

Bullock

**THE MODERN CORPORATION
AND PRIVATE PROPERTY**

Adolf A. Berle and Gardiner C. Means

*With a New Introduction by
Murray L. Weidenbaum and Mark Jensen*



Transaction Publishers
New Brunswick (U.S.A.) and London (U.K.)

CHAPTER V: THE EVOLUTION OF CONTROL

AS THE OWNERSHIP of corporate wealth has become more widely dispersed, ownership of that wealth and control over it have come to lie less and less in the same hands. Under the corporate system, control over industrial wealth can be and is being exercised with a minimum of ownership interest. Conceivably it can be exercised without any such interest. Ownership of wealth without appreciable control and control of wealth without appreciable ownership appear to be the logical outcome of corporate development.

This separation of function forces us to recognize "control" as something apart from ownership on the one hand and from management on the other. Hitherto we have talked in familiar terms about the corporation, about its size, about the ownership of its stock. Though we have described a new form of economic organization, our description has been made up of familiar parts. Control divorced from ownership is not, however, a familiar concept. It is a characteristic product of the corporate system. Like sovereignty, its counterpart in the political field, it is an elusive concept, for power can rarely be sharply segregated or clearly defined. Since direction over the activities of a corporation is exercised through the board of directors, we may say for practical purposes that control lies in the hands of the individual or group who have the actual power to select the board of directors, (or its majority), either by mobilizing the legal right to choose them—"controlling" a majority of the votes directly or through some legal device—or by exerting pressure which influences their choice. Occasionally a measure of control is exercised not through the selection of directors, but through dictation to the management, as where a bank determines the policy of a corporation seriously indebted to it. In most cases, however, if one can determine who does actually have

the power to select the directors, one has located the group of individuals who for practical purposes may be regarded as "the control."

When control is thus defined a wide variety of kinds and conditions of control situations can be found—forms derived wholly or in part from ownership, forms which depend on legal devices, and forms which are extra-legal in character.

Five major types can be distinguished, though no sharp dividing line separates type from type. These include (1) control through almost complete ownership, (2) majority control, (3) control through a legal device without majority ownership, (4) minority control, and (5) management control. Of these, the first three are forms of control resting on a legal base and revolve about the right to vote a majority of the voting stock. The last two, minority and management control are extra legal, resting on a factual rather than a legal base.

Control through almost complete ownership

The first of these is found in what may be properly called the private corporation, in which a single individual or small group of associates own all or practically all the outstanding stock. They are presumably in a position of control not only having the legal powers of ownership, but also being in a position to make use of them and, in particular being in a position to elect and dominate the management. In such an enterprise, ownership and control are combined in the same hands.

Majority control

Majority control, the first step in the separation of ownership and control, involves ownership of a majority of the outstanding stock.¹ In the case of a simple corporate structure, the ownership of a majority of the stock by a single individual or small group gives to this group virtually all the legal powers of control which would be held by a sole owner of the enterprise and in particular the power to select the board of directors.² Certain powers of control, such as the power to amend the charter or to discontinue the enterprise, may require more than a simple majority vote and to that extent the majority exercises less control than a sole owner. Further, the powers of control may be

¹ Where a corporation has subsidiaries, majority control as here used would involve the ownership of stocks representing more than half of the equity interest in the consolidated enterprise.

² Where a minority of the stockholders have the power to select a minority of the board, their loss of control over the enterprise may be less, though it must in any case be very considerable.

to a slight extent curbed by the existence of a compact minority which is ready to question the policy or acts of the majority both directly, at stockholders' meetings and in the courts. Where all stock except that held by the majority interest is widely scattered, on the other hand, majority ownership (in the absence of a "legal device") means undiminished actual control. At the same time, the concentrating of control in the hands of a majority means that the minority have lost most of the powers of control over the enterprise of which they are part owners. For them, at least, the separation of ownership and control is well nigh complete, though for the majority the two functions are combined.

If the separation of ownership and control had progressed no further than this, the problems resulting from it would not have assumed major proportions. A large group of individuals cannot combine their capital effectively in a single enterprise without a loss of control by some members of the group. Clearly it would not be possible for each member to exercise the major elements of control over the enterprise. The disadvantages of the "liberum veto" are too great to make unanimous action practicable. The granting of control to a majority of stockholders has therefore been a natural and generally acceptable step. Presumably many if not most of the interests of a minority owner run parallel to those of the controlling majority and are in the main protected by the self-interest of the latter. So far as such interests of the minority are concerned, this loss of control is not serious.³ Only when the interests of majority and minority are in a measure opposed and the interests of the latter are not protected by enforceable law are the minority holders likely to suffer. This, however, is a risk which the minority must run; and since it is an inevitable counterpart of group enterprise, the problems growing out of it, though they may be most acute in isolated cases, have not taken on major social significance.

Among the largest corporations, however, the separation of ownership and control has passed far beyond the separation represented in majority control. In a truly large corporation, the investment necessary for majority ownership is so considerable as to make such control extremely expensive. Among such corporations, majority control is conspicuous more by its absence than by its presence. More often control is maintained with a relatively small proportion of ownership.

