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Profits, Losses and Business Assets, 1929-1934

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The large business losses in 1932, the decline in annual deficits in 1933, and the further improvement in 1934 are all well known. So much have we learned from current financial reports of large corporations. But figures that relate to business profits constitute a peculiarly significant index in an industrial economy. Profits represent, at once, gains of enterprise arising from the conjuncture of past events and decisions, and influences upon current judgments concerning the future. It is well, therefore, to check conclusions derived from samples and estimates by the data on corporate profits issued by the Treasury Department. These comprehensive figures cover all the taxable corporations in the United States, small as well as large.

What was the earnings position of business enterprise as a whole at the bottom of the severest depression of the last half century? How did the net incomes of large and small companies, of different industrial groups, compare in 1932? How did corporate incomes respond to the complex forces active in the first and second years of recovery? What effect did the drain upon business resources have upon the assets and condition of business between the end of 1929 and 1932? It is these questions that concern us in the present Bulletin.

There are now available complete and final reports covering profits and balance sheets of all corporations in the United States for 1932 (and earlier years), and preliminary data that make possible estimates of net income of all corporations in 1933. Also, many large companies have already published reports covering 1934 operations. This Bulletin presents these figures, based chiefly on the official Statistics of Income issued by the United States Treasury Department, with emphasis on the course of profit and the condition of business enterprise since 1929.

TOTAL CORPORATE PROFITS

The drastic decline in the aggregate net income of all corporations in the United States, from 1929 to 1932, is evident from Table 1. In 1929 corporate earnings constituted almost ten per cent of the national income; in 1932 corporate net income was negative. The partial recovery from 1932 to 1933, although insufficient to take the aggregate "out of the red," reduced considerably the drain upon the resources of American business. There are indications (discussed below) that in 1934 this drain had almost, if not quite, ceased.

In terms of dollars and cents, we have the net results—as they affected selling prices, costs and volume of corporate business—as the economic and political factors in ferment during 1933. Three billion dollars measure the extent of improvement in business between the darkest year of depression and the end of the first year of recovery.
on stockholders' equity (net income relative to capitalization), earnings as a percentage of total capital are also given. (The data on capital used here are book values, and are therefore subject to some qualification as measures of invested capital. Year-to-year change in the true earnings rates are probably more accurately indicated than are the rates themselves.)

<table>
<thead>
<tr>
<th>TABLE 2</th>
<th>RATES OF EARNINGS ON BOOK VALUE OF CAPITAL 1929-1932</th>
<th>ALL CORPORATIONS IN THE UNITED STATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1929 1930 1931 1932 1933*</td>
<td></td>
</tr>
<tr>
<td>Net income (after taxes) as a percentage of capitalization</td>
<td>6.6 2.9 0.7 0.12 0.2</td>
<td></td>
</tr>
<tr>
<td>Total profits (after taxes) as a percentage of total capital</td>
<td>4.2 2.9 0.7 0.0 0.4</td>
<td></td>
</tr>
</tbody>
</table>

*Preliminary estimates.

[Additional text discussing the implications of the data presented in Table 2]

Table:<br>Table 1:<br>**RATES OF EARNINGS OF CORPORATIONS IN THE UNITED STATES, 1929 and 1932**<br>**CLASSIFIED BY SIZE OF CORPORATION**

