of all shareholdings, but over 25 percent of the total value of all issues. The very wide range in the value of the average shareholding per issue of common stock represents to some extent, but by no means entirely, differences in the size of the original average investment. A considerable part of the variation in the 1937 market value of the average shareholding is a result of price developments occurring after the initial offering. It is evident, in particular, that many of the issues which now show a very low value per average shareholding were not distributed in correspondingly small blocks, the low value rather reflecting, to a large extent, decline in the price per share between the date of original offering and December 31, 1937.

5/ The importance of a relatively few large issues is also shown when the individual issues are classified not by the number of shareholdings, but by their calculated value at the end of 1937. (See Table 70, for common and Table 71, for preferred stock.) The average market value per issue of common stock was about $135,000,000, but one-half of the issues had a value of about $60,000,000 or less. Among preferred stocks the average value was only $26,000,000 and one-half of the issues showed a value of less than about $15,000,000. While each of the issuing corporations had assets of more than $60,000,000, over 15 percent of the common stock issues and about 40 percent of the preferred stock issues had a value of less than $10,000,000. Not less than 74 common stock issues, or over one-third of the total had a total value of $100,000,000, or more, but only 8 preferred stock issues exceeded that limit. These issues accounted for about 23 percent of the total value of all common and 28 percent of that of all preferred stock issues of the 200 corporations.

6/ The average value per shareholding reflects not only individual but corporate shareholdings which in some cases exert the more dominant influence.

Among preferred stocks 32 issues, or again about 15 percent of the total number had an average value per shareholding of less than $1,000. These accounted, together, for almost 25 percent of the total number of preferred shareholdings but less than 5 percent of their aggregate value. There were only 35 preferred stock issues with an average value per shareholding of $10,000 or more, accounting for merely 5 percent of all shareholdings, but for about 23 percent of the total value of all preferred stock issues, about the same proportions as existed among common stocks.

Marked variations in the average value per shareholding occurred also among the different industries, as shown in Table 22 for common stocks and in Table 28 for preferred stocks. Among common stocks the average value per shareholding was considerably higher in the manufacturing group ($5,074), and in merchandising ($5,192), than in the railroads ($2,497), and in the electric power, gas and water companies ($2,057). Much wider variations, of course, are shown between minor groups within the various industries, but these often are less significant because such sub-groups contain only a small number of issues. The relatively high average value per shareholding in the chemical industry ($13,494), in the operating electric power companies ($9,736) and in the tobacco industry ($7,281), as well as the very low value in the utility holding companies ($1,190), and in the food industries ($1,782), however, appear worth mentioning. 7/

For preferred stocks the variations were at least as large. Those of manufacturing companies showed an average value per shareholding of $4,658, compared, on the one hand, to an average value of $7,599 for merchandising companies and on the other hand, to $3,733 for railroads and $2,677 for electric, gas and water utilities.

No definite relationship appeared to exist between the size of the issuer and the average value per shareholding. However, there was, as would be expected, a direct relationship between the market price per share and the average value per shareholding (the average value in general increasing with higher market price per share) and an inverse relationship between the average market value per shareholding and the number of shareholdings per issue (the average value declining rapidly with an increase in the number of shareholdings per issue).

There may, however, be some interest in the fact that the average value per shareholding was much higher for unlisted common stock issues than for issues listed on an exchange, and that among listed issues those admitted to unlisted trading privileges on the New York Curb Exchange showed a much higher average value per shareholding than fully listed issues. Among fully listed issues, those listed on the New York Stock Exchange had a considerably higher value per average shareholding ($3,954) than those listed on the New York Curb Exchange ($2,399) or only on national securities exchanges outside of New York ($1,228). The same relationship prevailed among issues of preferred stock, with the exception that the unlisted issues had an average value per shareholding considerably below that of the listed issues, due primarily to the relative preponderance in this group of a sizable number of small shareholdings in low-priced utility issues.

7/ These differences, obviously, are partly due to the appreciation and depreciation of the shares of these companies after original distribution.

d. *Proportion of odd-lot and full-lot shareholdings*

Tables 22 to 33 shows the number of shareholdings of 100 shares or less and the number and market value of the shares included in these holdings separately from similar information for shareholdings in blocks of over 100 shares. This is roughly equivalent to the distinction between odd lots and full lots. 8/

For all 208 common stock issues taken together 88 percent of the 7,027,000 shareholdings fell into the category of 100 shares or less. As it is known from several samples that lots of exactly 100 shares constituted only about 5 percent of the total number of shareholdings, it may be estimated that, odd-lot shareholdings accounted for somewhat under 85 percent of all common shareholdings in the 200 corporations. The proportion was considerably higher among preferred stocks, where holdings of 100 shares or less accounted for 93.3 percent of all shareholdings and where odd-lot shareholdings may be estimated to have represented about 90 percent of the total.

Notwithstanding their numerical preponderance, holdings of 100 shares or less accounted for only 17.6 percent of all common shares and for 33 percent of all preferred shares of the 200 corporations. Again tentatively adjusting for lots of exactly 100 shares, it appears that odd lots accounted for somwhat less than 15 percent of common shares and a little less than 30 percent of preferred shares, whether measured by the number of shares held or by their aggregate market value. Combining common and preferred stocks, odd-lot shareholdings seemingly represented nearly seven-eighths of the total number of shareholdings, but accounted for not much over one-fifth of the total market value of all shares in the 200 corporations.

Differences among industries in the proportion of shareholdings in lots of 100 shares or less were not very large for either common or preferred stocks. The proportion of shares included in such shareholdings of 100 shares or less, on the other hand, varied considerably. Of the common stocks of manufacturing companies, 18 percent of the outstanding shares was held in lots of 100 shares or less, compared to 24 percent for railroads and over 41 percent for communication companies (chiefly American Telephone & Telegraph Co.) on the one hand, and 16 percent for merchandising companies and 14 percent for electric, gas and water utilities, on the other. Among preferred stocks the proportion amounted to about 35 percent for manufacturing corporations and 34 percent for utility companies, compared to only 25 percent for railroads and 12-1/2 percent for both merchandising and communication companies.

In general, the proportion of shareholdings in lots of 100 shares or less tended to increase with a rise in the market price of the issue. No clear relationship existed between the proportion of shareholdings of 100 shares and less and the size of the issuer or the market value of the average shareholding. The proportion of shareholdings of 100 shares and less

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8/ On the New York Stock Exchange "odd-lots" generally refer to lots from 1 to 99 shares. Thus, a lot of exactly 100 shares is ordinarily regarded as a round lot, while in Tables 22 to 33 blocks of 100 shares are combined with those of 1-99 shares. This particular classification was made necessary by the terminology of the original questionnaire of the Research Division of the Securities and Exchange Commission.

and of the shares included in such holdings tended to increase somewhat with the number of shareholdings per issue. Issues admitted to full trading privileges on any exchange showed higher proportions of holdings of 100 shares or less and of shares included in such holdings than issues admitted to unlisted trading privileges only, and for common stocks, higher proportions than both issues not listed on any national securities exchange or admitted to unlisted trading privileges only.

4. *The value distribution of shareholdings*

In distinction to the presentation in Tables 22 to 33 of shareholdings in the 404 common and preferred issues of the 200 largest non-financial corporations in terms of significant over-all figures, Tables 34 to 45 present a detailed breakdown of total shareholdings by dollar value groups.

a. *Method of computation*

In the original schedule submitted by these companies to the Securities and Exchange Commission, the size distribution of holdings was based on the number of shares in each holding. 9/ Seven size classes (1-10, 11-25, 26-100, 101-500, 501-1,000, 1,001-5,000, and over 5,000 shares or similar groups) were available for practically all issues with the exception of the largest issues for which more detailed information was generally given. To transform this classification of shareholdings for each issue from a share basis to a value basis--a transformation essential for several comparisons--the limits of each size class were multiplied by the price per share on December 31, 1937 with the result that the value limits for each size class differed from issue to issue. 10/ In order to group different issues together it was essential to use some uniform classification. For this purpose, five value classes of shareholdings were set up, the lowest class including all shareholdings with a value of $500 or less, the second to fourth consisting of those with values of $501-$1,000, 1,001-$5,000 and $5,001-$10,000 respectively, while the fifth value class comprised all shareholdings valued at over $10,000. In cases where the original market value range, derived by multiplying the limits of a size class in a single issue by the price per share, overlapped two or more of these five uniform value classes, shareholdings had to be allocated among them by interpolation. This was done on the assumption of an even distribution of shareholdings within the original size classes except for the highest size group (over 5,000 shares) for which information, available in most cases on the actual size of the twenty largest stockholdings, was used as the basis for allocation. This procedure inevitably results in some distortion of the actual distribution in many individual issues and for small groups of issues. However, judging from tests which have been made, the shortcomings of this method of transforming size classes (in terms of number of shares) into value classes of shareholdings do not appear to be serious enough to invalidate any general conclusions.

9/ These data will be discussed infra.

10/ For example, the value limits of the 1-10 share group would be $25 and $250 for an issue selling at $25 per share, while they would be $75 and $750 for an issue selling at $75 a share.

b. *Common and preferred stock issues*

Chart IV shows the number of shareholdings in each of the five value classes separately for common and for preferred stocks. Nearly one-half of the 7,027,000 common shareholdings had a value of $500 or less at the prices of December 31, 1937. Holdings with a value of $501-$1,000 constituted about 16 percent of the total number of common shareholdings, while those with a value of $1,001-$5,000 each amounted to about 25 percent of the total number. Only slightly less than 5 percent of all shareholdings had a value individually of $5,001 to $10,000, and of over $10,000 respectively.

Among the 1,394,000 preferred shareholdings the percentage of holdings with a value of $500 or less was about 10 percent lower than that among common stocks. Each of the other four value groups accounted for a somewhat higher percentage among preferred shareholdings than among common, the difference being particularly visible in the higher proportion of holdings valued between $501-$1,000 and $5,001-$10,000.

Taking common and preferred stock issues together, it appears that about 4,000,000 shareholdings, or slightly less than one-half of the total number, had a value of $500 or less. About 1,375,000 or 16 percent of all shareholdings were valued from $501-$1,000, and about 2,180,000 or almost 26 percent had a value of $1,001-$5,000. There were only about 450,000 shareholdings (5 percent of the total), however, with a value of $5,001-$10,000 and 414,000 shareholdings (5 percent) valued at over $10,000.

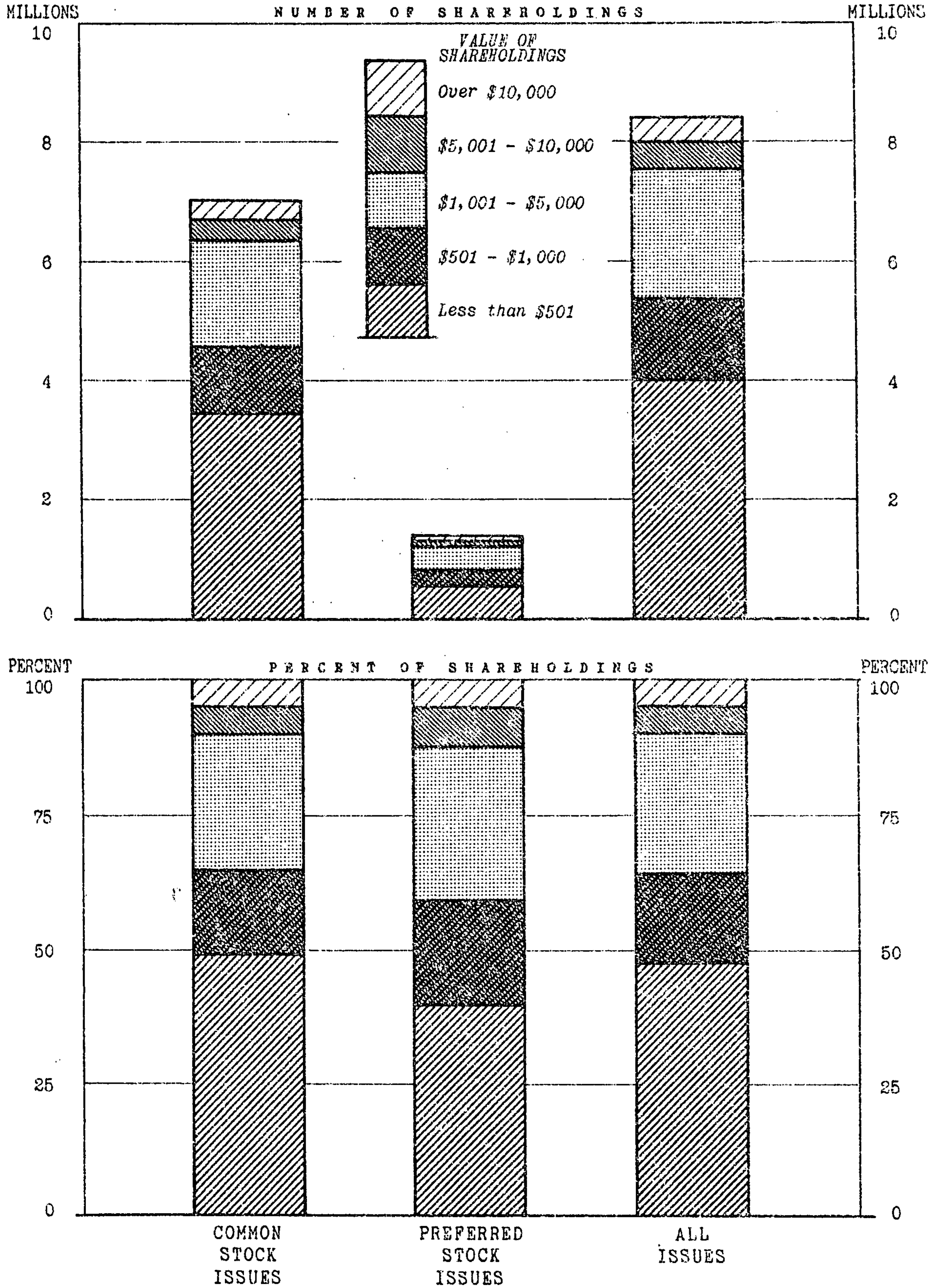
c. *Differences among industrial groups*

Among the major industrial groups, holdings of lowest value (i.e. up to $500) were relatively most numerous among the electric, gas and water utilities for the common stock issues and among the railroads for the preferred stocks. (See Table 34 for common stock and Table 40 for preferred stock.) Among the common stocks generally--except for a few industrial subdivisions dominated by high-priced, widely-held issues or those reflecting exclusively the situation in some closely-held companies--the distribution pattern of greatest frequency was one of largest number of shareholdings in the value group up to $500, sharp recession in the $501-$1,000 value class, substantial rise to a secondary peak in the $1,001-$5,000 group and precipitate tapering off beyond that level. The more exceptional pattern of progressive decline in number of shareholdings from one value group to another was shown in only a few instances, most notably by department stores and utility holding companies.

