CHAPTER IV

THE HOLDINGS OF OFFICERS AND DIRECTORS IN THE STOCKS
OF THE 200 LARGEST NON-FINANCIAL CORPORATIONS

1. Scope of Chapter

The problem of the divorcement of ownership and management, much dis­
cussed for the modern large corporation has two aspects: (1) How large is
the ownership interest of management, i.e., of officers and directors? (2) What are the means through which management is able to control the af­
fairs of a large corporation although its ownership of voting stock alone
is in no way sufficient for the purpose? Only the first of these two as­
pects is studied in this chapter. 1/ In other words, this chapter deals
with the number and value of shares of stock in the 200 largest non-financial
corporations owned by their officers and directors and studies the proportion
of equity securities that is owned by management, particularly in relation to
the type of issue, and the industry, and size of the corporation.

Appendix VII-A consists of a list of about 3,500 individual holdings
of officers and directors in the stock issues of the 200 corporations covered
by this study. The list is alphabetically arranged by companies, the size
rank of each company indicated next to its name representing its position
based on consolidated total assets. Within each issue the reporting per­
sions have been classified according to their relationship to the issuer into
the categories of officers, officer-directors and directors. Officers and
directors owning no equity securities are listed at the beginning of the
enumeration for each company under the "No Shareholdings" category. In ad­
dition to the reported number of shares held and the calculated value of each
position the relative holdings of management are indicated by showing for
each holding listed the percentage of the issue which each position repre­
sents. An alphabetical list of the 367 individuals with holdings in more
than one company is given as Appendix VII-B. The lists show for each indi­
vidual the holdings in every company among the 200 largest non-financial
corporations of which he was an officer or director, and the percentage of
the respective issues which these holdings represented.

Material on the ownership of stock of the 200 corporations by the so­
called "principal stockholders", i.e. individuals (not officers and direc­
tors) and corporations owning more than 10 percent of any issue of stock of
the 200 corporations is presented in Appendix VIII.

1/ As a corporation which is the holder of a large block of voting securities
cannot itself be a member of the management, the figures presented in this
chapter do not reflect the fact that large corporate stockholders are
nevertheless often represented in the management of the corporations in
which they are heavily interested as stockholders in the persons of either
their own officers and directors or of some of their own large stockholders.

It also must be taken into account that an officer or director who is the
representative of one or more large stockholders may himself own only
relatively small amounts of stock, while the large stockholders themselves
do not choose, for one reason or another, to become officers or directors.
2. Aggregate Holdings of Officers and Directors

a. Aggregate value of holdings

On September 30, 1939 total holdings by officers and directors in the common and preferred stock of the 200 largest non-financial corporations amounted to over 38,300,000 shares with a market value of about $2,163,000,000.

It is shown in Table 73 that these holdings consisted preponderantly of common stock. Officers' and directors' holdings of preferred stock amounted to only a little over 1,800,000 shares with a value of approximately $120,000,000, or 4.7 percent of the total number of shares and 5.5 percent of the total market value of all shares in these 200 corporations held by their officers and directors. Thus common stock constituted about 95 percent of officers' and directors' holdings. In view of this complete preponderance of common stock no distinction will be made in the discussion, with few exceptions, between the two types of securities.

Of the $2,044,000,000 of common stock of the 200 corporations held by their officers and directors, 73 percent was in voting common stock issues and 27 percent in non-voting common stock issues. The relatively large holdings of non-voting stocks of officers and directors, however, were concentrated in a very few issues and were accounted for mainly by holdings in the non-voting common stock of the Ford Motor Co. and The Great Atlantic & Pacific Tea Company of America. As most of the officers and directors who owned these non-voting common stocks also had considerable holdings of voting common stock in the same corporations, the distinction between the two types is of much less importance than the figures might indicate. The small preferred shareholdings of officers and directors were divided about equally between holdings of voting and contingent voting preferred stocks, investments in non-voting preferred stocks being practically negligible.

Over four-fifths of the total value of holdings of officers and directors in the 200 corporations were in the manufacturing industries (Table 74). Holdings of the stocks of merchandising corporations by their officers and directors accounted for about 13 percent of the total for all companies included. The holdings of officers and directors in railroads, communication and electric, gas and water utility companies were small in absolute amounts, aggregating only a little over $65,000,000, or less than 3 percent of the holdings of all officers and directors in the 200 corporations. Among manufacturing industries the automobile industry led by a wide margin, a result chiefly of large holdings of two officers and directors in the Ford Motor Co. and a group of officers in the General Motors Corp. Officers' and directors' holdings were also very substantial in absolute amounts in the chemical, petroleum refining and non-ferrous metal industries, due partly to considerable holdings of members of the duPont family who were officers or directors in E. I. duPont de Nemours & Co. and of members of the Mellon family in Gulf Oil Corp. and Aluminum Company of America.

b. Proportion of stock outstanding held by officers and directors

Of equal interest to the figures indicating the value of the shares of the 200 corporations held by their officers and directors is the relation of management holdings to the value of all shares outstanding in these issues.
The $2,163,000,000 of stock of the 200 corporations held by their officers and directors represented about 5.5 percent of the total value of the common and preferred stock issues of these corporations. Of this total the holdings of directors amounted to 3.5 percent of total stock outstanding, those of officer-directors to 1.9 percent and those of officers to only 0.1 percent.

The percentage of management holdings to the total issue was considerably higher among common stocks (6 percent) than among preferred stocks where it amounted to only 2.2 percent (Table 73). The essential data concerning the proportion of management holdings in the different types of stocks of the 200 corporations are summarized in Table 1 below. The explanation for the much higher proportion of ownership by officers and directors in non-voting than in voting common stock has already been given. The higher proportion of ownership by officers and directors in securities (other than non-voting preferred stocks) not listed or admitted to unlisted trading privileges only as compared to fully listed stocks is due mainly to the large holdings of members of the Mellon family and a few other officer-directors in Gulf Oil Corp., Aluminum Company of America and Koppers United Co., and to those of members of the Ford family in the Ford Motor Co.

The management holdings are classified by industries in Table 74. The proportion of holdings of officers and directors was highest in the 12 merchandising corporations with 14.2 percent of the value of all outstanding stock and in the 97 manufacturing companies with 7.0 percent. In contrast, officers and directors accounted for only 1.2 percent of the value of the stock of the 31 transportation companies and 1.0 percent of that of the companies in the extractive industries. The proportions were lowest among the 44 electric, gas, and water utilities with 0.6 percent and the 6 communication companies with 0.1 percent, the latter ratio due chiefly to the extremely small holdings of officers and directors in the common stock of American Telephone & Telegraph Co. Whatever the reasons, the financial stake of officers and directors was apparently nearly negligible in railroad and utility corporations.

Tables 75 and 76 indicate that no consistent relationship existed between the proportion of the value of total stock outstanding in the hands of officers and directors and either the assets of the issuer or the value of the issue. However, if the stock of the Ford Motor Co. (falling into the asset class of $500 to $999 million) 89 percent of which is owned by officers and directors were excluded, it would appear that the proportion of officers' and directors' holdings was largest in corporations with assets of between $75,000,000 and $100,000,000 and generally declined thereafter as the company increased in size. 2/

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2/ Table 75 shows that, measured by the dollar value of holdings, most management holdings were in corporations with assets of over $500,000,000.
### TABLE 1

Value of Holdings of Officers and Directors of the 200 Largest Non-Financial Corporations as a Percentage of Value of Stock outstanding

<table>
<thead>
<tr>
<th>Type of stock and listing status</th>
<th>Officers</th>
<th>Officer-Directors</th>
<th>Directors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voting Common</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully listed a/</td>
<td>0.1</td>
<td>1.4</td>
<td>2.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Unlisted trading b/</td>
<td>0.3</td>
<td>1.3</td>
<td>16.8</td>
<td>18.4</td>
</tr>
<tr>
<td>Unlisted</td>
<td>0.3</td>
<td>4.7</td>
<td>6.5</td>
<td>11.5</td>
</tr>
<tr>
<td><strong>Non-Voting Common</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully listed a/</td>
<td>0.0</td>
<td>0.3</td>
<td>0.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Unlisted trading b/</td>
<td>0.0</td>
<td>10.8</td>
<td>9.4</td>
<td>20.2</td>
</tr>
<tr>
<td>Unlisted</td>
<td>--</td>
<td>37.8</td>
<td>51.3</td>
<td>89.1</td>
</tr>
<tr>
<td><strong>Voting Pfd.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully listed a/</td>
<td>0.0</td>
<td>0.4</td>
<td>0.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Unlisted trading b/</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Unlisted</td>
<td>0.0</td>
<td>2.1</td>
<td>9.9</td>
<td>11.9</td>
</tr>
<tr>
<td><strong>Non-Voting Pfd.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully listed a/</td>
<td>0.0</td>
<td>0.2</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Unlisted trading b/</td>
<td>0.0</td>
<td>0.3</td>
<td>0.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Unlisted</td>
<td>--</td>
<td>--</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Contingent Voting Pfd.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully listed a/</td>
<td>0.0</td>
<td>0.5</td>
<td>0.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Unlisted trading b/</td>
<td>0.1</td>
<td>5.0</td>
<td>13.8</td>
<td>18.9</td>
</tr>
<tr>
<td>Unlisted</td>
<td>0.0</td>
<td>1.7</td>
<td>0.6</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>All Issues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully listed a/</td>
<td>0.1</td>
<td>1.2</td>
<td>2.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Unlisted trading b/</td>
<td>0.2</td>
<td>2.5</td>
<td>14.2</td>
<td>16.9</td>
</tr>
<tr>
<td>Unlisted</td>
<td>0.2</td>
<td>14.5</td>
<td>20.6</td>
<td>35.3</td>
</tr>
</tbody>
</table>

a/ On a national securities exchange.

b/ Admitted to unlisted trading privileges on a national securities exchange.
3. The size of individual holdings of officers and directors

The officers and directors of the 200 largest non-financial corporations as of September 30, 1939 reported 3,511 holdings of common and preferred stock in those corporations in the group to which they stood in the relation of either officer or director or both. The number of persons reporting holdings was only about 2,500, since some individuals were officers or directors in more than one of the 200 corporations, and many held both common and preferred stock in a corporation.

Of these 2,500 persons 367 individuals (listed in Appendix VII-B) were officers or directors in more than one of the 200 corporations. Together they held 853 positions as officer, officer-director or director. Most of these individuals—viz, 293—were represented twice among the officers or directors of the 200 corporations. However 65 individuals were thus represented in the management of three of the corporations, 10 in four corporations, 5 in five corporations, 2 in six corporations, 1 in seven and 1 in eight of the 200 corporations.

In addition to these officers and directors owning stock in their corporations, there were over 500 officers, directors and officer-directors without any financial stake in their corporations. Thus about one out of six officers and directors had no investment in the stock of his corporation.

On the average over 17 stock positions were reported per corporation and nearly 9 such positions per issue. The number of positions reported per corporation, however, varied considerably from a minimum of 4 (Ford Motor Co.) to a maximum of 52 (E. I. du Pont de Nemours & Co.). Approximately 35 percent of the reported positions were in issues for which 5 positions or less were reported.

Of the 3,511 positions reported by officers and directors, about 20 percent were owned by individuals who were officers but not directors in at least one of the 200 corporations, slightly over 28 percent were accounted for by individuals combining the offices of officer and director, and the remaining 52 percent were held by directors who were not officers.

a. Value of holdings

The mean value of stock per reported position amounted to about $616,000 for all officers and directors, a figure not representative of the distribution, the median value being about $20,000. Table 2 below shows figures of about $50,000 (mean) and $9,000 (median) per position of the officers, slightly over $760,000 (mean) and $33,000 (median) for officers-directors and slightly over $750,000 (mean) and $21,000 (median) for directors. Though owning 20 percent of the reported positions individuals who were officers only accounted for no more than 1.6 percent of the total value of the stock held by all officers and directors. Officer-directors, on the other hand, with over one-quarter of all reported positions, owned fully one-third of all stock held by management, and individuals who were directors only, with slightly over one-half of reported positions, accounted for nearly two-thirds of all stocks held by officers and directors. Table 77 shows that the proportion of officers was much larger among small than among the large holdings, and that no holding by a person who was an officer but not also a director had a value of over $5,000,000.
TABLE 2

Number and Value of Holdings of Officers and Directors of the
200 Largest Non-Financial Corporations

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Positions reported</th>
<th>Value of stock</th>
<th>Average value of position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent of total</td>
<td>$000</td>
</tr>
<tr>
<td>Officers</td>
<td>699</td>
<td>19.9</td>
<td>35,260</td>
</tr>
<tr>
<td>Officer-directors</td>
<td>987</td>
<td>28.1</td>
<td>753,435</td>
</tr>
<tr>
<td>Directors</td>
<td>1,825</td>
<td>52.0</td>
<td>1,374,454</td>
</tr>
<tr>
<td>Total</td>
<td>3,511</td>
<td>100.0</td>
<td>2,163,149</td>
</tr>
</tbody>
</table>

a/ Excluding officers and directors of the Ford Motor Co. the average declines to $462,000.

The figures for the value of the mean holdings of the various classes of holders suggest that the aggregate is made up of individual holdings varying greatly in size. This impression is confirmed by Table 77 and by Chart XIV, classifying the 3,511 reported positions by the value of each individual position. Not less than 556 positions, or about 16 percent of the total number, had a value of less than $1,000, and one-half of all positions were worth less than about $20,000. However, the value of the one-half of all reported holdings each of which had a value of less than $20,000 amounted only to about $10,000,000, or less than one-half percent of the value of all holdings of officers and directors. There were only 245 positions, or 7 percent of the total, which had a value of $1,000,000 or more each. These 245 holdings with a value of $1,000,000 or more each, on the other hand, although representing only 7 percent of all reported positions, together accounted for $1,892,000,000, or 87 percent of the value of all management holdings.

Finally, the 40 holdings with a value of $10,000,000 or more each had an aggregate value of $1,312,000,000, or slightly over 60 percent of the total, though they represented only 1 percent of the number of reported positions. How pronounced the concentration is among the reported positions of officers and directors will be seen in Chart XV showing the Lorenz curve for the holdings of 3,511 officers and directors in the 200 corporations, compared with all record shareholdings in these corporations. It appears from that chart that concentration is even markedly higher among holdings of officers and directors taken by themselves than among all shareholdings (including those of officers and directors) of the 200 corporations.

2/ Included in this grouping are many positions representing holdings solely comprised of directors' qualifying shares.
CHART XIV


NUMBER OF HOLDINGS

DOLLARS
MILLIONS

AGGREGATE VALUE OF HOLDINGS

DOLLARS
MILLIONS

VALUE OF INDIVIDUAL POSITIONS (DOLLARS THOUSANDS)
CHART XV

CONCENTRATION OF OWNERSHIP OF STOCK IN 200 LARGEST NON-FINANCIAL CORPORATIONS
Held by Officers and Directors and by all Stockholders

PERCENT OF TOTAL NUMBER OF SHAREHOLDINGS

PERCENT OF TOTAL VALUE OF SHAREHOLDINGS

Line of Equal Distribution

All Shareholdings

Holdings of Officers and Directors

DS-1612
The average management holding showed great differences in size among the various industries. Considering only major industry groups, the average holding was highest ($1,336,000) in merchandising companies and lowest ($56,000) in the electric, gas and water companies. Among industry sub-groups, particularly high values were shown for the automobile industry ($9,558,000 - influenced by large holdings in Ford Motor Co. and General Motors Corp.), the chemical industry ($1,901,000), and chain stores ($2,256,000); on the other extreme there were the extractive industries ($35,000) and the electric power operating companies ($23,000).

b. Relationship of holdings to total stock outstanding

The 3,511 positions of officers and directors have been arranged in Tables 78 through 81 on the basis of their relative size, (i.e. expressed as a percentage of the total issue) rather than, as in Table 77, in accordance with their dollar value. Some salient figures from these tabulations are summarized in Table 3 below. It is found that 932 positions, or slightly over one-quarter of the total number, comprised each less than 0.01 percent of the respective issues. About 43 percent of all positions amounted individually to between 0.01 percent and 0.1 percent of the issue outstanding, while another 22 percent included between 0.1 percent and 1.0 percent of the total amount of the issue outstanding. These figures indicate that one-half of all positions represented less than about one-half percent of the issue outstanding. There were only 286 positions each of which constituted 1.0 percent or more of the total number of shares outstanding of the issue. These positions, while numbering only 8 percent of the total, however, accounted for about three-quarters of the value of all shares of the 200 corporations held by officers and directors. There were only five positions which represented, in themselves, 50 percent or more of an issue, 4/ but their total value aggregated $332,000,000 or slightly over 15 percent of the value of all 3,511 positions.

TABLE 3

Relative Size of Holdings of Officers and Directors of the 200 Largest Non-Financial Corporations

<table>
<thead>
<tr>
<th>Percentage of issue</th>
<th>Number of positions</th>
<th>Percentage of total positions</th>
<th>Value of positions ($000)</th>
<th>Percentage of total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than .01</td>
<td>932</td>
<td>26.5</td>
<td>4,281</td>
<td>.2</td>
</tr>
<tr>
<td>.01 - .09</td>
<td>1,534</td>
<td>43.7</td>
<td>22,916</td>
<td>4.3</td>
</tr>
<tr>
<td>.1 - .9</td>
<td>759</td>
<td>21.6</td>
<td>452,633</td>
<td>20.9</td>
</tr>
<tr>
<td>1.0 - 9.9</td>
<td>243</td>
<td>6.9</td>
<td>667,420</td>
<td>30.9</td>
</tr>
<tr>
<td>10.0 - 24.9</td>
<td>31</td>
<td>.9</td>
<td>348,796</td>
<td>16.1</td>
</tr>
<tr>
<td>25.0 - 49.9</td>
<td>7</td>
<td>.2</td>
<td>264,882</td>
<td>12.2</td>
</tr>
<tr>
<td>50.0 - 74.9</td>
<td>4</td>
<td>.1</td>
<td>330,301</td>
<td>15.3</td>
</tr>
<tr>
<td>75.0 - 99.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100 percent</td>
<td>1</td>
<td>.1</td>
<td>2,000</td>
<td>.1</td>
</tr>
<tr>
<td></td>
<td>3,511</td>
<td>100.0</td>
<td>2,163,149</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4/ Such positions existed in the Ford Motor Co. (2 issues of common stock), Hearst Consolidated Publications, Inc. (common) Western Pacific Railroad Corp. (common) and Marshall Field & Co. (preferred).
The holdings of officers and directors are cross-classified in Table 79 by their proportionate size and by the industry of the issuer. While the number of all holdings each of which represented 1.0 percent or more of their issues amounted to about 8 percent of all positions of officers and directors, the proportion was more than 24 percent for merchandising corporations, but as low as between 3 percent and 4 percent in the electric, gas and water utility companies, in railroads, and in communication companies, the proportion for the manufacturing industries as a whole being near the overall average.

Inspection of Table 80 in which the reported holdings of officers and directors are cross-classified by their proportionate size and by the assets of the issuers, indicates that the proportion of individual holdings constituting over 1 percent of an issue declined with increasing size of the issuer, falling from somewhat over 12 percent of all management holdings of issues of companies with assets of less than $150,000,000 to under 3 percent in issues of companies with assets of over $500,000,000.

4. Proportion of Individual Issues Represented by Combined Holdings of Officers and Directors.

The proportions held by all officers and directors on September 30, 1939 in each of the 209 common and 194 preferred stock issues of the 200 corporations are shown in Table 82 and illustrated in Chart XVI.

There were 14 common stock issues in which officers and directors had no holdings whatsoever. Among the remaining 195 issues, the proportion of the total issue held by officers and directors most commonly lay between 0.1 percent and 1.0 percent. Table 82 shows that in 77 issues officers and directors held some stock but less than 1 percent of the total amount outstanding, compared to 38 issues in which they held between 1 and 3 percent and 22 issues in which their holdings amounted to between 3 and 5 percent. Officers and directors held 5 percent or more of the issues in 58 cases, or slightly more than one-quarter of all issues and owned 10 or more percent in only 38 cases, or less than one-fifth of the total. There were only 7 common stock issues more than 50 percent of which was owned by officers and directors.

As a rule the proportion of common stock owned by all officers and directors was considerably higher among manufacturing companies than among railroad and utilities included in the study. While the median percentage of ownership by officers and directors was around 1-1/2 percent for all common stock issues, it amounted to about 3 percent for common stocks of manufacturing corporations, but only to about three-fourths percent for those of railroads, and to about one-fourth percent for those of electric, gas and water utilities.

The frequency distribution of the proportion of preferred stock issues of the 200 corporations held by officers and directors show, throughout, relatively smaller holdings than among common stock issues. Officers and directors reported no holdings whatsoever in no less than 33 out of the 194 preferred stock issues. They owned less than 1 percent of the amount outstanding in 101 of the 161 issues showing any holdings by officers and directors. There were only 35 preferred stock issues in which officers and
CHART XVI
PERCENTAGE OF ISSUE OWNED BY OFFICERS AND DIRECTORS IN THE
STOCK OF THE 200 LARGEST NON-FINANCIAL CORPORATIONS
AS OF SEPTEMBER 30, 1939

200 COMMON STOCK ISSUES

194 PREFERRED STOCK ISSUES

PERCENT OF ISSUE OWNED BY OFFICERS AND DIRECTORS
directors owned between 1 and 5 percent of the amount outstanding, 12 issues in which they held between 5 and 10 percent, and not more than 13 issues in which their holdings accounted for 10 percent or over of the number of shares outstanding. Thus, officers and directors owned 10 percent or more of the issue in less than 7 percent of all preferred stock issues of the 200 corporations, compared to a proportion of 18 percent among the common stock issues of the same corporations. In only two preferred stock issues did officers and directors together own the majority of the issue.

Differences among the major industry groups in the proportions of issues held by officers and directors showed the same pattern for preferred stocks as they did for common stocks. The median value of officers' and directors' holdings was about one-half percent for all preferred stock issues, but around three-fourths percent for those of manufacturing corporations and less than one-tenth of 1 percent for the issues of railroads and public utility companies.

5. Source and character of data

The main sources of information on the financial stake of management in the 200 largest non-financial corporations are the reports filed with the Securities and Exchange Commission by officers, directors and principal stockholders pursuant to Section 16 (a) of the Securities Exchange Act of 1934 and its counterpart, Section 17 of the Public Utility Holding Company Act of 1935. Reports under Section 16 (a) were available for 185 of the 200 companies included in this study. Comparable information for the remaining 15 companies was acquired by questionnaires sent to the companies and their officers and directors. All holdings reflect the status as of September 30, 1939.

Before being usable for the purposes of this study, many of the reports made under Section 16 (a), however, had to be adjusted. The reports under that section are designed mainly to bring to light the trading activities of insiders. This study, on the other hand, is directed towards the determination of the amount of shares beneficially owned by officers and directors, irrespective of the legal form of ownership and the number and type of intermediaries. It is, therefore, to be expected that a number of reports made out in accordance with the provisions of Section 16 (a) and the rules promulgated thereunder by the office of the General Counsel of the Securities and Exchange Commission would not directly give the information necessary for an accurate determination of the beneficial ownership of the holdings of the reporting person. So far as direct holdings are concerned, no differences in treatment arose since beneficial interest and power to buy and sell coincide. In the case of indirect holdings, however, beneficial ownership and trading power may diverge, depending upon the legal form of the intermediary. It was in a number of these cases that the reports made under Section 16 (a) proved insufficient for the purposes of this study and further information was secured by correspondence with the person reporting under that section.

2/ Mention of Section 16 (a) should be taken to include Section 17 of the Public Utility Holding Company Act.
The procedure employed in determining beneficial holdings from the reports made under Section 16 (a) was relatively simple. In this determination the material contained in the ownership reports was supplemented, where necessary, by correspondence with the individuals making the reports. Where only a direct holding was reported, no problem presented itself, since the disclaimer of beneficial ownership could be ignored for the purpose of this study. Thus the entire holding was taken to represent the beneficial interest. Where an indirect holding was reported by indicating the proportionate interest, that figure was accepted. On the other hand, where a report gave only the entire holding of an intermediary, further investigation was necessary to determine the proportion to be considered as beneficially owned by the person under consideration. Thus, the specific interest through a trust was determined by applying to the total holding of the trust the percentage of total income received by a beneficiary without consideration of contingent beneficiaries in the determination of the percentage. In the case of a holding company, the calculation of the indirect beneficial holding was based on the percentage of ownership in the holding company as reported by the individual. The same procedure was adopted in segregating partnership holdings which were reported in total. As a result of these adjustments only a single figure appears for each individual, regardless of the number of intermediaries used in any given case. This figure represents the total beneficial interest of the individual based on direct holdings and his interest in indirect holdings.