<table>
<thead>
<tr>
<th>SIZE (TOTAL NET ASSETS IN THOUSANDS)</th>
<th>TOTAL NET ASSETS</th>
<th>NUMBER OF CORPORATIONS</th>
<th>NET INCOME</th>
<th>MEASUREMENT OF EARNINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>THOUSANDS</td>
<td>IN 1929 1932</td>
<td></td>
<td>IN 1929 1932</td>
<td>PERCENTAGE OF CAPITAL</td>
</tr>
<tr>
<td>100 to 499</td>
<td>820,000 206,000</td>
<td>435</td>
<td>31.7 13.0</td>
<td>18.2 27.1</td>
</tr>
<tr>
<td>500 to 999</td>
<td>41,000 85,000</td>
<td>750</td>
<td>6.4 9.9</td>
<td>4.1 6.5</td>
</tr>
<tr>
<td>1,000 to 1,499</td>
<td>63,500 59,500</td>
<td>1,050</td>
<td>6.4 7.4</td>
<td>2.5 4.5</td>
</tr>
<tr>
<td>1,500 to 1,999</td>
<td>31,100 25,600</td>
<td>1,450</td>
<td>5.9 6.3</td>
<td>1.5 2.9</td>
</tr>
<tr>
<td>2,000 to 2,499</td>
<td>19,500 27,600</td>
<td>1,250</td>
<td>3.0 4.7</td>
<td>1.4 2.8</td>
</tr>
<tr>
<td>2,500 to 2,999</td>
<td>18,300 16,700</td>
<td>875</td>
<td>0.5 2.7</td>
<td>0.3 0.9</td>
</tr>
<tr>
<td>3,000 to 3,499</td>
<td>2,290 2,400</td>
<td>525</td>
<td>2.6 5.7</td>
<td>0.4 1.3</td>
</tr>
<tr>
<td>3,500 to 3,999</td>
<td>1,210 1,350</td>
<td>225</td>
<td>2.2 0.3</td>
<td>2.6 0.9</td>
</tr>
<tr>
<td>4,000 and over</td>
<td>632 618</td>
<td>85</td>
<td>0.3 0.3</td>
<td>0.3 0.3</td>
</tr>
<tr>
<td>Total</td>
<td>18,010 18,010</td>
<td>4,650</td>
<td>1.2 1.2</td>
<td>1.2 1.2</td>
</tr>
</tbody>
</table>

* Corporations that do not report balance sheets, as well as non-corpus companies, are excluded.

[Table 1 continues with additional data on earnings rates for other size categories.]

Even at the bottom of the trough of the last wave of prosperity and depression large corporations as a whole were not losing money. The rate of earnings in each size group declined from 1931 to 1932, regardless of the measure used, but the group of largest companies (those with 80 million dollars transferred into a slight loss (0.4 per cent on capitalization); net profits (including interest on fixed indebtedness) remain positive, however, capital during the year were used the rates would not be quite as low. Finally, another possibility should be mentioned: corporations with widely held securities (that is, large companies) may, in times of depression, resort to various bookkeeping expedients to maintain an apparent continuance of earnings. The indiscriminate borderline between charges to capital and charges to current operations makes the use of such expedients possible. But some uniformity of accounting procedure is enforced by the income tax regulations.

On the whole, therefore, the following conclusion seems justified: In 1932, at the low point of the depression, very large corporations were, in the aggregate, still making profits. In that year rates of earnings appeared to be definitely related to size of concern; the smaller the company, the larger (on the average) was the rate of loss.

These facts, it should be stressed, are true of a year of depression. We cannot assume that the same relative earnings positions of large and small concerns existed in 1929. Indeed, to the extent that the great losses, relative to capitalization, suffered by small companies in 1932 were a consequence of operating on a narrow equity, the reverse may easily be true. However, no statistical basis for judgment is as broad as that at our disposal for 1931 and 1932 is available for earlier years.

PROFITS BY INDUSTRIAL DIVISION

We turn now to another principle of classification, that based on industry. Earnings rates by industrial groups for the years 1931 and 1932, inclusive, appear in Table 4. (Supplementary data including return to management as well as to capital appear in Appendix Table I.) Rates of return on capitalization for 1929, 1932 and 1933, are charted in Figure 1.

The identity of the industrial groups that gained most in the upturn from 1932 to 1933 is a striking feature of the chart and table. Only four industries—mining, public utilities and transportation, tobacco products, and finance and real estate—declined in this period in respect of earnings rates. The first two fell only fractionally, however, and final data for 1933 may reveal no declines whatever.

The tobacco product group remained at a high level even after the decline in its earnings. All other industries either increased their rates of earnings in 1933, or decreased their losses.

Among corporations manufacturing textiles and leather and leather products, especially, the rises were phenomenal. In both these industries the rates of return on stockholders' equity in 1933 were higher than in 1929. This, as would be expected, was largely the result of recoveries in all the raw materials used by these industries. Further unemployment requirements as to depreciation charges may cause some income tax adjustments to be required.
Coal mining: bituminous, lignite, and peat
Woolen and worsted goods
Finishing and tanning leather, and miscellaneous leather products
Radishes: complete or parts
Aerial transportation
Amusements: dancing, legitimate, vaudeville, etc.
Joint-stock land banks

Net incomes were reported for each, 1929-32, inclusive, for the following groups:
Food products: bakery and confectionery products
Mill products: bran, flour, feed, etc.
Beverages: soft drinks, cereal beverages, wines, distilled
Other food products: medicinal ice, butter substitutes, cereals, coffee, etc.
Tobacco products
Chemicals proper: acids, compounds, etc.
Allied chemical substances: drugs, oils, paints, etc.
Electric light and power companies
Gas companies, artificial and natural
Telephone and telegraph companies
Water companies

Because of possible shifts in classification, it is not advisable to attempt to add together the data for different years.