Over 50 percent of all common shareholdings fell into the lowest value class (that of up to $500) in the groups comprising food and related products, textiles, paper and allied products, tire and other rubber products, automobiles and parts, department stores, amusements, all subgroups of the transportation industry and electric, gas and water utility

CHART IV

ESTIMATED DISTRIBUTION BY VALUE OF SHAREHOLDINGS OF COMMON AND PREFERRED STOCK OF 200 LARGEST NON-FINANCIAL CORPORATIONS



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holding companies. 11/ In most of the other industrial subgroups the proportion of total common shareholdings with a value of $500 or less ranged from 30 percent to 50 percent.

Among the companies in the tobacco products, chemical, miscellaneous manufacturing industries, and communications, however, less than 30 percent of all common shareholdings fell into this lowest value class. Lumber and lumber products, printing and publishing, and the wholesale, commission and brokerage group among the merchandising issues were the only industrial groups which showed the largest number of shareholdings in the highest value class--a result to be expected in view of the fact that these subgroups consisted of but one issue each and reflected the situation in three of the most closely-held among the 200 companies, namely, Weyerhaeuser Timber Co., Hearst Consolidated Publications, Inc. and Anderson, Clayton & Co. Among the major groups represented by a larger number of companies, the smallest proportion of all common shareholdings to fall in the top value class was in the electric, gas and water utility holding companies.

Among the preferred stocks (Table 35), the shareholdings with a value of $500 or less accounted for over 50 percent of all holdings in only a handful of industrial groups, in particular the extractive industries, textiles, printing and publishing, amusement and all divisions of transportation. The significance of this concentration was greatest in the case of the railroads because of the relatively heavier coverage of the field. In general, the range of variation among the various value classes was wider for preferred shareholdings than for the correspondingly grouped common shareholdings because of the more numerous instances among the preferreds in which individual issues dominated the composite industrial picture.

d. *Other differences*

The largest proportion of common shareholdings in the lowest value class and the smallest proportion of holdings in the highest value class were found, according to Table 35, among the companies with assets of under $100,000,000. The smallest relative proportion of holdings in the lowest value class and the largest in the intermediate $1,001-$5,000 group occurred in corporations with assets of $200,000,000 to $500,000,000. The distribution pattern of shareholdings by value in companies with assets of $500,000,000 and over approximated more closely that of the lowest asset class than that of either of the intermediate size groups. In these largest of the 200 corporations, a little over 50 percent of all holdings had a value of $500 or less while only 4.3 percent were valued in excess of $10,000.

11/ Concentration in the lowest value group is, of course, more significant in such cases as the electric, gas and water utility holding companies, the railroads and the food products among the industrials than in the textile and paper companies, for example, because of the more substantial coverage in the former instances.

Among the preferred shareholdings, classified by size of corporation (Table 41), the variation in the proportion of holdings falling within the various value classes was less pronounced than among the common shareholdings. In general, however, the proportion of total holdings have a value in excess of $5,000 was somewhat larger among the preferred issues, but in none of the size groups did the proportion of holdings valued under $5,000 drop below about 85 percent of the total.

In the classification of shareholdings by market price of shares at December 31, 1937 (see Table 36 for common stocks and Table 42 for preferred stocks), there appears an obvious inverse correlation between price of issue and proportion of holdings in the lowest value class; the higher priced the issue, the lower the proportion of holdings in the lowest value class. The reverse situation occurred, though less clearly, in the highest value group, the proportion of such holdings rising steadily with increase in price of the issue.

The classification by number of shareholdings per issue (Table 37 for common stocks and Table 43 for preferred stocks) gives, naturally enough, a rather clear-cut impression of the effect of dispersion of ownership upon the distribution of holdings among the various value groups. The larger the number of shareholdings per issue, the heavier the concentration of shareholdings in the lowest value group and the smaller the proportion of holdings in the highest value class. Of the 52 shareholdings of the 17 common stock issues with less than 100 holdings each, only 6 were valued at less than $500 or less and 32 had a value in excess of $10,000. At the opposite extreme, of the 3,063,000 holdings in the 13 common stock issues with 100,000 stockholders or more, about 52 percent were valued at up to $500 and fewer than 4 percent had a value in excess of $10,000. Among the preferred stocks the same general tendencies in the relationship between number of holders per issue and proportion of holdings in the various value groups appeared, except for the more moderate variation in percentages from the more closely to the more widely held issues.

When related to the market value of the average shareholding per issue, the distribution of shareholdings by value groups (see Table 38 for common stocks and Table 44 for preferred stocks) followed the same general pattern as appeared in the classification by market price per issue.

The distribution of shareholdings among the various value groups by the listing status of the shares (see Table 39 for common stocks and Table 45 for preferred stocks) shows that among the listed common stock issues of registered corporations, those listed on the New York Stock Exchange had the smallest percentage of holdings in the lowest value class and the highest percentage of holdings in the highest value class. This was true of the preferred stocks as well. As between listed and unlisted issues, however, the preferred and common stocks exhibited markedly divergent tendencies. Among common stocks, the unlisted issues showed a very much smaller percentage of shareholdings in the lowest value class than the listed issues and a very much larger percentage of holdings in the highest value class. Among preferred stock issues no such differences appeared.

5. *Distribution of total shareholdings by size of individual holding*

In contrast to the distribution of all book shareholdings in the 200 corporations by value of holdings discussed in Section 4 (Tables 34 to 45), Tables 46 to 69, reflect the distribution of these holdings on the basis of the number of shares in each holding. Because of the lack of complete uniformity in the size intervals among which the original data on shareholdings were distributed, the tabular presentation in this instance has of necessity been made in two sections for each type of stock, common and preferred. Accompanying each of the Tables IV-25 through IV-36, which cover the companies submitting the information for seven size classes exactly as defined in the questionnaire, is a subsidiary table presenting, on a comparable basis, similar data relating to that minority of issues for which the reports deviated more or less from the pattern of distribution by size asked for in the questionnaire. 12/

For 175 of the 208 common stock issues, and 176 out of the 196 preferred stock issues, data were available on a comparable basis for the seven intervals requested in the questionnaire, i.e., 1-10; 11-25; 26-100; 101-500; 501-1,000; 1,001-5,000 and over 5,000 shares. The common stock issues for which the information was available in this standard form accounted for almost 59 percent of the total common shareholdings, about 70 percent of all outstanding shares and about 68 percent of the total value of all 208 stock issues. Coverage was more nearly complete for preferred stocks, about 87 percent of aggregate holdings and outstanding shares and 86 percent of aggregate value being represented by issues with the data in standard form.

By combination of the tables for the distribution in standard and in irregular form it is found that of the total 7,027,000 shareholdings in all 208 common stock issues, about 88 percent comprised 100 shares or less, almost 10 percent ranged individually from 101-500 shares each and a little over 1 percent from 501 to 1,000 shares, while less than 1 percent fell in the 1,001-5,000 share category and about one-fourth of 1 percent comprised over 5,000 shares each. The corresponding proportions of total shares held were 17.6 percent for the 1-100 share group, 21.1 percent for the 101-1,000 share group, 12.8 percent for the 1,001-5,000 share group and 48.4 percent for the one-fourth of 1 percent of holdings with over 5,000 shares each--confirmation once again of the tendency evident in several phases of this study toward concentration of ownership of a preponderant proportion of total common shareholdings among a very limited percentage of all holdings.

Judging by the 175 common stock issues for which a uniformly detailed subdivision of holdings of 100 shares or less was available, about 33 percent of total such holdings included 1-10 shares; 24 percent, 11-25 shares; and 31 percent, 26-100 shares. The corresponding proportions of shares held were 1-1/4 percent for all holdings of 1-10 shares each, 3 percent for those of 11-25 shares and about 12 percent for the holdings comprising 26-100 shares each. 13/

12/ The most common difference between the size distributions in standard form and those in irregular form were in the groups within the limits up to 100 shares. Variations here were so numerous as to make uniform classification within narrower limits impossible.

13/ More complete coverage of all 208 common stock issues in this detailed comparison would have resulted in some, but apparently only moderate, modification of these percentage relationships.

Combining corresponding tabulations among the preferred stocks, it appears that of the total 1,394,000 shareholdings in all 196 issues, a little over 93 percent comprised 100 shares or less, about 6 percent ranged individually from 101-500 shares each, about one-half of 1 percent from 501 to 1,000 shares and less than one-half of 1 percent from 1,001-5,000 shares each, while only one-tenth of 1 percent included in excess of 5,000 shares. The corresponding proportions of total shares held were, in the same order, 33.0 percent, 20.9 percent, 7.2 percent, 14.3 percent and 24.6 percent--confirmation from a different approach of the previously noted lesser degree of concentration among preferred than among common shareholdings. Holdings of over 1,000 shares accounted for only 40 percent of all outstanding preferred shares, compared to over 60 percent among common stocks.

Touching briefly upon some of the more salient points of similarity and contrast in size distribution between preferred and common shareholdings in relation to various basic characteristics, it is noted from the asset size classification (Tables 48 and 49, for common stocks and Tables 60 and 61, for preferred stocks) that the percentage of shareholdings in each of the groups over 25 shares is lower among preferred than among common stocks regardless of asset size of the issuer corporation. In the 11-25 share group proportionate holdings are about the same. In the 1-10 share group, however, tendencies are reversed, and the proportion of such holdings is sharply higher for preferred than for common stock issues. (Much of the difference between preferred and common stock is, of course, due to the higher average price at which preferred stocks sell.) In relation to total shares outstanding, the proportion of shares held in every size class is uniformly higher for preferred than for common stock in all but the top category of over 5,000 shares. 14/

The size classification of shareholdings by market price of shares at December 31, 1937 (see Tables 50 and 51, for common stocks and Tables 62 and 63 for preferred stocks) fails to show any clearly defined relationship between the proportion of shareholdings falling within the various size groups and the price of the issue.

Among the preferred stocks there appears a tendency toward steady diminution in the proportion of holdings in the size groups over 100 shares and, to a lesser extent, in the 26-100 share group as well, with increase in the number of shareholdings per issue. (Tables 52 and 53, for common stock and Tables 64 and 65, for preferred stock.) Among the common stocks this tendency does not become clearly established until the 501-1,000 share group is reached. In both types of stock, on the other hand, but less clearly among the preferreds, one notes among size groups from 100 shares down--particularly in the groups composed of 1-10 and 11-25 shares--a definite trend toward steady rise in proportion of shareholdings with increase in number of shareholdings per issue.

The classification by listing status (see Tables 56 and 57, for common stock and Tables 68 and 69, for preferred stock) provides corroborative evidence of the difference in type of holding in unlisted preferreds as opposed to unlisted common stocks, unlisted preferred stocks showing a heavy concentration in the smaller sized holdings, while unlisted common stocks show a relatively high proportion of large holdings.

14/ Allowing for those issues covered in the subsidiary tabulations, this shift in tendency probably occurs actually somewhat under the 5,000 share level.

6. *Concentration of ownership*

a. *Method of measurement*

The preceding sections have dealt with certain totals of shareholdings in the 200 largest non-financial corporations. They have given a concrete idea of the number of shareholdings of different size and their relative importance among the 200 corporations, and have indicated differences in size distribution of shareholdings by type of stock, industry and size of the issuer, price of issue, number and average value of shareholding per issue. These sections have also touched briefly upon the concentration of ownership prevailing among the 200 corporations, by indicating the relatively small number of large shareholdings and the relatively large number of shares included in these not too numerous holdings. This sixth section is specifically devoted to a discussion of the degree of concentration of ownership in the 200 corporations and of differences in concentration between different types of stocks and issuers.

As in the preceding sections, the basic material consists of the data on the size distribution of shareholdings of each of the equity issues of the 200 corporations. Two distributions are available. In the first distribution the total number of shareholdings and shares outstanding are arranged in seven groups on the basis of the number of shares in each individual holding. The second distribution, derived from the first as described in Section 4, is based, on the other hand, on the estimated market value at the end of 1937 of each individual shareholding; it shows the number of shareholdings falling within five value classes, but not the number or the aggregate market value of the shares included in the holdings in each value class.

It is important to remember that both distributions are based on record shareholdings as they appear on the books of the 200 corporations with the result that shares owned by numerous individual stockholders, generally in relatively small blocks, frequently appear as a small number of larger shareholdings registered in the names of nominees, mainly brokers and banks. 15/ The available figures thus tend to exaggerate somewhat the degree of concentration existing among the beneficial owners of the stock of the 200 corporations. An attempt has already been made in Section 3 to obtain a rough idea of the difference between the distribution of record shareholdings and beneficial shareholdings. While it is concluded that for all 200 corporations combined the distribution of ownership is only slightly less concentrated on the basis of beneficial ownership than on the basis of record ownership, the difference may be substantial in individual corporations and undoubtedly is in a number of instances. Furthermore, it is possible that fairly sizable differences in this respect may even characterize whole groups of corporations but it has been attempted to make allowance for this factor in interpreting the data.

Ownership of an issue of stock may be regarded as equally distributed if every shareholding is equally large or, in other words, if every stockholder owns the same proportion of stock outstanding. The more the actual distribution deviates from this perfectly equal distribution, the more

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15/ On the other hand, there are a number of instances in which several record shareholdings in the same stock are owned beneficially by the same person through nominees. These are considered, however, to have only a relatively small effect on the results.

concentrated the ownership. 16/ This concept of concentration of ownership has been utilized to construct graphs, generally known as Lorenz curves, which indicate visually the degree of concentration of record ownership existing in any stock issue. The Lorenze curves are constructed by connecting a number of points derived from the distribution data, each of these points indicating the percentage of the total issue outstanding which is included in a certain percentage of the shareholdings cumulated from the largest shareholding downward. By such linking a broken line is obtained, which will ordinarily approximate a smooth curve more and more closely as the number of points increases. 17/ The limited number of points available for this study does not permit drawing a smooth curve. Thus all the charts show the broken line obtained by linking the actual points as derived from the data for each issue (see Sections II and III of Appendix III). The size of

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16/ In this section, the term "concentration of ownership" in an individual corporation will refer to the extent of the inequality of the distribution of ownership among the stockholders of that corporation. More specifically, the concentration of ownership in one corporation will be said to be greater than the concentration of ownership in another corporation when it takes on the average a smaller proportion of the shareholdings in the first corporation to account for a designated proportion of the shares. The particular measure of concentration which will be used in this section is the area between the Lorenz curve and the line of equal distribution.

This concept of concentration of ownership is quite unambiguous. There are, however, other aspects of concentration of ownership of a corporation which are not covered in this concept. Possibly the most important limitation of the concept used here is the fact that it relates to the distribution of ownership of some corporation or issue among a group of stockholders without regard to their number. Thus, a corporation might be closely-held and yet not at all concentrated in its ownership according to this concept, viz, if each of the few stockholders owned the same amount of stock--even though its ownership is unquestionably concentrated from the point of view of the general population or of all stockholders. For some purposes, therefore, concentration might be measured by a second and entirely independent figure, the reciprocal of the number of shareholdings, a figure which may be used in conjunction with the measure derived from the Lorenz curve. This second measure will not be used in the present section, but comparison of the degree of concentration among individual issues or groups will be limited to issues or groups with a considerable number of shareholdings.