While the advisability of reapportioning indirect holdings might be subject to question in a study of control, an accurate picture of ownership could be obtained only by the procedure adopted. In addition to making possible a simpler presentation, duplication was completely eliminated. Thus a given holding no longer was included—as is often the case in unadjusted reports under Section 16 (a)—first in the figures reported by a

6/ Strict application of the readjustment of indirect holdings to a basis of strict beneficial ownership resulted, in some instances, in the elimination in Appendix VIII of intermediaries regularly regarded as principal stockholders under Section 16 (a) of the Securities Exchange Act. This resulted from a transfer of the proportionate interest held through the intermediary to officer, director or principal stockholder reporting, who also held stock in the same company in which the intermediary was a stockholder. When such an adjustment reduced an intermediary's holding below 10 percent, it was dropped from this study. Listed below are the principal holders deprived of that status together with the corporations in which they had holdings:

Curtiss Southwestern Corp. in Western Pacific Railroad Corp.; Trust under the will of Charles H. Deere in Deere & Co.;
Harbel Corp. in The Firestone Tire & Rubber Co.

The following intermediaries will show reduced holdings when compared with their reports as of September 30, 1939, due to the reapportioning procedure, but still retained more than a 10 percent interest in a given issue:

Christiana Securities Co. in E. I. du Pont de Nemours & Co.;
Delaware Realty and Investment Co. in E. I. du Pont de Nemours & Co.;
New York Great Atlantic & Pacific Tea Co., Inc. in The Great Atlantic & Pacific Tea Company of America (Md.); Taykair Corp. in The Virginia Railway Co.

7/ Cases of such duplication are, however, eliminated as far as possible in the semi-monthly reports published by the Securities and Exchange Commission (Official Summary of Security Transactions and Holdings. . .).
principal stockholder (such as a personal holding company) and then again by a reporting person having an interest in the intermediary and also holding stock directly in the same company in which the intermediary had an interest.

Certain other adjustments, though minor in nature, appear worth mentioning. Holdings of members of a family were not combined. Thus, for example, a wife's holdings were not included with the husband's even though he might report the existence of holdings through his wife. Community and joint interests were included only to the extent of that portion from which the respondent derived income. All holdings of less than 100 shares, where the exact nature of ownership was not clearly indicated, were considered beneficially owned to reduce the number of inquiries made. For holdings of 100 shares or more, letters were written when the ownership reports lacked the required specific information. When correspondence indicated a situation where the true nature of ownership could not be readily or accurately determined, as for example an unsettled estate, the holdings were regarded as not owned by an officer or director and therefore eliminated from consideration.

After deriving the actual number of shares beneficially owned, the value of each holding and its percentage of the total issue was determined on the basis of the market price as of September 30, 1939. For the small number of issues not having a quotation as of this date, prices of slightly different dates were used, and in a few cases, book or other partly arbitrary values were utilized. 8/

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8/ The figure which served as the basis of percentage calculations for each issue represents the number of shares outstanding as of September 30, 1939, exclusive of treasury stock where it was known to exist. Stock held for the purpose of conversion or exchange was also excluded in arriving at the base figure, but no adjustment was made for intra-system holdings.
CHAPTER V

THE HOLDINGS OF PRINCIPAL STOCKHOLDERS
(20 LARGEST RECORD HOLDINGS)

1. Scope of chapter

Previous chapters have dealt with the distribution of all stockholdings by their size and with the stake of the management in the stock of the 200 largest non-financial corporations. These chapters indicated that ownership of both the common and preferred stocks of these 200 corporations was in most cases concentrated to a fairly high degree. The purpose of this chapter is to test, on the basis of an analysis of the 20 largest holdings of record in each issue, the validity of conclusions made on the basis of data on all stockholdings and to show to what extent the apparent concentration demonstrated by the statistical data on record holdings is supported by analysis of the actual beneficial owners of the 20 largest holdings.

While the general picture of concentration of ownership, on the one hand, and of widespread investment by large numbers of individuals in large non-financial corporations, on the other, is a matter of public knowledge, not much information has been available on the distribution of stock ownership in individual corporations. Family or interest groups have been associated with the ownership of particular corporations, but little has been known about the patterns of such ownership and the mechanisms employed for maintaining and perpetuating it, except in those relatively rare cases where systematic congressional investigations or other special studies have been undertaken. An attempt will, therefore, be made in this chapter to show who are the largest stockholders in our 200 largest non-financial corporations and what instrumentalities they employ to maintain and perpetuate such ownership.

The analysis of the data on the 20 largest holdings of record has been directed primarily toward the legal instruments of ownership and only secondarily toward the identification of the ultimate beneficial holders. To this end the legal and beneficial holders have been classified by types such as (a) individuals, personal and family holding companies, trusts and estates, (b) parent, subsidiary and other corporations, (c) insurance companies, investment trusts and companies, banks, brokers, and investment bankers, where these are beneficial holders, (d) family endowed foundations, employees' welfare and pension plans, and other eleemosynary and educational institutions, such as universities and hospitals.

No attempt has been made in this chapter to arrange the legal and beneficial holders by family or other interest groups, although this will be done in Chapters VI and VII.

2. Extent of the 20 largest shareholdings

a. The overall picture

At the end of 1937 the 20 largest record shareholdings in each of the 404 issues of equity securities of the 200 largest non-financial

\textsuperscript{1/} For detail on dates of reports see Chapter III.
corporations had an aggregate value of about $10,500,000,000, equivalent to nearly 31 percent of the total market value of the 404 issues. Of this total nearly $9,000,000,000 was represented by 3,861 holdings in the 208 issues of common stock, amounting to nearly 32 percent of the total value of these issues. The aggregate value of the 3,647 record shareholdings in the 196 issues of preferred stock totaled nearly $1,600,000,000 and represented somewhat over 30 percent of their total value. The value per holding thus averaged slightly over $2,300,000 for common stocks and a little over $400,000 for preferred stocks.

Both the figures for the aggregate value of the 20 largest record shareholdings and those for the total value of all shares outstanding utilized in the preceding paragraph are affected by duplications in that they include blocks of stock of one of the 200 corporations owned by another corporation in the group. Such inter-group holdings as appeared among the 20 largest shareholdings totaled about $2,100,000,000, of which $1,800,000,000 was in common and $300,000,000 in preferred stock. It is likely that additional inter-group holdings existed which were not large enough to show up among the 20 largest shareholdings, but how numerous they were or what their total amount may have been is not known. Adjusting only for the known inter-group holdings the proportion of the aggregate value of the 404 stock issues of the 200 corporations outstanding which was represented by the 20 largest record shareholdings in each issue, would decline to 25 percent (against the unadjusted ratio of 31 percent). The adjusted ratio is 25 percent for both common and preferred stock issues (as compared with the unadjusted ratios of 32 percent for common and 30 percent for preferred). Adjustment for the unknown smaller inter-group holdings would probably result in a slight further reduction of these percentages. Throughout the rest of this chapter all ratios of principal shareholdings to total stock outstanding will be unadjusted, as adjustment would be very laborious and not feasible for certain types of breakdown and as the difference between the adjusted and the unadjusted ratio is not very large.

Variations in the proportion of individual issues represented by the 20 largest record shareholdings were, of course, very great. They were also relatively large if issues of different major industry groups are compared, as is indicated for common stocks by Table 93 and for preferred stocks by Table 94 the salient figures from both tables being illustrated in Chart XVII. Compared to 32 percent for the aggregate of all 208 common stock issues, the 20 largest shareholdings represented over 49 percent of the combined value for the 47 common stocks of electric and gas utilities. On the other hand, the ratio was only slightly above 20 percent for the group of 31 issues of "other" industries which is dominated by the stocks of the American Telephone & Telegraph and two of its subsidiaries. The percentages for both the manufacturing and railroad companies were very near the overall average. Considerable differences are shown again for the 11 sub-groups of the manufacturing industry (Table 95). The highest percentage of total value of issues represented by the 20 largest record shareholdings (54 percent) occurred in the automobile industry, due largely to the close ownership of the entire stock of the Ford Motor Co. Other industries with a high percentage of total issues represented by the 20 largest shareholdings were lumber and paper, building equipment, chemical, petroleum refining, rubber, and leather. The lowest ratios of the 20 largest shareholdings (20 percent) appeared in the machinery and the
miscellaneous manufacturing industries. Percentages below the average were also shown by the iron and steel, non-ferrous metal and food industries.

Although the overall percentage represented by the 20 largest shareholdings was almost equal for the common and preferred stock issues of the 200 corporations, the figures reveal a much wider variation if broken down by industry of the issuer. Among major groups by far the highest percentage for the 20 largest holdings was shown (Table 94) by the preferred stocks, the figure for "other" industries being over 65 percent, followed by railroads with 41 percent. Electric, gas and water utilities and manufacturing industries, on the other hand, were slightly below the average of 30 percent, 27 percent of the total value of the preferred issues outstanding being accounted for by the 20 largest shareholdings in both cases. Looking at sub-groups of the manufacturing industries (Tables 95 and 96), it appears that the percentage of the total value of the issues represented by the 20 largest record shareholdings was considerably larger for preferred stocks than for common stock only in the non-ferrous metals, machinery and tool and petroleum refining industries; while it was considerably smaller in the food, tobacco, beverage, lumber and paper, rubber, leather, iron and steel and automobile industries. Some of the reasons for these differences will become evident in Section C where the total for all the 20 largest shareholdings is broken down by types of holdings.

The overall figures cited hitherto include nearly 3,000 holdings (1,530 of common stock; 1,331 of preferred stock) of banks and brokers the beneficial owners of which were not ascertained. While these holdings represented, in a number of cases, a few relatively large holdings, it seems safe to assume that the great majority reflected the holdings of a fairly large number of clients of banks and brokerage houses, with most of the individual holdings of small or moderate size. The elimination of unidentified holdings standing in the names of banks and brokers does not constitute too serious a limitation, therefore, if attention is concentrated on large holdings and, in particular, on problems of control through ownership. Elimination of these holdings, however, results in an understatement of the proportion of stock actually owned in large blocks to the extent that the unidentified holdings of banks and brokers undoubtedly include some large holdings.

The unidentified holdings of banks and brokers accounted for 4.6 percent of the value of the Common stock and for 6.8 percent of that of the preferred stock of the 200 largest non-financial corporations. The proportion, while varying fairly considerably from issue to issue, seems to differ less among industries than the overall proportion of shares included in the 20 largest record shareholdings. Thus, among common stocks the proportion was highest (considering only major industry groups), for railroads (5.7 percent) and lowest for "other" industries (3.3 percent). Among sub-groups of the manufacturing industry, however, the range was between 2 percent for lumber and paper companies and 10 percent for non-ferrous metal companies. The variation among major groups was considerably smaller still for preferred stocks.

2/ The relatively low overall ratio for the steel industry is due to low percentages for United States Steel Corp. and Bethlehem Steel Corp.; the remaining seven companies showed an average ratio of 35 percent.
CHART XVII

VALUE OF TWENTY LARGEST SHAREHOLDINGS IN STOCK ISSUES
OF 200 LARGEST NON-FINANCIAL CORPORA TIONS
CLASSIFIED BY MAJOR INDUSTRY GROUPS

COMMON STOCK ISSUES

PREFERRED STOCK ISSUES

PERCENT OF AGGREGATE VALUE OF ISSUES

COMMON STOCK ISSUES

PREFERRED STOCK ISSUES

AS-1613
manufacturing companies with 7.3 percent, showing the highest and "other" industries, with 5.3 percent, the lowest proportion of total stock included in unidentified holdings of banks and brokers. However, differences were large among sub-groups of the manufacturing industry, ranging from about 3 percent for machinery and non-ferrous metals to 19 percent for the petroleum refining industry.

After exclusion of the unidentified holdings of banks and brokers the proportion of the 20 largest identified shareholdings (more exactly, the identified holdings among the 20 largest record shareholdings) is reduced to over 26 percent for all equity securities, 27 percent for all common stock issues and slightly under 24 percent for all preferred stock issues.

The 4,847 identified holdings among the 20 largest shareholdings of each issue had an aggregate value at the end of 1937 of about $8,500,000,000, of which $7,000,000,000 was represented by 2,331 holdings of common stock and $1,200,000,000 by 2,516 holdings of preferred stock. The average value per holding thus amounted to about $3,200,000 for common stocks and to nearly $500,000 for preferred stock issues. The average value of common stock holdings was highest for the manufacturing industries, with about $4,000,000 and lowest for railroads, with less than $1,500,000. Differences were much smaller among preferred stock, ranging from an average of $566,000 for railroads to $379,000 for electric, gas and water utilities.

b. Holdings of different types of owners

(1) Overall picture

In Tables 4 and 5 the number and value of the aggregate holdings as well as their proportion to the total value of issues are shown separately for 12 groups of identified holdings and for the unidentified holdings of brokers and banks. The identified holdings are summarized in Table 4, which distinguishes only three major groups, (1) individuals (including personal and family holding companies and trusts and estates), (2) corporations and (3) other holders.

Individuals accounted for about $4,200,000,000 or 47 percent of all identified holdings among the 20 largest shareholdings, equivalent to about 12-1/2 percent of the total value of the 404 issues. In other words, the 3,062 individual holdings out of over 8,400,000 shareholdings—less than 1/20 of 1 percent—accounted for about one-eighth of the total value of the equity securities of the 200 largest non-financial corporations. Individual holdings of common stock alone aggregated nearly $3,800,000,000 representing one-half of all identified holdings of common stock and 13-1/2 percent of the total value of the 200 common stock issues. Preferred stock holdings of individuals totaled only about $370,000,000, slightly less than one-third of all identified holdings, and not much over 7 percent of the value of the issues. This indicates a marked preference of individual large investors for those issues which generally participate fully in profits and give a possibility of voting control.

The holdings of corporations (other than personal and family holding companies) had an aggregate value of about $4,050,000,000 of which over $3,320,000,000 was in common and $726,000,000 in preferred stocks. These
### TABLE 4

**Identified Holdings of Main Classes of Principal Stockholders (20 Largest Record Holdings) a/ in Stock of the 200 Largest Non-financial Corporations**

<table>
<thead>
<tr>
<th>Type of holder</th>
<th>Value of holding ($000,000) Electric, gas and water utilities</th>
<th>Percent of value of issues Electric, gas and water utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufac. - Total</td>
<td>Rail -</td>
</tr>
<tr>
<td>Individuals b/</td>
<td>3,796</td>
<td>3,211</td>
</tr>
<tr>
<td>Corporations c/</td>
<td>3,324</td>
<td>1,250</td>
</tr>
<tr>
<td>Other holders</td>
<td>501</td>
<td>384</td>
</tr>
<tr>
<td>Total (identified) d/</td>
<td>7,621</td>
<td>4,625</td>
</tr>
</tbody>
</table>

**202 COMMON STOCK ISSUES**

<table>
<thead>
<tr>
<th>Type of holder</th>
<th>Value of holding ($000,000) Electric, gas and water utilities</th>
<th>Percent of value of issues Electric, gas and water utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufac. - Total</td>
<td>Rail -</td>
</tr>
<tr>
<td>Individuals b/</td>
<td>371</td>
<td>206</td>
</tr>
<tr>
<td>Corporations c/</td>
<td>726</td>
<td>243</td>
</tr>
<tr>
<td>Other holders</td>
<td>125</td>
<td>78</td>
</tr>
<tr>
<td>Total (identified) d/</td>
<td>1,222</td>
<td>527</td>
</tr>
</tbody>
</table>

a/ Limited to principal stockholders identified from list of 20 largest record shareholdings.
b/ Includes personal and family holding companies, and trusts and estates.
c/ Excludes personal holding companies, but includes Dutch "Administration Offices."
d/ Excludes holdings of banks, brokers, etc., where beneficiary not disclosed.
holdings represented about 12 percent of the value of all common stocks and about 14 percent of all preferred stocks of the 200 corporations. Thus, the holdings of other corporations in the equity securities of the 200 largest non-financial corporations were nearly as important as those of individuals for common stocks and considerably larger than those of individuals for preferred stocks. Holdings by other types of holders among the 20 largest identified record shareholdings were relatively small, aggregating not much over $526,000,000 of which $501,000,000 were in common and $125,000,000 in preferred stock. They represented less than 2 percent of the value of common stock issues and slightly over 2 percent of that of preferred stock issues.

A further breakdown of the holdings of these three main groups of holders, presented in Tables 4 and 5 and illustrated in Charts XVIII and XIX, shows a number of interesting facts. Of the $4,200,000,000 of stock held by individuals, personal and family holding companies and trusts and estates, only $2,500,000,000, or not more than 60 percent, was owned directly by individuals, the proportion being almost identical for common and preferred stocks. Personal and family holding companies were credited with holdings of $557,000,000, while trusts and estates appeared as owners of stock worth $810,000,000. Each of these two instrumentalities of consolidating or perpetuating the influence of individual stockholdings accounted for about 2-1/2 percent of the total value of the outstanding stock of the 200 corporations. It is interesting to notice that the holdings of personal and family holding companies consisted almost exclusively (96 percent) of common stock, while the holdings of trusts and estates included a considerable proportion (15 percent) of preferred stock, as compared with a smaller proportion of preferred stock (9 percent) among the direct holdings of individuals.

Among the holdings of corporations, those of parents (and the much less important subsidiaries aggregated over $1,760,000,000 or fully one-fifth of all identified holdings among the 20 largest record shareholdings and about 5 percent of the value of the issues outstanding, the proportion being only slightly higher for common than for preferred stocks. Other non-financial corporations accounted for nearly $1,000,000,000 in holdings. These holdings were considerably more important, with 3.2 percent, among common than among preferred stock, with 1.9 percent. The holdings of insurance companies, with an aggregate value of $2475,000,000, were much larger among preferred stocks, where they amounted to 6.4 percent of the amount outstanding, than among common stocks, where they represented only 0.5 percent. The holdings of investment trusts and companies (a category including the Dutch Administration Offices) aggregated $816,000,000, mostly in common stocks, where they represented 2.7 percent of the aggregate value of the outstanding amounts. The holdings of "other" groups of holders consisted mainly of those of foundations which amounted to $317,000,000 representing 0.9 percent of all common stock and 1.3 percent of all preferred stock issues of the 200 corporations.

3/ The classification, "parent corporation", covered for electric, gas and water utilities, in accordance with Sections 2 (a) (7) and 2 (a) (8) of the Public Utility Holding Company Act of 1935, all cases of ownership of 10 percent or more of the outstanding voting securities. For other industries, however, one corporation was regarded as a parent of another only if it owned 50 percent or more of the latter's voting stock.

4/ Of this total the Dutch Administration Offices accounted for $207,000,000, made up of $185,000,000 holdings of common stock and $22,000,000 of preferred stock issues.
CHART XVIII

VALUE OF TWENTY LARGEST RECORD SHAREHOLDINGS IN STOCK ISSUES
OF 200 LARGEST NON-FINANCIAL CORPORATIONS

DOLLARS
BILLIONS

12
10
8
6
4
2
0

AGGREGATE VALUE

DOLLARS
BILLIONS

12
10
8
6
4
2
0

Banks & Brokers as Nominees
Other Identified & Unidentified Holders
Insurance Cos.
Investment Cos.
Other Corporations
Parent & Subsidiary Corps.
Individuals*

PERCENT
100

PERCENT OF TOTAL VALUE OF HOLDINGS

100

PERCENT

208 COMMON STOCK ISSUES 195 PREFERRED STOCK ISSUES 404 STOCK ISSUES

0 20 40 60 80 100

*Including personal holding companies, trusts, and estates.
DISTRIBUTION BY TYPE OF OWNER OF VALUE OF IDENTIFIED HOLDINGS AMONG 20 LARGEST RECORD SHAREHOLDINGS OF 200 LARGEST NON-FINANCIAL CORPORATIONS

PERCENT OF IDENT. LARGEST HOLDINGS

--- COMMON STOCK ISSUES ---

PERCENT OF IDENT. LARGEST HOLDINGS

--- PREFERRED STOCK ISSUES ---

PERCENT OF IDENT. LARGEST HOLDINGS

- Ins.Cos
- Investment Co.
- Other Corps.
- Parent & Subs. Corps.
- Individuals

90 MFG. CORPS.
45 UTILITIES
29 RAILROADS
30 OTHER
200 CORPS.
Large differences also existed in the average value per holding of the main groups of large stockholders. Against an overall average value of about $1,500,000, the 2,116 direct holdings of individuals showed an average of only about $1,200,000 and the 750 holdings of trust funds one of only about $1,100,000, while the 216 holdings of personal and family holding companies averaged about $4,000,000 each. The highest average for any group was shown by the 93 holdings of parent (and subsidiary) corporations, with about $20,000,000 each. The 661 holdings of insurance companies—mainly in preferred stock—had an average value of about $700,000, and the 407 holdings of investment companies (including those of the Dutch Administration Offices) one of about $2,000,000. Finally, the 282 holdings of foundations and eleemosynary institutions averaged about $1,400,000. For all the identified holdings the average value per holding came to about $1,130,000.

In contrast, the 2,861 unidentified holdings of brokers and banks (mainly stock held by their customers) had an average value of only about $600,000, this average, of course, generally representing a considerable number of individual holdings.

(2) Differences among industries

The distribution of the identified holdings among the 20 largest record shareholdings by types of owners shows considerable differences between industries.

Considering first the four major industrial groups and common stocks only, there appears a striking difference—evident from inspection of Chart XX—in the percentage of stock held by individuals (including personal and family holding companies and trusts and estates). Shareholdings of individuals (including personal and family holding companies, trusts and estates) accounted for over 17 percent of the value of the common stock issues of manufacturing companies, compared to less than 3 1/2 percent of 47 electric, gas and water utilities and 2 percent of 29 railroad common stock issues. This difference, of course, is mainly a reflection of the methods of growth of enterprises in these industries. In manufacturing many of the large concerns now in existence are the outgrowth of originally small private enterprises and have made few if any offerings of equity securities, particularly common stock, to the investing public. Railroads and electric, gas and water utilities, on the other hand, as a general rule were publicly financed from the beginning and continued to appeal to the open capital market as they grew.

Similarly striking differences appear in the proportion of the issues held by other types of owners. Parent (and subsidiary) corporations accounted for 31 percent of the common stock of electric, gas and water utilities compared to a ratio of only 2.2 percent among railroads and one of 1.3 percent among manufacturing companies; the relatively high ratio of 5.3

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5/ This average is influenced by the definition of parent corporations, discussed above. It is also influenced, and reduced somewhat in reliability, by the fact that stock issues fully owned by a parent corporation had to be included at an assigned value, generally their book value, whereas other issues were given market valuation. See Chapter III.

6/ This difference is explained partly, though not wholly, by the discrepancy between the definition of "parents" for electric, gas and water utilities and for all other corporations.
CHART XX

PROPORTION OF STOCK ISSUES OF
200 LARGEST NON-FINANCIAL CORPORATIONS INCLUDED IN
IDENTIFIED HOLDINGS AMONG 20 LARGEST RECORD HOLDINGS
CLASSIFIED BY MAJOR INDUSTRY GROUPS

PERCENT OF
VALUE OF ISSUES

Common Stock Issues

Other
Insurance Cos.
Investment Cos.
Other Corps.
Parent & Subs. Corps.
Individuals

Preferred Stock Issues

96 MFG. CORPS.
45 PUBLIC UTILITIES
29 RAILROADS
30 OTHER
200 CORPS.

22-1585
percent among "other" industries was mainly due to the holdings of the American Telephone & Telegraph Co. in two of its subsidiaries. Non-financial corporations (other than parents and subsidiaries) were relatively most important among railroads where they accounted for nearly 12 percent of the total common stock issues of the 29 corporations included in the study. They were also fairly important among the 47 electric, gas and water utilities with 5 percent, but accounted for only 2.8 percent of the common stock of the 95 manufacturing companies and 0.9 percent of that of the 30 companies in other industries. Investment companies accounted for a substantial part of the holdings in the railroad companies, 7.3 percent of the stock outstanding, compared to ratios of 3.1 percent for utilities and 2.8 percent for manufacturing companies.