³ This assumes that the individuals in control are reasonably competent. If the control were incompetent the fact that the interests of majority and minority were parallel would be of little protection to the latter.

Control through a legal device

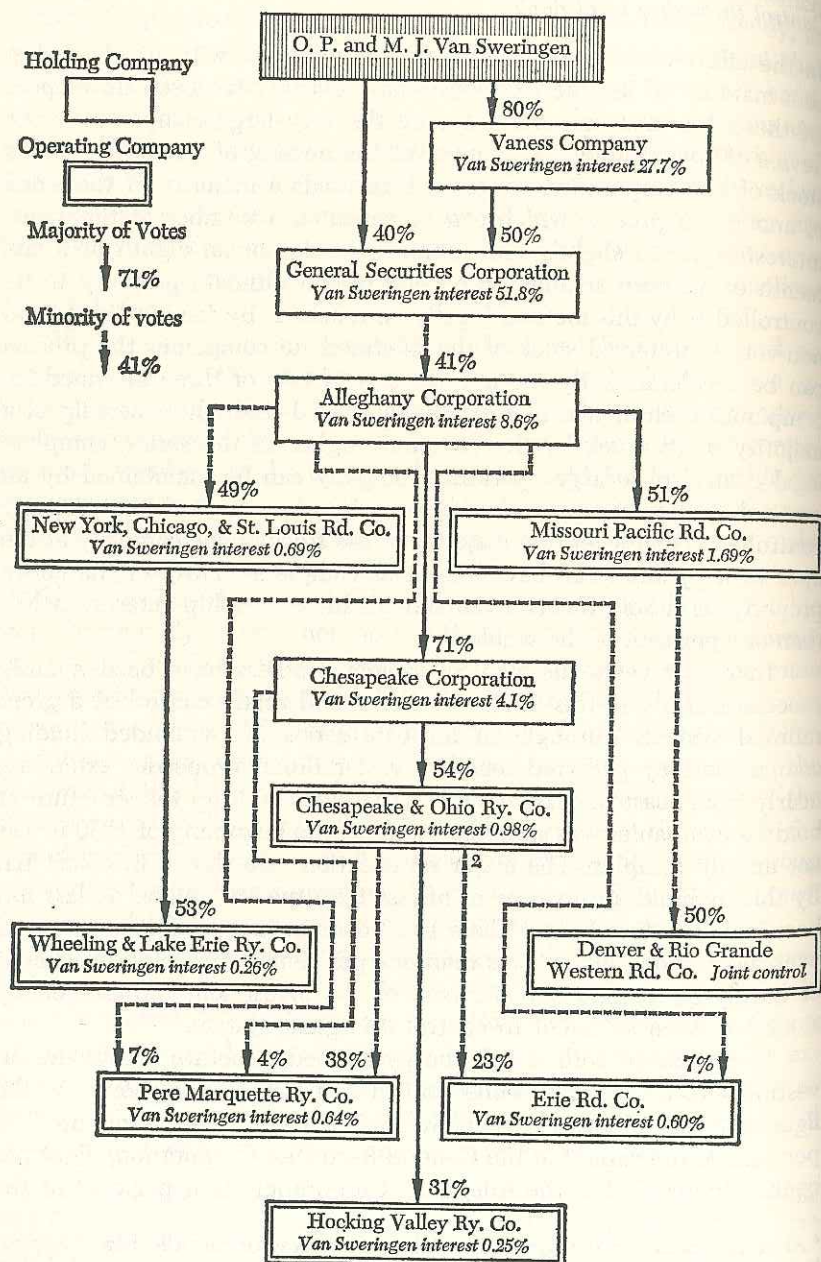
In the effort to maintain control of a corporation without ownership of a majority of its stock, various legal devices have been developed. Of these, the most important among the very large companies is the device of "pyramiding." This involves the owning of a majority of the stock of one corporation which in turn holds a majority of the stock of another—a process which can be repeated a number of times. An interest equal to slightly more than a quarter or an eighth or a sixteenth or an even smaller proportion of the ultimate property to be controlled is by this method legally entrenched. By issuing bonds and non-voting preferred stock of the intermediate companies the process can be accelerated. By the introduction of two or three intermediate companies each of which is legally controlled through ownership of a majority of its stock by the company higher in the series, complete legal control of a large operating company can be maintained by an ownership interest equal to a fraction of one per cent of the property controlled. The owner of a majority of the stock of the company at the apex of a pyramid can have almost as complete control of the entire property as a sole owner even though his ownership interest is less than one per cent of the whole.

In recent years the Van Sweringen brothers have been notably successful in using this device to create and retain control of a great railroad system. Through an intricate series of pyramided holding companies they gathered together vast railroad properties extending nearly from coast to coast. As the system was built up the structure of holding companies was simplified until at the beginning of 1930 it was not unduly complex. The major ramifications are shown in Chart III. By this pyramid an investment of less than twenty million dollars has been able to control eight Class I railroads having combined assets of over two billion dollars. Less than one per cent of the total investment or hardly more than two per cent of the investment represented by stock has been sufficient to control this great system.⁴

The rapidity with which the pyramided structure allows the investment to be reduced while control is maintained is shown by the figures on the chart. The Van Sweringen investment represented 51 per cent of the capital in the General Securities Corporation, eight per cent of the capital of the Alleghany Corporation, four per cent of the

⁴ At certain points in the pyramid, notably in the case of the Alleghany Corporation, control is maintained by ownership of a large minority interest rather than by means of majority control. This is a form of control which will be discussed later.