17/ There are only eight points available on the basis of size of shareholdings (viz, the point representing the percentage of all shareholdings constituted by those of more than 5,000 shares and the proportion of all shares outstanding included in these holdings, and so on downward) and only six points where the distribution by value groups of holdings is utilized. In the latter case the proportion of the total value of the issue represented by shareholdings in a certain value group must be estimated, generally by multiplication of the number of shareholdings by an estimated average value.

the area between the broken line and the line of equal distribution indicates the degree of concentration; the larger this area, the higher the concentration. 18/

The concept and measure of concentration of ownership, as described above, are readily applicable to an individual corporation or, rather, to an individual issue of stock. Certain difficulties arise, however, when it is attempted to characterize a group of corporations or stock issues in a similar manner, i.e., to measure the average degree of concentration of ownership prevailing in the group. An obvious solution to this problem is to use the median area under the Lorenz curve, together with some measure of its representativeness. Such a measure is based on an entire issue as a unit and each shareholding receives a weight based on its size relative to all shareholdings of the same issue only. Another measure which can be utilized is the area under the Lorenz curve obtained by combining all the shareholdings of the issues covered by the report or of some smaller group of issues. This aggregate measure is based on the shareholding as a unit and each shareholding receives a weight based on its size relative to all the shareholdings of the issues included in the group. In such an approach, the shareholdings in a number of corporations are grouped together and treated as if they all formed part of one large issue. Since the data for the aggregate Lorenz curves have already been obtained as a basis for the discussion of the value and share distribution of individual shareholdings (Sections 4 and 5), these are used instead of the median Lorenz curves in the graphic presentation of concentration of ownership of the various groups of corporations. 19/ In the textual discussion, however, any important differences between the aggregate and median measures will be pointed out.

Two measures of aggregate concentration of ownership in a group of corporations have actually been used, one based on the value distribution of shareholdings in all corporations in the group, the other based on the share distribution of holdings. For an individual corporation or rather an individial issue, both measures of concentration are identical. However, for a group of corporations this is no longer true because of the different

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18/ The area between the broken line and the line of equal distribution will always be smaller than the area between the line of equal distribution and the curve which would be obtained if all points were available. Consequently, the estimated degree of concentration will always be smaller than the actual degree of concentration. The size of this error is not constant, being larger for issues with a relatively low degree of concentration of ownership than for issues with high concentration. This factor, however, has been taken into consideration in comparing various groups of issues with respect to significant differences in the distribution of their ownership.

19/ Another reason for the use of the aggregate measure of concentration of ownership was to make the treatment of the subject in this report comparable to that followed in a companion report on the size distribution of ownership of 1,710 corporations with securities listed on a national securities exchange. In the companion report it was not feasible to follow the median approach in view of the large number of issues involved for each of which the area under the Lorenz curve would have had to be determined separately.

weighting inherent in the two measures. Thus in the aggregate value distribution of shareholdings the same weight is given to shareholdings of equal value regardless of the number of shares in each holding. Conversely, in the share distribution the same weight is given to shareholdings comprising the same number of shares regardless of their value. The share distribution has the advantage of being derived directly from the original data while in the value distribution it was necessary to resort to interpolation with the attendant possibilities of error. The value distribution, on the other hand, has the advantage of putting issues of various prices on a comparable basis; furthermore, the information it provides - viz, the number and relative importance of shareholdings of a certain value - is more interesting than that given by the share distribution. The relatively small differences between the concentration of ownership indicated by the value and share distributions are probably due mainly to the different weights given to the same issue by the two approaches. However, they also reflect to some extent errors in the interpolation used to derive the value distribution of the shareholdings in individual corporations from the share distributions.

The procedure described above makes it possible to depict by a single curve the distribution of ownership of all the 200 corporations or large segments thereof. The composite nature of such aggregates of concentration must, however, be borne in mind in their interpretation.

b. *Results*

Chart V shows the Lorenz curves for the aggregate of all stock issues of the 200 largest non-financial corporations, based on the estimated distribution by the end-of-1937 value of all 8,400,000 individual shareholdings. One curve is based on the aggregate for all 208 common stock issues and the other on that for all 196 preferred stock issues of the 200 corporations. As the Lorenz curve for preferred stocks is nearer to the line of equal distribution than that for common stocks, it is apparent that the degree of concentration of ownership was smaller among the preferred stock issues of these 200 corporations than among their common stock issues. 20/ It took less than the largest 3 percent of common shareholdings—i.e., less than about 200,000 out of 7,000,000—to account for one-half of the total value of shares outstanding, and less than 15 percent of all shareholdings was necessary to account for four-fifths of their aggregate value. For preferred stocks, on the other hand, nearly the largest 5 percent of shareholdings was required to account for one-half of the total value of the issues, and it took about 23 percent of all shareholdings to account for four-fifths of the value. Looking at these curves from a slightly different point of view, it is seen that the largest 10 percent of shareholdings accounted for approximately 75 percent of the total value of all common stock issues, but for only about 65 percent of that of all preferred stock issues of the 200 corporations. These figures indicate that, while

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20/ This may be attributable in small part to the greater importance of nominee shareholdings in the common than in the preferred stock. Another and more important factor lies in the fact that large corporate holdings are more commonly found in common than in preferred stock.

the degree of concentration was somewhat smaller among preferred than among common stock issues, it was very large in both cases. This is shown in Chart V by the smallness of the area under the Lorenz curves. 21/

Chart VI indicates the degree of concentration for the preferred and common stock issues of the three major industrial groups. 22/ Apparently, ownership of the common stock is more concentrated than that of the preferred stock in both manufacturing and electric, gas and water utility corporations. In the relatively few railroad corporations included in the study, concentration appears slightly higher among the preferred stocks, but the difference is so small that no significance can be attached to it, and the relationship is actually reversed when the median measures of concentration of the two groups, (i.e., the median areas under the Lorenz curves for the common and preferred stock) are compared. This chart also indicates that the ownership of common stock is slightly more concentrated among the utility corporations than among the manufacturing and railroad corporations included in the group. 23/ The concentration of ownership of preferred stock appears to be considerably higher for railroad corporations than for either manufacturing or utility companies, which do not show much of a difference from this point of view.

The degree of concentration is shown by Chart VII to be slightly higher among the very large corporations (assets over $200,000,000) than among those of more moderate size (assets $60,000,000 to $200,000,000). Though the same relationship is obtained when the median measures of concentration of the two groups are compared, analysis shows that this results from the relatively large weight given to the utility companies among the very large corporations, and that size in itself does not

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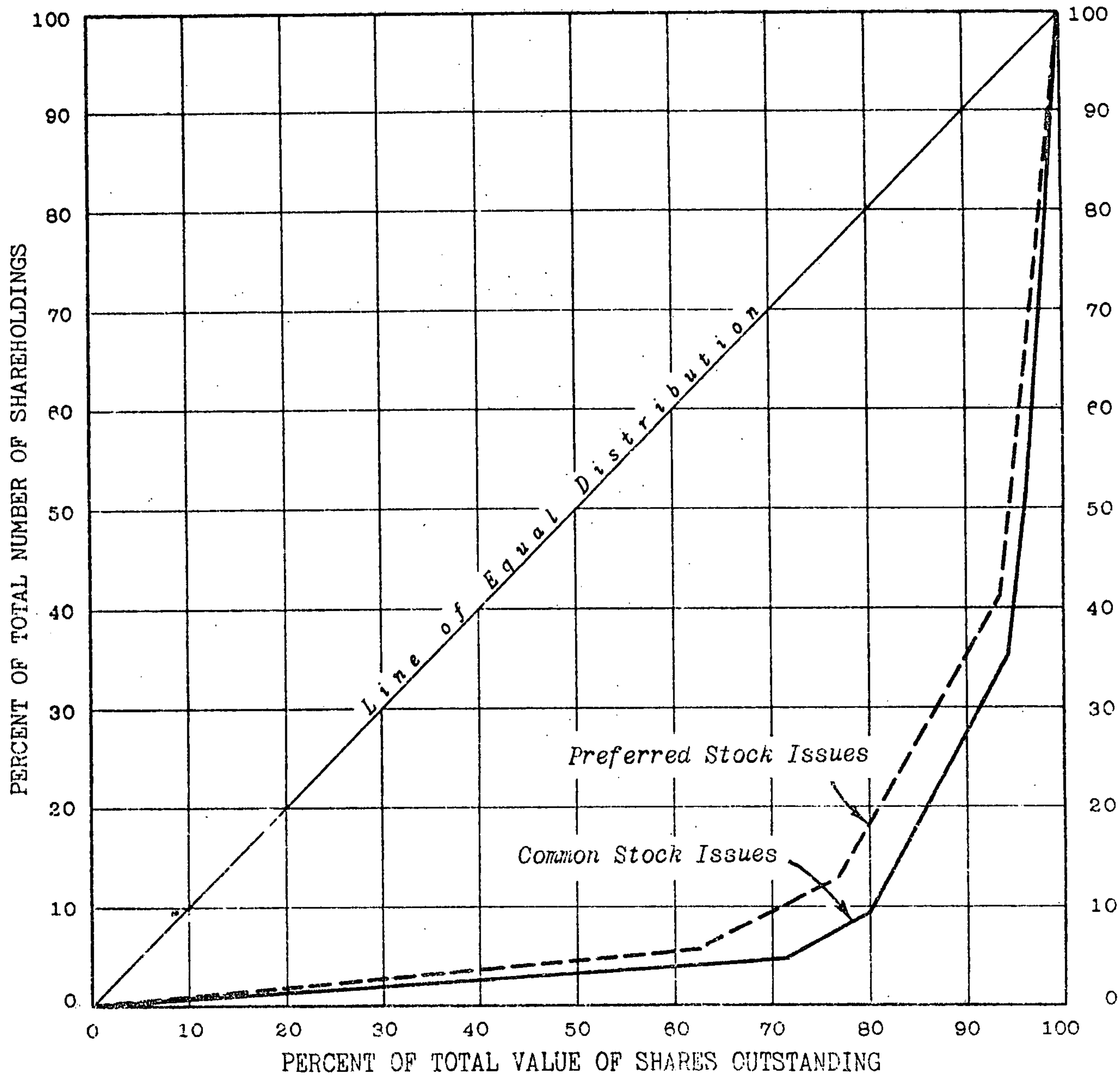
21/ The median areas under the Lorenz curves show slightly less concentration for both common and preferred stock than the aggregate areas, but the difference between the measures of concentration of ownership in common and preferred stock is in the same direction and is even slightly more pronounced for the median areas.

22/ This chart, as well as all the following charts, has been based on the size distribution by number of shares held and not, like Chart V, on the distribution of shareholdings by value, because there are eight points available for this size distribution compared to only six points for the value distribution, and because no estimates are necessary to determine the proportion of the total number of shares represented by each group of holdings. These data, however, are available in comparable form for only 351 of the 404 issues. Wholly-owned issues, i.e., issues wholly owned by a single stockholder, are not included in the size distribution of shareholdings by number of shares (Charts VI and VII) but are included in the overall value distribution of shareholdings (Chart V).

23/ One important factor contributing to this result is found in the large holdings of utility holding companies in other utility issues, apart from wholly-owned issues which were excluded.