Data concerning earnings of all corporations during 1934 are not available. We may, however, turn to current compilations of the reports of large companies, recognizing that they form a selected group, and that their earnings rates throw light not on the levels of rates of returns of all corporations but on the direction of movement of these rates. The earnings rates are presented in Table 5, together with a measure of the degree to which each industry is covered. The industrial groups given have been made to correspond, as far as possible, to those in Table 4.

The net incomes of all groups rose from 1933 to 1934, with but two exceptions. The published statements of textile companies revealed a severe decline in income, a decided contrast to the movement from 1932 to 1933. Rubber manufacturers experienced no appreciable change in profits. The earnings of certain industrial divisions not represented here, notably the public utilities, decreased between 1933 and 1934.

While the sample in Table 5 is of limited value in indicating earnings of all corporations in the United States.
we were not concerned with variation in average size of operation from industry to industry. But if we wish to reconcile, as in Table 6, on the relation of size to the effects of industrial groupings, it is pertinent to inquire whether the industrial groups are homogeneous. That is, do the broad classifications to the companies within groups, make differences in rates of return due to size alone stand out? For many purposes the homogeneity of these groups may probably be questioned. On the other hand, there is sharp contrast in the character of large- and small-scale enterprises. Different personal elements are involved; operations of large companies are more extensive and include more different kinds of business than those of small firms. Small concerns are artificied in the economic system differently than large companies. In short, 'industry' and size are definitely related. Any narrow definition of 'industry' leaves no room for both small and large companies in the same industrial groups. On the other hand, these, on the contrary, are involved in the larger-industrial units used here. Consequently, our conclusion. Size of concern appears to have been related, on the average, to rate of return on stockholders' equity, at least in the depression period 1932. (This was true also in 1931.)

DIVIDEND PAYMENTS AND CORPORATION SAVINGS

The decline in profits and the appearance of losses did not, of course, affect dividend payments immediately. The natural lag, and the fact that not all companies suffered losses, helped to sustain the stream of dividend payments even though the reservoir from which they flowed was not replenished, as the aggregate. In an effort to take account of the number of common stock as well as those of preferred stock, even concerns that suffered losses continued to declare and pay dividends. The savings of the preceding years of prosperity were drawn upon.

The figures for the recent period appear in Table 7.

<table>
<thead>
<tr>
<th>TABLE 7</th>
<th>DIVIDEND PAYMENTS AND ANNUAL CORPORATE SAVINGS IN THE UNITED STATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR</td>
<td>NET INCOME (dollars)</td>
</tr>
<tr>
<td>1929</td>
<td>7,950</td>
</tr>
<tr>
<td>1930</td>
<td>1,260</td>
</tr>
<tr>
<td>1931</td>
<td>1,280</td>
</tr>
<tr>
<td>1932</td>
<td>1,470</td>
</tr>
<tr>
<td>1933</td>
<td>2,260</td>
</tr>
</tbody>
</table>

*Corresponding figures for prior years are shown in Table 8.*

The aggregate balance sheet of American corporations, excluding the groups mentioned, appears in Table 8. (Besides the dollar figures, relative numbers on the 1929 base are presented.) Our interest lies here chiefly in the asset side of the statement: the liabilities and capital items are given to complete the picture. Cash declined 1.4 billion dollars from 1929 to 1932; receivables, 7.6 billion; inventories, 8.7 billion; capital assets, 6.5 billion. Investments and miscellaneous assets were reduced by 2.0 billion. On the other side of the balance sheet, current liabilities declined 5.9 billion dollars; long-term debt remained almost constant; and miscellaneous liabilities fell 2.9 billion dollars. The difference between these changes in assets and liabilities (17.5 billion dollars) was absorbed by capital, including surplus.

The uneven movements of these values are worth attention. What are the factors marking for different degrees of change in the various assets of American business?