CHART III: Major Elements in the Control of the Van Sweringen System of Railroads¹



¹ As of April 30, 1930. Based on RSOR chart opposite p. 878

² Held via Virginia Transportation Co., which was 100% owned by Chesapeake & Ohio Ry. Co.

Chesapeake Corporation, less than one per cent of the great operating company, the Chesapeake and Ohio Railway, and but a quarter of one per cent of the latter's operating subsidiary, the Hocking Valley Railway. In the last named company over 99¾ per cent of the investment represented ownership without control. For the system as a whole, less than one per cent of the ownership represented combined ownership and control. For the most part the two functions were exercised by separate groups.

This same pyramiding has been extensively employed in building up most of the great public utility systems. By its use legal control can be maintained with an extremely small investment. Through it, legal control can be effectively divorced from legal ownership and factual power can be exercised over great aggregates of wealth with almost no ownership interest therein.

A second legal device for retaining control with a small investment is the use of non-voting stock. This is a comparatively new device, but one which has received so much comment as to be thoroughly familiar. It consists in so arranging the rights attached to different classes of stock that most of the stock is disfranchised, (at least so far as the voting for directors is concerned) and only a very small class, or a class representing a very small investment is permitted to vote. Ownership of just over half of this privileged class is sufficient to give legal control and virtually all the powers of majority ownership. For many years it has been possible in certain states to issue non-voting preferred stock. This has frequently been done without causing serious objection, presumably in part because the issue of common stock is as a rule very much larger than the corresponding issue of preferred stock and in part because the self-interest of the common stockholders has been regarded as ample protection for the interests of the preferred holders.

Only recently have statutory changes made it possible to issue common stock which has no voting rights. Perhaps the most notable example is the non-voting common stock of the Dodge Brothers, Inc., issued in 1925. In this case neither the preferred nor four-fifths of the common stock was entitled to vote in the election of directors. By owning 250,001 shares of voting common representing an investment of less than two and one-quarter million dollars, Dillion Read and Company was able to exercise legal control over this hundred and thirty million dollar concern.⁵

⁵ Moody's Industrials, 1928, p. 49. The common stock was carried on the books of the company at less than \$9 per share including capital surplus. Dodge Brothers stock has since been acquired by Chrysler Corp.

In contrast to non-voting preferred, the use of non-voting common stock has met with considerable disfavor.⁶ Both the New York Stock Exchange and the New York Curb have refused to list new issues of non-voting common stock; for practical purposes, this would seem to have eliminated the use of this device on any large scale in the immediate future.

A similar device is, however, being employed which may perhaps be considered a variant of the non-voting stock. This consists of issuing to the controlling group a very large number of shares of a class of stock having excessive voting power, *i.e.*, voting power out of proportion to the capital invested. A striking use has been made of this device in the case of the Cities Service Company. In 1929 this corporation sold to H. L. Doherty and Company one million shares of a \$1 par preferred stock. Each share of this stock was entitled to one vote in the election of directors. Yet each share of common stock outstanding was entitled to only $\frac{1}{20}$ vote per share. Twenty-seven per cent of the votes could be cast by the million shares of preferred. Since the other classes of stock were widely distributed (81,470 holders of preferred and 377,988 holders of common stock on June 15, 1930) the excessive voting power given to this cheap stock practically nullified the voting privilege of the regular stockholders. By the use of this device a million dollar par value of stock held virtual control over assets of approximately a billion dollars.⁷

The same device was formerly employed by the group in control of the Standard Gas and Electric Company. Each share of \$1 par preferred stock of that company had as much voting power as a \$50 par common share. In 1929, the million shares of the cheap stock were able to cast 41 per cent of the votes outstanding. Here again a million dollar par value of stock presumably representing a million dollars of investment was able to exercise practical control over one billion dollars of assets.⁸

In addition to these ways of securing legal control through direct or indirect ownership of the voting majority, a further device must be considered which does not involve even ownership of a voting majority. This is the familiar practice of organizing a voting trust. It involves the creation of a group of trustees, often a part of the man-

agement, with the complete power to vote all stock placed in trust with it. When a majority of the stock is held in trust, as is usually the case, the trustees have almost complete control over the affairs of the corporation yet without any necessary ownership on their part. The stockholders, meantime, receive, in place of their stock, trust certificates entitling them to share in such disbursements as the directors may choose to distribute. In the recent organization of the (then) ninety million dollar Pennroad Corporation, the organizing group—the Pennsylvania Railroad management, used this device to guarantee complete control. The stock of the newly formed corporation was placed in a voting trust and the stockholders of the railroad were offered the privilege of furnishing capital by purchase of voting trust certificates.⁹ The purchasers of these certificates acquired the position of owners without the power even as a group to control their own enterprise.