CHART V

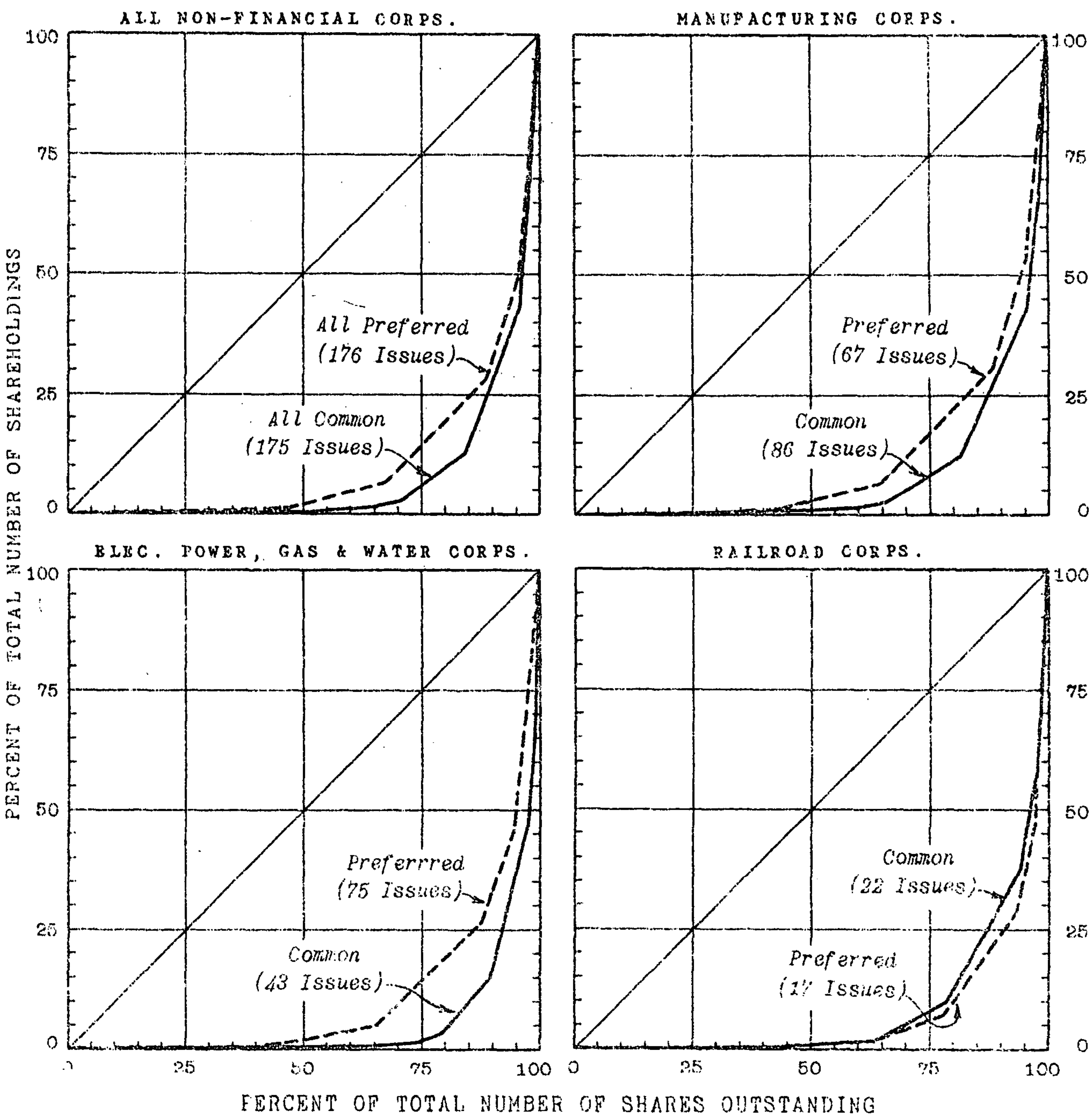
CONCENTRATION OF OWNERSHIP OF STOCK
IN 200 LARGEST NON-FINANCIAL CORPORATIONS



DS-1611

CHART VI

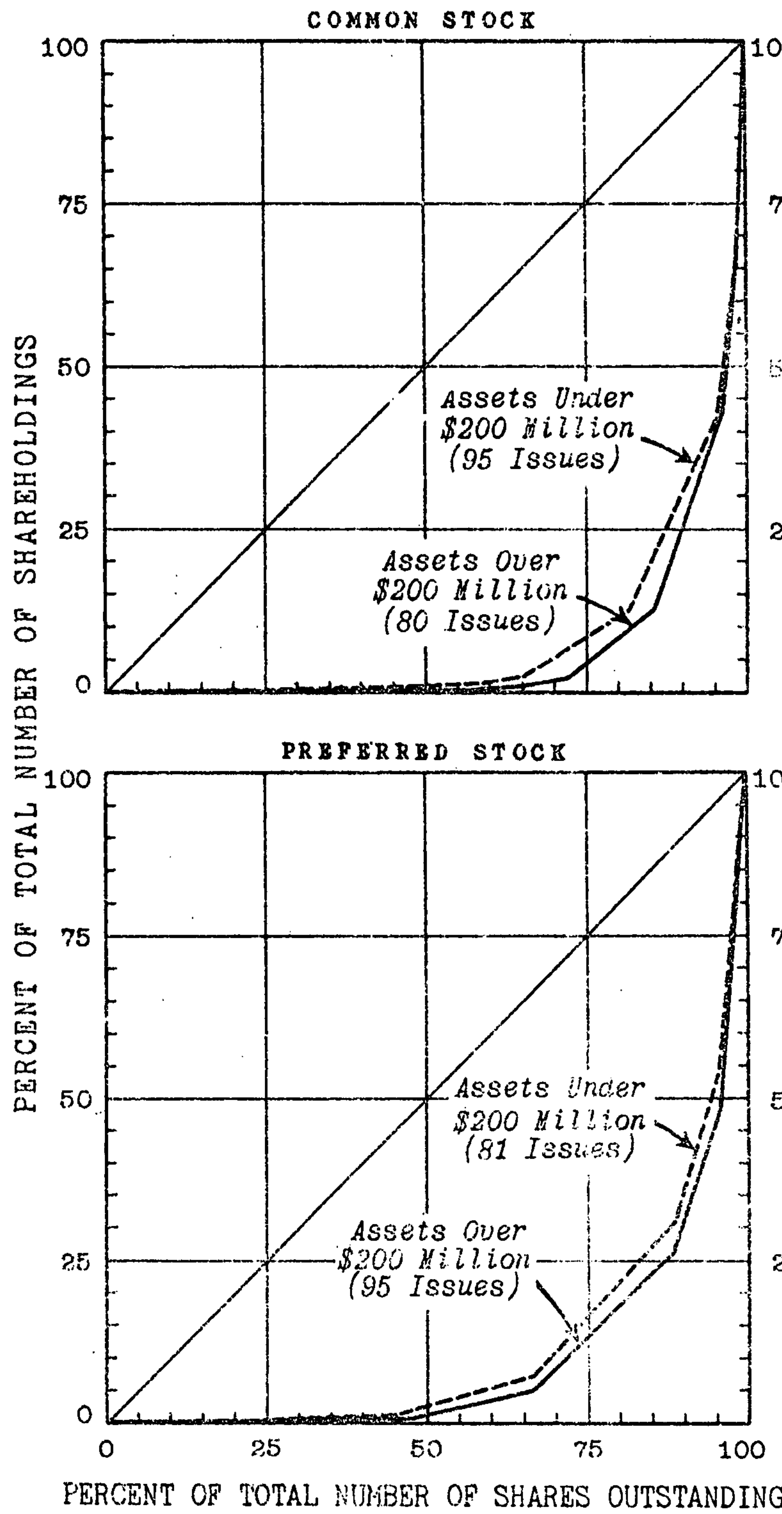
CONCENTRATION OF OWNERSHIP IN 351 STOCK ISSUES
OF 170 LARGE NON-FINANCIAL CORPORATIONS
CLASSIFIED BY INDUSTRY



DS-1530

CHART VII

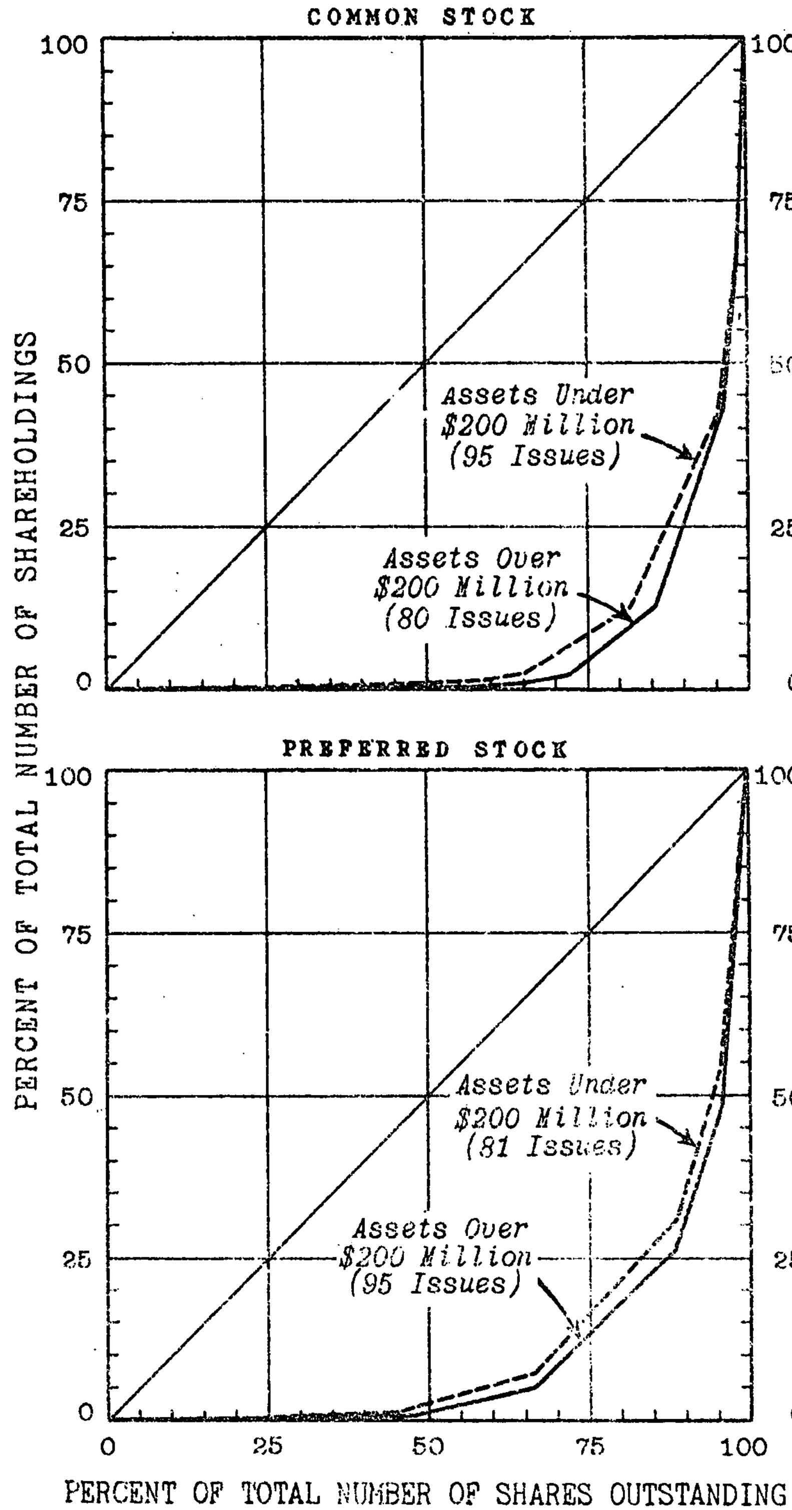
CONCENTRATION OF OWNERSHIP IN 351 STOCK ISSUES OF 170 LARGE NON-FINANCIAL CORPORATIONS CLASSIFIED BY SIZE OF ASSETS



DS-1536

CHART VII

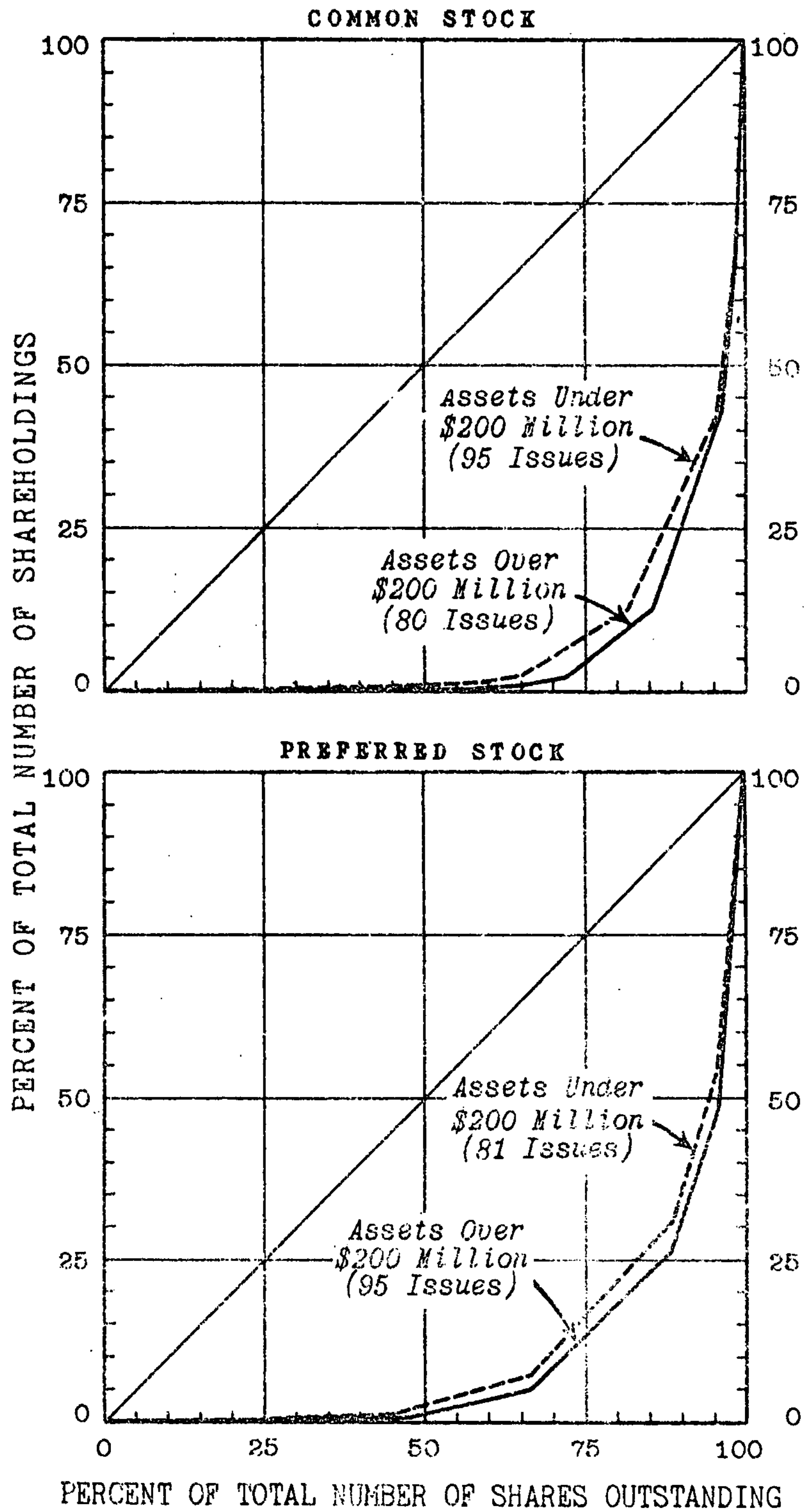
CONCENTRATION OF OWNERSHIP IN 351 STOCK ISSUES OF 170 LARGE NON-FINANCIAL CORPORATIONS CLASSIFIED BY SIZE OF ASSETS



DS-1536

CHART VII

CONCENTRATION OF OWNERSHIP IN 351 STOCK ISSUES OF 170 LARGE NON-FINANCIAL CORPORATIONS CLASSIFIED BY SIZE OF ASSETS



DS-1536

CHART VII

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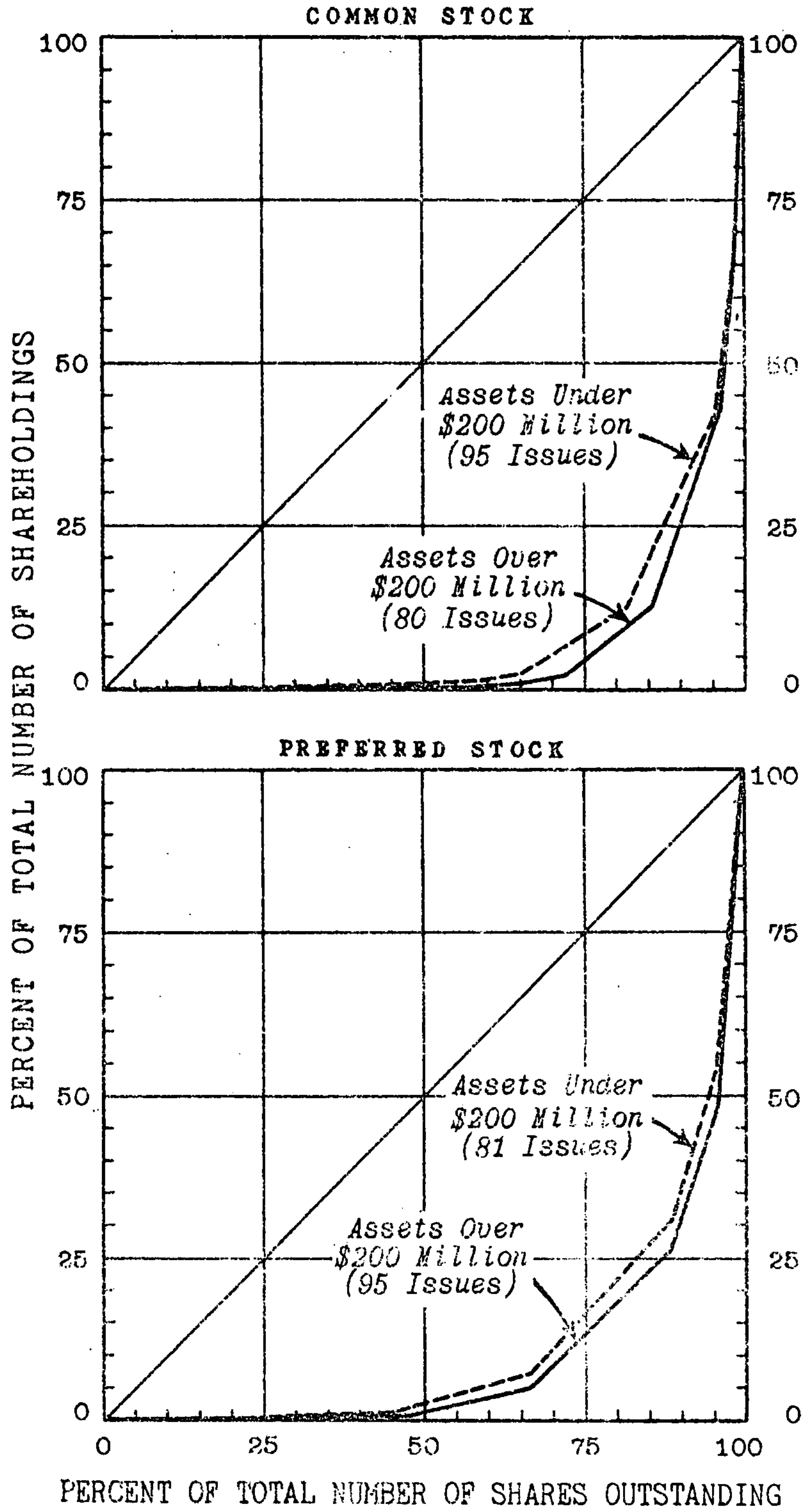
OF 170 LARGE NON-FINANCIAL CORPORATIONS
CLASSIFIED BY SIZE OF ASSETS