Differences in the distribution of holdings by type of owners were almost equally pronounced among the sub-groups of the manufacturing industries (Tables 95 and 96). The proportion of common stock held by individuals (including personal and family holding companies and trusts and estates) which averaged 17 percent for all manufacturing companies was highest with 36 percent among the three lumber and paper companies, 30 percent among the three automobile companies and 29 percent among the four building equipment companies. It was also considerably above the average in chemical companies (26 percent) and rubber and leather producers (24 percent). Holdings of individuals included in the 20 largest record shareholdings, on the other hand, were relatively small among iron and steel companies (7 percent), machinery and tool companies (10 percent), miscellaneous manufacturing companies (11 percent) and non-ferrous metal producers (12 percent). In practically all manufacturing industries, individual holdings were considerably larger than all other identified holdings taken together. Holdings of non-financial corporations were of large importance only in the automobile industry (representing the holdings of E. I. du Pont de Nemours & Co. in General Motors Corp.) where they accounted for over 14 percent of the total value of the issues, and in the petroleum refining and iron and steel industries where they aggregated 2.5 percent and 5.1 percent respectively. Investment company holdings were largest in the food industries (8 percent) and the iron and steel industry (3.7 percent).

The distribution of preferred stocks by types of holders and major industry groups showed some similarity with the picture just described for common stocks. Holdings by individuals were relatively most important in manufacturing companies where they amounted to 8 percent. Non-financial corporations (other than parents or subsidiaries) were relatively important holders in "other" industries and railroads. The similarity with the common stock picture was less pronounced among the sub-groups of the manufacturing industries. The importance of individuals' holdings was highest with over 21 percent among the eight issues of machinery and tool companies and with 18.3 percent among the six issues of non-ferrous metal producers and lowest (apart from the ratio of 1.8 percent for the one preferred stock issue of automobile companies) with between 4 percent and 5 percent among the preferred stock issues of food and tobacco companies, rubber and leather producers, iron and steel companies and petroleum refining companies. Insurance companies as holders bulked relatively largest among chemical and drug

\footnote{These holdings were mainly in the hands of other railroads which, however, were not classified as parents as their holdings amounted to less than 50 percent of the issues.}
companies with 16.2 percent and miscellaneous manufacturing companies with 10.9 percent; their holdings were particularly low or entirely absent among the preferred stocks of lumber and paper companies, rubber and leather producers and building equipment companies.

3. Frequency distribution of ratios of holdings by 20 largest owners

a. Common stocks

The discussion has been confined up to this point to aggregates for more or less comprehensive groups of corporations among the 200 companies covered by the study. A more detailed and, in some respects, more realistic picture is obtained by utilizing the data for each company.

Table 97 shows a distribution of issues classified by industry and by the percentage of the total value of the common stock issues of the 200 largest corporations which is accounted for by the 20 largest record shareholdings; figures are presented both including and excluding unidentified holdings of banks and brokers. A similar picture for preferred stock issues is shown in Table 98. Table 5 below summarizes these figures. The main data contained in these tables are illustrated in Charts XXI and XXII, showing figures for all common and preferred stock issues included in the study, both including and excluding unidentified holdings of banks and brokers, and in Charts XXIII and XXIV, picturing the distribution of identified holdings of common and preferred stock issues respectively for each of the four major industry groups.

In 57, or over one-fourth, of the 208 common stock issues the 20 largest shareholdings comprised the majority of the entire issue. In other words, the owners of the 20 largest shareholdings, if acting in unison, had control of the common stock issues of over one in every four of the 200 largest non-financial corporations. The shares comprised within the 20 largest record holdings constituted 30 percent to 50 percent of the value of the issues in 17 percent of the cases and 10 percent to 30 percent in one-third of the issues. There were only 5 of the 208 issues in which the 20 largest record shareholdings together aggregated less than 10 percent of the issue, if the unidentified holdings of banks and brokers are included. If they are excluded the number of issues in which the identified holdings among the 20 largest record shareholdings added up to less than 10 percent of the issue, rises to 46, or 22 percent of all common stock issues of the 200 largest non-financial corporations.

The distribution of the ratios of the 20 largest holdings (expressed as a percentage of the aggregate value of the issue), varied considerably among industries (see Table 5). While the identified holdings among the 20 largest record shareholdings accounted for 50 percent or more of the issue in only 15 percent of the common stock issues of manufacturing industries, they did so in 27 percent of the railroad issues, 29 percent of the issues of "other" industries, and in 53 percent of the electric, gas and water

8/ Fourteen of these fifty-seven issues were wholly owned by a parent corporation.

9/ It does not make much difference in this connection whether the unidentified holdings of banks and brokers are included or excluded. If they are included, the 20 largest record shareholdings constituted 50 percent or more of the total issue in 68 cases; if they are excluded the identified holdings among the 20 largest shareholdings aggregated 50 percent or more in 57 cases.
PROPORTION OF COMMON STOCK ISSUES OF 200 LARGEST NON-FINANCIAL CORPORATIONS INCLUDED IN 20 LARGEST RECORD SHAREHOLDINGS

A. INCLUDING UNIDENTIFIED HOLDINGS OF BANKS, BROKERS, ETC.

B. EXCLUDING UNIDENTIFIED HOLDINGS OF BANKS, BROKERS, ETC.
CHART XXII

PROPORTION OF PREFERRED STOCK ISSUES OF
200 LARGEST NON-FINANCIAL CORPORATIONS INCLUDED
IN 20 LARGEST RECORD SHAREHOLDINGS

NUMBER OF ISSUES

A. INCLUDING UNIDENTIFIED HOLDINGS OF BANKS, BROKERS, ETC.

B. EXCLUDING UNIDENTIFIED HOLDINGS OF BANKS, BROKERS, ETC.
CHART XXIII

PROPORTION OF COMMON STOCK ISSUES OF 200 LARGEST NON-FINANCIAL CORPORATIONS INCLUDED IN 20 LARGEST RECORD SHAREHOLDINGS*

CLASSIFIED BY MAJOR INDUSTRY GROUPS

PROPORTION (PERCENT)

*Other than unidentified holdings of banks, brokers, etc.
CHART XXIV

PROPOTION OF PREFERRED STOCK ISSUES OF 200 LARGEST NON-FINANCIAL CORPORATIONS INCLUDED IN 20 LARGEST RECORD SHAREHOLDINGS* CLASSIFIED BY MAJOR INDUSTRY GROUPS

PROPORTION (PERCENT)

*Other than unidentified holdings of banks, brokers, etc.
TABLE 5

Relative Importance of Identified Largest Shareholdings
Among stock Issues of the 200 Largest Non-Financial Corporations

<table>
<thead>
<tr>
<th>Percentage of shares outstanding represented by identified holdings among 20 largest record shareholdings</th>
<th>Common Stock</th>
<th>Preferred Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Electric, gas and water</td>
<td>Electric, gas and water</td>
</tr>
<tr>
<td></td>
<td>All Industries</td>
<td>Manufacturing utilities</td>
</tr>
<tr>
<td></td>
<td>All Utilities</td>
<td>Manufacturing utilities</td>
</tr>
<tr>
<td></td>
<td>Electric, gas and water</td>
<td>Electric, gas and water</td>
</tr>
<tr>
<td></td>
<td>Number of Issues</td>
<td>Percent of All Issues</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>100</th>
<th>100</th>
<th>100</th>
<th>100</th>
<th>100</th>
<th>100</th>
<th>100</th>
<th>100</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10</td>
<td>22</td>
<td>26</td>
<td>6</td>
<td>31</td>
<td>25</td>
<td>26</td>
<td>28</td>
<td>28</td>
<td>16</td>
</tr>
<tr>
<td>10 - 30</td>
<td>33</td>
<td>40</td>
<td>26</td>
<td>21</td>
<td>32</td>
<td>42</td>
<td>43</td>
<td>45</td>
<td>31</td>
</tr>
<tr>
<td>30 - 50</td>
<td>117</td>
<td>19</td>
<td>15</td>
<td>21</td>
<td>13</td>
<td>16</td>
<td>20</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>50 and over</td>
<td>28</td>
<td>15</td>
<td>53</td>
<td>27</td>
<td>20</td>
<td>16</td>
<td>9</td>
<td>12</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
utility issues. The proportion of issues 30 to 50 percent of which were included in the identified holdings among the 20 largest record shareholdings, however, did not vary a great deal among the four major industry groups. Issues with 10 to 30 percent held by identified holders among the 20 largest record shareholdings, however, were relatively much more numerous in manufacturing industries where they constituted 41 percent of all cases, compared to between 21 and 32 percent for the three other major industry groups. On the other hand, issues with less than 10 percent in the hands of such holders numbered 26 percent of all manufacturing issues and "other" industries, and 31 percent of railroad issues, but only 6 percent of all electric, gas and water utility common stock issues. It is evident from these figures that the degree of concentration was highest among the common stocks of utility companies while statistical evidences of control were less pronounced among manufacturing and railroad issues.

b. Preferred stocks

That the proportion of an issue represented by identified holdings among the 20 largest shareholdings had a slight tendency to be lower among preferred stocks than among common stocks is indicated by Table 5. Thus, 32 of the 196 preferred stock issues of the 200 largest non-financial corporations were held to the extent of 50 percent or over by the identified owners among the 20 largest record shareholdings, a proportion of 16 percent comparing with one of 28 percent among common stocks. Identified holdings among the 20 largest record shareholdings amounted to between 50 and 50 percent in one-sixth of both the common and preferred stock issues, but to between 10 and 30 percent in 43 percent of the preferred stock issues against a ratio of only 33 percent of the common stocks. The proportion of issues in which identified owners among the 20 largest record shareholdings accounted for less than 10 percent was only slightly higher among preferred stocks (26 percent) than among common stocks (22 percent).

The proportion of preferred stock issues the majority of which was held by identified owners among the 20 largest record shareholdings was relatively high among railroads and "other" industries (37 percent and 30 percent respectively) and low among the issues of manufacturing industries and electric, gas and water utilities—the two most numerous groups—(9 percent and 12 percent, respectively). Conversely, issues with less than 10 percent of the amount outstanding in the hands of the identified owners among the 20 largest record shareholdings were relatively most common among utilities and manufacturing industries with 28 percent in both cases.

From the point of view of possible control, it is necessary to divide preferred stock issues into issues with full voting rights, with contingent voting rights, and without voting rights, as is done in Table 99. No similar breakdown is required for common stock, as only eight of the 208 issues were without voting rights.

Compared to an 18 percent median ratio of shares held by identified holders among the 20 largest record shareholdings for the entire group of 196 preferred stock issues, the 111 issues with full voting rights showed a median ratio of 15 percent, the 68 issues with contingent voting rights one of nearly 23 percent and the 17 issues without voting rights one of slightly over 29 percent. These figures do not indicate a general preference of large investors, as represented in the 20 largest record shareholdings, for voting preferred stock issues. Inspection of the frequency distribution shown in Table 99 likewise fails to indicate any definite preference of this nature. 

10/ This difference would, however, disappear if issues wholly owned by another corporation were eliminated from consideration.
Issues with 50 percent or more in the hands of identified owners among the 20 largest record shareholdings, for example, numbered slightly under one-sixth of all issues of preferred stock with full or contingent voting rights but nearly 30 percent of non-voting preferred stock issues.

(c) Stock issues and issuers of different size

Is there any tendency for the proportion of the total issue represented by the identified holdings among the 20 largest record shareholdings to increase or decrease with the size of the company or the total value of the issue? In other words, are the 20 largest holdings relatively more or less important in issues of large companies and with large investor interest than among smaller issues? Tables showing frequency distributions of the ratios of the identified holdings among the 20 largest record shareholdings to the total issue, classified by the size of the issuer as measured by total assets (Tables 100 and 101) and by the value of the issue (Tables 102 and 103), provide the material for answering this question.

It appears that there was no systematic association between the proportion of an issue included in the identified holding among the 20 largest record shareholdings and the size of the issuer. There was, however, a tendency for the ratio to be lower for the stock issues, both common and preferred, of the largest companies in the group of 200 than for the issues of companies of the smallest or intermediate size. This is shown by the fact that the median ratio stood at 25 percent for the 111 common stock issues of companies with assets under $200,000,000, compared to ratios of 35 percent for the 94 issues of companies with assets between $200,000,000 and $1,000,000,000 and 8 1/2 percent for the 13 issues of companies with over $1,000,000,000 of assets (mainly telephone, electric utility and railroad companies). The differences were smaller—but pointed in the direction of a decrease in the ratio as the size of the issuers increases—among preferred stock issues, the median ratio being 20 percent for the 92 issues of companies with assets of less than $200,000,000, about 17 percent for the 94 issues of companies with assets of $200,000,000 to $1,000,000,000 and less than 15 percent for the 10 issues of the largest corporations.

The picture was slightly more definite with respect to the relationship between the ratio of the identified holdings among the 20 largest record shareholdings and the value of the issue. Although here too no systematic relationship appeared between the ratio and the size of the issue, a tendency existed—and can be observed in Chart XXV—for the ratio to be lower for the issues of higher aggregate value. Thus the median ratio for the 112 common stock issues with an aggregate value of less than $70,000,000 each was 33 percent, against a ratio of only 20 percent for the 96 issues each of which had an aggregate value at the end of 1937 of over $70,000,000. The same tendency could be observed in each of the major industry groups. Thus the median ratio for the 36 common stock issues of manufacturing companies with a value of less than $70,000,000 was 22 percent against one of 18 percent for the 65 issues exceeding that size. The differences were greater for railroad and electric gas and water utility issues, but there was a relatively small number of issues in each of these groups. The same tendency for a higher ratio of holdings among issues of lower aggregate market value also appeared, though less distinctly, among preferred stock issues. The median ratio for the 113 issues with an aggregate value of less than $20,000,000 amounted to slightly over 20 percent, compared to a ratio of about 15 percent for the 83 issues each of which had an aggregate value of over $20,000,000.
CHART XCV

PROPORTION OF COMMON AND PREFERRED STOCK ISSUES OF 200 LARGEST NON-FINANCIAL CORPORATIONS INCLUDED IN 20 LARGEST RECORD SHAREHOLDINGS*

CLASSIFIED BY VALUE OF ISSUE

<table>
<thead>
<tr>
<th>NUMBER OF ISSUES</th>
<th>PROPORTION (PERCENT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS THAN $70,000,000 (115 ISSUES)</td>
<td></td>
</tr>
<tr>
<td>MORE THAN $70,000,000 (46 ISSUES)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NUMBER OF ISSUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS THAN $200,000,000 (126 ISSUES)</td>
</tr>
<tr>
<td>MORE THAN $200,000,000 (30 ISSUES)</td>
</tr>
</tbody>
</table>

*Other than unidentified holdings of banks, brokers, etc.
d. Individuals' holdings

From several points of view particular interest attaches to the holdings of individuals (including those of personal and family holding companies, and trusts and estates) among the 20 largest record holdings. Table 104 therefore presents a frequency distribution of the ratio of individual holdings among the 20 largest record shareholdings for the common and preferred stock of the 200 largest non-financial corporations classified by major industrial groups, and Chart XXVI illustrates the relative importance of these holdings in all common and preferred stock issues.

(1) Common stock issues

Of the 208 common stock issues there were only 25 in which individuals were not represented among the 20 largest record shareholders. These were mainly issues in which all the 20 largest shareholdings were in the names of brokers or banks acting as nominees for undisclosed beneficiaries or all the stock of which was held by a parent corporation. Issues with no individuals represented among the 20 largest shareholdings were by far most important among the common stock of electric, gas and water utilities, representing 16 of the 47 issues in that group. They were almost insignificant in each of the other major industrial groups.

Table 104 shows that individuals among the 20 largest record shareholders accounted for 50 percent or more of the issue in 17 common stocks, or somewhat over 8 percent of all common stock issues included in the study. Individuals held between 30 percent and 50 percent of the issue in 15 cases and between 10 percent and 30 percent in 43 cases. In one-half of the cases, however, the aggregate holdings of individuals among the 20 largest record shareholdings amounted to less than 5 percent of the issue. The holdings of individuals among the 20 largest shareholdings were much more important in the common stocks of manufacturing companies than in those of railroads and utilities. The median ratio of individuals' holdings amounted to about 10-1/2 percent for manufacturing companies against only slightly over 3 percent for railroads and not more than 2 percent for public utilities.

(2) Preferred stock issues

Individuals' holdings among the 20 largest record shareholdings were only slightly lower among preferred stocks than among common stocks, the median proportion for preferred stocks amounting to 4.6 percent, compared to about 4.9 percent for common stocks. However, there were only 16 of the 196 preferred stock issues in which no individual appeared among the owners of the 20 largest record shareholdings, a proportion of 8 percent compared with one of over 12 percent for common stocks. Similar to the situation for common stocks, most of the issues without individuals' holdings were found among electric, gas and water utility stocks. Individuals among the owners of the 20 largest record shareholdings were credited with 50 percent or more of the entire issue in 11 cases, with 30 percent to 50 percent in 16 cases and with 10 percent to 30 percent in 35 cases. Thus, individuals held more than 10 percent of the issue in 31 percent of the preferred stock issues and 36 percent of the common stock issues of the 200 largest non-financial corporations.
Chart XXVI

Proportion of stock issues of 200 largest non-financial corporations included in holdings of individuals, personal holding companies and estates among 20 largest record shareholdings.

For common stock issues:
- Number of issues
- Proportion (percentage)

For preferred stock issues:
- Number of issues
- Proportion (percentage)
e. The largest single shareholding

There is also interest, for some purposes, in the relative size of the largest single shareholding expressed as a percentage of total amount of the issue. Table 105 and 106 and Chart XXVII, therefore, show a frequency distribution of the percentage of the common stock outstanding which is accounted for by the largest record shareholding (including banks, brokers, etc. where beneficiaries were not disclosed), classified (in Tables 105 and 106 and in Chart XXVII) by major industries and sub-classified (in the tables though not in Chart XXVII) by the chief types of persons credited with the largest shareholding. It must be emphasized that the figures are based exclusively on the largest shareholding which appears on the right hand side of the lists in Appendix X. No account is taken of the additional blocks of the same issue which the owner of the largest record shareholding may hold through unresolved nominees, trust funds, personal holding companies or other corporations under the control of or under common control with the owner. Nor is account taken of holdings of other family members of the owner of the largest record shareholding. The figures presented in Tables 105 and 106, on which this subsection is based, therefore, have to be regarded only as the minimum amount held beneficially by the largest single stockholder. The actual concentration of stock in the hands of the largest stockholder is undoubtedly considerably larger than indicated by these tables.

(1) Common stock issues

Among the 208 common stock issues the proportion of the total issue represented by the largest single record shareholding had a median value of 9 percent. In other words, in one-half of the issues the largest single holding amounted to at least 9 percent of the total number of common shares outstanding. If additional stock held by the owner of the largest shareholding were included, the median would most likely exceed 10 percent. There were only three issues in which the largest single holding was smaller than 1 percent and 71 issues in which it was between 1 percent and 5 percent. The largest holding amounted to between 5 percent and 10 percent of the issue in 36 cases, to between 10 percent and 15 percent in 20 cases, and to between 15 percent and 20 percent in 10 cases. It accounted for between 20 percent and 30 percent in 17 cases, for between 30 percent and 40 percent in 13 cases, and for between 40 percent and 50 percent in 6 cases. The largest single holding comprised over half of the issue in 32 cases, in 13 of which it constituted between 95 percent and 100 percent of the issue.

Differences in the median size and the distribution of the largest shareholding between major industries were considerable. The largest single shareholding was most important, relatively speaking, among electric, gas and water utilities, where it had a value of 32-1/2 percent, and smallest among manufacturing companies where it was somewhat under 6 percent, railroads (13-1/2 percent) and other corporations (10-1/2 percent) occupying an intermediate position.

There were also considerable differences in the median value of the largest holding depending upon the type of stockholder. The 68 largest single shareholdings in the hands of individuals showed a median value of less than 7 percent of the issue and the 27 largest single shareholdings in the hands of investment companies (including Dutch Administration Offices) one

11/ This value would be considerably higher if additional holdings through trusts, estates and personal holding companies were included.
CHART XXVII

PERCENTAGE OF LARGEST RECORD
STOCKHOLDING IN COMMON STOCK ISSUES
OF 200 LARGEST NON-FINANCIAL CORPORATIONS
CLASSIFIED BY MAJOR INDUSTRY GROUPS

PERCENTAGE HELD BY LARGEST OWNERS
of 8-1/2 percent. The 63 largest single shareholdings held by non-financial corporations (including parent and subsidiary corporations), however, had a median value of nearly 40 percent. In contrast, the median value of the largest single holding was slightly below 2 percent in the 26 issues where it was in the hands of brokers and banks not disclosing the beneficial ownership, i.e., where it represented in most cases an aggregate of relatively small holdings of clients.

(2) Preferred stock issues

Among preferred stocks the size of the largest single holding was generally considerably smaller than among common stocks. The median of the largest single holding in all 196 preferred stock issues, for instance, amounted to only 5.7 percent compared with 9.0 percent for the 208 common stocks. As among common stocks, the median value of the largest single holding was by far highest where it was in the hands of non-financial corporations (20 percent) and smallest where it was held by banks and brokers without identification of beneficial ownership (3.7 percent). However, the median value of the largest single holding in the hands of individuals was practically as large among preferred stock, (6.4 percent), as among common stock (6.7 percent).

Some differences appear in a comparison of the median values (See Chart XXVIII) and the distributions of the largest single shareholding among issues of the four major industries for preferred and for common stocks. The value was highest among preferred stocks for railroads (14-1/2 percent—hardly differing from the 13-1/2 percent for railroad common stock) and lowest (4.9 percent), among electric, gas and water utilities, the major industry group with the highest such value (32-1/2 percent) among common stock. For manufacturing companies the median value for preferred stocks of 4.8 percent was only slightly below the corresponding value of 5.7 percent for common stocks.

4. Nature, treatment and limitations of data

The major part of the material which forms the subject matter of this chapter was originally gathered in 1938 by the then Research Division of the Securities and Exchange Commission. These data were released to the Temporary National Economic Committee with the permission of the companies originally supplying the information. This material was supplemented by lists of the names and addresses of the 20 largest stockholders of record of about 50 corporations which either had not originally supplied the information or which, at that time, had not supplied it in sufficient detail for the purposes of this study. In this way a list was obtained of the 20 largest shareholdings of record for each of the more than 400 stock issues of the 206 largest non-financial corporations which have been the subject of this study.

An attempt was then made to get behind the legal facade of ownership and to discover the beneficial owners of the shares appearing in the names of the 20 largest stockholders of record. This was done, first, by an analysis of material gathered by previous studies, such as the Splawn study on railroad holding companies 12/ and pipe lines, 13/ the Wheeler railroad financial


Chart XXVIII

Percentage of Largest Record Stockholding in Stock Issues of 200 Largest Non-Financial Corporations

Percentage Held by Largest Owners

Common Stock (not Issues)

Preferred Stock (196 Issues)

Number of Issues

Number of Issues

Percentage Held by Largest Owners
CHART XXIX

HOLDINGS OF THE DU PONT FAMILY IN THE 200 LARGEST NON-FINANCIAL CORPORATIONS*

*Amount of equity capital held in corporations where the du Ponts are principal stockholders.
HOLDINGS OF THE MELLON FAMILY\( \wedge \) IN THE 200 LARGEST NON-FINANCIAL CORPORATIONS\( * \)

Including holdings of family endowed foundations.

\( \wedge \) Asset of equity capital held in companies where the Mellons appear as principal stockholders.
HOLDINGS OF THE ROCKEFELLER FAMILY* IN THE
200 LARGEST NON-FINANCIAL CORPORATIONS*

*Including holdings of family endowed foundations.

*Percent of equity capital held in companies where the Rockefellers appear as principal stockholders.