The voting trust, more completely than any device we have hitherto considered, separates control from all ownership interest. Originally bitterly opposed by the law and held illegal by the courts on the ground that the vote could not be separated from the stock, it came to be permitted by statutory provision in most states. Such statutes, however, commonly limited the period during which the trust agreement could run to some term of years, in New York State to a maximum of ten years. But even where the duration has been limited, the voting trustees might entrench themselves beyond the reach of the stockholders for a longer period by arranging for renewal of the trust for additional terms at their own discretion. The Interborough Rapid Transit Company is perhaps the most striking case. The voting trust agreement provided for a duration of five years, but was renewable for five successive periods of five years each without any further action on the part of the holders of voting trust certificates.¹⁰ Legal control could thus be prolonged for a period of thirty years.

Control through a voting trust differs from the other forms of legal control, and from the forms of factual control which we shall examine, in that it is fixed, defined, and inalienable, with certain definite and well recognized responsibilities attached. Under the other arrangements so far discussed, control may be bought or sold; may pass by inheritance in case of death; its location may not be generally known (in fact, frequently it is not) and its holder has never stood up in public and assumed the definite obligations of its possession. Control through a voting trust is open, not easily transferred, and therefore

⁶ See, for instance, W. Z. Ripley, "Main Street and Wall Street," Boston, 1927.

⁷ Moody's Public Utilities, 1930, p. 1998.

⁸ Standard Corporation Records, April 29, 1929. In the latter part of 1929 this method of control was replaced by one depending on an extremely complex holding company set up. New York Times, March 24, 1930, and Moody's Public Utilities, 1930.

⁹ Standard Corporation Records, July 22, 1929, p. 6730.

¹⁰ Standard Corporation Records, Special Reports Section, May 9, 1929.

responsible. Presumably, it is this open acceptance of responsibility which has reduced the criticism of the voting trust, making it an effective device for maintaining control without ownership. Perhaps for the same reason it has not been extensively employed in the larger corporations, since those individuals desiring to control a company may not wish to assume the responsibilities and liabilities which a trust would impose upon them.

Control based on a legal device, whether by pyramiding, by a special class of voting stock or by a voting trust is almost as secure as control through sole or majority ownership even though it involves little ownership interest. In case of failure, legal control may be lost. Only under the most unusual conditions can an individual or group in legal control of a prosperous business become so entangled in a situation that they can extricate themselves only by surrendering this control. In 1930, Mr. Fox was apparently forced to surrender his majority holding of the special classes of voting stock in Fox Films and in Fox Theatre Corporations as a result of the short term debts which had been incurred in expanding these enterprises and the pressure of creditors after the stock market crash. In spite of the fact that the companies were reputed to be highly profitable, the capital necessary to fund the debts of the corporation and prevent foreclosure was forthcoming only when Mr. Fox disposed of his legal control.¹¹ Such a combination of circumstances is rare; we can reasonably say that so long as a corporation is not actually bankrupt, legal control stands every chance of being maintained, whether it rests on sole ownership, majority ownership or legal device.

The methods of control so far discussed have all involved a legal status. In each case factual control has rested primarily upon the more or less permanent possession of the legal power to vote a majority of the voting stock. Yet such control has been held in connection with different proportions of ownership. At one end of the scale ownership and control have been wholly combined. At the other end of the scale ownership and control have been wholly separated. Any degree of combination or separation might be arranged with control based on a legal status.

In the typical large corporation, however, control does not rest upon legal status. In these companies control is more often factual, depending upon strategic position secured through a measure of ownership, a share in management or an external circumstance important to the conduct of the enterprise. Such control is less clearly

¹¹ New York Times, April 8, 1930. Also New York Times and Wall Street Journal from December 7, 1929 to April 8, 1930.

defined than the legal forms, is more precarious, and more subject to accident and change. It is, however, none the less actual. It may be maintained over a long period of years, and as a corporation becomes larger and its ownership more widespread, it tends towards a position of impregnability comparable to that of legal control, a position from which it can be dislodged only by a virtual revolution.

As in the case of legal control, factual control apart from legal control may involve varying degrees of ownership, though never more than 50 per cent of the voting stock.¹² It may rest to a very considerable extent on the ownership of a large minority stock interest, or, when stock ownership is widely distributed, it may lie in the hands of the management. No sharp dividing line exists between these two situations, but so far as they can be distinguished, they may properly be referred to as minority control and management control.

Minority control

The first of these, minority control, may be said to exist when an individual or small group hold a sufficient stock interest to be in a position to dominate a corporation *through their stock interest*. Such a group is often said to have "working control" of the company. In general, their control rests upon their ability to attract from scattered owners proxies sufficient when combined with their substantial minority interest to control a majority of the votes at the annual elections. Conversely, this means that no other stockholding is sufficiently large to act as a nucleus around which to gather a majority of the votes. Where a corporation is comparatively small and the number of stockholders is not great, minority control appears to be comparatively difficult to maintain. A rival group may be able to purchase a majority of the stock or perhaps only a minority large enough to attract the additional votes necessary to obtain control in a proxy fight. The larger the company and the wider the distribution of its stock, the more difficult it appears to be to dislodge a controlling minority. As a financial operation it would be practically impossible for an outside interest to purchase a majority of the stock of the General Motors Corporation; even a Rockefeller would think twice before endeavoring to purchase a majority ownership of the Standard Oil Company of Indiana. Likewise the cost of mobilizing the votes of tens or hundreds of thousands of stockholders by circularizing them and perhaps conducting a publicity campaign, must be such as to prevent any but the most wealthy from seeking this method of seizing control from an

¹² Over 50% of the voting stock would presumably involve legal control.

existing minority. This is especially the case where the existing control can charge to the corporation the costs of its fight to maintain its position, while the outsider must conduct a fight at his own private expense.