We expect the total assets of business enterprises to decline sharply because of the drain upon resources arising from losses and sustained dividend payments. Another important reason would be the liquidation of debts, especially short-term obligations to banks and other creditors. But not all assets could be expected to reflect this drain equally. Besides the conditioning elements originating in differences in liquidity and in business policy, the distribution among different assets would be influenced also by price movements and by changes in the volume of production. The possibility of technological change (change in the technical ratio of equipment to stocks of goods and to number of employees), and the resulting changes in the

* The Standard Statistics Company publishes data for 418 large industrial corporations. The figures, with 1917 and 1928 included for purposes of comparison, follow:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET INCOME (dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927</td>
<td>565</td>
</tr>
<tr>
<td>1928</td>
<td>1,085</td>
</tr>
<tr>
<td>1929</td>
<td>1,210</td>
</tr>
<tr>
<td>1930</td>
<td>1,161</td>
</tr>
<tr>
<td>1931</td>
<td>1,098</td>
</tr>
<tr>
<td>1932</td>
<td>809</td>
</tr>
<tr>
<td>1933</td>
<td>63</td>
</tr>
</tbody>
</table>

* * is desirable to omit really curious banks and other financial institutions from the present discussion. Owing to certain changes in classification this makes it necessary, also, to exclude service companies.
Table 8
AGGREGATE BALANCE SHEET, 1929-1932

<table>
<thead>
<tr>
<th></th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1228.0 x 791.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>7,459</td>
<td>7,553</td>
<td>6,283</td>
<td>6,106</td>
<td>100.0</td>
</tr>
<tr>
<td>Notes and accounts receivable (net)</td>
<td>21,686</td>
<td>19,531</td>
<td>18,429</td>
<td>14,281</td>
<td>100.0</td>
</tr>
<tr>
<td>Inventories</td>
<td>20,799</td>
<td>18,070</td>
<td>16,992</td>
<td>12,077</td>
<td>100.0</td>
</tr>
<tr>
<td>Capital assets (net)</td>
<td>94,815</td>
<td>90,322</td>
<td>92,947</td>
<td>88,307</td>
<td>100.0</td>
</tr>
<tr>
<td>Inventories</td>
<td>2,913</td>
<td>2,572</td>
<td>2,564</td>
<td>2,477</td>
<td>100.0</td>
</tr>
<tr>
<td>Other</td>
<td>19,800</td>
<td>40,140</td>
<td>34,586</td>
<td>31,133</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>127,280</td>
<td>180,448</td>
<td>168,890</td>
<td>160,851</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Liabilities and capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable</td>
<td>19,845</td>
<td>18,253</td>
<td>15,431</td>
<td>15,954</td>
<td>100.0</td>
</tr>
<tr>
<td>Bonded debt and mortgages</td>
<td>38,944</td>
<td>37,445</td>
<td>35,465</td>
<td>34,907</td>
<td>100.0</td>
</tr>
<tr>
<td>Miscellaneous liabilities</td>
<td>15,508</td>
<td>14,436</td>
<td>11,982</td>
<td>12,464</td>
<td>100.0</td>
</tr>
<tr>
<td>Capital stock</td>
<td>15,512</td>
<td>14,793</td>
<td>13,166</td>
<td>15,200</td>
<td>100.0</td>
</tr>
<tr>
<td>Preferred</td>
<td>66,461</td>
<td>58,736</td>
<td>59,574</td>
<td>61,523</td>
<td>100.0</td>
</tr>
<tr>
<td>Surplus and undivided profits less deficit</td>
<td>57,005</td>
<td>51,140</td>
<td>24,270</td>
<td>97.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>127,280</td>
<td>180,448</td>
<td>168,890</td>
<td>160,851</td>
<td>100.0</td>
</tr>
</tbody>
</table>

1 Figures for 1929-33 not shown here since there is evidence that some inventories were not reported as such in the earlier reports.

Relative and absolute values of different assets must also be remembered; no facts relating to this point may be evident in this Bulletin.

Differences in liquidation are important in consideration of the changes revealed in Table 5. Turnover rates (or average life of assets) differ from one kind of asset to another. Some instances of turnover vary by industry to another, and condition the rate of liquidation. The liquidity of capital assets in the economy as a whole, for example, is indicated partly by the rate of depreciation and depletion charges to the book value of capital assets.

Changes in liquidation are seen in this table, a figure, per cent per annum in the case of capital assets, to the turnover rates of stocks of goods, which run to several hundred per cent per annum. On the other hand, replacements also affect the relative proportions of the different assets in the aggregate balance sheet under review.