22-1610
CHART XXXII

PROPORTION OF DIVIDENDS PAID TO FOREIGN STOCKHOLDERS IN 1937
(AS REPORTED ON TREASURY FORM 1042)
AMONG 200 LARGEST NON-FINANCIAL CORPORATIONS

NUMBER OF CORPORATIONS

117 DIVIDEND PAYING CORPORATIONS

NUMBER OF ISSUES

115 COMMON STOCK ISSUES

NUMBER OF ISSUES

93 PREFERRED STOCK ISSUES

PERCENTAGE OF TOTAL DIVIDENDS
investigation, 14/ the Securities and Exchange Commission's study of investment trusts and investment companies 15/ and the study of the petroleum industry made by the Temporary National Economic Committee. 16/ Extensive use was also made of information on stock ownership filed with the Securities and Exchange Commission by public utility holding companies on forms U5B and U5S under the Public Utility Holding Company Act of 1935. Available information was supplemented by approximately 500 questionnaires addressed to the principal holders of record in an attempt to identify legal and beneficial holders. The more important trusts and personal holding companies were circularized in order to secure information on the beneficiaries of the trusts and the principal stockholders of personal or family holding companies. Certain other corporations, such as The Cliffs Corp., United States Tobacco Co., and M. A. Hanna Corp., which appeared repeatedly in the lists of the 20 largest record stockholdings, were also sent questionnaires regarding their principal stockholders.

The primary limitation of the study of principal holdings has been the fact that the list was restricted to 20 shareholdings which constituted in some cases an inadequate basis for a study of the principal holders. However, lists of the 20 largest holdings of record had been supplied to the Trading and Exchange Division of the Securities and Exchange Commission before creation of the Temporary National Economic Committee by a substantial percentage of the corporations included in this study. It was, therefore, regarded as preferable to secure the release of this information which would not involve additional expense to respondents and to limit the study to this material rather than to attempt to secure new and more comprehensive data by again approaching all of the corporations. The use of the data supplied to the Research Division has given rise to the further minor disadvantage that most of the material utilized referred to a date between November 1937 and June 1938 and not uniformly to a more recent date such as the end of 1939, as did much of the data collected especially for this study.

Further limitations arise from the ways in which the questionnaires were used. Because of restrictions of time, questionnaires were sent only to holders of record credited with over 1 percent of an issue of stock except in those cases where holders of less than 1 percent seemed to be connected with holders of a larger percent of ownership. Questionnaires furthermore were not sent to most banks and brokers, as it was not feasible to make the necessary inquiries in the very numerous cases involved and as the assumption seemed justified that these holdings generally did not represent beneficial ownership by the banks or brokers themselves or by large

14/ Hearings before the subcommittee of the Committee on Interstate Commerce of the Senate on the Investigation of Railroads, Holding Companies, Affiliated Companies, and Related Matters, 74th, 75th and 76th Cong., 1937-1940.


stockholders. 17/ Questionnaires were sent only to those stockholders of record about whose status there seemed to be some doubt. Possibly a number of individuals who were accepted as beneficial holders would have been revealed as nominees had questionnaires been sent to them. It is believed, however, that neither this nor the other limitations on the completeness of the picture are sufficiently important to affect the validity of general conclusions based on the information concerning the 20 largest record shareholdings.

The lists of 20 largest shareholdings submitted by the companies, together with the information secured from the questionnaires and from other sources, form the basis for the lists of principal shareholders of record which appear in Appendix X. These lists show, separately for each issue of each company, on the left-hand side of the list, the names of the 20 largest holders of record ranked in order of the size of their holding and, on the right-hand side, the beneficial owners of these record holdings. For both record and beneficial holdings, the lists also indicate the calculated market value of each holding at the end of 1937 and the percent of the total issue which each holding represented. The legal and beneficial holders are classified into about a dozen broad classes. Where information has been obtained on the beneficiaries of a trust or the stockholders of a personal holding company, this is given in a parenthetical statement below the name of the trust or company. In some instances, information was secured on beneficial holdings which were not held through any nominee appearing among the 20 largest holdings of record. These holdings were incorporated in the list of beneficial holders appearing on the right-hand side of the tables; in order to bring the totals into agreement, the total legal and beneficial holdings which were not included in the record holdings also appear as a separate subtotal on the left-hand side of the list. Similarly, when part of the holding of a broker or other nominee who appeared as a record holder was identified and assigned to the proper legal and beneficial holder on the right, the remaining holdings in the name of the broker or other nominee were included on the same side in a subtotal which shows the amount of record holdings not included in the list of identified beneficial holders. Those nominees which have not been identified, but which there is no reason to believe are the beneficial owners of stock standing in their names, appear on the right-hand side under the heading, "Banks, brokers, etc., beneficiaries not disclosed."

While the analysis of the distribution of all shareholdings by their size, as presented in Chapter III, gives an idea of the degree of concentration of ownership existing among the 200 companies, this alone is not always

17/ In those cases where, for special reasons, questionnaires were sent to banks and brokers the replies indicated that they customarily acted as nominee for a large number of individuals, relatively few of which accounted for any substantial percentage of the stock. Banks and brokers often were nominees for from ten to several hundred stockholders, and in few cases did the largest of these stockholders account for more than 50 percent of the total holdings of the bank or broker acting as nominee. The principal large holders using banks and brokers as nominees were investment trusts and investment companies, usually those companies which had been sponsored by the nominee brokerage house. Published portfolios of investment companies and material gathered by the Investment Trust Study of the Securities and Exchange Commission have thrown considerable light on the holdings of these companies and made it possible to resolve some unidentified brokers' holdings.
indicative of the concrete situation in particular companies. The lower limit of the top class interval in these distributions (5,000 shares) is not quite satisfactory in companies with large stock issues where holdings of 5,000 shares are common; in United States Steel Corp., for example, 138 stockholdings included more than 5,000 shares, in Standard Oil Co. of N.J., 452, and in General Electric Co., 522. More serious is the wide variation among issues in the total number of stockholders, which reduces the value of percentage comparisons between companies or between issues of a particular company.

While the data on the distributions of all shareholdings utilized in previous chapters were based on record (or book) shareholdings all the statistics presented in this chapter reflect legal or beneficial ownership. However, as shown in Chapter III, the difference between distributions based on record shareholdings on the one hand and beneficial ownership on the other - and hence the difference in the degree of concentration - is not likely to be great for all the 200 companies together or for large groups of them, although it may be considerable for individual corporations. In some cases the actual degree of concentration will be greater than that appearing from record shareholdings since some of the individual record holders may simply be acting as nominees or trustees for one individual or group of individuals. Also husband, wife, children, brother or sister may appear as separate holders whereas actually the holdings may be voted as one block and in practically all respects behave as one holding. Finally, parent and subsidiary corporations may be recorded as separate holders although one is completely dominated by the other.

An evaluation of the differences between the distribution picture shown by the overall statistics of record shareholdings and by the detailed study of the beneficial holdings of the 20 largest stockholders leads to the conclusion that consideration of the 20 largest shareholdings may change the picture considerably for a number of companies. However, in the great majority of cases and for all major groups of companies the generalizations and conclusions arrived at on the basis of an analysis of the distribution of record shareholdings remain valid, though they are supplemented and made more concrete by the study of the 20 largest shareholdings.

18/ The price of the issue also affects the value of the size distribution as an indicator of concentration in that an issue having a relatively low market value will be more likely to show concentration of holdings in blocks of 5,000 shares or over than one with a high price.

19/ Extreme cases are instances like Anderson, Clayton & Co. in which, although 10 percent of the stockholders held over 5,000 shares each, the 10 percent actually represented only 3 stockholders. In the case of Cudahy Packing Co., 6 percent preferred, 36 percent of the stockholders had over 1,000 shares, but the total number of stockholders being only 19, the 36 percent represented but 7 stockholders.

20/ Chapter III.
CHAPTER VI

TYPES OF OWNERSHIP CONTROL AMONG THE 200 LARGEST NON-FINANCIAL CORPORATIONS

1. Scope of Chapter

The data on the distribution of ownership of the 200 Corporations presented in previous chapters have been based on aggregates for more or less comprehensive groups of corporations. Chapter V, in particular, has indicated the absolute and relative magnitude of the 20 largest shareholdings for industrial and size groups among the 200 corporations. With this Chapter two further steps in the analysis are taken.

First, the distribution of ownership in an individual corporation rather than in a group of companies is made the subject of investigation. Chapter V indicated that the proportion of the total stock outstanding included in the 20 largest record shareholdings varied greatly between companies; it also showed that the importance of certain types of holders differed considerably between industries. The present chapter is devoted, among other things, to a further investigation of such variations.

This chapter, however, differs from the rest of the report in still another respect. Up to this point the analysis has run almost exclusively in terms of ownership—record ownership in Chapter III, beneficial ownership in Chapters IV and V (as in the later Chapters VII and VIII). No attempt has been made to proceed from the analysis of the distribution of ownership to the problems of dominance or control. In this chapter, on the other hand, some statements will be made about the apparent location of control in individual corporations. These statements will, of course, be based primarily on the ownership data collected for this study. But these data will be supplemented by other evidence, mainly the affiliations of officers and directors. Lack of knowledge of all the connections of directors and officers of many of the companies included in the study has rendered it impossible to assert with confidence whether every substantial group of stockholders appearing among the 20 largest shareholdings, is or is not represented in the management. However, at least insofar as family groups are concerned, it is generally feasible to state whether members of the family are represented in the management and it is also possible to indicate whether such representation consists of the mere holding of a directorship or of the possession of an executive position. No account, however, will be taken in this chapter of control by bankers or control by officers and directors if it is not also reflected in stock ownership.

It is realized that "control" is a very elusive concept. The term is used here to indicate the power of determining the broad policies guiding a corporation and not to describe the actual influence on the day-to-day affairs of an enterprise. Existence or absence of control by a certain group of persons is, therefore, a question of fact, has very little to do with the legal prerogatives of officers, directors and shareholders, and is not dependent on the ownership of a certain amount of stock, particularly the absolute majority of all voting stock. This chapter, furthermore, is concerned only with the situation at the time of the inquiry (1937-1939), and not with the future location of control—i.e., the problem of permanent dominance—or of its past location. A history of the rise of the controlling block of stock in a certain corporation or an explanation of changes
over time in the concentration in its ownership are, therefore, beyond the scope of this chapter, though these problems will occasionally be touched upon.

As the groundwork for this discussion of control, the 200 corporations have been classified in Appendix XI by the type of control through ownership (as defined below) in all cases where there was sufficient evidence available to indicate the likelihood of control by an identifiable group of stockholders. This classification is primarily based on the proportion of voting stock held, but also takes other relevant factors into account, particularly distribution of the rest of the outstanding voting stock and representation in the management. Errors undoubtedly have been made in individual cases both in claiming the existence of a center of control or in determining its location. On the one hand, control functions may have been ascribed in a number of cases to small minority holdings and occasionally also to substantial minority holdings—hardly to any predominant minority holding—where the actual situation does not allow the owners of minority blocks to have much of an influence over the management of the corporation's affairs. On the other hand, a number of minority holdings large enough to permit a considerable degree of control probably have been overlooked because they were either entirely hidden among unidentified holdings of banks and brokers or were spread over so many separate record holdings that they did not show up in the list of the 20 largest shareholders. It is very unlikely, however, that the correction of such errors would change the overall picture to any substantial degree. ¹/²

¹/ See Berle and Means, *Modern Corporation and Private Property*, Chapter V, pp. 95-114, for a similar classification of the 200 largest non-financial corporations, presumably reflecting the situation around 1930. Of the 200 corporations included in this study, 145 are also on the list of Berle and Means.

Berle and Means used a slightly different classification of control situations from that employed here. They distinguished two sub-groups of what has been called here "majority ownership control", namely almost complete control ("private ownership") and other majority control. On the other hand, they made no distinctions between degrees of minority ownership control—classified in this report into three groups—but separated "minority control" from "management control", the latter designation being applied where holdings of the apparently dominating group were very small, and control was based not on stock ownership but on possession of executive positions.

Apart from these terminological differences, the two classifications also vary in a number of cases with respect to the allocation of individual companies to one or the other control type. These differences are due partly to changes in the control situation which have taken place over the last decade, partly to the fact that the information available for this study was generally more detailed and finally, to some degree, to differences of judgment in doubtful cases.
2. Instrumentalities and Types of Ownership Control

Before classifying the 200 largest non-financial corporations by type of control and discussing typical individual cases, it is necessary to set forth the basis for classifying the dominant stockholders, to describe briefly the instrumentalities of control, and to define the various types of control.

a. Types of Dominant Stockholders

The dominant position in a large corporation is but rarely embodied in a single block of stock owned directly by one individual or one corporation. As a rule there exist a number of separate holdings which are more or less closely connected and which actually vote and act in unison. They have been designated here as an "interest group". Holdings of an interest group may all be owned beneficially by the same person but held through separate instrumentalities, such as trust funds, estates, personal holding companies, or even held by endowed foundations and thus not owned beneficially. Usually, however, an interest group is made up of the shareholdings of a number of individuals or corporate entities and the holdings of each or of some members of the group may, in turn, be distributed over several instrumentalities.

Probably the commonest and most easily identified type of interest group of large stockholders is the family. Large family holdings in a corporation usually derive from a single original investment. The founder or dominant stockholder of a corporation will ordinarily seek to preserve his holdings as one block in order to perpetuate the control position of his holdings and will often use personal holding companies or trusts as the main instrumentalities for doing so. The trust enables him to segregate the prerogatives of ownership, the right to receive income and the power of control. The right to receive income may be divided among a number of beneficiaries, while the control rights, such as the right to sell, to exchange, or to vote securities held by the trust, may be vested in the hands of trustees whose business attitudes concur with those of the founder of the trust. A similar division of function is attained through the organization of a personal holding company, the shares of which are distributed to the members of the family, probably not for direct ownership, but, in turn, under a trust instrument. The family holding company has the advantage of permanence over the trust. The ease of transfer of part interests may be regarded by the founder as another advantage or looked upon as a disadvantage of the family holding company.

The existence of family holding companies and trusts as well as the division of an original block of stock among members and branches of the same family gives rise to the family interest group. The group properly includes relatives by marriage and legal or financial representatives of the family. It should be recognized, however, that members of the same family may not necessarily have common business interests, and that sometimes members of one branch of a family may oppose those of another.

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2/ It is reported for example, that members of the Florida branch of the du Pont family, headed by the late Alfred du Pont, had for some time been at odds with the branch headed by Pierre du Pont over control of E. I. du Pont de Nemours & Co. (See du Pont vs. du Pont, U. S. District Court for Delaware, March 1918, 251 Federal Reporter p. 937).
Generally, however, the nature of the origin of family interests and the legal right of inheritance by blood relatives in default of other testamentary instructions justify the aggregation of all holdings of members of a family into one family interest group.

Interest groups not based on family relationships are less easy to define. However, several families not necessarily related by blood or marriage, that participated jointly in the foundation of a company or later became associated through merger of corporations each controlled by one family may ordinarily be considered to have common interests. They form a sort of "multi-family" interest group, numerous instances of which are found among the 200 corporations included in the study.

A group of individuals unrelated by blood or marriage may likewise join together to dominate a particular company. Such "entrepreneurial" interest groups, based on joint representation in the management, may be more or less stable than family interest groups depending on the outside ties of members of the group. However, when such community of interest is based on joint dependence on each other's stock holdings as a means of maintaining a dominant position a substantial degree of stability results.

Finally, an interest group may consist of one or more corporations (other than personal and family holding companies) which are under joint control, together with the corporation or individuals controlling them or of several investment companies which are united through common management.

b. Instrumentalities of Control

Only relatively rarely do we encounter the simple situation where one dominant shareholder, corporate or individual, holds all the shares which he controls outright in his own name, or even in the name of one or more nominees. It is more common to find part or all of the block of stock which one or a group of large shareholders control to be held through the instrumentality of trusts, estates, foundations, personal holding companies or other corporations.

The extent to which individual big shareholders use trusts and personal holding companies has already been indicated in Chapter V. It was found there that of stock included in the 20 largest record holdings about as much was held by trusts, estates and personal holding companies as was owned directly by individual stockholders. 2/ The most extreme case of the use of trusts among the 200 corporations was provided by the Singer Manufacturing Co., approximately 44 percent of the total stock outstanding being held by about two dozen trusts established for the members of two families. 4/ Family holding companies were found to be the largest stockholders of such important enterprises as E. I. du Pont de Nemours & Co.,

2/ See Tables 93 and 94.

4/ The importance of trust funds was still larger in The Campbell Soup Co. (a company not included in the list of the 200 largest corporations, material on which was collected because its size very nearly brought it into the group); here 100 percent of the stock was held in trust for members of the Dorrance family.
The Firestone Tire & Rubber Co. and Pittsburgh Plate Glass Co. Part of the holdings of the Mellon family in Gulf Oil Corp. and Aluminum Company of America were in the hands of Mellon Securities Corp., an investment banking institution wholly controlled by the Mellon family. Corporations often have used subsidiaries and affiliated companies to hold important blocks of stock. For instance, the holdings of Koppers Co. in The Brooklyn Union Gas Co. were in the hands of two wholly owned investment companies. General Electric Corp. used a wholly owned investment company and another wholly owned company formed for the sale of securities to its employees as mechanisms for holding its investments in numerous utility companies.

c. Types of Control

The first distinction between types of control is obvious - that between majority and minority control. It is important mainly because there can be no dispute about the existence of control where one interest group owns more than 50 percent of the voting stock of a corporation. In such cases control is, in effect, absolute, except for the limited rights afforded minority stockholders by law.

Any distinction of types of minority control is, to a certain extent, arbitrary. It appears, however, that at least three types of minority control can profitably be distinguished.

1. Control through a "predominant minority", i.e., 30 to 50 percent of the voting stock. For practical purposes this type of control is as effective as majority control, since the assembling of a large counter-block in big heavily capitalized corporations is almost out of the question.

2. Control through "substantial minority" holdings, i.e., between 10 and 30 percent of the stock outstanding; and

3. Control through a "small minority" holding of less than 10 percent.

Obviously, control through a substantial minority, and particularly through a small minority holding, depends, among other things, on the distribution of the remaining stock. In general, control through a small minority will be effective only if most of the stock is distributed in small lots, if no other large blocks exist and if the chief officers of the corporation cooperate fully. Wide distribution of the remaining stock is less important once a large minority block is assembled, since it would be almost impossible in practice, save under very special circumstances, to dispute the control over a large, heavily capitalized corporation, exercised by any interest group owning more than about one-quarter of the entire voting stock.

3. Ownership Control Over the 200 Largest Non-Financial Corporations

a. The Overall Picture

An attempt to classify the 200 corporations according to the type of ownership control existing in 1937-1939, in general on the basis of distribution of the common stock, yields the following results:

If another interest group has the majority, a minority block of even 49 percent, of course, is not classified as a controlling holding.
About 60, or less than one-third of the 200 corporations were without a visible center of ownership control. This does not mean, however, that an actual center of control was lacking, but only indicates that a study of the 20 largest record holdings failed to disclose such a center. In many of these corporations the chief officers, though owning but little stock, may well have been in a position of control, relying largely on the power of the proxy machinery. In others, investment bankers or trust companies (as the trustees for large blocks of stock) may have exercised considerable influence even though their own beneficial holdings were small or nonexistent.

Companies without a definite center of ownership control were rare among electric, gas and water utilities, only 4 of 45 corporations falling into this group. Such companies represented, however, over one-third of the manufacturing companies included in the study (32 out of 96) and one-half of the railroad group (14 out of 29). The group of corporations without visible center of ownership control included some of the largest and most widely held of the 200 corporations, e.g., American Telephone & Telegraph Co.; Anaconda Copper Mining Corp.; Bethlehem Steel Corp.; Eastman Kodak Co.; General Electric Co.; The B. F. Goodrich Co.; The Goodyear Tire & Rubber Co.; Montgomery Ward & Co. Inc.; Paramount Pictures, Inc.; Radio Corporation of America; United States Steel Corporation; Union Carbide and Carbon Corp.; Westinghouse Electric & Manufacturing Co.; The Atchison, Topeka & Santa Fe Railway Co.; Pennsylvania Railroad Co.; Southern Pacific Co.; Union Pacific Railroad Co.; and Consolidated Edison Company of New York, Inc.

In about 140 of the 200 corporations the blocks in the hands of one interest group were large enough to justify, together with other indications such as representation in the management, the classification of these companies as more or less definitely under ownership control.

About 40 companies, or one-fifth of all the corporations included in the study were controlled by one-family interest groups. In only eight of these corporations, however, was the control absolute, being based on the ownership of the majority of the voting stock. In another dozen companies control was based on a predominant minority of 30 to 50 percent of the voting stock, which for practical purposes is almost equivalent to absolute control. About as numerous were the cases in which control was based on ownership of a substantial minority (10 to 30 percent) of the voting stock. There were only seven cases in which a corporation was classified as under

6/ Control by officers without ownership is strengthened by the fact that a corporation owns, directly or indirectly, a considerable block of its own stock. The outstanding example of this practice among the 200 corporations is provided by Consolidated Oil Corp., which through its ownership of 39 percent of the stock of Petroleum Corporation of America actually controls over 11 percent of its own common stock, the largest block in existence. (For details see the Securities and Exchange Commission report on Investment Trusts and Investment Companies, Part Three, Chapter II, Section VII.)

7/ In the three leased railroads included in the group (Boston & Albany Railroad Co.; Carolina, Clinchfield and Ohio Railway; Morris & Essex Railroad Co.) actual control, of course, rested with the lessee railroad, though it did not own any of the stock.
family ownership control—mainly because of heavy representation of the family in the management—although the family holdings amounted to less than 10 percent of the voting stock. These are almost the only cases in this group which there is serious doubt about the existence of ownership control. 

Family controlled corporations were most numerous among manufacturing and merchandising enterprises. In these two industries they accounted for nearly one-third of the companies falling into those groups. Only three family-controlled corporations were found among the railroads and electric, gas and water utilities. This contrast reflects, as already intimated, differences in the financial history of industrial corporations on the one hand and railroad and electric, gas and water utility corporations on the other, chiefly the larger importance of public offerings of securities among the railroads and utilities.

About 35 corporations were under ownership control by an interest group which consisted of several families or a group of business associates. Control in most of these cases was based on minority holdings of less than 30 percent of the voting stock. Corporations under control of such interest groups were relatively most numerous in manufacturing and merchandising. However, there were also four electric utilities over which a group of several families or business associates appeared to exercise control. Only one of the 29 railroads included in the study was found in this category.

Nearly 60 corporations were under the control of other corporations (excluding family holding companies) but about a dozen of the controlling corporations were in turn controlled by an interest group which consisted of one or several families or a number of business associates. If these corporations were included with the corporations under family control, that group would comprise over two-fifths of the 200 largest non-financial corporations.

Corporations controlled by other corporations were about evenly divided between majority and minority controlled companies. This indicates that majority control was relatively much more common here than among family controlled corporations, the difference being due to the relatively large number of electric utilities majority-controlled by other corporations. Wherever control was based on a minority holding, such minority was generally large. Over one-half of all the corporations controlled by other corporations were in the electric, gas and water utility industry, where they constituted three-quarters of the 45 companies included in the study. This situation is a reflection of the large multi-tier holding corporation systems with complex capital structures which characterize the corporate organization of the utility industry.

There were also a number of cases, classified among corporations without a visible center of ownership control, in which such control may actually have existed although it was not detected in classifying the 200 corporations for the purposes of this study.

This paragraph deals with all corporations controlled by other corporations, irrespective of whether the controlling corporation was in turn under the control of another interest group.
No case of control solely through a foundation or a similar institution was found among the 200 corporations, though foundations played a very important role in a number of cases as instrumentalities of or adjuncts to, control by a family interest group.

In about a dozen corporations control apparently was of a mixed type, one or more families and one or more independent corporations together holding a controlling amount of stock. These corporations are difficult to classify and have been disregarded in the counts mentioned in the preceding discussion.

b. Different Types of Control

(1) Majority family control

One of the most distinct types of control is represented by eight companies in which one family owned the majority of the voting stock. The best example among the 200 corporations of this type of control is provided by the Ford Motor Co., the entire voting stock being owned directly by three closely related members of the family. In the Great Atlantic & Pacific Tea Company of America 100 percent of the voting common stock was held by The New York Great Atlantic & Pacific Tea Co., Inc., a holding company for the Hartford family. An example of complete control not merely by one family but by one individual was provided by Hearst Consolidated Publications Inc., the entire voting stock of which was held by Hearst Corp., a wholly owned subsidiary of American Newspapers, Inc., which, in turn, was wholly owned, directly or indirectly, by William Randolph Hearst.