DS-1536

appear to introduce any significant differences in the degree of concentration of ownership. Concentration is smaller in both cases for the preferred stock issues than for the common stock issues. 24/

While the degree of concentration of ownership varies, of course, very considerably among the 404 issues of the 200 largest corporations, the distribution is in almost all cases very far away from the line of equal distribution. 25/ Sections II and III of Appendix III permit an approximate evaluation of the degree of concentration in each of the 404 issues. 26/ It appears from these data that in about one-half of the common stock issues only approximately 1-1/2 percent of the book shareholdings is necessary to constitute a majority of the total stock outstanding, while for one-half of the preferred stock issues less than the largest 3 percent of shareholdings is required to account for 50 percent of the shares. There are only very few common stock issues in which it takes more than 5 percent of the shareholdings to account for a majority of the issue. In not more than a quarter of the issues is it necessary to combine more than the largest 2-1/2 percent of the shareholdings in order to attain 50 percent of the number of shares outstanding. On the other hand, over 5 percent of the shareholdings is required in about one-third of the preferred stock issues to account for 50 percent of the issue. 27/

Charts VIII to X show concentration of ownership as reflected in the Lorenz curves for the common stock issues of a number of representative companies in the major industries, and Charts XI and XII present the same picture for preferred stocks. The issues have been chosen mainly to

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24/ The results discussed above have all been checked by a partial analysis based on median measures of concentration (together with measures of representativeness) of the various sub-groups of companies referred to. Whenever one of the three factors, industry, size of corporation, and type of stock, was considered, the other two were kept constant. Price of issues also was introduced into the analysis, but differences in price did not appear to be associated with differences in the degree of concentration of ownership.

25/ For almost all sub-groups of companies considered there is a rather marked clustering of measures of concentration of ownership in individual corporations (i.e., the areas under the Lorenz curves for individual corporations) about the median for the group (i.e., the median area under the Lorenz curve). In other words, there is a rather high degree of similarity among the patterns of distribution of ownership in different corporations in the group.

26/ For each issue the proportion of shareholdings necessary to account for 50 percent of the shares, as well as the area under the Lorenz curves has been computed. These figures, however, are not presented in Appendix III.

27/ All these figures are based on record shareholdings. The proportion of holdings required to account for a majority of the shares outstanding would be somewhat higher if the calculations were based on beneficial shareholdings.

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26/ For each issue the proportion of shareholdings necessary to account for 50 percent of the shares, as well as the area under the Lorenz curves has been computed. These figures, however, are not presented in Appendix III.

27/ All these figures are based on record shareholdings. The proportion of holdings required to account for a majority of the shares outstanding would be somewhat higher if the calculations were based on beneficial shareholdings.

illustrate cases of different degrees of concentration. The selection was influenced also by the desire to have the more important corporations in each industry represented and to include only, so far as possible, issues of substantial size for which the distribution data were available in at least the detail requested in the questionnaire.

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CHART VIII

CONCENTRATION OF OWNERSHIP IN THE COMMON STOCK ISSUES OF 17 LARGE NON-FINANCIAL CORPORATIONS

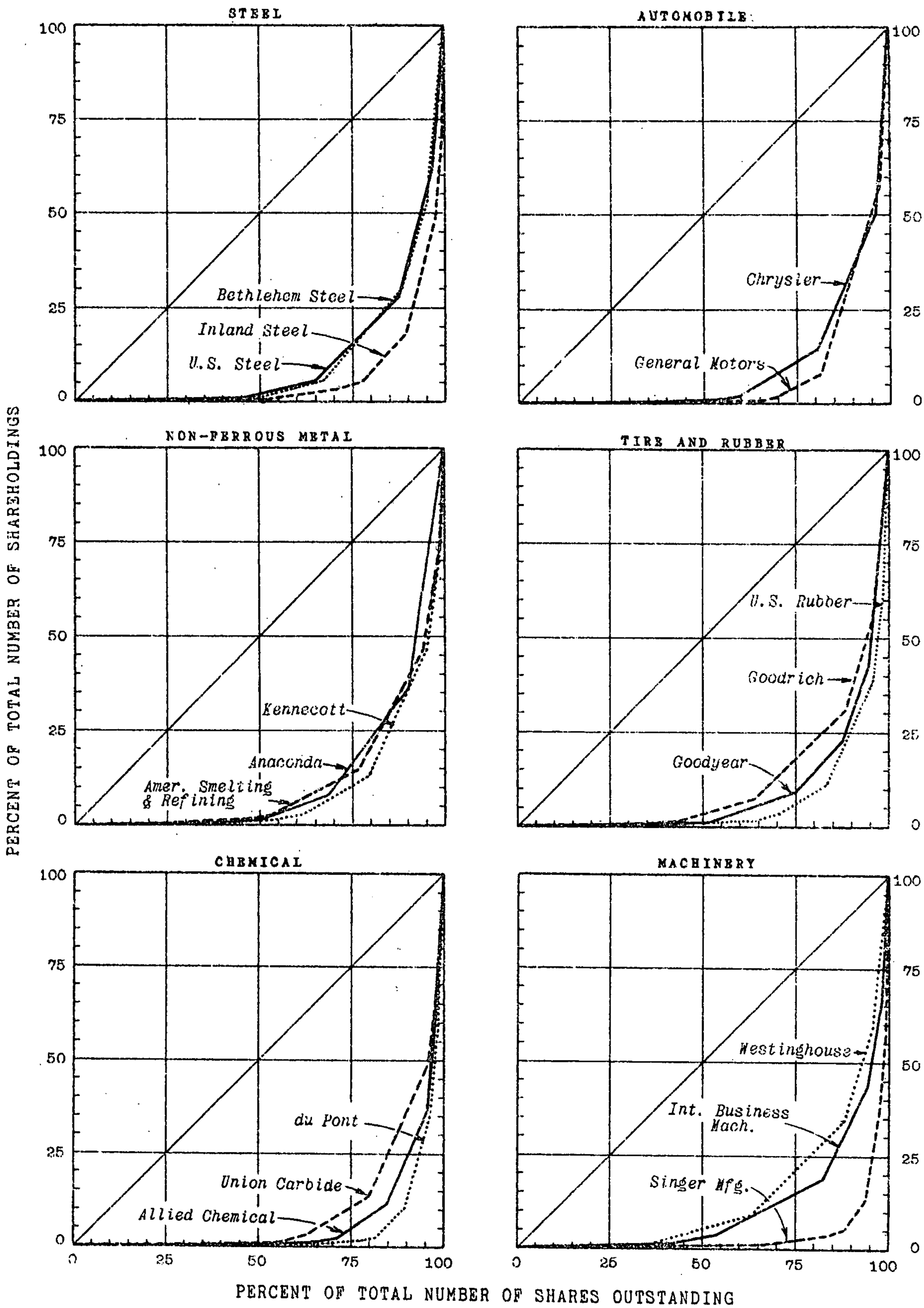

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CHART VIII

CONCENTRATION OF OWNERSHIP IN THE COMMON STOCK ISSUES OF 17 LARGE NON-FINANCIAL CORPORATIONS

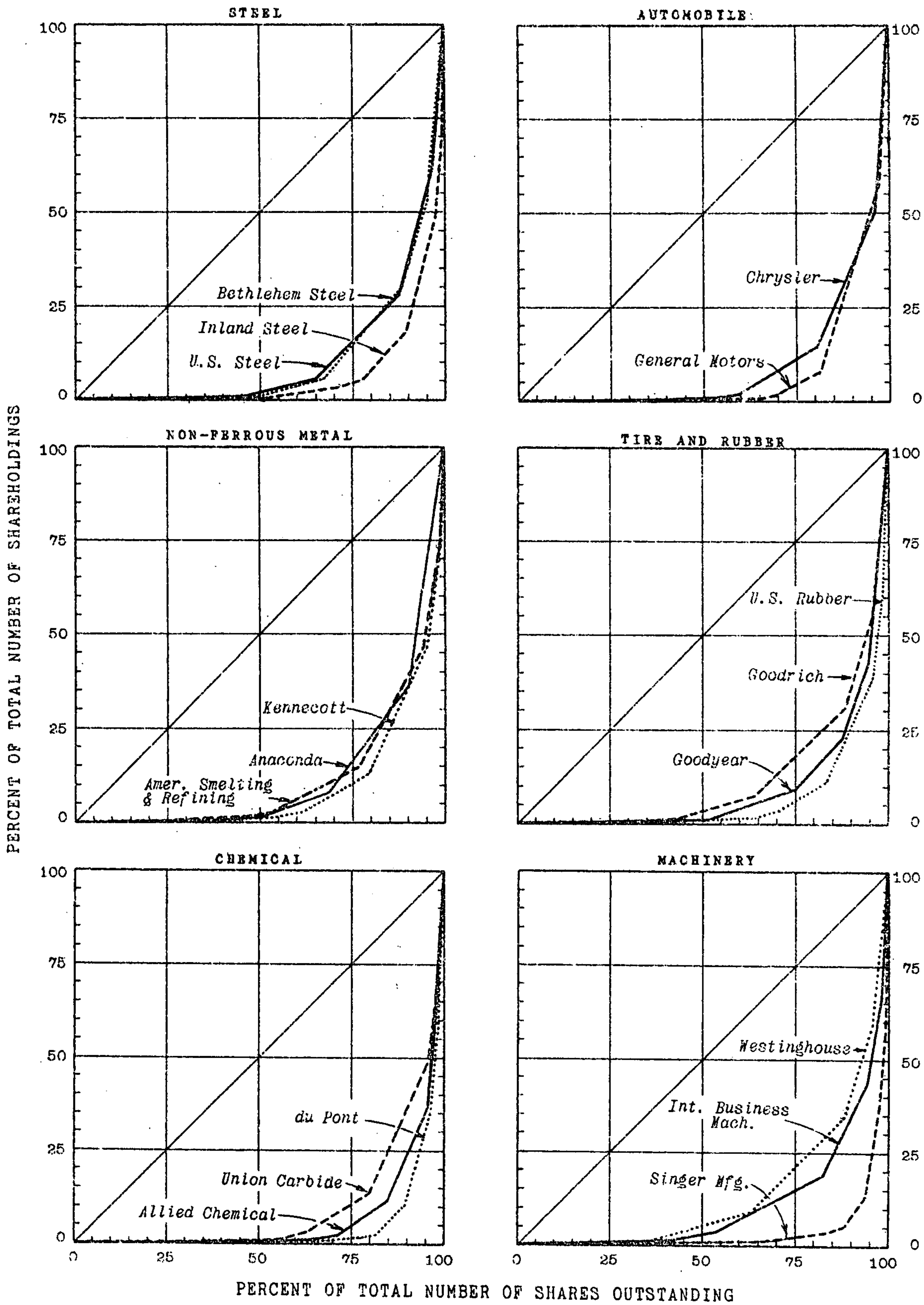

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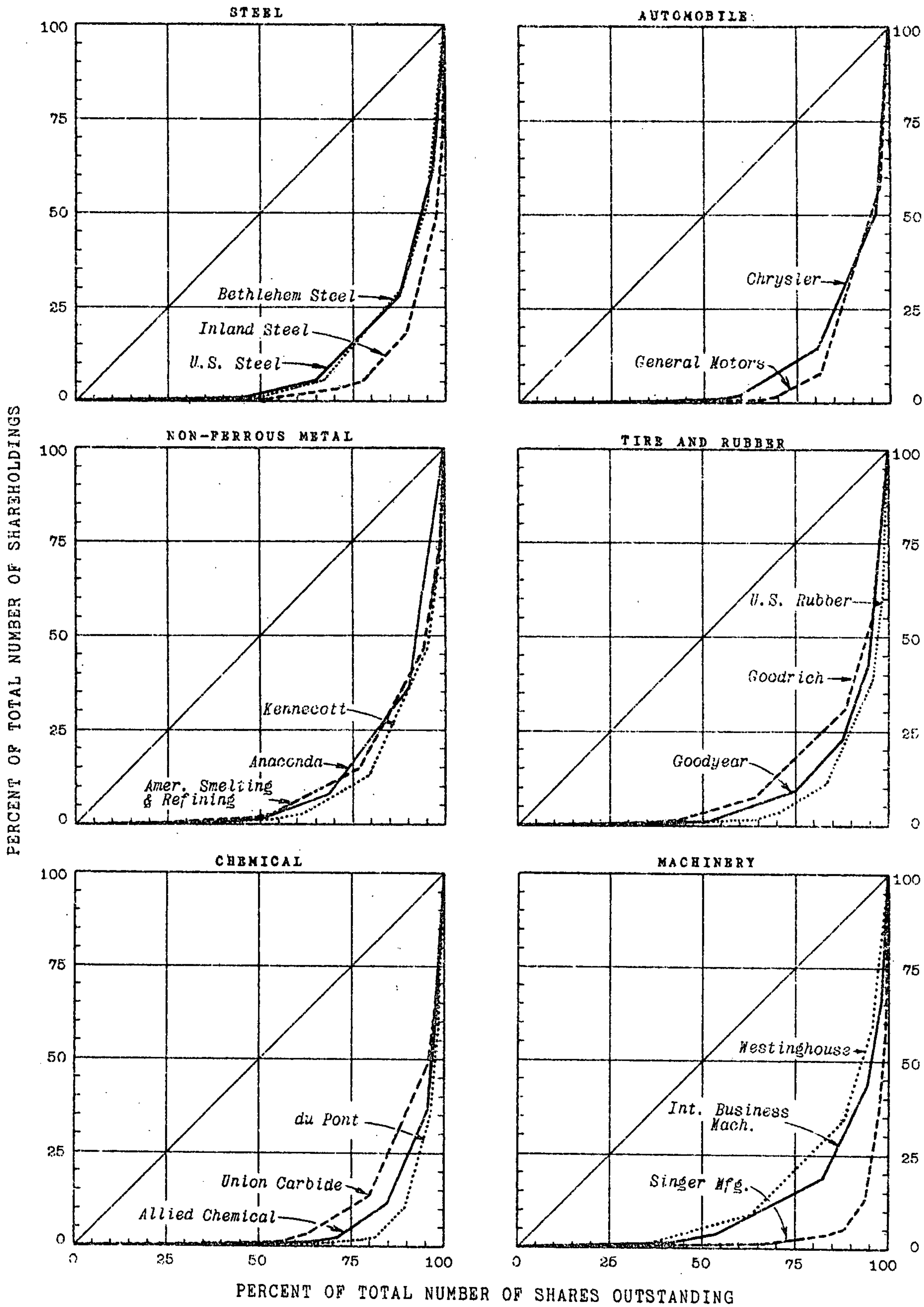
CHART VIII