In the case of fixed assets, certain repairs and replacements are not accounted for until a plant is to be kept in operation, even at a low rate. Inventories must be carried, if business is to be done at all. But the extent of replacement fluctuates, depending on forecasts of the future, as well as on the current volume of production. (The value of replaced assets will change, further, because of price movements.)

New investments must also be considered in analyzing the changes recorded in Table 8. Not all corporations last long; even in 1932. But the new capital derived from security flotation declined rapidly in recent years, while total corporate savings were negative. According to compilations of the Standard Statistical Summary, new-money issues declined from 3,668 million dollars in 1929 to 321 million dollars in 1932. Even if these were stepped up substantially in order to include the financing of small companies not floating public issues, the net result, after subtracting corporate savings, is a decline in invested capital. In the face of this lowering of new investment could not persist at old levels, and even replacements could not, in many instances, be made. Further, the desire to make such commitments waned.

Changes in the value of unliquidated assets may occur also. Book values of capital assets may be written down to take cognizance of obsolescence and of changes in price levels. In the event of revaluation and reorganization this process would be forced. But in many instances it may result from a voluntary admission of the facts.

Failures followed by withdrawal from business would result in declines in the value of different assets reported by all corporations, including fixed assets. While withdrawals were numerous, their importance in terms of assets or capital, or even liabilities, was not so great. The Dun and Bradstreet figures provide information on the last item, for commercial establishments. For the years 1929-32,

1 Failures or other retirements from business with no loss to creditors are not covered by the Dun and Bradstreet compilations. No reliable evidence is available concerning these voluntary retirements from business. Indeed, no reliable figures are available as to the number of business concerns in the United States that went out of business in 1932. The Dun and Bradstreet figures provide information on the last item, for commercial establishments. For the years 1929-32,

2 For the years 1929-33 not shown here since there is evidence that some inventories were not reported as such in the earlier reports.

3 Differences in liquidation are important in consideration of the changes revealed in Table 5. Turnover rates (or average life of assets) differ from one kind of asset to another. Some instances of turnover vary by industry to another, and condition the rate of liquidation. The liquidity of capital assets in the economy as a whole, for example, is indicated partly by the rate of depreciation and depletion charges to the book value of capital assets.

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and replacement, there would be no such excess. It is ap-
p parent, however, that the entire decline in value of fixed
assets was due to deductions other than those for wear
and tear and depletion. These consisted chiefly of "write-
offs" and "write-downs", together with such items as
losses on sale of capital assets, retirement and abandonment
of property, and losses due to accidental destruction. (Some
reduction in value resulted also from the replacement of
retired equipment at prices lower than former book value.)

Besides the difference between the decline in value of
capital assets and charges for depreciation and depletion,
we find that an additional sum of some six billion dollars,
for purchases of new capital goods, must be accounted for
by "other" deductions. If we add this figure to the three
billion dollar decline in capital assets unaccounted for by
depreciation and depletion charges (ten billion less six bil-
lion) we have a sum close to nine billion, which we must re-
member probably somewhat overstates the correct figure."
This is the amount that represents "write-offs" and "write-
downs" for 1931 and 1932, as well as types of capital attri-
ution not included under depreciation charges. The result
is not only that originating in voluntary replacement, but
also that due to forced changes in value arising from failure
and reorganization.

Write-downs and write-offs, in dollars, reached a large
figure. But relative to the degree of fall in prices, and to
the amount of obsolescence probably uncovered during the
depression, the amount does not seem great. (Another
element to be considered is the upward revision of as-
sets made in the preceding period of prosperity.) There
is reason for the belief that government tax policy has made
difficult any write-downs excepting "normal" depreciation charges. For another, uncertainties concerning the future course of the price level have caused depreciation and obsolescence to hang in the air at prices as permanent. An important factor making possible this hesitation may be the organization of a considerable
portion of American business in large units. Great enter-
prises are powerful enough to withstand even a severe de-
cline in the price of any component. Yet, there is a limit
to the ability of an individual corporation to absorb losses
without some modification in the proportion of its total
value which has been written down or written off. The figure
for 1932 and 1933 is $8.9 billion, compared with $4.1 bil-

The decline in cash from 1929 to 1932 was surprisingly
small, only 18 per cent. (Banks, it must be remembered, are
excluded.) Other current assets, of course, fell, as a result
of the decline in prices and in volume of business. While
receivables (notes and open accounts) exceeded notes and
accounts payable by two billion dollars in 1929, the balance
was but a seventh of that figure at the end of 1932. In-
ventories did not fall proportionately to the volume of
business; consequently, turnover rates declined. (This was
true in every industrial group except one, textiles.)