Control by one family, while not as complete as in these cases, was based on ownership of above 50 percent of the common stock in Gulf Oil Corp.; Koppers United Co.; Sun Oil Co.; S. H. Kress & Co.; and Duke Power Co. These five companies, however, showed interesting differences in the instrumentalities used by the dominating stockholders. Of the common stock of the Gulf Oil Corp. 52 percent was owned by members of the Mellon family directly, nearly 5 percent by trust funds for members of the family.

To avoid overloading the text with figures reference is made, with few exceptions, only to the proportion of common stock held by an interest group. This proportion, of course, differs from the proportion of total voting power only where one or more voting preferred stock issues exist and the difference is of importance only if the preferred stock issues represent a considerable proportion of the total voting power of all stock issues. In most cases where such is the case the proportion of total voting power is indicated in the text.

Similarly complete control by one family is shown in the Campbell Soup Co., 100 percent of the voting stock of this company was owned beneficially by members of the Dorrance family, but, in contrast to the situation in the Ford Motor Co., practically all holdings were in trust funds.

Of the stock of American Newspapers, Inc., as of Nov. 15, 1939, 13.61 percent was held by W. R. Hearst as trustee, while 86.36 percent was held by Clarence J. Shearn as trustee under a voting trust, all certificates of which were owned by W. R. Hearst.
and 7-1/2 percent by the Mellon Securities Corporation, wholly owned by members of the Mellon family and the A. W. Mellon Educational and Charitable Trust, which in its own right held 5 percent of Gulf Oil Corp. common stock. The Mellon family also had majority control of Koppers United Corp. (which owned 100 percent of the voting stock of Koppers Co.) through ownership of slightly over 52 percent of the common stock, about evenly divided between direct holdings and family trusts. 13/ The holdings of the members of the Kress family and the Samuel H. Kress Foundation in S. H. Kress & Co., amounted to nearly 79 percent of the common stock, and those of the Pew family in Sun Oil Co., aggregating about 69 percent of the common stock, were practically all in direct form.

Majority control by one family was also probably in the Duke Power Co. Members of the family beneficially owned 44 percent, mainly through trusts, and the holdings of the Duke Endowment (which according to its charter is not under family control, although the trustees appear to be closely associated with the main business interests of the Duke family), amounting to over 39 percent of the common stock, were necessary to give the family absolute voting control.

Examples of the multi-family type of majority control are provided by Anderson, Clayton & Co., Singer Manufacturing Co., Long Island Lighting Co., and Jones & Laughlin Steel Corp. (Jones and Laughlin families). In Anderson, Clayton & Co. 47 percent of the voting participating preferred stock (representing most of the equity capital and of the votes) was held by N. D. Anderson Foundation through bequest of one of the founders of the firm, an additional 47 percent being owned by members of the Clayton family, mainly through trusts; the common stock, however, was owned, to the extent of 98 percent, by a dozen of the executives of the firm, 37 percent being owned directly by members of the Anderson and Clayton families. In the Singer Manufacturing Co. nearly 50 percent of the voting stock was owned beneficially by members of three families (Clarke, Bourne and Singer) but was distributed over nearly two dozen family trusts, one family holding company and several direct holdings of family members. 14/ Majority control by three families associated in the management existed in the case of the Long Island Lighting Company, if the assumption is made that the Phillips family (owning 17 percent, mainly through family holding companies) the Olmsted family (owning 15 percent, mainly in estates and family holding companies), and the Childs family (owning 15 percent, most of which was held directly) worked together. 15/ The American Cyanamid Co. also belongs in this group though the pattern of control was rather unusual. Most of the Class A voting stock of the corporation was owned by eight senior officers of the corporation (almost 29 percent by W. B. Bell, president, alone), while the far greater part of the equity was represented by the Class B non-voting common stock.

13/ The distribution of ownership of Koppers United Co. is interesting because, notwithstanding majority ownership by the Mellon family, there were other very substantial family blocks held by Charles D. Marshall (15.2 percent), the Rust family (14.8 percent) and the McClintic family (14.9 percent), each of which by itself represented a considerable minority and might suffice for control in the absence of other large blocks.

14/ Holdings of family members not included or identified among the 20 largest record shareholdings probably brought the total to over 50 percent.

15/ A group of companies jointly controlled by the Phillips and Olmsted families owned an additional 13 percent of the common stock.
(2) Family control based on predominant minority

Probably as important as the cases of majority control in the hands of one family are those in which one or a few families working together own a predominant minority of the voting stock, i.e., between 30 percent and 50 percent. In such a situation control by the dominating stockholder group is indisputable in the ordinary course of events and is practically equivalent to majority control.

The most important example of predominant minority control by one family was provided by E. I. du Pont de Nemours & Co., a case of particular interest because of pyramiding of control. The total direct and indirect holdings of the various members of the du Pont family aggregated 44 percent of the common stock of the company. In view of the extremely large capitalization of the E. I. du Pont de Nemours & Co. and the wide distribution of its stock, it seems practically impossible for any other interest group to dispute control of the du Pont family, so long as its members act together. Through control of The du Pont Company, members of the family also exercised a dominating influence in the General Motors Corporation, since E. I. du Pont de Nemours & Co. owned 10,000,000 of the 43,500,000 common shares of General Motors Corp., by far the largest block existent. 17/

The Aluminum Company of America constitutes another important example of predominant minority control by one family. Members of the Mellon family owned 33 percent of the common stock, most of it directly, and Mellon Securities Corp. (controlled by the family) owned another 1.4 percent. While the holdings of Arthur V. Davis, Chairman of the Board, of 11.4 percent would be needed to bring the Mellon family holdings near to majority control, the large capitalization of the company would seem to make the formation of any block outrank the holdings of the Mellon family extremely difficult, if not impossible.

Other examples of companies, among the 200 largest non-financial corporations, with predominant minority control by one family, were provided by Cudahy Packing Co. (Cudahy family); Deere & Co. (Deere family); Pittsburgh Coal Co. (Mellon family); Pittsburgh Plate Glass Co. (Pitcairn family); R. H. Macy & Co., Inc. (Straus family); S. S. Kress & Co. (Kress family and Kress Foundation); and Western Pacific Railroad Corp. (A. C. James family). 18/

Predominant minority control exercised by three to five rather than one family was found in Marshall Field & Co. (Field, Simpson and Svedd families); Schenley Distillers Corp. (Rosenstiel, Jocobi, Weise Schwarzhaupt and Gerngrow families); and Weyerhaeuser Timber Co. (Weyerhaeuser, Clapp, Bell and McKnight families).

16/ For details see Chapter VII.


18/ Texas Gulf Sulphur Co. also belongs in this group, though only indirectly, as 34 percent of its common stock was owned by the Gulf Oil Corp., controlled by the Mellon family.
(3) Family control based on substantial minority

More numerous than majority or predominant minority control are the cases—almost all in manufacturing or merchandising enterprises—in which one or several families own only a substantial minority of between 10 percent and 30 percent of the voting stock, but nevertheless seem to exercise control and to be in no danger of losing it, so long as cooperation exists between the dominant families and the current management.

Important examples of this type of family control were furnished by the Crane Company (Crane family); Colgate Palmolive Peet Co. (Colgate family); The Firestone Tire & Rubber Co. (members of the family of Harvey S. Firestone); Gimbel Bros., Inc. (Gimbel family); International Harvester Co. (McCormick family); National Steel Corp. (Hanna family); The New Jersey Zinc Co. (E. Z. Palmer and family); The Ohio Oil Co. (Rockefeller family); Owens-Illinois Glass Co. (Levis family); Pullman Inc. (Nelson family); Sears, Roebuck and Co. (Rosenwald family); Socony Vacuum Oil Co., Inc., Standard Oil Company of California, Standard Oil Co. (Ind.) and Standard Oil Co. (N.J.) (all four Rockefeller family); United States Gypsum Co. (Avery family); United States Rubber Co. (du Pont family).

An example particularly interesting because of the complicated pyramid of corporations used to assure and perpetuate control with a relatively small original investment is presented by The North American Co., dominated by Harrison Williams. Mr. Williams owned practically no stock of The North American Company directly but built up a system of personal holding companies and public investment companies which together controlled the largest block of voting stock of The North American Co., a block probably sufficient for working control in view of the wide distribution of the remaining voting stock. 19/

Examples of substantial minority control exercised by several families or business associates apparently working together were found in Atlantic Coast Line Railroad Co. (Walters, Jenkins and Newcomer families); Engineers Public Service Co. (Stone and Webster families); General Foods Corp. (Davies, Woodward and Igleheart families); Inland Steel Co. (Block, Ryerson and Jones families); International Shoe Co. (Rand, Watkins, Johnson and Peters families); Liggett & Myers Tobacco Co. (Widener, Elkins, Dula and Ryan families); The National Supply Co. (Hillman, Shoulin and Chalfant families); Pacific Lighting Corp. (Miller, Volkmann and Schilling families); Phelps Dodge Corp. (James and Dodge families); The Procter & Gamble Co. (Procter, Gamble and Cunningham families); Safeway Stores, Inc. (Merrill and Lynch families); and F. W. Woolworth Co. (Kirby, and Woolworth-Donahue-McCann families). A similar situation appeared to prevail in The American Metal Co., Ltd. and in Climax Molybdenum Co. Though Selection Trust, Ltd., a British finance company, owned nearly 24 percent of the common stock of The American Metal Co., Ltd., members of the Hochschild, Sussman and Loeb families, all represented in the management, apparently exercised working control based on holdings of about 14 percent. The Loeb, Hochschild and Sussman families.

19/ For a detailed description of the Harrison Williams group, see the report of the Securities and Exchange Commission on "Investment Trusts and Investment Companies," Part Three, Chapter V, Sec. IV C 3 b particularly Chart p. 163.
also owned about 27 percent of the common stock of Climax Molybdenum Co.,
holdings of other business associates (Schott, Goldman and Adler families)
adding about 9 percent and The American Metal Co. Ltd. another 9 percent.

(4) Family control based on small minority

More difficult ground is reached with the corporations—practically
all in the industrial field—in which family holdings constitute only a
small minority (less than 10 percent of the voting stock) but appear to carry
with them a substantial amount of control evident as representation of the
family in the management, partly because of the absence of any other large
blocks of stock. Examples of companies, among the group of 200, which ap­
peared to be controlled by one or two families through relatively small
holdings were American Can Co. (Moore family); Crown Zellerbach Corp.
(Zellerbach family); Lone Star Gas Corp. (Crawford family); National Bis­
cuit Co. (Moore family); National Lead Co. (Cornish family); Phillips
Petroleum Corp. (Phillips and du Pont families); Swift & Co. (Swift family);
and Warner Bros. Pictures, Inc. (Warner family).

(5) Corporate control

Of the about 140 corporations with a definite center of control, ap­
proximately 60 appear to be controlled by other corporations. This ex­
cludes, of course, cases in which the controlling stockholders is a family
holding company.

(a) Majority

In about one-half of the about 60 cases of control by corporation the
percentage of stock held by the dominant shareholder exceeded 50 percent.
This was the case in Armour and Company of Delaware, wholly-owned subsidi­
ary of Armour and Co. (Ill.); Empire Gas and Fuel Co. (wholly-owned sub­
sidiary of Cities Service Co.); Shell Union Oil Corp. (54 percent of which
was held by the Royal Dutch group of companies); The Pacific Telephone &
Telegraph Co. and the New England Telephone & Telegraph Co. (both majority
controlled by the American Telephone & Telegraph Co.); The New York,
Chicago and St. Louis Railway Co. (over 57 percent owned by The Chesapeake
and Ohio Railway Co.); The Central Railroad Company of New Jersey (55 per­
cent owned by Reading Co.); Louisville & Nashville Railroad Co. (51 percent
owned by Atlantic Coast Line Railroad Co.); and over a dozen large electric,
gas and water utilities (Central and Southwest Utilities Co.; The Cincinnati
Gas & Electric Co.; The Cleveland Electric Illuminating Co.; Consumers
Power Co.; Duquesne Light Co.; Electric Power & Light Corp.; International
Hydro-Electric System; The Kansas City Power & Light Co.; New England Gas
and Electric Association; New England Power Association; Northern States
and West Penn Electric Co.).

Sometimes two or more corporations together commanded the absolute
majority of the voting stock. Thus, The Baltimore and Ohio Railroad Com­
pany owned nearly 43 percent of the Reading Company, while the New York
Central Railroad Co. held nearly 19 percent. Likewise, the Pennsylvania
Railroad Co. controlled 30 percent and the Wabash Railway Co. another 21
percent of the stock of the Lehigh Valley Railroad Co. Of the common stock
of the Niagara Hudson Power Co., nearly 25 percent was owned by the United Corp., 8 percent by its subsidiary, United Gas Improvement Corp., and 10 percent each by Aluminum Company of America and by Niagara Shares Corp. In the United Light and Power Co., over 28 percent of the common stock was in the hands of the Koppers Co. (Indirectly controlled by the Mellon family) while 24 percent was owned by three affiliated investment companies, 15 percent by two other investment companies under common control and nearly 9 percent and 7 percent, respectively, by two other independent investment companies.

(b) Predominating minority

Control and ownership of a predominating minority of between 30 percent and 50 percent by another corporation was present in a number of the most important public utility companies included in the study. To this group belonged the American Power & Light Co., the American & Foreign Power Co., Inc., and the National Power & Light Co. (all controlled by Electric Bond and Share Co.); the Northern States Power Co. (about 45 percent of voting power held by Standard Gas and Electric Group); and the Public Service Corporation of New Jersey (about 42 percent of voting power held by United Corp. and affiliated interests). This form of control was also found in the Chesapeake and Ohio Railway Co. (51 percent of the common stock held by the Chesapeake Corp.); the Pere Marquette Railway Co. (about 49 percent of voting stock held by the Chesapeake and Ohio Railway Co.); The Norfolk & Western Railway Co. (over 42 percent of the common stock held by the Pennsylvania Railroad Co.); and the Western Maryland Railway Co. (30 percent of common stock owned by the Baltimore and Ohio Railroad Co.), but was represented only in one instance among the industrial companies included in the study, the Richfield Oil Corp. (Cities Service Co. and Consolidated Oil Corp., each owning 17.7 percent of the common stock). 20/

In a few cases several corporations together owned a predominating minority interest sufficient for safe working control so long as they cooperate. For instance, in the Detroit Edison Co., 20 percent of the common stock was owned by American Light & Traction Co. and 19 percent by the North American Co.

20/ A particularly interesting case was presented by The Coca Cola Co. Nearly 40 percent of the company's common stock, the only voting issue, was held by Coca Cola International Corp. The largest stockholder of Coca Cola International Corp. in turn, was the Woodruff family, owning 15 percent of the common stock and 25 percent of the Class A stock and also holding nearly 2 percent of the common stock of The Coca Cola Co. Other large stockholders of Coca Cola International Company sitting on the board of The Coca Cola Co. were John P. Illges (related by marriage to the Woodruff family), Winship Nunnally, W. C. Bradley, J. B. Campbell and Thomas K. Glenn. The Candler family, members of which formerly headed the company, were represented on the board of The Coca Cola Co. by Charles H. Candler; they owned 1.2 percent of the common stock of the Coca Cola International Corp. and 1.6 percent of the common stock of The Coca Cola Co. itself. Some other considerable blocks of stock of The Coca Cola Co. were held largely by families associated with regional bottling companies, such as the Whitehead family, which owned about 3 percent of the common stock.
In about a dozen cases control was apparently in the hands of other corporations through ownership of a substantial minority of 10 percent to 30 percent of the stock. This situation was exemplified by General Motors Corp. (23 percent of common stock held by E. I. du Pont de Nemours & Co.); Philadelphia & Reading Coal & Iron Corp. (23 percent held by The Baltimore and Ohio Railroad Co.); Illinois Central Railroad Co. (26 percent of common stock held by Union Pacific Railroad Co.); American Gas & Electric Co. (19 percent of common held by Electric Bond and Share Co.); The Brooklyn Union Gas Co. (24 percent of common stock owned directly or indirectly by Koppers Co.); Columbia Gas & Electric Corp. (20 percent of common stock owned by United Corp.); Commonwealth & Southern Corp. (11 percent owned by American Superpower Corp. and over 8 percent by The United Corp. directly or through a subsidiary); Pacific Gas and Electric Co. (33 percent of common stock but only about 13 percent of voting power held by The North American Co.); The United Gas Improvement Co. (26 percent of common stock held by The United Corp.).

No case has been found in which ownership of less than 10 percent of the voting stock by another corporation seemed to carry working control.

4. Relationship between ownership and management

Mere stock ownership is not, in itself, a measure of dominance, a fact stressed earlier in this chapter. It was, therefore, necessary also to consider representation in the management in deciding whether or not a particular interest group was dominant in any company. Examination of the data on the 200 companies covered in this study shows that representation in the management does not necessarily correspond with the size of the stock interest. It was not possible, however, to analyze within this study the reasons for this difference between ownership and management, since this would require detailed case studies reaching far back into the individual corporation's history.

a. Identity of ownership and management

Identity of ownership and management is relatively rare. It is to be found only in those cases where one interest group has majority control of a corporation, holds the key positions among the executive officers and is also heavily represented on the board of directors. While this situation is common in small and medium size business enterprises, it is only rarely found among the 200 largest non-financial corporations. Large corporations with identity of ownership and management are generally "first generation" enterprises in which the original founder, owning most of the stock, alone or with his family, is still the dominant figure in the management.

The outstanding examples in this group were provided by the Ford Motor Co. and by Hearst Consolidated Publications, Inc. The Ford family, which owned all the voting stock of the company, also supplied the president and the Chairman of the board of directors. William Randolph Hearst, owning all the stock of American Newspapers, Inc., was also president of Hearst Consolidated Publications, Inc., its operating subsidiary. There was,
however, also a near identity of ownership and management in The Great Atlantic & Pacific Tea Company of America and in Anderson, Clayton & Co. 21/

b. Representation in management less than ownership interest

In many corporations representation of the dominant shareholders is apparently smaller than would correspond to their ownership interest. This situation may, of course, easily arise when the heirs of the original dominant shareholders are prevented by youth, old age, sex, preoccupation with other financial or non-financial interest, or other considerations, from taking an active part in the management.

For instance, the Mellon family, though owning 35 percent of the voting stock of the Aluminum Company of America, held only two of the ten directorships and none of the executive positions. 22/ The Duke family, though owning 49 percent of the common stock of Duke Power Co., was not represented in the management or on the board of directors. However, trustees of the Duke Endowment, which held an additional 38 percent of the voting stock, filled nine of the eleven places on the board of directors of the company. The Widener and Elkins families were the largest stockholders of the voting stock of The American Tobacco Company, and yet no member of either family was found on the Board. No known representatives of the Gulf Oil Corp. and no members of the Mellon family, which controlled the company, appeared as executives in the administration of the affairs of Texas Gulf Sulphur Corp., although Gulf Oil Corp. owned 34 percent of the stock.

Lack of representation in the management commensurate with stock ownership seems to characterize practically all the holdings of the Dutch Administration Offices. Such offices owned 14 percent of Mid-Continent Petroleum Corp. stock; 12 percent of the common stock and 18 percent of the preferred stock of Shell Union Oil Corp.; 12 percent of the common stock of Wilson & Co.; 9 percent each of the common stock of American Car & Foundry Co.; Republic Steel Corp. and Missouri-Kansas-Texas Railroad Co.; 8 percent of that of Anaconda Copper Mining Co.; and 25 percent of the first preferred stock of the Kansas City Southern Railway Co. but apparently were without any visible representation on the boards of directors or among the executive officers. On the other hand, a Dutch Administration Office, holding 12-1/2 percent of the stock, had one representative on the 23-man Board of Directors of the Tidewater Associated Oil Co.

21/ Among corporations on which material was assembled, but which were excluded from the 200 companies because they were just below the lower size limit of the group, near identity of ownership and management was found in the Campbell Soup Co. and the H. J. Heinz Co. Data for these companies are presented as a supplement to Appendix X.

22/ It should not be concluded from this, however, that active management and majority stock ownership were necessarily divorced in this company. Arthur V. Davis, Chairman of the Board, was the largest single stockholder, with 11 percent of the voting stock, and Roy A. Hunt, the President, and his family held 5 percent. Both officers apparently closely cooperated with the Mellon family controlling the largest block of stock.
It would also appear that two large blocks owned by foreign interests—24 percent of the common stock of The American Metal Co., Ltd., owned by Selection Trust, Ltd., of London, and 20 percent of the common stock of Allied Chemical & Dye Corp. owned by Solvay & Cie. of Belgium through the Solvay-American Investment Corp. (now called Solvay American Corp.)—were without commensurate representation in the management.

c. Representation in management exceeding ownership interest

Much more common, however, than under-representation of large shareholders is the opposite case, in which holders of a relatively small amount of stock are heavily represented on the board of directors or hold key positions in the management. This situation may be due to two entirely different developments. In some cases the proportionate ownership of originally dominant interest groups has been much reduced without commensurate reduction in their representation in the management, reflecting the advantage of original entrenchment and the inertia of the mass of new stockholders. In other cases the over-representation in the management is the result of the fact that the key executives, who often have reached their positions and achieved their controlling influence without the help of stock ownership, have, in the course of time, acquired considerable blocks of stock in their corporations.

A striking example in which proportionately small family holdings, going back over several generations, were still coupled with heavy representation in the management was provided by Swift & Co.; six of the nine directorships of the company were held by members of the Swift family, although the family owned only 5 percent of the voting stock, the remainder of the stock being distributed mainly in holdings of 100 to 500 shares each. The situation was similar, though the discrepancy between stock ownership and representation in management was less pronounced, in the Crown Zellerbach Corp., the Zellerbach family owning 8-1/2 percent of the common stock but furnishing the President, a vice-president and three directors (including the two officers) out of a board of thirteen.

Examples in which present or former key executives appeared to be in control, although their stock holdings represented only a small minority of the outstanding common stock, were provided by Allied Chemical & Dye Corp., where former president Orlando Weber held 2.5 percent of the stock; American Cyanamid Co., 74 percent of the voting stock being held by members of the management, although most of the equity capital was non-voting stock; and Cities Service Co., the Doherty group, which appeared to control the company, holding only 5 percent of the stock.

5. Conclusions

Earlier chapters have shown a high degree of concentration of stock ownership in a substantial percentage of the 200 largest non-financial corporations. The previous analysis was in terms of aggregates and, therefore, showed concentration, so to speak, in the abstract. The analysis in this chapter, proceeding from company to company, has demonstrated that the largest blocks of stock are in most cases in the hands of a rather small group having a community of interest based either on family relationship, on corporate ties, or on long-standing business connections. An analysis of the holdings of these interest groups in comparison to the distribution holdings for all stockholders shows that in particular companies a small percentage of ownership in a large issue may be sufficient to give dominance when the remainder of the stock is widely
dispersed among disconnected holdings, each representing but a fraction of the size of those in the hands of the dominant group. A study of the officers and the boards of directors of these companies also indicates that dominant stock ownership, whether based on a minority or a majority holding, is in most cases coupled with active participation in the management, or at least with representation on the board of directors.

The ownership patterns of individual companies thus demonstrate that the effective concentration of stock ownership in the 200 largest non-financial corporations is even higher than that indicated in Chapter V on the statistical analysis of the percentage of stock included in the 20 largest holdings.

An important problem arises in this connection. Trusts, and to a certain extent personal holding companies, tend to give rise to the separation of ownership and management (i.e., separates the right to receive income from the control prerogatives of ownership), even where high concentration of ownership exists. Both the trust and the personal holding company tend to perpetuate and to centralize control in even fewer hands than the size of the interest group itself would indicate, since the dominant stock interest in a personal holding company will control the vote of the entire block of stock owned by such holding company and the two or three trustees of a trust will together vote stock which may be held for many beneficiaries.

The stock of family holding companies, in turn, has in many cases been trusteeed, as is the case with a large part of the stock of the Christiana Securities Co., which unifies most of the du Pont interests in E. I. du Pont de Nemours & Co. Trusteeing the stock of family holding companies, of course, further accentuates the tendency to centralize the dominance or control exercised by the interest group in fewer hands which is inherent in placing the holdings of large interest groups in personal holding companies and trusts.