CONCENTRATION OF OWNERSHIP IN THE COMMON STOCK ISSUES OF 17 LARGE NON-FINANCIAL CORPORATIONS



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CONCENTRATION OF OWNERSHIP IN THE COMMON STOCK ISSUES OF 17 LARGE NON-FINANCIAL CORPORATIONS

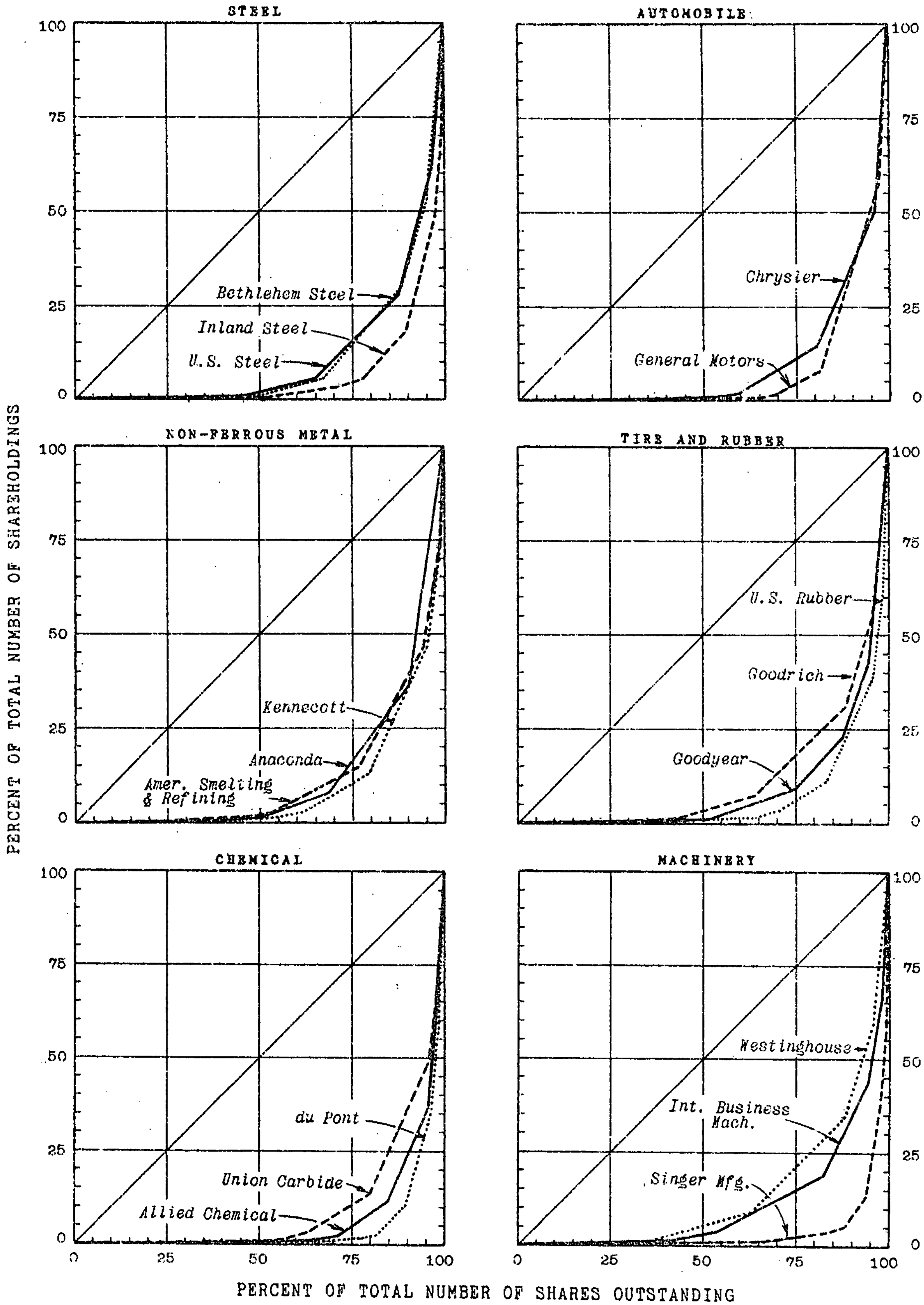

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CHART IX

CONCENTRATION OF OWNERSHIP IN THE COMMON STOCK ISSUES OF 6 LARGE NON-FINANCIAL CORPORATIONS

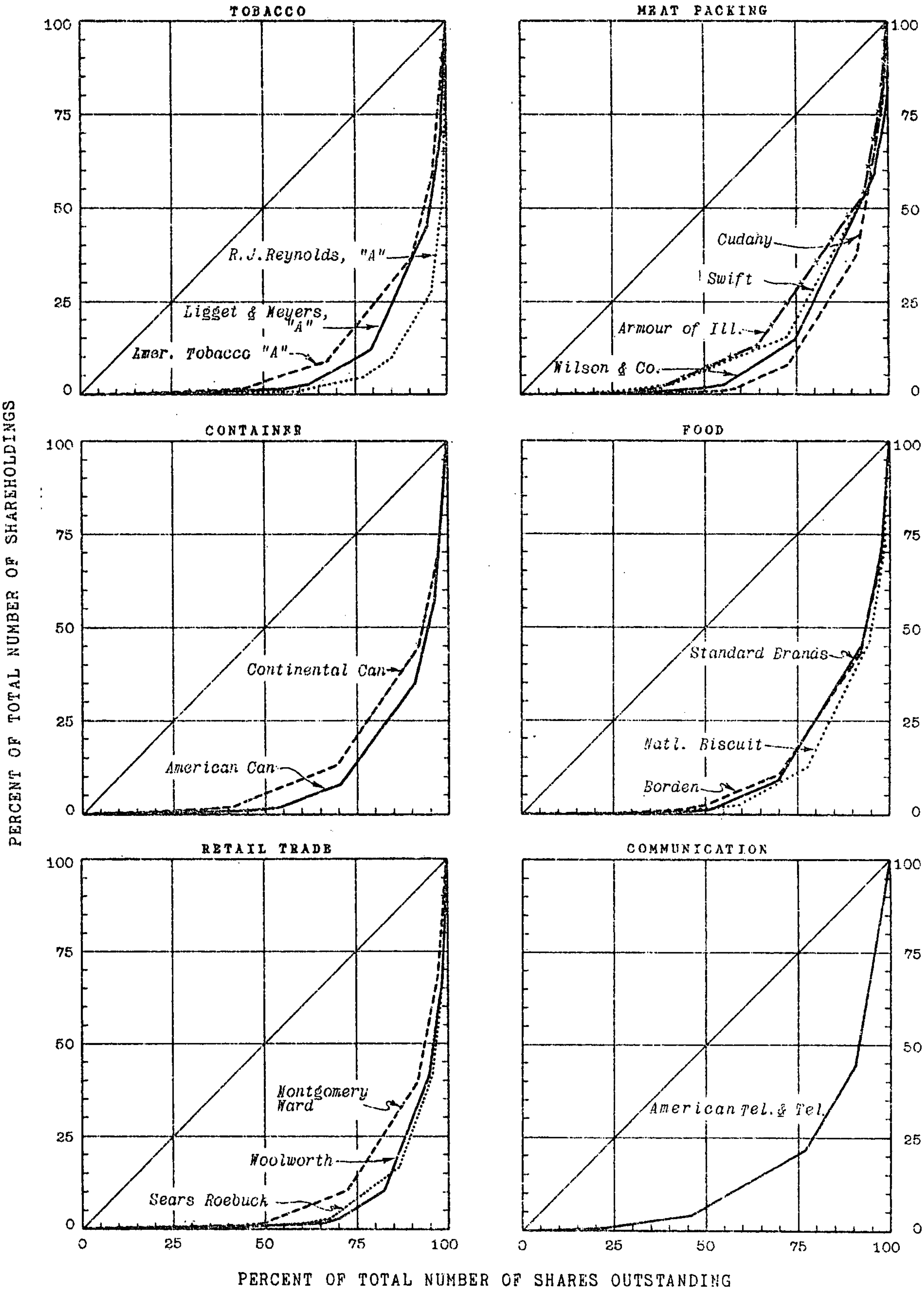

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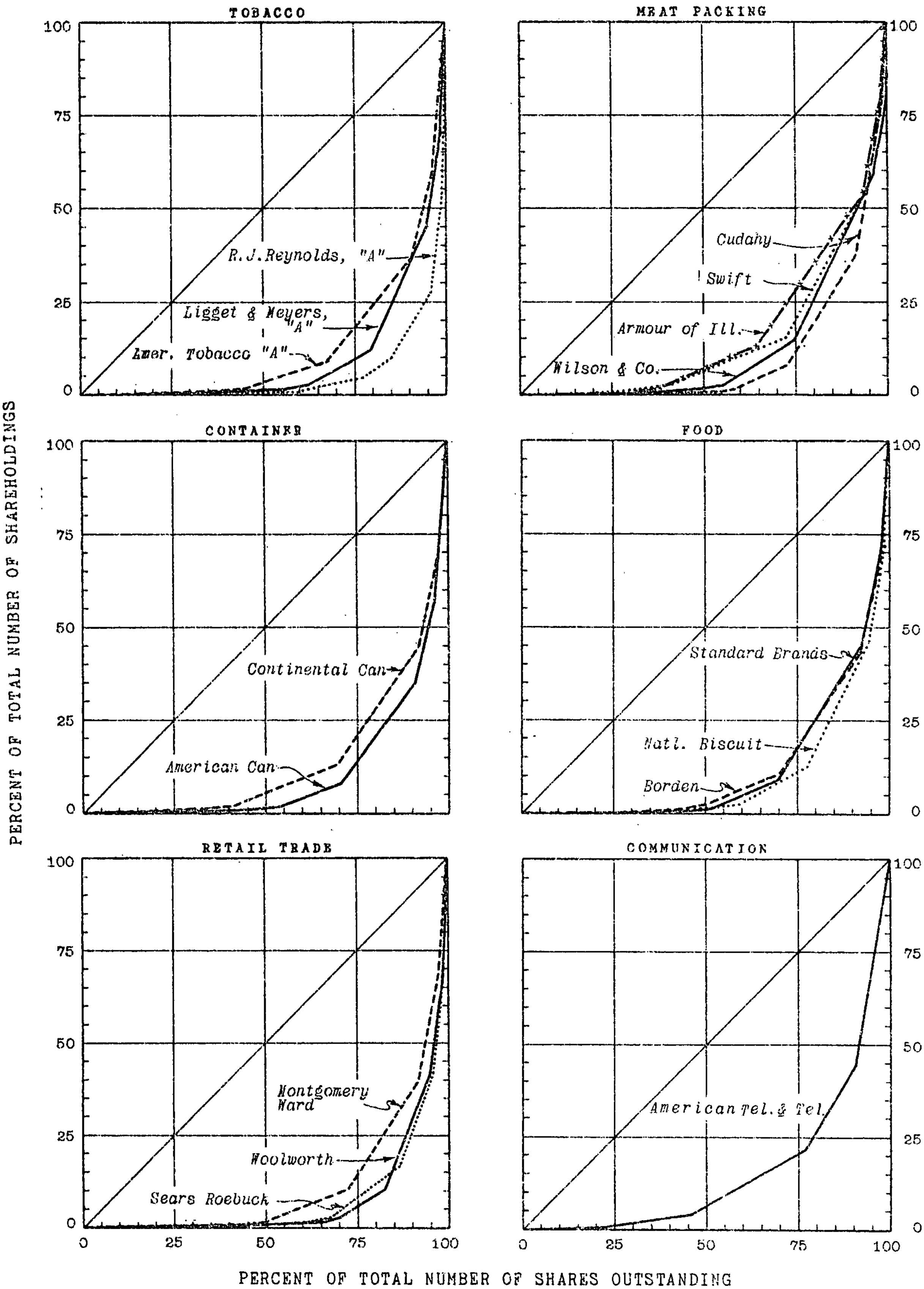
CHART IX

CONCENTRATION OF OWNERSHIP IN THE COMMON STOCK ISSUES OF 6 LARGE NON-FINANCIAL CORPORATIONS



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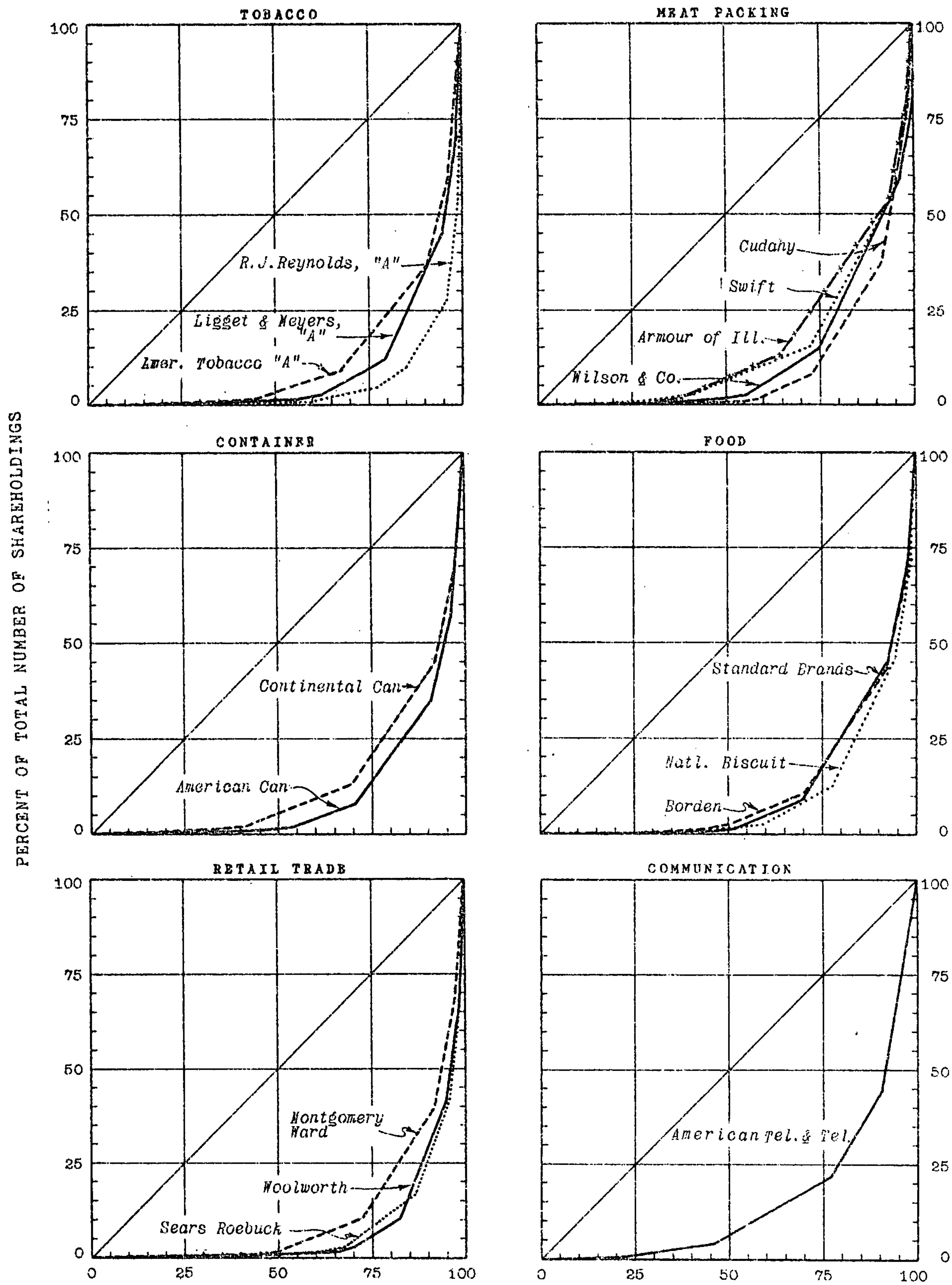