There is, however, a serious limitation on minority control. This is the possibility that the management may be antagonistic. So long as the affairs of the corporation run smoothly, minority control may be quietly maintained over a period of years. But in time of crisis, or where a conflict of interest between the control and the management arises, the issue may be drawn and a proxy fight to determine control may demonstrate how far dependent upon its appointed management the controlling group has become. The management is, in most cases, elected annually at a stockholders' meeting, notice of which must be sent to every stockholder entitled to vote. With this notice is usually sent a proxy slip which the stockholder is requested to sign and return. By doing so he creates the two or three people named in the proxy his agents, and empowers them to vote his shares at the annual meeting. In selecting the proxy committee the corporate management is in a position to name men who will be subservient to it; and where the management has been selected by the controlling minority, it will, as a matter of course, select a proxy committee which will serve the interests of this minority. The normal apathy of the small stockholder is such that he will either fail to return his proxy, or will sign on the dotted line, returning his proxy to the office of the corporation. In the ordinary course of events, only one such request is received by the stockholders at the time of each election. The proxy votes are then used to rubber stamp the selections already made by those in control. But if the management should resist and refuse the proxy machinery to the minority group in control, such a group has only the expensive recourse of sending out a duplicate set of proxies and bidding for the stockholder's support in opposition to the management. When such a fight for control is joined, factual power is once more dependent on legal power and the stockholders by their votes or by their choice of proxy committees decide the issue.

In recent years the most striking illustration of this fight for control was presented by the open warfare between Mr. John D. Rockefeller, Jr., and the management of the Standard Oil Company of Indiana. Mr. Rockefeller actually held 14.9 per cent of the voting stock.¹³ He had been in substantial control of the company for years. Colonel Stewart, the chairman of the board of directors and undeniably the

¹³ Either directly, through members of his family or through charitable institutions. See Table XII.

driving force behind much of that company's activity, displeased Mr. Rockefeller in connection with certain transactions which were the subject of discussion during the administration of President Harding. He asked Colonel Stewart to resign; Stewart refused and did not grant to Mr. Rockefeller the use of the proxy machinery at the following annual election of directors. Thereupon Mr. Rockefeller waged a most dramatic proxy battle against him. He circularized the stockholders at considerable expense, asking for proxies. He engaged the most eminent legal talent to guard against any "technical mistakes." He brought to bear the tremendous influence of his standing in the community. The Wall Street Journal pointed out at the time that the fight marked the first time the Rockefeller domination in a large Standard Oil unit "had been really in question."¹⁴ In opposition, Colonel Stewart obtained the full support of the existing board of directors and sought the support of the 16,000 employees who were stockholders. At this most opportune moment the company declared a 50 per cent stock dividend.¹⁵ The issue was for long in grave doubt. Four days previous to the election both sides are reported to have claimed the support of a majority, the one of votes and the other of stockholders. In the final election of directors, Mr. Rockefeller won, 59 per cent of the votes outstanding or 65 per cent of the votes cast being in favor of his candidates. Control may be said to have remained in his hands.¹⁶ Colonel Stewart's connection with the company was brought to a close.¹⁷

The basis for Mr. Rockefeller's success in this fight must be a matter of conjecture, but, though his ownership of stock formed the nucleus about which he attracted support, the outcome did not rest on ownership alone. He appears to have won partly because the public in general sided with him in his view of the transaction to which Stewart had been a party, and still more, perhaps, because Mr. Rockefeller's own standing in the community commanded the confidence of a large body of stockholders. The difficulty and cost of dislodging the management, however, emphasizes the precarious nature of control resting on the ownership of a minority of the voting stock,—a control

¹⁴ Wall Street Journal, January 11, 1929.

¹⁵ Even though a stock dividend may have little effect on the value of the stockholdings of the individual, the psychological effect may be great.

¹⁶ 5,519,210 shares voted against Colonel Stewart and 2,954,986 shares in favor. 9,284,688 shares were outstanding. New York Times, March 8, 1929. The figures reported by other papers were substantially the same.

¹⁷ This dramatic fight was fully reported by the daily press between January 10 and March 8, 1929. See particularly:—the Wall Street Journal, January 10, January 11 and March 8; the New York Times, January 12, January 30, March 3 and March 8.

which would appear in ordinary times to be adequately safeguarded,—and further emphasizes the importance of the management to any effective minority control.

This case has been described in detail because it probably marks the dividing line between minority control and management control. If Mr. Stewart had won the fight we could say that management without appreciable ownership was in the saddle. As it is, we may say that Mr. Rockefeller is in control, to a considerable degree through his ownership of a minority interest of 14.9 per cent and in part through less tangible factors. Could other men with less prestige and financial power have retained control with but a 15 per cent ownership? Could Mr. Rockefeller have retained control if his ownership had been appreciably less? Here would seem to be control based on the minimum of ownership which would allow it to be held separate from the titular management.