The earlier sections of this chapter, together with Chapters IV and V, should have indicated the predominance of interest groups, and particularly of family interest groups, among the stockholders of the 200 largest non-financial corporations included in this study. No attention has been paid in this analysis to the relative importance, measured either by the value of their holdings or by the size of the controlled corporation, of different interest groups which dominate the various corporations. In the next chapter, however, an attempt will be made to describe the importance of a few of the largest interest groups, and to show the extent to which these interest groups have spread out from the corporations on which their wealth was founded into other corporations included in the group of the 200 largest non-financial corporations.

23/ The trustees of a family trust are not exclusively members of a family and only a few of the beneficiaries of the trust customarily serve as trustees.

24/ In one extreme case cited previously, that of Singer Manufacturing Co., several trusts had been set up for members of the Clark family, all of which had the same two trustees, Sir Douglas Alexander and Stephen Carlton Clark, these two men together voting the holdings of some six or eight individuals. Arthur K. Bourne and Clayton Mayo were trustees for a series of trusts for about seven members of the Bourne family. These four trustees obviously dominated the affairs of the company, controlling about 44 percent of the voting power, a situation reflected in the fact that Sir Douglas Alexander was president.

25/ For some details see Chapter VII.
CHAPTER VII
FAMILY SPHERES OF INFLUENCE AMONG THE 200 LARGEST
NON-FINANCIAL CORPORATIONS

1. Scope of chapter

In Chapter VI, an attempt has been made to determine the ownership control situation in each of the 200 largest non-financial corporations and thus give a more concrete meaning to the statistical data on the distribution of ownership presented in Chapter III. In this chapter a further necessary step will be taken—the determination and description of the spheres of influence formed by those of the 200 corporations which are under the control or influence of one interest group.

In general, the interest group controlling one of the 200 corporations is not represented by substantial blocks among the 20 largest record stockholders of any other of these corporations. This is particularly true of interest groups which exercise control through a small or a substantial minority and in cases, not specifically studied, where the management seems to be in control through the proxy machinery but does not have a large ownership interest. There are, however, a number of instances in which one interest group has large shareholdings and apparently exercises a controlling influence in more than one of the 200 corporations. Among these cases three interest groups, all of the one-family type, stand out: the du Pont, Mellon and Rockefeller groups. The corporations under the ownership control of these three families so far exceed in size and importance the sphere of influence, among the 200 corporations, of any other interest group (other than that of top holding companies like Electric Bond & Share Corp. and United Corporation) that discussion can be restricted to them.1/

All three groups represent large fortunes, as measured by the market value of the stock held, as well as huge aggregations of economic power resting upon control of large industrial corporations. It must not be forgotten, of course, that some of the family holdings concentrated in one single corporation also represent very considerable amounts of wealth—for instance, the holdings of the Ford, Hartford, Pew and Duke families. Table 6, listing value of the shareholdings in the 200 corporations in the hands of the thirteen largest family interest groups—as measured by their market or calculated value at the end of 1937—shows that with the exception of the Ford family 2/ they are not of the same magnitude as those of the du Pont, Mellon and Rockefeller families.

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1/ No attention is paid, of course in this report to groups of corporations which may be controlled by one interest group by means other than ownership.

2/ The market value of the holdings of the Ford family in the Ford Motor Co. is, of course, a matter of conjecture, as the stock is not traded. There are reasons to assume that the market value would more likely be below rather than above the book value which had to be used in the table.
### Table 6

Identified Stockholdings in 200 Largest Non-Financial Corporations of 13 Family Interest Groups With Holdings of over $50,000,000

<table>
<thead>
<tr>
<th>Family</th>
<th>Total</th>
<th>Common stock</th>
<th>Preferred stock</th>
<th>Corporations in which major holdings are</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ford</td>
<td>624,975</td>
<td>624,975</td>
<td>--</td>
<td>Ford Motor Co.</td>
</tr>
<tr>
<td>5. McCormick</td>
<td>111,102</td>
<td>84,354</td>
<td>26,249</td>
<td>International Harvester Co.</td>
</tr>
<tr>
<td>10. Pitcairn</td>
<td>65,576</td>
<td>64,981</td>
<td>595</td>
<td>Pittsburgh Plate Glass Co.</td>
</tr>
<tr>
<td>Total</td>
<td>2,700,574</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Footnotes continued on next page)
a/ Includes only holdings of family members and family endowed foundations in stock of 200 largest non-financial corporations insofar as they were identified among 20 largest record shareholdings. Values represent in most cases market values as at December 31, 1937; otherwise (particularly for Ford) book values.

b/ Includes $45,250 of common stock

c/ " 93,768 " " " and $18,697 of preferred stock

d/ " 26,114 " " " 11,900 " " "

e/ " 8,779 " " " 4,087 " " "

f/ " 31,773 " " " 10,915 " " "

g/ " 3,477 " " " 595 " " "

} held by family endowed foundations
The holdings of the three families—as well as those of any other interest groups covered by the study—of course represented only part of the total wealth of those groups. Many members of these groups undoubtedly had stock investments in one or more of the 200 corporations which did not appear among the 20 largest record shareholdings, either because they were too small or because they were not identified. Many also had investments in other corporations, particularly in large financial corporations which are not covered by study, and investments in other forms such as corporate bonds, tax exempt securities, real estate, and bank deposits. It is quite possible that for some groups these outside investments had a larger aggregate value than their identified stock holdings in the 200 largest corporations. Furthermore, it is not known definitely how many other similar large aggregations of wealth and stock ownership exist but have left no trace whatever among the 20 largest record shareholdings of the 200 corporations. It is not very likely, however, that many aggregations of equity securities of the order of magnitude of the first dozen covered in the study exist in other fields, as the presence of such vast interest groups controlling large financial corporations and non-financial corporations below the level of the 200 largest ones, could hardly have remained hidden over a long period of time. The study, however, certainly misses those large fortunes which do not primarily consist of concentrated blocks of corporate stocks—and, therefore, do not give rise to industrial spheres of influence—but are made up either of diversified common stocks, fixed interest-bearing securities or real estate.

In this chapter a brief description will be presented of the three largest spheres of influence based on ownership control which have appeared in the study of the 200 largest non-financial corporations—those of the du Pont, Mellon and Rockefeller families. In each case an idea will first be given of the size of the interest group, as measured by the value of its identified holdings in the 200 corporations and the assets of the corporations they controlled around the end of 1937. After this, the sphere of control of each of the three groups will be described and an attempt will be made to determine whether the controlled corporations are industrially related or unconnected. Finally, the methods (instrumentalities) of ownership of each of the interest groups will be analyzed; in connection therewith it will be determined whether the total holdings of the family group are concentrated among a few individuals or distributed among numerous family members. It will be found that the three big groups differ somewhat on practically all of these points.

1/ One of the largest family fortunes invested in diversified common stocks, that of the Harriman family, has been found represented among the 20 largest shareholdings in 24 of the 200 largest non-financial corporations, the holdings—the details of which are shown in Table 7, aggregating about $105,000,000.
### TABLE 7

**Holdings of Harkness Family Appearing Among 20 Largest Shareholdings in Stock of the 200 Largest Non-Financial Corporations**

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Members of Harkness Family</th>
<th>Family Endowed Foundations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value $/Percent of Issue</td>
<td>Value $/Percent of Issue</td>
<td>Value $/Percent of Issue</td>
</tr>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>American Telephone &amp; Telegraph Co. Common</td>
<td>5,065 .19</td>
<td>--</td>
<td>5,065 .19</td>
</tr>
<tr>
<td>Atchison, Topeka &amp; Santa Fe Railway Co. 5% Pfd. Voting</td>
<td>-- 490 .58</td>
<td>490 .58</td>
<td></td>
</tr>
<tr>
<td>Carolina, Clinchfield and Ohio Railway Common</td>
<td>-- 510 2.40</td>
<td>510 2.40</td>
<td></td>
</tr>
<tr>
<td>Chesapeake and Ohio Railway Co., The 4% Pfd. Voting</td>
<td>-- 269 1.97</td>
<td>269 1.97</td>
<td></td>
</tr>
<tr>
<td>Consolidated Edison Co. of New York, Inc. 5 percent Pfd. Voting</td>
<td>-- 965 .46</td>
<td>965 .46</td>
<td></td>
</tr>
<tr>
<td>Consolidated Gas Electric Light &amp; Power Co. of Baltimore Common</td>
<td>-- 325 .63</td>
<td>325 .63</td>
<td></td>
</tr>
<tr>
<td>Consolidated Oil Corp. Common</td>
<td>820 .66</td>
<td>--</td>
<td>820 .66</td>
</tr>
<tr>
<td>Consumers Power Co. $4.50 Pfd. Voting</td>
<td>-- 124 .27</td>
<td>124 .27</td>
<td></td>
</tr>
<tr>
<td>Continental Can Co., Inc. $4.50 Pfd. Cont. Voting</td>
<td>-- 139 .66</td>
<td>139 .66</td>
<td></td>
</tr>
<tr>
<td>Detroit Edison Co., The Capital</td>
<td>-- 280 .23</td>
<td>280 .23</td>
<td></td>
</tr>
<tr>
<td>E. I. du Pont de Nemours &amp; Co. $4.50 Pfd. Cont. Voting</td>
<td>-- 220 .40</td>
<td>220 .40</td>
<td></td>
</tr>
<tr>
<td>Duquesne Light Co. 5 percent Pfd. Cont. Voting</td>
<td>-- 282 .91</td>
<td>282 .91</td>
<td></td>
</tr>
<tr>
<td>Illinois Central Railroad Co. Common</td>
<td>79 .63</td>
<td>--</td>
<td>79 .63</td>
</tr>
<tr>
<td>Illinois Central Railroad Co. 6 percent Pfd. A Voting</td>
<td>11 .33</td>
<td>11 .33</td>
<td></td>
</tr>
</tbody>
</table>

(Table continued on next page)

a/ At market price of December 31, 1937.
<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Members of</th>
<th>Family Endowed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Harkness Family</td>
<td>Foundations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Value $\text{/}$ Percent of Issue ($^0\text{000}$)</td>
<td>Value $\text{/}$ Percent of Issue ($^0\text{000}$)</td>
<td>Value $\text{/}$ Percent of Issue ($^0\text{000}$)</td>
</tr>
<tr>
<td>Louisville &amp; Nashville Railroad Co.</td>
<td>--</td>
<td>229</td>
<td>.39</td>
</tr>
<tr>
<td>Common</td>
<td>--</td>
<td>--</td>
<td>229</td>
</tr>
<tr>
<td>New York Central Railroad Co.</td>
<td>859</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Common</td>
<td>.79</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Norfolk &amp; Western Railway Co.</td>
<td>--</td>
<td>136</td>
<td>.57</td>
</tr>
<tr>
<td>4 percent Pfd. Voting</td>
<td>--</td>
<td>136</td>
<td>.57</td>
</tr>
<tr>
<td>Ohio Oil Co., The</td>
<td>419</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>6 percent Pfd. Non-Voting</td>
<td>.70</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Socony Vacuum Oil Co., Inc.</td>
<td>4,905</td>
<td>5,070</td>
<td>1.08</td>
</tr>
<tr>
<td>Capital</td>
<td>1.05</td>
<td>1,975</td>
<td>2.13</td>
</tr>
<tr>
<td>Southern Pacific Co.</td>
<td>623</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Common</td>
<td>.90</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Standard Oil Co. of California</td>
<td>11,566</td>
<td>1,509</td>
<td>.40</td>
</tr>
<tr>
<td>Common</td>
<td>3.04</td>
<td>13,075</td>
<td>3.44</td>
</tr>
<tr>
<td>Standard Oil Co. (Ind.)</td>
<td>14,783</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Common</td>
<td>2.92</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Standard Oil Co. (N. J.)</td>
<td>51,760</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Common</td>
<td>4.30</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Union Pacific Railroad Co.</td>
<td>815</td>
<td>855</td>
<td>.47</td>
</tr>
<tr>
<td>Common</td>
<td>.45</td>
<td>1,671</td>
<td>.92</td>
</tr>
<tr>
<td>4 percent Pfd. Voting</td>
<td>320</td>
<td>440</td>
<td>1.05</td>
</tr>
<tr>
<td></td>
<td>.40</td>
<td>1,160</td>
<td>1.45</td>
</tr>
<tr>
<td>Virginia Railway Co., The</td>
<td>--</td>
<td>621</td>
<td>1.97</td>
</tr>
<tr>
<td>6 percent Pfd. Voting</td>
<td>--</td>
<td>621</td>
<td>1.97</td>
</tr>
<tr>
<td>TOTAL</td>
<td>92,025</td>
<td>12,865</td>
<td>104,890</td>
</tr>
</tbody>
</table>

$^a/\text{ At market price of December 31, 1937.}$
Such differences are visible, first, with respect to the sphere of control. The du Pont sphere of influence consists mainly of two giant corporations, E. I. du Pont de Nemours & Co. and General Motors Corp., with the United States Rubber Co. as a minor adjunct. While these two United States corporations are not complementary in their fields of activity there exists numerous industrial connections between them. The Mellon sphere of influence extends over more than half a dozen very large, but not giant corporations, which from an industrial point of view are partly related and partly unrelated. The Rockefeller sphere of influence is restricted to one industry—oil—and practically all present holdings stem from the original family investment in the old Standard Oil Co.

Differences are marked also with respect to the extent of control exercised by each of the three families over the corporations which make up their sphere of influence. The du Pont family has practically undisputable control of E. I. du Pont de Nemours & Co., though it does not own the absolute majority of the voting stock. E. I. du Pont de Nemours & Co., in turn, owns by far the largest block of General Motors Corp. in existence and exercises safe working control. The Mellon family has majority control of two of the three main pillars of its sphere of influence, the Gulf Oil Corp. and the Koppers United Company. Its control over the Aluminum Company of America, though based on ownership over not much over one-third of the stock, is practically quite secure. The holdings of the Rockefeller family constitute in all cases only relatively small minorities of between 10 percent and 20 percent of the voting stock. As a result, however, of wide distribution of the remainder of the stock the family still seems to be in effective working control of at least the Socony-Vacuum Oil Co., The Ohio Oil Co. and the Standard Oil Companies of New Jersey, Indiana and California. However, of all the three spheres of influence, that of the Rockefeller family appears to be least firmly based on ownership control.

Finally, there are considerable differences with respect to the method and instrumentalities employed in holding the securities owned by each family. The du Pont interests have built up a complicated many-tiered pyramid with family holding companies at strategic points. In this way they have succeeded in concentrating control, although the number of individuals participating in the official ownership of the family block is very large and some of them are only distantly related. The Mellon holdings, on the other hand, are owned for the most part directly by four grandchildren of the founder of the family fortune, and family holding companies are of negligible importance. The Rockefeller family holdings are concentrated to a larger degree than either of the two other cases in the hands of the head of the family, but a considerably larger proportion of the family holdings is owned by foundations which, although organized and endowed by the family are not under its full control.

2. The du Pont sphere of influence (See Chart XXIX) 4/

The total value of the identified holdings of members of the du Pont family in the 200 corporations aggregated about $665,000,000, of which $553,000,000 was represented by holdings in E. I. du Pont de Nemours & Co. 4/ This chart, and also charts XXX and XXXI indicate, for each corporation, the proportion of the total market value of all common and preferred stock issues owned by the interest group. The text, however, in the interest of greater simplicity, generally, reports the proportion of common stock held by the interest group. The two measures differ only to the extent that preferred stock exists in which the proportionate holdings of the interest group are smaller or larger than in the common stock.
(direct family holdings and proportionate interest through Christiana Securities Co.), $8,000,000 by holdings in the United States Rubber Co. and about $4,000,000 by holdings in Phillips Petroleum Co. This entire vast amount was in common stocks with the exception only of $9,000,000 of 6 percent debenture stock of E. I. du Pont de Nemours & Co. and $2,000,000 of preferred stock of United States Rubber Corp. The du Pont holdings 4a/ represent the largest aggregation of wealth encountered in the study of the ownership of the 200 corporations.2/ Their market value amounted to about 2 percent of that of all stock outstanding of the 200 corporations 6/ and to over 6 percent of the value of the stock included in the 20 largest shareholdings. The total assets of the three corporations under control of the du Pont family (E. I. duPont de Nemours & Co.; General Motors Corp.; United States Rubber Co.) aggregated about $2,100,000,000 and represented 3 percent of the aggregate assets of the 200 corporations and nearly 1-1/2 percent of those of all non-financial corporations.7/

From the point of view of control the du Pont empire centers in the E. I. du Pont de Nemours & Co. Members of the du Pont family owned directly or indirectly 43.9 percent of the voting stock of E. I. du Pont de Nemours & Co. This block, if acting in unison, represents unassailable control, since it would be practically impossible for any other interest group to acquire a larger block in a corporation so heavily capitalized. Family control goes back to the foundation in 1802 of the direct predecessors of E. I. du Pont de Nemours & Co. The company, however, began to expand on a large scale only after 1914, and at that time the now dominant branch of the family acquired control from Coleman du Pont, then the largest shareholder.

4a/ Holdings of the du Pont Family in Equity Securities of the 200 Largest Non-financial Corporations

<table>
<thead>
<tr>
<th>Company</th>
<th>Individ-</th>
<th>Trusts &amp; Holding</th>
<th>du Pont Dominated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Sugar Refining Co.</td>
<td>0.19</td>
<td>3.96</td>
<td>30.76</td>
<td>32.48</td>
</tr>
<tr>
<td>E. I. du Pont de Nemours &amp; Co.</td>
<td>3.76</td>
<td>0.29</td>
<td>0.23</td>
<td>19.78</td>
</tr>
<tr>
<td>General Motors Corp.</td>
<td>0.01</td>
<td>0.46</td>
<td></td>
<td>0.46</td>
</tr>
<tr>
<td>Mid-Continent Petroleum Corp.</td>
<td>1.25</td>
<td>0.93</td>
<td></td>
<td>2.18</td>
</tr>
<tr>
<td>Phillips Petroleum Co.</td>
<td>0.27</td>
<td>1.18</td>
<td></td>
<td>11.51</td>
</tr>
<tr>
<td>United Fruit Co.</td>
<td>7.52</td>
<td>3.99</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2/ The holdings of the Ford family, however, have a higher value if taken at their book values.

6/ In calculating the relationship between the market value of the holdings of one interest group and all stock outstanding in the 200 corporations, the holdings of one corporation in another within the group of 200 have been eliminated.

7/ The figure for aggregate assets contain considerable duplications in the case of the 200 corporations and all non-financial corporations. Duplications also exist when one company belonging to an interest group owns stock of another company included in the group.
E. I. du Pont de Nemours & Co., in turn, owned 23 percent of the common stock of General Motors Corp., acquired shortly after its formation. This was by far the largest block in existence, the next largest being one of 6 percent held by the officers of the corporation through the General Motors Management Corp. and the General Motors Securities Corp., Class A stock. In view of the very heavy capitalization of the company and the wide diffusion of its stock, this block appears to carry safe working control. (Members of the du Pont family owned another 0.62 percent of the common stock of General Motors Corp.)

The du Pont family owned 15.7 percent of the common and 6.5 percent of the preferred stock (both voting issues) of United States Rubber Co., the largest block known to exist. As the remainder of the stock is widely distributed United States Rubber Co. may be regarded as being under working control by the du Pont family.

Holdings of the du Pont family in Phillips Petroleum Company amounted to 2.2 percent of the common stock, with a market value of less than $4,000,000. This was not the largest known block in existence and apparently did not carry a decisive influence on the management.

No close industrial relationship appears to exist between E. I. du Pont de Nemours & Co. and General Motors Corp. The acquisition of the large block of shares of General Motors Corp. by E. I. du Pont de Nemours & Co. rather seems to have been the result of the desire for profitable investment of the large undistributed profits which E. I. du Pont de Nemours & Co. had accumulated during the World War. The control over United States Rubber Co., one of the largest tire producers, on the other hand, might be regarded as industrially related to the indirect control of the du Pont family over General Motors Corp. The holdings of the du Pont family in Phillips Petroleum Co. appear to be incidental and do not carry control.

The instrumentalities used by the du Pont family in controlling its sphere of influence are of considerable interest because of the great number of the individuals participating in the ownership of the family block and the complex machinery built up to keep control concentrated, notwithstanding the diffusion of ownership. All in all about 75 family members of three generations own beneficially some of the family holdings. There are probably other family members who owned stock in the family controlled corporations but did not show up in the study and some family most likely owned more stock in one or more of the family enterprises than they were credited with on the record. So far as the records go, no single individual owned directly more than 70 percent of the common stock of E. I. du Pont de Nemours & Co. or not much over 1-1/2 percent of the total family holdings.
The cornerstone in the sphere of influence of the Delaware branch of the du Pont family is the Christiana Securities Corp., originally a family holding company and now a public investment company though still safely controlled by the family through majority ownership. Christiana Securities Co. alone owned 27.6 percent of the common stock of E. I. du Pont de Nemours & Co. practically all of which it has held since 1915. This is the largest single block in existence and alone would probably suffice for working control of the corporation. In addition, individual members of the Delaware branch owned about 4 percent of the stock of E. I. du Pont de Nemours & Co. directly, 4 percent through trust funds and 2 3/4 percent through a family holding company. This brought the total holdings of the Delaware branch to 37 percent of the stock of E. I. du Pont de Nemours & Co., undoubtedly sufficient for safe control of the corporation. Interestingly enough the dominating position in the key corporation—Christiana Securities Co.—is not scattered among individual owners, but occupied by a family holding company (Delaware Realty and Investment Co.) which owned 32.7 percent of the common and 29.3 percent of the preferred stock of Christiana Securities Co. The stock of the Delaware Realty and Investment Co., finally, was held mainly by about a dozen nephews and nieces of Pierre S. du Pont and their children, to a considerable part not directly but through trust funds. Other members of the Delaware branch (including Pierre S. du Pont himself) owned somewhat over 40 percent of the common stock and 29 percent of the preferred stock of Christiana Securities Co.—of which 8 percent of the common and 10 percent of the preferred stock were held through family trust funds.

The Florida branch of the du Pont family held about 5 percent of the stock of E. I. du Pont de Nemours & Co. mostly through Almours Securities, Inc., dissolved after the death of Alfred du Pont. At that time the holdings of Almours Securities, Inc. were distributed to the descendants of Alfred du Pont, over three-fourths of the total going into one family trust fund.

The same tendency to put a large proportion of the family block in holding companies and trust funds is evident in the du Pont holdings of United States Rubber Co. and Phillips Petroleum Co. stock. About 5 percent of the common stock and 2 percent of the preferred stock of United States Rubber Corp. was held by Rubber Securities Co. (of which Lammot du Pont owned 73.3 percent and Irmée S. du Pont 24.5 percent) but about 10-1/2 percent of the common and another 4 percent of the preferred stock was owned directly by other members of the Delaware branch of the du Pont family. Of the family holdings in Phillips Petroleum Co. about one-half was owned by Christiana Realty & Investment Co., a family holding company, 88 percent of whose stock was in the hands of family trust funds, and the other half directly, mostly by Lammot and Irmée du Pont.  

In discussion of the instrumentalities of control it is necessary to distinguish between two groups of the du Pont family—one headed by Pierre S. du Pont (the Delaware branch) and the other by the late Alfred du Pont (the Florida branch)—which reportedly had been at odds at some time in the past over their influence over E. I. du Pont de Nemours & Co. The Delaware branch, however, now owns most of the aggregate family holdings and could control the corporation without, and even against, the Florida branch.  

Members of the du Pont family (Delaware branch) directly or indirectly owned 74 percent of the common and 59 percent of the preferred stock of Christiana Securities Co.
3. The Mellon Sphere of Influence (See Chart XXX)

The aggregate value of the identified direct and indirect stock holdings of the members of the Mellon family in the 200 largest non-financial corporations amounted to about $391,000,000. Most of this investment was in common stock, preferred stock holdings accounting for only about $40,000,000. The market value of these holdings was equivalent to nearly 1-1/2 percent of that of all common and preferred stock outstanding of the 200 corporations and to nearly 5 percent of that of the shares included in the 20 largest record shareholdings. The assets of the seven companies among the 200 largest non-financial corporations directly or indirectly controlled by the Mellon family aggregated $1,608,000,000 or 2-1/2 percent of the total assets of the 200 corporations, and about 1 percent of all non-financial corporations.