Working capital, taken as the difference between current
assets (cash, notes and accounts receivable, inventories,
tax-exempt investments) and current liabilities (notes and
accounts payable, current accounts receivable), declined considerably (34 per cent from 1929 to 1932). This was also true, in greater or lesser degree, of each industrial group. The liquidation of fixed
capital could not proceed more rapidly than these goods
should be required and, therefore, the amount of working
capital that could be transferred to a non-essential or cor-
corporate enterprise may be ignored. Buildings, machin-
eery, furniture and fixtures—these are not current assets.
It is apparent therefore that the drain upon working cap-
ital due to liquidation and deferred payments could not be re-
plenished by the depreciation fund. Nor, indeed, was the
entire depreciation fund available for such a purpose. Cer-
tainly, large companies did not, in fact, realize their as-
sets even to the extent indicated above is suggested by figures
compiled by the Standard Statistics Company from the reports of
416 major industrial companies. Debt adjustments of surplus
(which include items besides revaluation, and also include stock
dividends, and therefore overstate write-downs) were as shown,
in millions of dollars. (Data for 1927 and 1928 are given for
purposes of comparison.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Surplus Debts</th>
<th>Total Assets (end of Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927</td>
<td>504</td>
<td>27,998</td>
</tr>
<tr>
<td>1928</td>
<td>512</td>
<td>29,778</td>
</tr>
<tr>
<td>1929</td>
<td>623</td>
<td>32,128</td>
</tr>
<tr>
<td>1930</td>
<td>520</td>
<td>32,261</td>
</tr>
<tr>
<td>1931</td>
<td>678</td>
<td>30,520</td>
</tr>
<tr>
<td>1932</td>
<td>622</td>
<td>28,837</td>
</tr>
<tr>
<td>1933</td>
<td>533</td>
<td>27,337</td>
</tr>
</tbody>
</table>

Fixed capital assets appear to have declined further, in spite of the up-turn in volume of business. On the other hand, the value of stocks of goods rose rapidly. Net working capital, however, changed but fractionally. One interesting item not available for all corporations, intangibles, fell by

more than seven per cent—a decline greater than that of
any other asset. The rise in receivables, only one per cent,
is in contrast to the large increase of 16 per cent in cur-
rent liabilities. With dividend payments still exceeding net
income, net worth declined slightly.

SUMMARY
At the bottom of the depression in 1932, only four in-
dustries were making profits: public utilities, foods, tobacco
products, and chemicals. In all industrial groups in that
year small corporations were relatively worse off, on the
average, than large companies.

The deficit accumulated during the years of depression
had its effect upon the capital, assets, and condition of
American corporations. Failures, reorganizations and write-
downs were most frequent in 1932 and losses rose. But in con-
trast to the severity of the recession the extent of readjust-
ment manifested through insolvencies and revaluations
seems small. There are indications here of an important
element of inertia, the influence of which must find a place
in an explanation of the events of the last few years.

The rise from 1932 to 1933, while not eliminating losses in
the aggregate, placed many manufacturing groups on a
profitable basis, and brought the decline of other indus-
tories. The earnings of by far the most important industrial groups in 1932 and in 1933; and two of these showed profits in
both years.

Cash dividends continued to fall. Not until 1934 did
these lagging payments reflect the upturn of the preceding
year.

In brief, 1932 definitely was the low point in the average
earnings of business enterprise. The year 1933, with a few
exceptions, showed some improvement over 1932 (chiefly in the form of a reduction in losses), and it is probable that 1934 was more favorable. Here are re-
lected the effects, upon business enterprise, of the inter-
vention between the situation created by the preceding years
of decline and the new factors injected into the scene of
1933. While business in the aggregate was not yet on a
profitable basis in 1933, or perhaps even in 1934, fees of the
profits system were improved in the light of the fig-
ures, been modified. Industry has always revealed great
powers of adaptation and recuperation. What we find
today constitutes no exception to this experience.

Other information on profits is contained in INDUSTRIAL
PROFITS in the UNITED STATES, by R. G. Epstein ($1),
and CORPORATE PROFITS as shown by ACCT REPORTS,
by W. A. E. Paine ($1.52), both published by the National
Bureau of Economic Research. The latter volume Mr. Fabricant contributed sections. He is now working on a
study of Capital Consumption. BULLETIN readers may also wish to have cloth-bound