Management control

The fifth type of control is that in which ownership is so widely distributed that no individual or small group has even a minority interest large enough to dominate the affairs of the company. When the largest single interest amounts to but a fraction of one per cent—the case in several of the largest American corporations—no stockholder is in the position through his holdings alone to place important pressure upon the management or to use his holdings as a considerable nucleus for the accumulation of the majority of votes necessary to control.

We have already seen that the largest stockholder of the Pennsylvania Railroad held but 34 hundredths of one per cent of the total stock outstanding.¹⁸ The next largest holder owned but 2 tenths of one per cent while the combined holdings of the twenty largest owners amounted to only 2.7 per cent of the total stock. There were only 236 stockholders holding over 500 shares each (.004 per cent) and their combined holdings amounted to less than five per cent of the total. Clearly no individual or small group was in a position to dominate the company *through stock ownership*, a fact still further emphasized by the heterogeneous character of the list of largest holders.

It is further striking that no directors or officers were included among the largest twenty holders. Not a single director or officer held as much as one-tenth of one per cent of the total stock. The combined

¹⁸ See Table X.

TABLE X: 20 Largest Stockholders of the Pennsylvania Railroad Co. (as of Dec. 31, 1929) ¹

	No. of shares held	Proportion of total shares
<i>Penn. Rd. Employees Provident & Loan Association</i>	39,350	.34%
<i>William M. Potts</i>	23,738	.20%
<i>J. Marshall Lockhart</i>	22,500	.19%
<i>Fahnestock & Co.—held for Fahnestock family</i>	16,848	.15%
<i>Estate of Henry H. Houston</i>	16,000	.14%
<i>The Home Insurance Co.</i>	16,000	.14%
<i>General Education Board</i>	15,882	.14%
<i>Haygart Corp. (Adams Express), Investment trust</i>	15,400	.13%
<i>English Assoc. of American Bond & Share Holders</i>	15,264	.13%
<i>Celia Sibley Wilson</i>	15,000	.13%
<i>Estate and family of Marcus Loew</i>	13,600	.12%
<i>Travelers Insurance Co.</i>	13,500	.12%
<i>Estate of John J. Emery</i>	13,000	.12%
<i>Jas. Capel & Co., Brokers</i>	12,686	.11%
<i>Sterling Securities Corp.</i>	12,000	.11%
<i>Harris, Upham & Co. (partners acct.)</i>	11,250	.10%
<i>Kuhn, Loeb & Co. (for own acct.)</i>	10,000	.09%
<i>Girard Trust Co. (for own acct.)</i>	10,000	.09%
<i>1 unidentified individual</i>	10,000	.09%
<i>Mrs. E. S. Woodward</i>	8,500	.07%
	310,518	2.70%

¹ "Regulation of Stock Ownership in Railroads," pp. 142, 143. Total shares outstanding December 31, 1929—11,495,128.

holdings of all the directors could not have amounted to more than 7 tenths of one per cent and were presumably very much less.¹⁹ Certainly in terms of relative interest the holdings by the directors were negligible.

¹⁹ Not a single director is included among the individuals whose holdings are given in the Congressional Reports but the 19 largest unnamed holders combined (there were 19 directors) had but .7 of one per cent. Presumably most of the directors held amounts of stock too small to be included in this group. See "Regulation of Stock Ownership in Railroads," pp. 142 and 143.

The same lack of any concentrated holdings or large holdings on the part of the directors appears to exist in the case of the Telephone and the Steel corporations.²⁰ In neither of these companies does the largest stockholder own as much as one per cent of the outstanding stock while the twenty largest Telephone holders owned 4.6 per cent and the twenty largest Steel, 6.4 per cent. These lists differ from the list of the Pennsylvania stockholders in that in the latter adjustment has been made for stock held by brokers and by nominees, while in these lists no such adjustment has been possible. The brokerage accounts represent the holdings of a multitude of individuals. At the same time, the largest individual holders may have stock in brokerage accounts or in the name of nominees. If adjustment for these items were made, it might increase the proportions held by the few very largest holders but would probably reduce considerably the holdings of the largest 20.²¹ It is clear, therefore, that in these companies, also, no small group of individuals have sufficient stockholdings to dominate *through stock ownership*.

In these companies the directors appear to have a somewhat larger proportionate interest. The reported holdings of the directors of the Steel Corporation in 1928 are given in Table XI. Two directors were included in the largest 20 holders and the combined holdings of directors amounted to 1.4 per cent of the outstanding stock. In the Telephone Company, one director with .48 of one per cent of the stock was among the largest 20 holders. Furthermore, it is possible that the directors owned stock which was actually held in the name of brokers or nominees, though the amount thus owned does not appear likely to have been great in these particular companies.

In such companies where does control lie? To answer this question, it is necessary to examine in greater detail the conditions surrounding the electing of the board of directors. In the election of the board the stockholder ordinarily has three alternatives. He can refrain from voting, he can attend the annual meeting and personally vote his stock,²² or he can sign a proxy transferring his voting power to certain individuals selected by the management of the corporation, the proxy committee. As his personal vote will count for little or nothing at the meeting unless he has a very large block of stock, the stockholder is practically reduced to the alternative of not voting at

²⁰ For the 20 largest stockholders of these companies, see Appendices.