Industrially the Mellon sphere of influence is the most diversified and farthest reaching of all those covered by the study. The family was found to have considerable shareholdings in 17 of the 200 corporations, 7 of which they controlled directly or indirectly. While the Mellon sphere of influence is not industrially integrated in that important constituents are in industries which seem to have but little relation to each other, it is concentrated geographically, most of the controlled enterprises having their origin or seat of operation in the Pittsburgh region. The Mellon sphere of influence also differs from those of the duPont and Rockefeller families in that it is chiefly of banking and not of industrial origin, its founder, Thomas Mellon--grandfather of the family members now in control--having started in the mercantile and banking business.

The Mellon family, as of 1937, were interested as large shareholders in the following companies among the 200 largest non-financial corporations:

Gulf Oil Corp.

Members of the Mellon family owned 70 percent of the common stock. This stock, valued at $241,000,000, represented by far the largest single investment of the family in the 200 corporations. Gulf Oil Corp., in turn, controlled the Texas Gulf Sulphur Co. through ownership of nearly 34 percent of the common stock.

Koppers United Co.

The Mellon family owned 52 percent of the common and 82 percent of the preferred stock, with an aggregate market value of nearly $40,000,000. Koppers United Co. is mainly a holding company owning 100 percent of the voting stock of Koppers Co., one of the largest producers of coke and coal in the United States. Koppers Co. is also an important holding company in its own right, owning directly or indirectly about 67 percent of The

10/ Gulf Oil Corp.; Texas Gulf Sulphur Co.; Aluminum Company of America; Koppers United Co.; The Brooklyn Union Gas Co.; Pittsburgh Coal Co.; The Virginian Railway Co.

10a/ See following page.
## Holdings of the Mellon Family in Equity Securities of the 200 Largest Non-financial Corporations

<table>
<thead>
<tr>
<th>Company</th>
<th>Individuals</th>
<th>Trusts &amp; estates</th>
<th>Holding companies and other instrumentalities</th>
<th>Foundations</th>
<th>Total</th>
<th>Mellon dominated corporations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allis-Chalmers Manufacturing Co.</td>
<td>20.26</td>
<td>4.49</td>
<td>.62</td>
<td>1.33</td>
<td>1.33</td>
<td>a/ 23.87</td>
<td>23.87</td>
</tr>
<tr>
<td>Aluminum Co. of America</td>
<td>52.12</td>
<td>4.79</td>
<td>3.87</td>
<td>5.16</td>
<td>8.59</td>
<td></td>
<td>b/ 6.77</td>
</tr>
<tr>
<td>Bethlehem Steel Corp. (Del.)</td>
<td>4.72</td>
<td>1.43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>c/ 33.85</td>
</tr>
<tr>
<td>Brooklyn Union Gas Co., The</td>
<td>4.72</td>
<td>1.43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>d/ 7.84</td>
</tr>
<tr>
<td>General American Transportation Corp.</td>
<td>22.40</td>
<td>19.88</td>
<td>.90</td>
<td></td>
<td>42.28</td>
<td></td>
<td>e/ 44.85</td>
</tr>
<tr>
<td>Jones &amp; Laughlin Steel Corp.</td>
<td>7.43</td>
<td>10.67</td>
<td>19.42</td>
<td></td>
<td>37.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Koppers United Co.</td>
<td>1.91</td>
<td>2.12</td>
<td>1.40</td>
<td></td>
<td>5.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lone Star Gas Corp.</td>
<td>5.27</td>
<td>2.32</td>
<td>2.54</td>
<td></td>
<td>10.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Niagara Hudson Power Corp.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pittsburgh Coal Co.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pittsburgh Plate Glass Co.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pullman Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas Gulf Sulphur Co.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Light and Power Co., The</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virginian Railway Co., The</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Westinghouse Electric &amp; Manufacturing Co.</td>
<td>.45</td>
<td></td>
<td></td>
<td></td>
<td>.45</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a/ Directly through Koppers United Co.
b/ Through Aluminum Co. of America through Aluminum Ore Co.
c/ Through Gulf Oil Co.
d/ Through Koppers Co. through Esmont Co. and Falmouth Co.
e/ Through Kppers Co. through Virginian Corp.
Virginian Corporation common stock, which, in turn, held 75.5 percent of the common stock of The Virginian Railway Co., 28.4 percent of the voting common stock of The United Light and Power Co., and 23.9 percent of the common stock of The Brooklyn Union Gas Co. The entire Koppers group may be regarded as industrially integrated.

Pittsburgh Coal Co.

Members of the Mellon family owned 50.1 percent of the common stock, and 33.9 percent of the preferred stock, the entire holding, however, having a market value of only about $4,000,000.

Aluminum Company of America

The Mellon family, directly or indirectly, held 35.2 percent of the common stock and 25.0 percent of the preferred stock, having together a value of $72,000,000. This was by far the largest block in existence and should assure the Mellon interests a safe working control.

The Aluminum Company of America, through its wholly owned subsidiary, the Aluminum Ore Company, held 10.4 percent of the common stock of the Niagara Hudson Power Corp., acquired in exchange for power sites formerly owned by the Aluminum Company. This block did not carry a controlling influence, as the United Corp. owned directly 24.6 percent of the stock and another 7.9 percent through its subsidiary, The United Gas Improvement Co.

Pullman Inc.

Members of the Mellon family owned 10.1 percent of the common stock with a market value of $12,000,000 and were represented by two members on the 14-man Board of Directors. Theirs was by far the largest block known to be in existence but it is doubtful how considerable a measure of working control it represented.

General American Transportation Corp.

Holdings of the Mellon family amounted to 8.6 percent of the common stock.

11/ Most of the remaining common stock as well as the preferred stock of the Virginia Corp. was owned by members of the Mellon family.

12/ While these two blocks represent about the same proportion of the total voting power, it appears that the holdings of the Koppers Co. represent working control in The Brooklyn Union Gas Co., as other large blocks are lacking, but are not sufficient for control in The United Light and Power Co. as the holdings of the five investment companies under the influence of Harrison Williams and J. & W. Seligman & Co. add up to about 38 percent of the common stock while two other investment companies, independent of each other and of the Williams and Seligman group, each hold 7 percent of the stock. The Mellon interest, therefore, depend on the cooperation of some of the other large stockholders to exercise control.

13/ The only other combination which might challenge their control would have to comprise A. V. Davis (Chairman of the Board), Roy Hunt (President) and almost all other large stockholders.
stock, with a market value of about $4,000,000. While this was the largest known block of stock, it probably did not carry a controlling influence as the family was not visibly represented in the management.

Pittsburgh Plate Glass Co.

The holdings of the Mellon family amounted to 5.4 percent of the common stock with a market value of about $10,000,000. The holdings had no controlling influence, as the Pitcairn family owned more than 35 percent of the common stock.

Various other corporations.

Members of the Mellon family also appeared as owners of considerable blocks of Allis Chalmers Manufacturing Co. (1.5 percent), Bethlehem Steel Corp. (2.2 percent of common stock), Jones & Laughlin Steel Corp. (3.5 percent), Lone Star Gas Corp. (6.1 percent of preferred stock), and Westinghouse Electric & Mfg. Co. (0.5 percent of common stock), with a total value of $9,000,000. These holdings in all cases represent only a small minority of the voting stock outstanding and hardly carried considerable influence on the management.

The great bulk of the aggregate holdings of the Mellon family in the 200 corporations, about $261,000,000 out of the total holdings of $391,000,000, was held directly by members of the family—most of it by four individuals. Trusts and estates were also of considerable importance, accounting for stock of the 200 corporations valued at $58,000,000, while the A. W. Mellon Educational and Charitable Trust held $36,000,000 worth of equity securities of these corporations. 14/

In contrast to the situation in the du Pont family group holding companies are very unimportant, the holdings of two such companies (since dissolved) amounting to only $4,000,000. Finally about $30,000,000 of the total family holdings were in the hands of an operating financial corporation, the Mellon Securities Corporation, entirely owned by the family and the A. W. Mellon Educational and Charitable Trust. 15/

4. The Rockefeller Sphere of Influence (See Chart XXXI)

The market value of the holdings of members of the Rockefeller family (including the Rockefeller foundations) in the 200 largest non-financial corporations aggregated $397,000,000, mostly in common stock ($369,000,000); of this, the family foundations accounted for $94,000,000 of common and $18,000,000 of preferred stock. The aggregate holdings represented fully 1-1/2 percent of the market value of the total stock outstanding of the 200 corporations and nearly 5 percent of that of the shares included in the 20 largest shareholdings. The aggregate assets of the 5 corporations regarded as under control of the Rockefeller family amounted to nearly $4,500,000,000

14/ Although the stock held by the A. W. Mellon Educational and Charitable Trust is not strictly speaking part of the wealth of the family, it is money which formerly belonged to it, and in terms of voting power it is usually still in the control of the family, since members of the family are heavily represented on the Board of Trustees.

15/ Control of several important constituents of the Mellon empire, of course, was exercised not directly but through industrial corporations (Gulf Oil Corp. and Koppers Co.) which in turn were controlled by members of the Mellon family.
or 6-1/2 percent of the total assets of the 200 corporations and nearly 3 percent of those of all non-financial corporations. The Rockefeller interests thus ranked first in total assets.

From an industrial point of view, the Rockefeller empire is the most compact of the three, practically all the investments of the family among the 200 corporations being in the oil industry and almost all of them going back to the old Standard Oil Co. dissolved in 1911, of which John D. Rockefeller, Sr., was the largest stockholder.

Around the end of 1937, i.e., nearly thirty years after the dissolution of the old Standard Oil Co., the large holdings of the Rockefeller family were as follows:

**Standard Oil Co. (N.J.)**

Members of the Rockefeller family owned 8.7 percent with a market value of $105,000,000, and family foundations held an additional 4.8 percent valued at $58,000,000. The combined block aggregating 13.5 percent of the common stock represented by far the largest holding and in view of the wide distribution of the majority of the stock should carry with it an amount of influence equivalent to working control. Furthermore, Standard Oil Co. (Ind.) owned 6.7 percent of the Standard Oil Co. (N.J.) bringing direct and indirect holdings of the Rockefeller family to 20.2 percent. The family, however, had no visible direct representation in the management.

**Socony Vacuum Oil Co., Inc.**

Members of the family owned 16.3 percent of the common stock valued at $76,000,000. As this was by far the largest single block and most of the stock was widely distributed, the Rockefeller interests seemed to have safe working control, although they were not visibly represented in the management.

**Standard Oil Co. (Ind.)**

Members of the family owned 6.8 percent and family foundations 4.5 percent of the common stock, with a value of $35,000,000 and $23,000,000 respectively. The combined holdings of 11.4 percent appear to carry working control for the reasons mentioned in the cases of Standard Oil Co. (N.J.) and the Socony Vacuum Oil Co., Inc. 16/

**Standard Oil Company of California**

The Rockefeller family owned 11.9 percent of the common stock with a value of $45,000,000 and family foundations held another 0.5 percent. This block appeared to carry working control, even in the absence of direct representation by the family in the management.

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15a/ See following page.

16/ The Standard Oil Co. (Ind.) provides one of the rare cases in which the extent of control by a minority block has been put to a test. This happened in 1929 when the Rockefeller interests, with the help of other stockholders, succeeded in ousting the management, headed by Col. Stewart.
### Holdings of the Rockefeller Family in Equity Securities of the 200 Largest Non-Financial Corporations

<table>
<thead>
<tr>
<th>Company</th>
<th>Trusts</th>
<th>Holding companies</th>
<th>Foundations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atchison, Topeka &amp; Santa Fe Railway Co., The</td>
<td>1.16</td>
<td>0.41</td>
<td>0.32</td>
<td>1.91</td>
</tr>
<tr>
<td>Atlantic Refining Co., The</td>
<td></td>
<td></td>
<td>0.28</td>
<td>0.29</td>
</tr>
<tr>
<td>Bethlehem Steel Corp. (Del)</td>
<td></td>
<td></td>
<td>0.84</td>
<td>0.84</td>
</tr>
<tr>
<td>Consolidated Edison Co. of New York, Inc.</td>
<td>0.73</td>
<td>1.54</td>
<td>5.71</td>
<td></td>
</tr>
<tr>
<td>Consolidated Oil Corp.</td>
<td></td>
<td></td>
<td>0.32</td>
<td>0.32</td>
</tr>
<tr>
<td>Continental Oil Co.</td>
<td></td>
<td></td>
<td>2.31</td>
<td>2.31</td>
</tr>
<tr>
<td>Illinois Central Railroad Co.</td>
<td></td>
<td></td>
<td>2.11</td>
<td>2.11</td>
</tr>
<tr>
<td>International Harvester Co.</td>
<td></td>
<td></td>
<td>1.14</td>
<td>1.14</td>
</tr>
<tr>
<td>Middle West Corp., The</td>
<td></td>
<td></td>
<td>0.32</td>
<td>0.32</td>
</tr>
<tr>
<td>Missouri-Kansas-Texas Railroad Co.</td>
<td></td>
<td></td>
<td>1.45</td>
<td>1.45</td>
</tr>
<tr>
<td>Norfolk &amp; Western Railway Co.</td>
<td></td>
<td></td>
<td>0.74</td>
<td>0.74</td>
</tr>
<tr>
<td>Ohio Oil Co., The</td>
<td>6.34</td>
<td>2.23</td>
<td>9.69</td>
<td>19.52</td>
</tr>
<tr>
<td>Pere Marquette Railway Co.</td>
<td></td>
<td></td>
<td>0.22</td>
<td>0.22</td>
</tr>
<tr>
<td>Phelps Dodge Corp.</td>
<td></td>
<td></td>
<td>0.46</td>
<td>12.82</td>
</tr>
<tr>
<td>Radio Corp. of America</td>
<td></td>
<td></td>
<td>11.36</td>
<td></td>
</tr>
<tr>
<td>Socony Vacuum Oil Co., Inc.</td>
<td>8.64</td>
<td>7.70</td>
<td>16.34</td>
<td></td>
</tr>
<tr>
<td>Standard Oil Co. of California</td>
<td>7.37</td>
<td>4.49</td>
<td>13.51</td>
<td>20.20</td>
</tr>
<tr>
<td>Standard Oil Co. (Indiana)</td>
<td>2.44</td>
<td>4.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Oil Co. (New Jersey)</td>
<td>6.45</td>
<td>2.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States Steel Corp.</td>
<td></td>
<td></td>
<td>0.12</td>
<td>0.12</td>
</tr>
<tr>
<td>Western Pacific Railroad Corp.</td>
<td></td>
<td></td>
<td>4.79</td>
<td>4.79</td>
</tr>
</tbody>
</table>

*Through the Standard Oil Co. (Indiana)*
The Ohio Oil Co.

Members of the Rockefeller family held 9.5 percent of the common stock, with a market value of nearly $8,000,000; in addition family foundations owned 9.1 percent valued at somewhat under $6,000,000. Members of the family and foundation owners also owned about 10 percent of the preferred stock, with an aggregate value of over $12,000,000. These were the largest blocks in existence and should suffice for working control. The family, however, did not appear to be directly represented in the management of the company.

Consolidated Oil Corp.

The holdings of the Rockefeller family amounted to 6.0 percent of the common stock valued at $7,000,000. The block, however, does not seem to carry considerable influence in the management as the Petroleum Corporation of America (39 percent of whose stock was owned by Consolidated Oil Corp. itself) held 11.1 percent of the stock and the Rockefeller interests were not represented in the management.

Other corporations.

Members of the Rockefeller family and the foundation owners each owned scattered holdings with a value of about $18,000,000 in many other corporations among the 200 group. These holdings did not seem to carry any influence with them. The family also reportedly had control of the Chase National Bank of New York, one of the largest commercial banks in the country, a brother-in-law of John D. Rockefeller, Jr. being president of the bank.

Compared to the du Pont and Mellon groups, the holdings of the Rockefeller group were characterized by the high proportion of the entire family holdings which are owned by foundations. These holdings, mainly in the hands of the Rockefeller Foundation, the General Educational Board and the Rockefeller Institute for Medical Research, had a combined value of about $112,000,000 or 30 percent of the aggregate holdings of family members and foundations. Approximately $109,000,000, or nearly another 30 percent, was held in trust and estates, mainly for the benefit of grandchildren of John D. Rockefeller, Sr. Practically all the rest, valued at about $158,000,000, was held directly by John D. Rockefeller, Jr.

5. Implications

Analysis of the shareholdings of the three largest interest groups in the 200 corporations and of their spheres of influence leads to some significant conclusions which are generally corroborated by a study of the lesser interest groups, not described in the text.

Each interest group shows a strong tendency to keep its holdings concentrated in the enterprise in which the family fortune originated. It is apparently rare to use the income from the original investment (or other income) to acquire large or controlling positions in other big corporations. This tendency is shown very clearly in the du Pont and Rockefeller groups. The branching out of the Mellon interests into a dominating position in half a dozen of important corporations is quite unusual and not duplicated among any other interest group disclosed in the study of the 200 largest non-financial corporations.
That the large interest groups have kept their holdings concentrated in one corporation, of course, does not mean that they have restricted their influence to one industrial unit. Indeed, there have been two different ways in which interest groups have actually extended their sphere of control from an industrial point of view without acquiring domination over additional corporations. First, the corporation which they controlled has often acquired a dominating position in other large corporations. The large interest groups in this way have obtained indirect control over other large enterprises without making an additional direct investment of their own, a procedure which permitted them to utilize the larger funds of the corporations which they directly controlled rather than their own more limited resources. Secondly, the large corporations under family control have branched out directly into related or unrelated industries, particularly into new industries. 17/

The concentration of the stockholdings of large interest groups in one enterprise also reflects the practice of corporations of distributing only a fraction of their total income as dividends and reinvesting the remainder partly in their own business and partly in the securities of other enterprises. A classical example of this policy is the investment of E. I. du Pont de Nemours & Co. in General Motors Corp., but quite similar cases are provided by the holdings of Gulf Oil Corp. in Texas Gulf Sulphur Co. and of Koppers Co. in The Virginian Railway Co., The Brooklyn Union Gas Co. and The United Light and Power Co.

This concentration in one enterprise is partly the result of the very great difficulty of acquiring ownership control over a corporation after it has become large, i.e., unless an investor has been, so to speak, in "on the ground floor". With the heavy capitalization now usual in large corporations it requires extremely large amounts of liquid funds to buy up a block of stock which will ensure dominance.

Only few of the large fortunes represented among the 20 largest record shareholdings appear to be already in the diversified state—apart as this can be judged by the scope of an inquiry based on the 20 largest shareholdings—the main example being provided by the holdings of the Harkness family. 18/ None of the largest family interest groups seem to be in this stage.

Of the three largest interest groups, the Mellon group is now in the third generation, while the Rockefeller and the du Pont groups are mainly in the second and partly in the third generation. 19/ Most of the other interest groups encountered in the study are also of the second or third

17/ Examples are the entry into the aircraft manufacturing industry by General Motors Corp. and into the rayon industry by E. I. du Pont de Nemours & Co.

18/ See p. ---

19/ Disregarding the du Pont holdings before the formation of the du Pont Powder Co., the direct predecessor of E. I. du Pont de Nemours & Co., for the reason that the size of the company and the importance of the family interest group was fairly small before the time of Coleman du Pont, i.e., in the early years of this century.
generation, for instance, the Duke, Hartford, Widener, Harkness and Woolworth holdings. Only relatively few of the large interest groups, if measured by the market value of the holdings, are still largely represented by the founders.

The separation of the beneficial ownership in large blocks of stocks and the voting control over them has progressed far. The main instrumentalities of this separation are family holding companies, trusts and family foundations. How large a use is made of these instrumentalities, compared to direct holdings of blocks of stock by individuals, depends largely on the size of the family—the smaller the family the less need for such instrumentalities—and on the extent of the ability and inclination of the beneficial owners to take an active part in the management.

Family holding companies and trusts have made it possible to keep control centralized in the hands of a few persons while beneficial ownership has become widely diffused over sometimes several dozens of beneficiaries. An important part in this centralization is played by the appointment of the same trustees for a large number of individual trusts having different beneficiaries. Thus practically all the trust funds set up within the Rockefeller family are administered by the Chase National Bank, itself reputedly under Rockefeller control, while most of the Mellon family trusts are administered by the Union Trust Company of Pittsburgh, controlled by the Mellon family, and the du Pont family has used the Wilmington Trust Co. and the Delaware Trust Co. (both controlled by the family) as trustee in almost all cases.

Foundations have tended to keep their endowments invested in stock of the family enterprises, even if the family in form apparently has relinquished control over their financial policy. Foundations in practice still constitute a part of the instrumentalities by which a family interest group retains domination over a corporation. In most cases some steps towards diversification of holdings have been taken by investing in corporations not belonging to the family's sphere of influence, but such shifts so far have affected only a minor proportion of the funds, though apparently they have been more important in the case of foundations than for the two other chief instrumentalities—trust funds and family holding companies.

The record fails to show any considerable degree of connection between the spheres of interest of the three large interest groups. Connections between interest groups are also rare outside of the sphere of interest of the three largest groups. The only notable instance of interlocking stock ownership between large interest groups noted in the study are the extensive holdings of the Duke family in the Mellon-controlled Aluminum Company of America.
CHAPTER VIII
FOREIGN HOLDINGS IN THE 200 LARGEST NON-FINANCIAL CORPORATIONS 1/

1. Source and Character of Data

Information on the extent of foreign holdings in the 200 corporations was regarded as an essential part of this study since foreigners have invested heavily in American stocks and by 1937 owned 3 to 4 percent of the total stock outstanding in all domestic corporations. 2/ Until this study was made there was very little information easily available on the foreign holdings in individual American corporations. Moreover, in the few cases where information on foreigners' holdings was compiled, the data referred only to those foreign holdings which were registered in the company's books in the names of persons residing outside the United States, with the result that shares held by American nominees for the benefit of foreigners escaped detection.

The information on foreign holdings in the 200 corporations presented in this chapter is derived from the reports on Treasury Form 1042, covering dividends paid to foreigners, i.e., persons domiciled outside the United States. 3/ These reports are made to the Bureau of Internal Revenue not only by the company issuing a dividend check to a holder residing outside of the United States but also by domestic brokers, banks and other nominees when they transmit or credit to a foreign beneficiary dividends on stock registered in the company's books in the nominee's name. From Form 1042 for the year 1937 records showing, among other things, the amount of dividends paid to foreigners during 1937 by the issuer or nominee had been prepared in connection with studies of total foreign investments in the United States. These records were made available by the Bureau of Internal Revenue to the Temporary National Economic Committee for the purpose of this study.

Utilization of Form 1042 as the source of determining the extent of foreign holdings in American stocks has the great advantage that the figures include both stock registered in the books of the companies in foreigners' names and stock held for the benefit of foreigners by American nominees. The use of this source, however, involves certain difficulties which will be summarized in Section 5. It will be explained there why the figures given in this chapter and the data on the foreign holdings in the stock issues of each of the 200 largest non-financial corporations (insofar as they paid any dividends in 1937), which are presented in Section VI of Appendix III, must be regarded as showing only the minimum of ownership in the 200 corporations by foreigners in 1937.

1/ For some additional information (foreign holdings among 20 largest record shareholders), see Chapter V.

2/ Based on the ratio of estimated amount of dividends paid to foreigners in 1937 to all dividends paid by domestic corporations, including intercorporate dividends, the proportion is somewhat under 3 percent. (See Appendix I, Table 10.) If intercorporate dividends were eliminated the proportion would rise to about 4 percent.

3/ Corporations owned by foreigners but incorporated within the United States are not covered by these reports.
Foreign Holdings in All 200 Corporations

Tabulation of Forms 1042 for all stock issues of the 200 corporations indicates that the total dividend payments to foreigners reported for the year 1937 aggregated about $106,000,000. These companies paid, during the year 1937, total common and preferred dividends of about $2,200,000,000. It may therefore be estimated that, for the 313 issues of the 200 corporations on which any dividends were paid during the year 1937, foreign holdings reported on Form 1042 represented nearly 5 percent of all stock outstanding. Nothing is known about the proportion of foreign holdings in the 91 issues which paid no dividends in the year 1937. As these issues accounted for only about 4 percent of the value of the equity securities of all the 200 corporations, no appreciable error in the totals can be introduced by assuming that the average proportion of foreign holdings was the same for these 91 issues as in the 313 issues on which dividends were paid.