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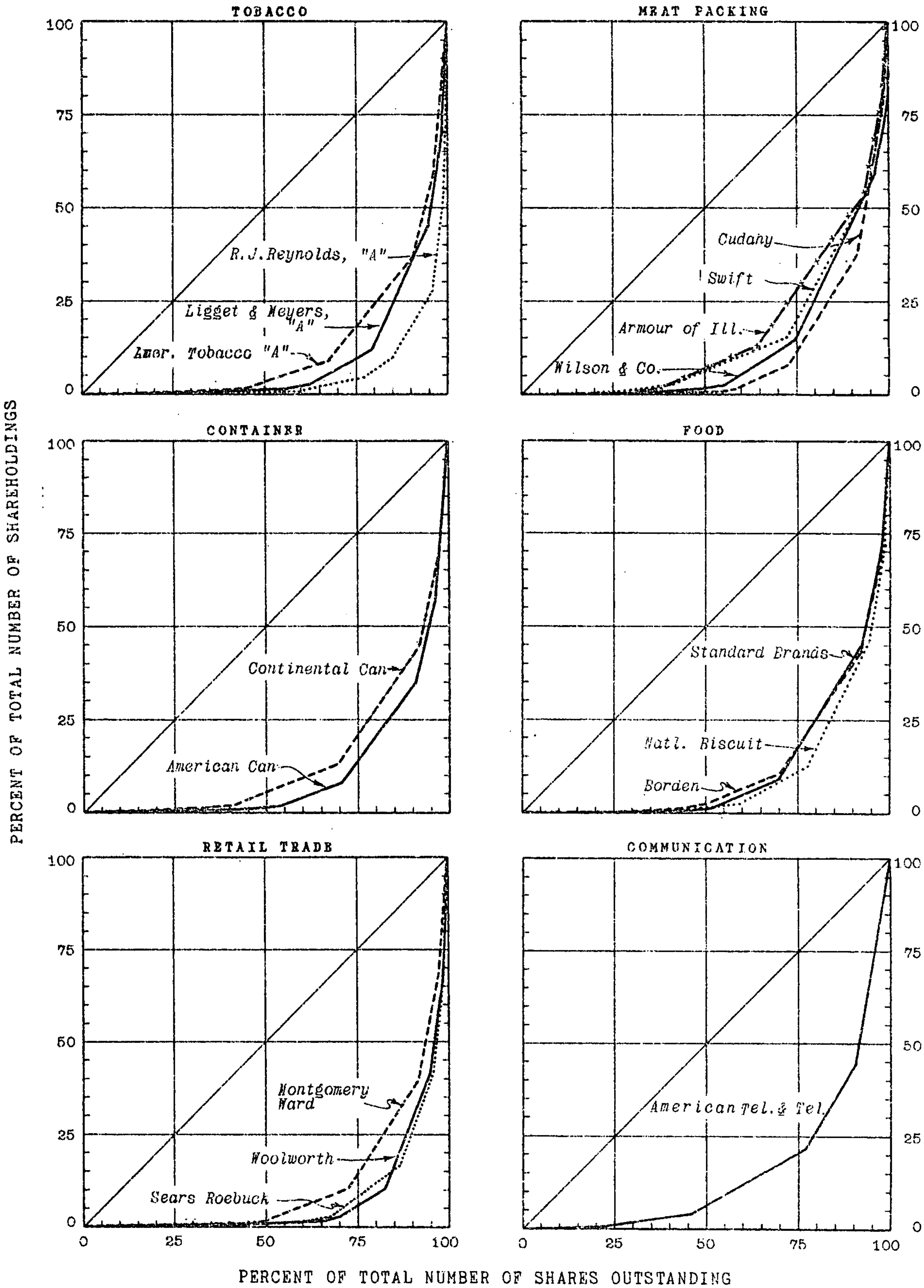

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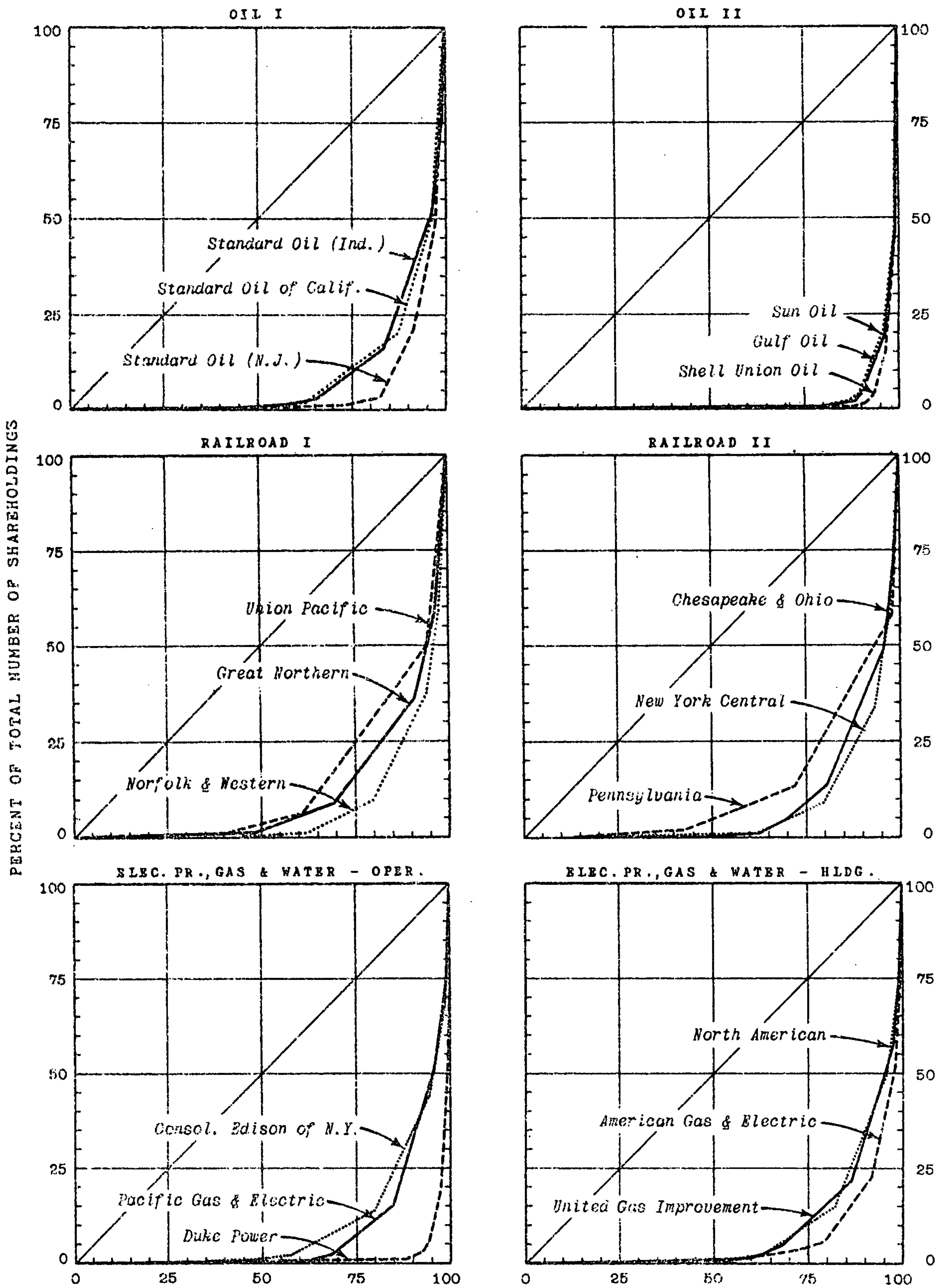
CHART X

CONCENTRATION OF OWNERSHIP IN THE COMMON STOCK ISSUES OF 18 LARGE NON-FINANCIAL CORPORATIONS



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concentration is high for those of Aluminum Company of America, Shell Union Oil Corp., International Harvester Co. and Jones & Laughlin Steel Corp. Examples of issues with a low degree of concentration are provided by The Pure Oil Co., Westinghouse Electric & Manufacturing Co., and The Firestone Tire & Rubber Co. The picture is similar for selected issues of preferred stock of railroads and electric utilities shown on Chart XII. Examples of issues with relatively high concentration are provided by Norfolk & Western Railway Co., The Chesapeake and Ohio Railway Co., and Niagara Hudson Power Corp. (5 percent first preferred), while the degree of concentration is relatively low for the preferred stocks of The Cincinnati Gas & Electric Co., Pacific Gas and Electric Co. (6 percent), American Gas & Electric Co. and Consumers Power Co. ($4.50 cum. pfd.).

7. *Source and nature of data*

Most of the basic data utilized in this chapter were collected through a questionnaire 28/ sent early in 1938 to all corporations with securities listed on a national securities exchange. 29/ The replies received from about 150 corporations included among the group of 200 which had some issue of equity securities listed on a national securities exchange were made available, with the permission of the companies, to the Temporary National Economic Committee. Comparable data for the 15 companies which did not have any issues of securities listed on a national securities exchange and for about 35 additional registered corporations from which no information had been collected in 1938, or for which the information then collected was inadequate in detail for this study, were obtained directly by the Temporary National Economic Committee, using the questionnaire form originally employed by the Securities and Exchange Commission. 30/

28/ The questionnaire is reproduced in Appendix XI.

29/ For some preliminary summaries of the replies see "Selected Statistics on Securities and Exchange Markets" (August 1939) pp. 22-26. (Report to the Securities and Exchange Commission by the Research and Statistics Section of the Trading and Exchange Division.)

30/ Except for a very few issues remaining outstanding in small amounts as a result of incomplete exchanges, information has been obtained on all common and preferred stock issues of the 200 corporations. The study thus covers 208 issues of common stock and 196 issues of preferred stock. Lack of a one to one correspondence, between corporations and issues, either of preferred or common stock, is explained by the fact that 8 of the corporations had two common stocks outstanding - one voting and the other non-voting - and by the fact that only 131 of the 200 companies had any preferred stock outstanding, the number of preferred stock issues ranging from one in 89 companies to five in a single company. Of the 208 common stock issues, 14 were wholly owned by a parent corporation, all but one of which were included in the group of the 200 largest non-financial corporations. Of the preferred stock issues only four were wholly owned, all by parent corporations included in the study.