²¹ The 20 largest holders of the Pennsylvania Railroad held 3.5 per cent before adjustment and only 2.7 per cent after adjustment.

²² The use of a personal proxy to represent only the particular stockholder is for this purpose equivalent to his personal attendance at the stockholders' meeting.

TABLE XI: *United States Steel Corporation*
Stockholdings of Board of Directors¹

Director	1928			1927		
	Pfd. shares	Com. shares	Total shares	Pfd. shares	Com. shares	Total shares
G. F. Baker	500	77,000	77,500	500	49,950	50,450
G. F. Baker, Jr.		10,001	10,001		1,001	1,001
W. J. Filbert	1,904	1,688	3,592	1,904	1,134	3,038
Samuel Mather		1,121	1,121		801	801
T. Morrison	4,000	1,401	5,401	4,000	1,001	5,001
J. S. Phipps		1	1		1	1
N. L. Miller		1,001	1,001		3,450	3,450
P. Roberts, Jr.	110	1	111	110	1	111
M. C. Taylor		40,100	40,100		40,001	40,001
Robert Winsor	1	700	701	1	500	501
E. J. Buffington	693	753	1,446	693	1,133	1,826
J. A. Farrel	4,850	603	5,453	4,950	315	5,265
J. P. Morgan	105	1,261	1,366		901	901
Total Stock held by Directors	12,163	135,631	147,794			
Stock Outstanding ²	3,102,811	7,116,235	10,719,046	12,158	100,189	112,347
Per cent of Outstanding held by Directors	.4%	1.9%	1.4%			

¹ New York Times, April 17, 1928.

² Standard Corporation Records, 1929.

all or else of *handing over his vote to individuals over whom he has no control and in whose selection he did not participate*. In neither case will he be able to exercise any measure of control. Rather, control will tend to be in the hands of those who select the proxy committee by whom, in turn, the election of directors for the ensuing period may be made. Since the proxy committee is appointed by the existing management, the latter can virtually dictate their own successors. Where ownership is sufficiently sub-divided, the management can thus become a self-perpetuating body even though its share in the ownership is negligible.²³ This form of control can properly be called "management control."

Such management control, though resting on no legal foundation, appears to be comparatively secure where the stock is widely distributed. Even here, however, there is always the possibility of revolt. A group outside the management may seek control. If the company has been seriously mismanaged, a protective committee of stockholders may combine a number of individual owners into a group which can successfully contend with the existing management and replace it by another which in turn can be ousted only by revolutionary action. Thus, the unsuccessful management of the Childs' restaurant chain was expelled by the action of a minority group after the former had made itself thoroughly unpopular, so it was charged, by trying to turn its patrons into vegetarians.²⁴ Likewise, the management of the Youngstown Sheet and Tube Company appears to have found itself confronted with the alternative of giving way to the newly created minority interest of a group of individuals headed by Cyrus S. Eaton or of seeking support from some other source. In this case, the price of escaping the impending minority control was apparently thought to be the complete sacrifice of independence through merger with the Bethlehem Steel Corporation.²⁵

²³ The nearest approach to this condition which the present writer has been able to discover elsewhere is the organization which dominates the Catholic Church. The Pope selects the Cardinals and the College of Cardinals in turn select the succeeding Pope.

²⁴ See New York Times and Wall Street Journal, February 1 to March 8, 1929, particularly advertisements appearing in the former on February 16, 18 and 20, 1929 and the newspaper reports of the proceedings at the annual stockholders' meeting published in both periodicals on March 8, 1929.

²⁵ See New York Times and Wall Street Journal, March 10, to April 12, 1930 and reports of subsequent litigations as given in the same periodicals between April and December, 1930. If the merger with Bethlehem had been successful, most of the existing management of the Youngstown company would presumably have retained their position of management, if not of control. Such is not likely to have been the case under Eaton control. This was clearly brought out by the testimony

Both the cases cited involve an active battle in which the stockholders were called in to cast the deciding vote. More often control is quietly exercised over a period of years without any active contest such as would give the stockholders an opportunity to choose between two contesting groups. For the most part the stockholder is able to play only the part of the rubber stamp. Occasionally he may have the opportunity to support an effort to seize control, a position not unlike that of a populace supporting a revolution. In either case, the usual stockholder has little power over the affairs of the enterprise and his vote, if he has one, is rarely capable of being used as an instrument of democratic control. The separation of ownership and control has become virtually complete. The bulk of the owners have in fact almost no control over the enterprise, while those in control hold only a negligible proportion of the total ownership.