Applying the average percentage of foreign ownership of nearly 5 percent to the total market value at the end of 1937 of the 404 issues of equity securities of the 200 corporations -- i.e., slightly over $33,000,000,000 -- it is estimated that the foreign holdings of stock of these 200 corporations had a value of approximately $1,600,000,000. To this must be added, first, the known indirect foreign shareholdings (through Solvay American Investment Corp. and General Aniline and Film Corp.) in the 200 corporations, amounting to slightly over $100,000,000. A further stepping up of the first estimate is necessary to take account of those nominee holdings which are reported only in aggregate figures but could not be allocated to the 200 corporations. Such unallocated holdings seem to have amounted to between 15 and 20 percent of total foreign holdings, or to about $300,000,000 for the 200 corporations. Aggregate foreign holdings in the 200 largest non-financial corporations, then, appear to have had a value of about $2,000,000,000 at the end of 1937. This is equivalent to about 6 percent of the total value of the equity securities issued by the 200 corporations.

---

4/ Separate estimation of the market value of holdings for each issue, based on the multiplication of total market value by the percentage of dividends paid to foreigners as reported on Form 1042, yielded a figure of about $1,530,000,000 for the 313 issues on which any dividends were paid during 1937.

5/ Cf. Section 5 (b) below.
Segregating common and preferred stocks for the dividend-paying corporations which reported them separately, it is found that reported dividend payments to foreigners aggregated about 5-1/2 percent of the total for common stock and about 3-1/2 percent for preferred stock. Again taking into account the known indirect holdings and stepping up the reported figures on account of dividends unallocated by certain nominees, it appears that foreigners' holdings of common stocks in the 200 corporations had a value, at the end of 1937, of about $1,800,000,000, while the value of preferred stock was somewhat under $200,000,000. These estimates make it likely that foreigners owned about 6-1/2 percent of the common stock and nearly 4 percent of the preferred stock of the 200 corporations.

The total value of stocks in all American corporations held by foreigners at the end of 1937 amounted to about $3,700,000,000, consisting of nearly $2,200,000,000 of diversified portfolio holdings of foreigners 6/ and about $1,500,000,000 of direct investments, 7/ i.e., investments by foreigners in American subsidiary corporations and a few other large blocks of stock. Comparison of these overall estimates with the nearly $2,000,000,000 representing the value of foreign holdings of stock in the 200 largest non-financial corporations indicates that somewhat over one-half of all foreign investments in American stocks was in the equity securities of these 200 corporations. If the comparison is limited to portfolio investments, the proportion of foreign holdings invested in the 200 largest non-financial corporations, however, increases to about three-quarters. 8/ For common stock

6/ The Balance of International Payments of the United States in 1937 (U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce), page 64. The estimates are based on the market value of common stock ($1,850,000,000) and the par value of preferred stock ($430,000,000). If preferred stocks were also valued at market prices, the total value of foreigners' portfolio holdings in American corporations would be slightly smaller than $2,280,000,000, but probably would not be much below $2,200,000,000.

7/ The total value of foreign direct investments in the United States at the end of 1937 was estimated by Dr. Amos Taylor of the Bureau of Foreign and Domestic Commerce at nearly $1,900,000,000 (Investigation of Concentration of Economic Power, Part 25). Probably around three-quarters of this sum is represented by common and preferred stock, including surplus, of American corporations held by foreigners—the proportion prevailing at the end of 1934, according to estimates of the Bureau of Foreign and Domestic Commerce (Foreign Investments in the United States, 1937, page 35). For a definition of "direct investments" see Foreign Investments, note 31 (p. 56) and American Direct Investments in Foreign Countries, - 1936, Appendix E.

8/ In making this comparison it must be taken into account that the estimates of foreigners' portfolio holdings of American stocks exclude two large blocks with a value of over $200,000,000 (namely, 500,000 common shares of Allied Chemical & Dye Corp. and 8,412,154 common shares of Shell Union Oil Corp.) which are included in this chapter in the estimates of the value of foreign holdings in the 200 large non-financial corporations, but are classified by the Bureau of Foreign and Domestic Commerce as foreign direct investments. (These $200,000,000 have been added to the Department of Commerce estimates in deriving the figures shown in the text.)
alone the proportion of foreign investments in American stocks represented by securities of the 200 largest non-financial corporations seems to have been somewhat above 60 percent for all foreign holdings and over 80 percent for foreign portfolio investments alone. Both ratios appear to be considerably lower for preferred stock, amounting to somewhat under 40 percent of all foreign investments in American preferred stock and to about 60 percent of foreign portfolio holdings of this type of security.

These figures provide a vivid illustration of the high degree of concentration of foreign holdings of American stocks—the equity securities of the 200 corporations accounting for probably not over one-third of the stock of all domestic corporations. As a result of this concentration, the proportion of stock held by foreigners is much higher among the 200 largest non-financial corporations than it is for all American corporations. Indeed, the proportion of about 6 percent for the 200 corporations is approximately twice as high as the ratio of close to 3 percent for all corporations and about three times as high as that of around 2 percent for all domestic corporations other than the 200 largest non-financial corporations. 2/

Of the $106,000,000 of dividend payments to foreigners on stock of the 200 largest non-financial corporations listed on Form 1042, $66,000,000 were reported by payor corporations and $40,000,000 by domestic nominees of foreign owners, such as banks, trust companies and brokers. Since about one-third of the dividends paid by nominees could not be allocated to individual payor corporations (and, therefore, are not included in the figure of $106,000,000), it is estimated that not much over one-half of the shares of the 200 corporations held by foreigners were registered in foreign names 10/ and not much less than one-half in the names of domestic nominees. 11/ The proportion of dividends reported on Form 1042 by issuers and nominees varied considerably from company to company. Examples of common stock issues in which more than one-half of total dividends listed on Form 1042 were reported by American nominees 12/ are: American Power & Light Co. (72 percent), Schenley Distillers Corp. (70 percent), Westinghouse Electric & Manufacturing Co. (68 percent), The Goodyear Tire & Rubber Co. (58 percent), The Youngstown Sheet and Tube Co. (58 percent), The Texas Corp. (57 percent), Republic Steel Corp. (55 percent), General Electric Co. (55 percent), Public Service Corporation of New Jersey (55 percent),

2/ These ratios include in the numerator foreign direct investments, insofar as they have taken the form of stock, and make no attempt to eliminate intercorporate holdings. If intercorporate holdings were excluded all three ratios would increase, but the upward revision would most likely be larger for all corporations than for the 200 corporations.

10/ Foreign names, of course, include foreign nominees such as banks and brokers domiciled abroad.

11/ At the end of 1934 nominee holdings constituted 39 percent of all foreign holdings (excluding direct investment) in the dividend-paying stock of 2,774 domestic corporations (Foreign Investments in the United States, pages 48–9).

12/ The proportions would be higher if dividends reported by nominees without allocation to payor corporations were included.
Chrysler Corp. (53 percent), Consolidated Edison Company of New York, Inc. (51 percent), International Harvester Co. (51 percent) and United States Smelting, Refining and Mining Co. (50 percent).

No comprehensive information is available on the number of foreigners who hold shares in the 200 largest non-financial corporations or in all American corporations. [13]

3. Differences in the Proportion of Foreign Holdings

a. The overall picture

The proportion of stock held by foreigners, of course, varied greatly among the 200 large non-financial corporations. Chart XXXII and Table 2 show that for the 172 corporations paying dividends foreigners received less than 1 percent of dividends paid in 36 companies, or about one-fifth of all cases. They received between 1 and 2 percent of the dividends in 26 companies, between 2 and 3 percent in 20 companies, between 3 and 4 percent in 17 companies and between 4 and 5 percent in 24 companies. Ratios above 5 percent were rarer. However, there were 32 companies in which foreigners received between 5 and 10 percent of total dividends paid. There were 17 cases in which the proportion of dividends received by foreigners was over 10 percent.

The 17 companies among the 200 largest non-financial corporations in which dividends paid to foreigners in 1937, so far as reported on Treasury Form 1042, accounted for over 10 percent of total dividends, are:

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shell Union Oil Corp.</td>
<td>60.0</td>
</tr>
<tr>
<td>Kansas City Southern Railway Co.</td>
<td>40.3</td>
</tr>
<tr>
<td>The American Metal Co., Ltd.</td>
<td>36.8</td>
</tr>
<tr>
<td>International Paper &amp; Power Co.</td>
<td>20.2</td>
</tr>
</tbody>
</table>

[13] If it is assumed that the average value per foreign shareholding does not differ from the overall average for all shareholdings in the 200 corporations at the end of 1937 (i.e., about $4,000 for common and $3,700 for preferred stock), the number of foreign shareholdings, both those appearing in the company's books and those in domestic nominees' names, of the 200 corporations seems to be near 450,000 for common stock and around 50,000 for preferred stock. These figures, however, can be regarded as nothing more than an indication of the order of magnitudes involved, as there is no specific evidence to back the assumption that the average value per shareholding is the same for foreign shareholders as for domestic shareholders.

The number of foreign shareholdings is, of course, considerably larger than that of foreigners (both individuals and corporations) who own at least one issue of stock in the 200 corporations.

[14] In these companies no dividends were paid in 1937 on the common stock. The figures, therefore, represent the proportion of preferred dividends reported paid to foreigners.
TABLE 8
Frequency Distribution of Proportion of Dividends Paid to Foreigners in 1937 by 200 Largest Non-Financial Corporations
(as reported on Treasury Form 1042)

<table>
<thead>
<tr>
<th>Percentage of dividends reported paid to foreigners</th>
<th>Manufacturing</th>
<th>Railroads</th>
<th>Electric utilities</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00 - 0.99</td>
<td>12</td>
<td>5</td>
<td>11</td>
<td>6</td>
<td>36</td>
</tr>
<tr>
<td>1.00 - 1.99</td>
<td>14</td>
<td>7</td>
<td>4</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>2.00 - 2.99</td>
<td>14</td>
<td>3</td>
<td>3</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>3.00 - 3.99</td>
<td>8</td>
<td>-</td>
<td>4</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>4.00 - 4.99</td>
<td>15</td>
<td>1</td>
<td>5</td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>5.00 - 5.99</td>
<td>7</td>
<td>-</td>
<td>1</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>6.00 - 6.99</td>
<td>5</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>7.00 - 7.99</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>8.00 - 8.99</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>9.00 - 9.99</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>10.00 - 10.99</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>11.00 - 11.99</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>12.00 - 12.99</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>13.00 - 13.99</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
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<tr>
<td>14.00 - 14.99</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>15.00 - 15.99</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>16.00 - 16.99</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>17.00 - 17.99</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>18.00 - 18.99</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>19.00 - 19.99</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>20.00 and over</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>

Companies paying dividends: 95, 16, 36, 25, 172
Companies not paying dividends: 1, 13, 9, 5, 28
Total: 96, 29, 45, 30, 200
Singer Manufacturing Co. 18.8 15/
Mid-Continent Petroleum Corp. 17.7 15/
Anaconda Copper Mining Co. 17.5 15/
Western Union Telegraph Co. 17.1 15/
United Gas Corp. 15.8 16/
Republic Steel Corp. 15.6
The American Rolling Mill Co. 12.5
The Great Northern Railway Co. 12.3 15/
American Water Works and Electric Co., Inc. 12.2
Bethlehem Steel Corp. 10.7
Standard Brands, Inc. 10.5
The American Smelting & Refining Co. 10.3
Union Pacific Railroad Co. 10.2

If known indirect holdings were also taken into account, Allied Chemical & Dye Corporation, with 28 percent of the common stock owned by foreigners would have to be added to the list.

b. Differences between common and preferred stock issues

Probably the most outstanding difference in the proportion of foreign holdings among the 404 issues of the 200 largest non-financial corporations is that between common stock on the one hand and preferred stock on the other. Foreign holdings, so far as reported on Form 1042, accounted for about 3-1/2 percent (median) of the value of the 115 common stock issues for which separate information is available. In contrast they amounted to only 2 percent among the 93 issues of preferred stocks. 17/ Among the 53 corporations which had both common and preferred stock outstanding and reported dividends separately, cases in which foreigners received a higher proportion of common than of preferred stock were more than twice as numerous as cases in which the opposite relation prevailed.

There were only 22 issues, or only one-fifth of the total, in which foreigners received less than 1 percent of the dividends. 18/

The frequency distributions of the percentage of foreign holdings for the 200 corporations and for their common and preferred stock issues for which information is available separately, presented in Tables 8 and 9 and illustrated in Chart XXXII, show clearly the wide variation in the importance of foreign holdings in individual companies. On the one hand, there

15/ These companies had only common stock (or equivalent) outstanding.

16/ Represents proportion of dividends paid on 7 percent preferred stock.

17/ The other 196 issues either paid no dividends or were issued by companies which reported dividends for all common and preferred stocks in one figure.

18/ No information is available on the remaining 93 common stock issues and 103 preferred stock issues of the 200 corporations because no dividends were paid on 48 issues of common and 42 issues of preferred stock and the other 45 issues of common and 61 issues of preferred stock were of companies for which only aggregate dividends on all common and preferred stock issues were reported.
**TABLE 9**

Frequency Distribution of Proportion of Dividends Paid to Foreigners in 1937 on Stock Issues of 200 Largest Non-Financial Corporations

(as reported on Treasury Form 1042)

<table>
<thead>
<tr>
<th>Common stock issues</th>
<th>Preferred stock issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of dividends reported</td>
<td></td>
</tr>
<tr>
<td>paid to foreigners</td>
<td>paid to foreigners</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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were three corporations among the 172 dividend-paying corporations in the group where the available data indicate no foreign ownership whatever. These were, of course, companies closely held by a family or a group of business associates: Ford Motor Co.; Anderson, Clayton & Co.; and Weyerhaeuser Timber Co. 19/ At the other extreme were a few corporations in which foreigners are credited with a large proportion, or even the majority, of total holdings, such as the Shell Union Oil Corp. and The American Metal Co., Ltd. However, even among the companies which were not either completely owned by a domestic group or predominantly owned by foreigners there were wide variations in the proportion of foreign ownership.

c. Differences between industries

Table 8 shows that the proportion of foreign holdings among the 200 corporations was considerably higher for manufacturing corporations with a median of about 4 percent, on the basis of reports on Treasury Form 1042, than for public utility companies with one of about 2 percent. The number of railroad companies for which the information was available was too small and the distribution of the percentages of foreign ownership too scattered to derive a representative average.

The proportion of foreign ownership also differed considerably among manufacturing corporations. Although there are corporations with high and with low proportions of foreign holdings in most major industries, foreign holdings appear to be on the average definitely higher for some industries than for others. Thus, the proportion of foreign holdings was above average for the common stock in most of the large steel companies, amounting to over 14 percent for United States Steel Corp., over 10 percent for Bethlehem Steel Corp., over 15 percent for Republic Steel Corp., 12-1/2 percent for American Rolling Mills Co., and 7 percent for The Youngstown Sheet and Tube Co. 20/ The only steel companies among the 200 largest non-financial corporations with a low proportion of foreign holdings were Inland Steel Co., National Steel Corp. and Wheeling Steel Corp., all with a ratio of about 2-1/2 percent of common stock. The proportion of foreign holdings also was considerably above the average for the oil industry. About 96 percent of the common stock of Shell Union Oil Corp. was owned by foreigners; relatively high proportions of foreign ownership were also shown for Mid-Continent Petroleum Corp. (17.7 percent), Tidewater Associated Oil Co. (9.3 percent), Continental Oil Co. (7.6 percent) and Standard Oil Co. (N. J.) (4.8 percent). Foreign shareholdings were relatively large in two of the large automobile manufacturers, amounting to 7 percent in Chrysler Corp. and nearly 5 percent in General Motors Corp., there were, of course, no foreign holdings in the third large automobile producer, the Ford Motor Co. The percentage of foreign holdings was very high in one of the largest chemical companies, the Allied Chemical & Dye Corp., of whose common stock foreigners owned 5-1/2 percent directly and another 22-1/2 percent indirectly. The proportion of foreign

19/ These corporations had 6 issues of stock outstanding. No foreign holdings were reported in 7 additional issues, mainly issues wholly owned by parent corporation.

20/ All these percentages represent the proportion of dividends paid to foreigners in 1937, as reported on Treasury Form 1042, to total dividends paid during that year.
holdings was more moderate for the other large chemical companies in the group of 200 corporations, viz., American Cyanamid Co., 4-1/2 percent; E. I. du Pont de Nemours & Co., 3-1/2 percent; Union Carbide and Carbon Corp., 2 percent. Foreign holdings were low in many consumers' goods industries, such as meat packing, canning and sugar refining, but were fairly high in tobacco, dairying and distilling companies. They were relatively large in the mail order houses (Montgomery Ward & Co., Inc., 7 percent and Sears, Roebuck and Co., 4.2 percent) but low in chain stores (with the exception of F. W. Woolworth Co.).

4. The Control Aspect of Foreign Holdings

The figures presented in this chapter show that foreigners at the present time have a considerable interest in many of the voting issues of the 200 largest non-financial American corporations. As these corporations dominate most of our important industries, it is essential to determine the extent of control which these relatively large holdings give to foreigners. The question cannot be definitely settled without a case study of each of the situations involved. Still less can it be answered solely from the figures on total estimated holdings by foreigners which have been presented in this chapter. But these figures, together with information on the 20 largest shareholdings in the 200 corporations, presented in Chapters V and VI, permit at least a tentative answer.

In most of the 200 corporations foreign holdings are apparently widely diffused, even where they amount to between 5 percent and 15 percent of the total stock outstanding. A special problem, it is true, is presented by the holdings of certain Dutch "Administration Offices", organizations which issue bearer certificates, reputedly distributed among numerous individual investors, evidencing ownership of a certain number of shares of an American corporation registered in the name of the Administration Office in the corporation's books. 21/ Administration Offices were among the largest record shareholders in several important corporations, and sometimes owned very substantial blocks. 22/ Theoretically, the holdings of these Administration Offices are large enough in several cases to carry some influence on the management. There is, however, no evidence that the Administration Offices have tried to exercise the powers which they might possess on the basis of

21/ These offices resemble fixed investment trusts or bankers' shares companies existing in this country (see the Securities and Exchange Commission's report on Investment Trusts and Investment Companies, Part One, pages 29-31 and 105-6), except that the certificate evidences an interest in only one underlying issue.

22/ They held, for instance, in 1937, about 25 percent of the preferred and 2 percent of the common stock of Kansas City Southern Railway Co.; 18 percent of the preferred and 12 percent of the common stock of Shell Union Oil Corp.; 14 percent of the common stock of Mid-Continent Petroleum Corp.; 12-1/2 percent of the common and 1 percent of the preferred stock of Tidewater Associated Oil Co.; 9 percent of the common and 4-1/2 percent of the preferred stock of American Car & Foundry Co.; 8-1/2 percent of the common and around 1 percent of the preferred stock of Republic Steel Corp.; nearly 8 percent of the common stock of Anaconda Copper Mining Co.; 6-1/2 percent of the common stock of Bethlehem Steel Corp. and 5-1/2 percent of the preferred and 4 percent of the common stock of The Baltimore and Ohio Railroad Co.
their considerable voting strength. Rather, they seem to have restricted themselves to the custodial functions involved in issuing bearer certifi­
cates on the basis of the underlying American shares.

There are, however, a few cases among the 200 corporations in which foreign holdings are large enough to permit influence on the management and where the character of the foreign owners is such that they might be expected to behave as active shareholders and to use their voting strength. These are the Shell Union Oil Corp., where two companies in the Royal Dutch group held over 64 percent of the common stock; The American Metal Co., Ltd., in which one British corporation (Selection Trust, Ltd.) held nearly 24 percent of the common stock; and the Allied Chemical & Dye Corp., 23 percent of whose common stock was owned indirectly by one foreign group (Solvay & Cie. of Brussels (Belgium)). All that can be said is that the possibility of for­eign influence on the management does exist in these companies. Whether it is an actuality or a potentiality only cannot be decided from statistical material, though the first alternative can be presumed for the Shell Union Oil Corp.

5. Limitations of Data

Treasury Form 1042 as a source of estimation of the value of foreign holdings if American stock is subject to several limitations which, though not too serious in themselves, must be borne in mind in studying the data, particularly those for individual issues.

(a) Stock issues on which no dividends were paid during the year 1937 necessarily had to be omitted. This excluded 28 of the 200 companies and 91 of the 404 issues covered in the other chapters of this study, the omissions being most serious among railroads.

(b) Some nominees reported in a lump sum all dividends on American stocks which they paid to foreigners rather than showing separate figures for individual corporations. The data on dividend payments to foreigners in individual corporations, thus understate the actual amount of such pay­ments. It is estimated, however, that unallocated dividend payments to foreigners amounted to only about 20 percent of payments which could be allocated to the payor corporations. This deficiency in the material, there­fore, should not seriously impair the value of the figures for the entire group of 200 corporations or large sections thereof. It may result, however, in a serious understatement of foreign holdings in the case of a few indi­
vidual issues.

(c) About 40 of the 200 corporations reported dividend payments to foreigners on all of their stock issues in one sum rather than separately for each issue of common or preferred stock. For these companies, of course, the proportion of foreign holdings could be calculated only for the aggre­gate of all stock outstanding, although the proportion might have varied considerably among their different issues.

(d) Data on dividend payments to foreigners were transformed into es­timates of the value of the shares owned by foreigners by assuming that the proportion of total dividends which were paid to foreigners during 1937 in each issue represented the proportion of the issue held by foreigners at the end of 1937. This assumption is subject to the error that dividends were paid at various dates throughout the year, whereas the estimate of
foreigners' holdings based on those dividend payments is presumed to apply to December 31, 1937. The statistics of international capital movements indicate, however, that foreigners had only a small net purchase of American securities during the year 1937; holdings at the end of the year apparently were so little above the annual average that the difference can be disregarded.

(e) Form 1042 for the 200 corporations, which constitutes the statistical basis of this chapter, does not cover the "indirect" foreign holdings, i.e., stock of the 200 corporations owned by holding or other companies incorporated in the United States which were in turn owned (directly or indirectly) by foreigners. The most outstanding example of such indirect holdings is provided by the 500,000 shares of the Allied Chemical & Dye Corp. owned by the Solvay American Investment Corp. (a Delaware corporation) whose common stock is entirely held by a Swiss corporation which, in turn, is owned by Solvay & Cie. of Brussels (Belgium). The indirect foreign holdings in the 200 corporations generally have had to be disregarded due to lack of sufficient information. Exceptions were made, however, for the holdings of Solvay American Investment Corp. and of General Aniline and Film Corp. (formerly American I. G. Chemical Corp.), which, though not included in the tables of this chapter or in Section VI of Appendix III, are taken into account in the more important summary figures used in the text.

(f) The figures naturally do not include either stocks registered in the names of persons residing in this country which were in reality held for the benefit of a foreigner but for which the American nominee and record shareholder, from ignorance or other motives, failed to file a Form 1042 with the Treasury. Cases of non-reporting of such nominee holdings may be expected chiefly where the American nominee is an individual not engaged in the securities business and where the relationship is a personal rather than a business matter. That the non-reported nominee holdings and the indirect holdings of American stocks by foreigners may be quite substantial is indicated by the existence in recent years of a large statistically unresolved capital inflow into the United States, a considerable part of which may be assumed to have taken the form of unreported purchases of stock in American corporations.

(g) The figures given in this chapter and in Section VI of Appendix III, therefore, are to be regarded only as the minimum proportion and value, respectively, of the shares of the 200 largest non-financial corporations owned in 1937 beneficially, directly or indirectly, by foreigners. The true figures are certainly somewhat higher and may be considerably higher than given in this chapter.

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23/ Bulletin of the Treasury Dept., e.g., March 1940, page 36.

24/ In this case the Form 1042 would have to be filled out by Solvay American Investment Corp. which, of course, is not included in the group of the 200 corporations covered in this study, and not by Allied Chemical & Dye Corp.

25/ These holdings (all common shares) consisted of 500,000 Allied Chemical & Dye Corp. and 20,305 Union Carbide and Carbon Corp. held by Solvay American Investment Corp. on March 31, 1938; 289,225 Standard Oil Co. (N.J.); 10,000 Eastman Kodak Co.; 10,000 Standard Oil Co. (Ind.); 18,050 Aluminum Company of America and 6,500 E. I. du Pont de Nemours & Co. held by General Aniline and Film Corp. as of March 31, 1938.