CHART XI

CONCENTRATION OF OWNERSHIP IN THE PREFERRED STOCK ISSUES OF 18 LARGE NON-FINANCIAL CORPORATIONS

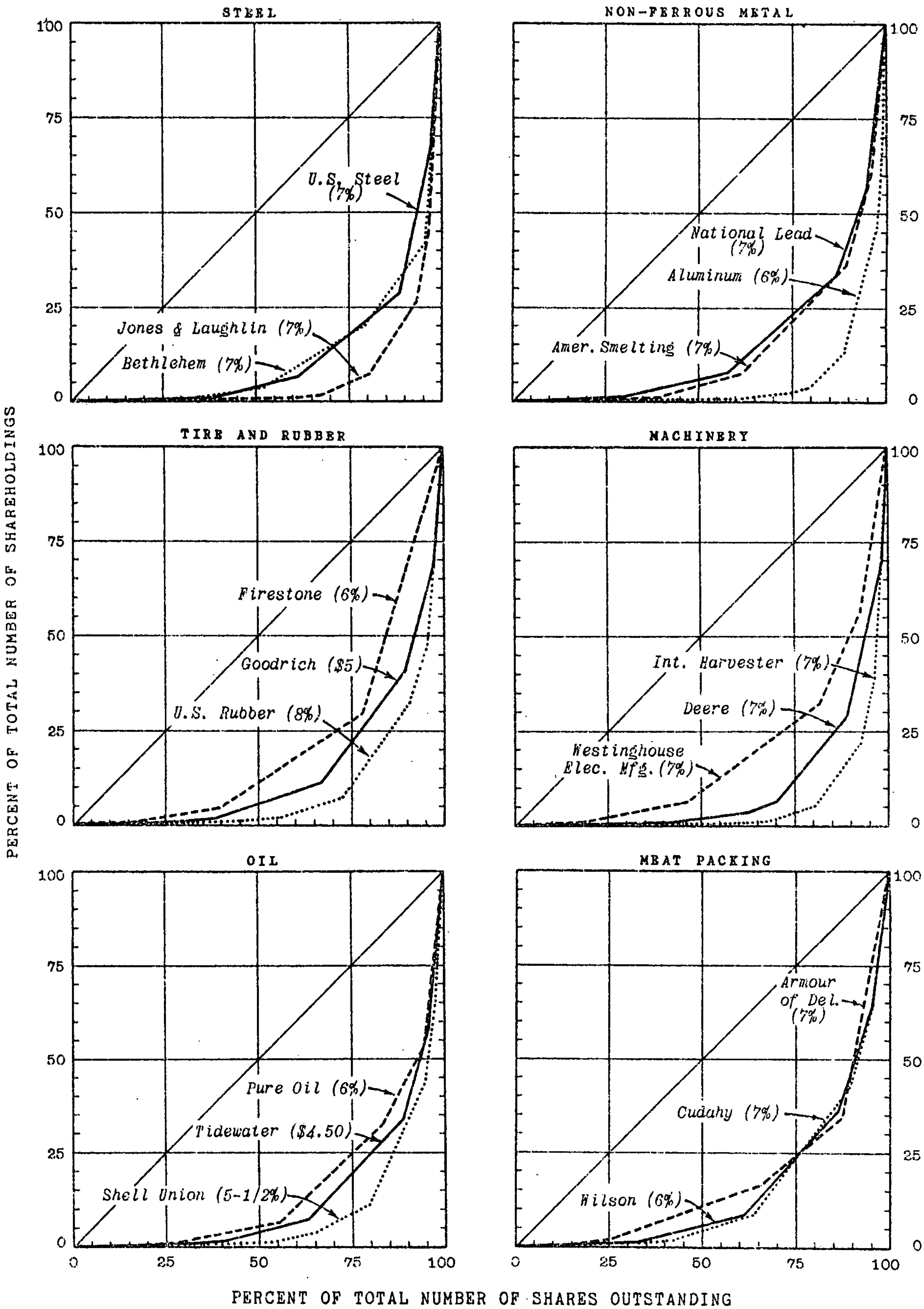

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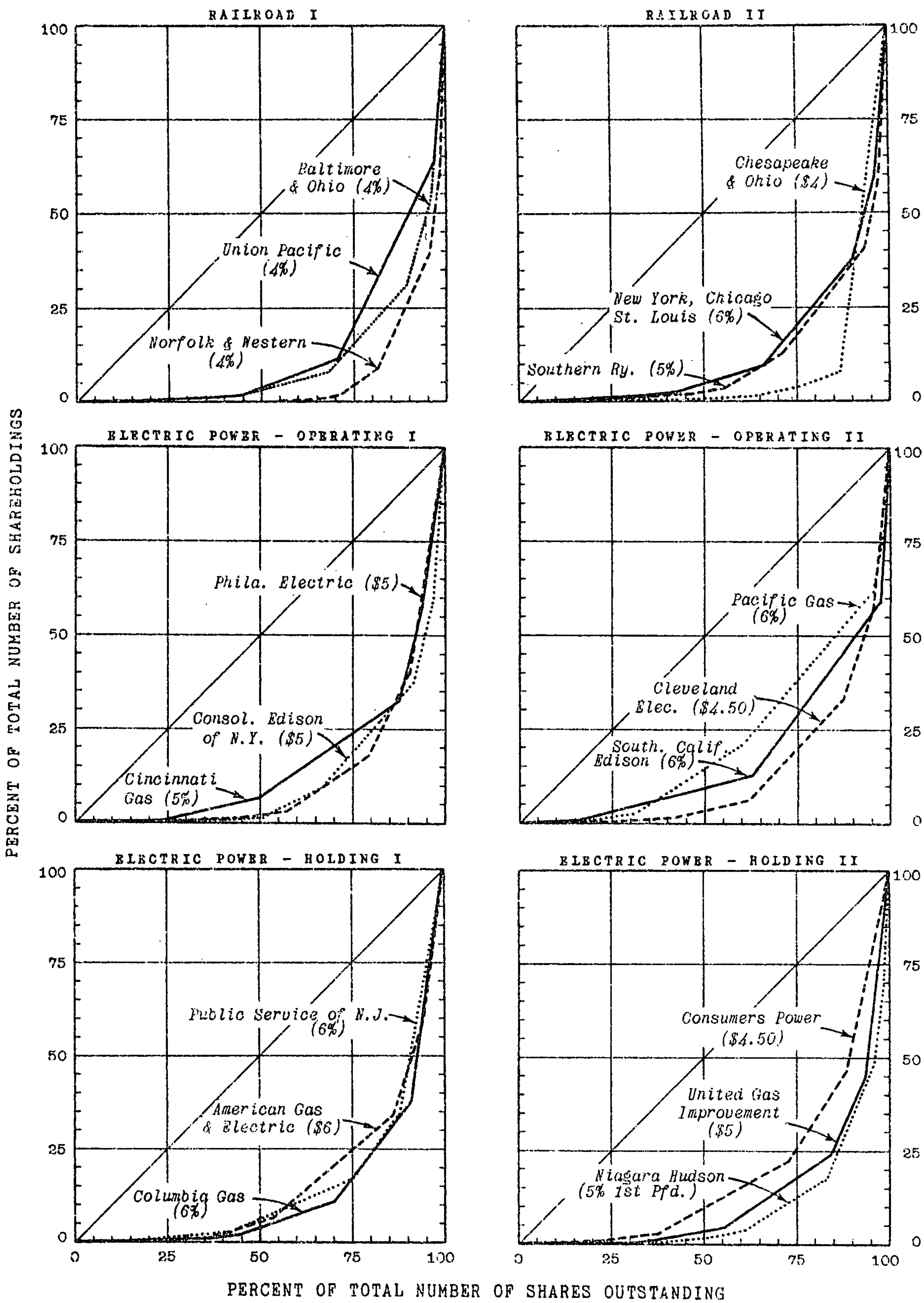
CHART XII

CONCENTRATION OF OWNERSHIP IN THE PREFERRED STOCK ISSUES OF 18 LARGE NON-FINANCIAL CORPORATIONS



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The original questionnaire of the Securities and Exchange Commission stipulated that all data refer to some date between November 30, 1937 and June 1, 1938. This requirement necessarily had to be relaxed with respect to the companies from which the information was directly collected by the Temporary National Economic Committee. While some of the material thus refers to periods as late as the spring of 1940, the predominance of the earlier data is such that all of the material can be regarded for most purposes as reflecting the situation prevailing around the end of 1937.

The original data submitted by the 200 corporations were expressed throughout in terms of number of shares. It was found necessary, however, for the purposes of this study, to compute the value of entire issues and of certain groups of shareholdings. To this end all issues were uniformly priced as of December 31, 1937. In the handfull of cases where a market price was unobtainable, book value was accepted as a substitute if reasonable; where book value was unusable a somewhat arbitrary value was assigned on the basis of the price of similar securities and of earnings. 31/

As the original data were expressed in terms of number of shares, no adjustments were necessary for the tables showing aggregate number of shares by size of shareholdings (Appendix IV, Tables 22 through 33 and 46 through 69). The distributions of shareholdings by value, on the other hand (Appendix IV, Tables 34 through 45), were derived, on the basis of the price per share at the end of 1937, from the distribution by size of shareholdings measured by number of shares. 32/ The procedure followed in this transformation of the original data is explained in Section 4.

All shareholdings data utilized in this chapter include, without distinction, holdings of individual stockholders, as well as those of corporations, unincorporated businesses, trusts, estates and non-profit organizations. They also do not distinguish between holdings registered in the names of residents of the United States and of foreign countries. 33/

All of the material on the number of shareholdings and shares included in certain groups of shareholdings is based on the records of the corporations or their transfer agents, which reflect book shareholdings and not beneficial shareholdings. In many instances one record shareholding actually represents a large number of beneficial shareholdings, while the reverse is true in other instances. Thus, a book stockholder such as a broker, a bank or trust company, or a bank nominee, who is included on the books of a corporation as a single holder may, and usually does, represent a considerable number of beneficial owners, with the result that the number of record shareholdings tends to be smaller than the

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31/ Treasury stock was uniformly eliminated before calculation, except where held as an investment or reserved for a definite corporate purpose.

32/ It should be noted that prices of December 31, 1937 were applied to distributions which did not, in all cases, refer to exactly that date. This procedure was regarded as justified by the fact that the number of shares outstanding, and particularly the size distribution, change but slowly.

33/ For data on foreign shareholdings see Chapter VIII.

number of beneficial shareholdings. On the other hand, there are some instances of holdings, e.g., holdings through nominees, where several record shareholdings are owned beneficially by the same person. Such cases tend to inflate the number of shareholdings but are believed to be much less important in their effect on the number of shareholdings than the understatement of beneficial shareholdings. Consequently, the number of record shareholdings in corporations tends to be somewhat less than the number of beneficial shareholdings. It is estimated that the number of beneficial shareholdings in the 200 largest companies is about one-eighth higher than the number of record shareholdings, 34/ i.e., about 9,500,000 rather than around 8,500,000.

More important than the understatement of the total number of beneficial shareholdings is the fact that the available data on record shareholdings tend to overstate somewhat the degree of concentration of ownership existing among the beneficial owners of the stock of the 200 corporations. This results primarily from the fact that the shares owned, generally in relatively small blocks, by numerous individual stockholders appear as a smaller number of large shareholdings in the names of such nominees as brokers and banks. For a group of 10 widely-held corporations, 35/, it was possible, on the basis of material supplied by them to the Temporary National Economic Committee, to eliminate the record shareholdings of brokers and banks and their nominees from the distribution by size of total shareholdings. This elimination might be expected to understate somewhat the actual degree of concentration of ownership since the average size of beneficial shareholdings of stock held in the names of brokers and banks and their nominees seems to be larger than the average size of total beneficial shareholdings of individuals. 36/

The degree of concentration of ownership indicated by the revised distribution of market value of shareholdings (excluding those of brokers and banks) is generally not much different from the unadjusted distribution. The difference is, of course, most noticeable in the highest size group. Whereas unadjusted record shareholdings of over 5,000 shares each comprised 0.22 percent of all record shareholdings in the common stocks of these 10 corporations at the end of 1937 and accounted for 36.1 percent of the outstanding shares, the proportions declined to 0.12 percent of shareholdings and to 23.5 percent of the outstanding shares upon the exclusion

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34/ Cf. Appendix I.

35/ American Can Co., American Gas & Electric Co., The Baltimore and Ohio Railroad Co., General Electric Co., National Distillers Products Corp., International Business Machines Corp., Northern Pacific Railway Co., International Harvester Co., United States Rubber Co. and United States Steel Corp.

36/ Appendix I. Instances in which several record shareholdings in the same stock are owned beneficially by the same person through nominees are not eliminated by this procedure. This also tends to understate the actual degree of concentration of ownership, but is probably of small importance for the results.

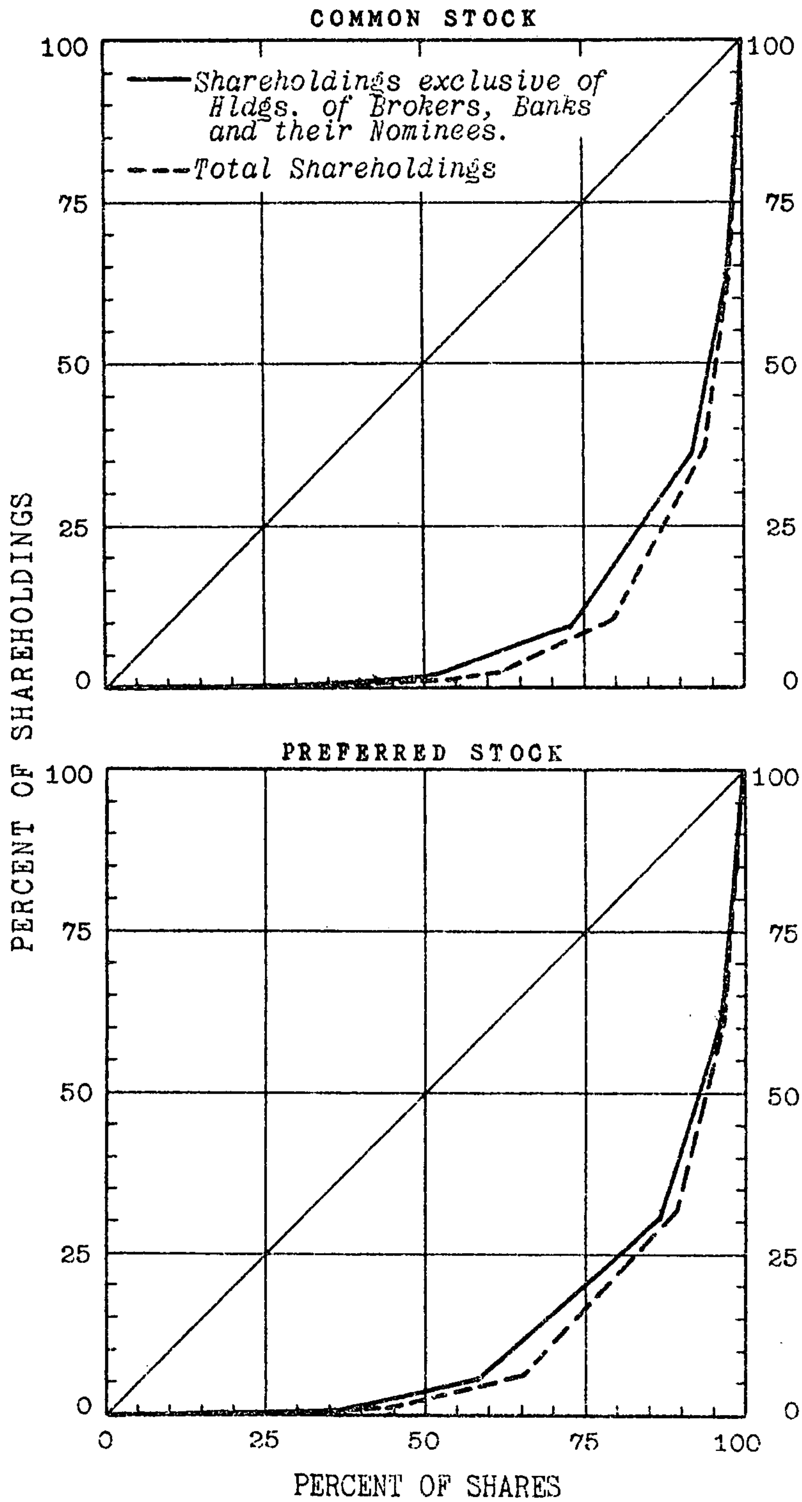
of holdings registered in the names of brokers and banks and their nominess. On the other hand, the proportion of record holdings with 1 to 10 shares rises only from 36.9 to 37.3 percent of total shareholdings, and from 2.2 to 2.8 percent of all common shares outstanding in these corporations when stock held in the names of brokers and banks and their nominees is excluded. That the degree of concentration is not much changed by the exclusion of shareholdings of brokers and banks is shown in Chart XIII where the two Lorenz curves are presented. The adjusted and unadjusted distributions reflect about the same marked concentration of ownership in the hands of a few stockholders. For preferred stock, 37/ the difference between the unadjusted and revised distributions is even less.

Though for all 200 corporations taken together, the distribution of ownership probably is only slightly less concentrated on the basis of beneficial ownership than on the basis of record ownership used in this chapter, the difference may be quite considerable in individual issues.

37/ American Can Co., American Gas & Electric Co., The Atchison, Topeka & Santa Fe Railway Co., The Baltimore and Ohio Railroad Co., International Harvester Co., United States Rubber Co. and United States Steel Corp.

CHART XIII

CONCENTRATION OF OWNERSHIP IN TEN SELECTED CORPORATIONS INCLUDING AND EXCLUDING CERTAIN NOMINEE HOLDINGS



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