Sometimes factual control is not found in the hands of any single group. We have seen how dependent a controlling minority may be upon the cooperation of the management and how a controlling management may have to accede in a measure to the demands of a strong minority in order to maintain its measure of control. It is not unusual for two or more strong minority interests to enter into a working arrangement by which they jointly maintain control; or a minority and a management may combine as "the" control. In such cases we may say that control is divided and can refer to the situation as "joint control."²⁶

Corporate control thus appears in many forms—relatively defined and relatively stable legal positions, loosely defined and somewhat more precarious factual situations. Each form is not complete in itself and exclusive of others. Several bases may reinforce each other. Thus the controlling management of the Consolidated Gas, Electric Light & Power Company of Baltimore, feeling its control endangered by a growing minority interest, organized a voting trust, broke up the threatening minority, and then terminated the trust at the end of a year when it appeared to be no longer necessary, returning to their old basis of management control.²⁷ In this case, a group with factual

of Mr. Campbell, Pres. of the Youngstown Sheet and Tube Co., at the Youngstown Trial.

²⁶ It must of course be apparent that whenever two or more individuals exercise power (or important powers) over an enterprise such that each must adjust his action with regard for the position of the other, we have a case of "joint control." For the present purpose, "joint control" is used to apply only where groups with radically different interests share "control."

²⁷ New York Times, June 26, 1929 and M. P. U. 1930.

control reinforced its position by the temporary use of a legal device. On the other hand factual control may be limited to the point where it can scarcely be exercised. The pressure from creditors when a firm is financially insecure may go to the point where a bondholders' committee itself may be considered to have control.

*The separation of ownership and control among the
200 "largest" American corporations*

With these various types of legal and factual control in mind, an effort has been made to discover how far each type exists among the largest American corporations. For this purpose the list of the two hundred largest companies was classified according to type of control and the degree of separation of ownership and control.²⁸ Necessarily such a classification is attended by a large measure of error. In many cases no accurate information is available, the result being at best an inference drawn from fragmentary evidence. In many other cases the management of the corporation itself would be puzzled to answer the question "Who is in control?" This is particularly true of corporations subject to "joint control." In these cases not infrequently several men or groups of men maintain positions partly by reason of their ownership of a portion of the corporation's stock; partly by reason of their personal influence; partly because they are connected with institutions or interests whose antagonism might be dangerous to the corporate welfare or whose favor might be to its advantage. Out of this mass of imponderables their position is secure for the time being. But an outsider cannot estimate, and the insider frequently does not know, which of the various elements, if any, is dominant.

In seeking to classify according to the type of control, reasonably definite and reliable information was obtained for nearly two-thirds of the companies. Legal devices such as holding companies, voting trusts and non-voting common stock are accurately reported in the manuals. Where a stock is not listed or traded on any public exchange, that fact may be taken to indicate the lack of an important public interest in the stock of the company. In many cases, the exact holdings of the principal interests have been reported—particularly in the railroad field.

Where reliable information has not been directly available it has been necessary to depend upon newspaper reports—not necessarily accurate in themselves—but valid when supported by evidence from

other sources.²⁹ It was reported in the New York Times,³⁰ for example, that an important interest in the United States Rubber Company had been acquired by the du Pont interests in 1928. This evidence, unsatisfactory in itself, was supported by later reports that du Pont interests had formed the Rubber Securities Corporation and placed in it their holdings of United States Rubber stock,³¹ and by the replacing of the former president of the company by Mr. F. B. Davis, Jr., a director of E. I. du Pont de Nemours Company and formerly president and general manager of one of its subsidiaries.³² Further, the Wall Street News reported that the du Pont family held 14 per cent of the voting stock early in 1928.³³ The number of stockholders in January, 1929 was reported as 26,057.³⁴ Since the Rubber Securities Corporation had a total capital stock amounting to less than the value of the stocks of the United States Rubber Company necessary to give majority control, and since the list of stockholders was so large, it was assumed that the du Pont interests did not hold a majority of the outstanding stock. This was supported by other evidence of a less precise nature. On this basis, the United States Rubber Company was classed as controlled by a minority interest.

Many of the corporations could not be so accurately classified. The dividing line between control by a minority interest and control by the management is not clear, and many companies had to be classed as doubtful. Thus, with regard to the Allied Chemical and Dye Corporation, Standard Corporation Records reports that in 1927 the Solvay American Investment Corporation was formed under the control of Solvay and Company of Belgium to hold 18.1 per cent of its outstanding stock,³⁵ and there is no report of a change in its holdings

²⁹ The use of newspapers as a source of information deserves a word of comment. The ordinary news sections of a paper are usually read as a matter of interest while the financial sections are very much more likely to be read as, in part, a basis for action on the part of the reader. Accuracy therefore becomes important to the reader. A financial page which was continuously inaccurate should soon come to be known as such, and be avoided. The two papers here particularly employed, the New York Times and the Wall Street Journal, have excellent reputations for accuracy and in general can be relied upon even though particular statements may be inaccurate because of typographical or other error. Information based on a series of statements by these papers in regard to financial matters should within reason be accepted as reliable.

³⁰ New York Times, April 16, 1928.

³¹ Wall Street Journal, Dec. 7, 1929.

³² Standard Corporation Records, April 24, 1920.

³³ Wall Street News, April 19, 1928.

³⁴ Standard Corporation Records, April 24, 1929.

³⁵ *Ibid.*, Sept. 18, 1929.

TABLE XII: Control of the 200 Largest Corporations

A. PRIVATE OWNERSHIP AND CONTROL—NO IMPORTANT STOCKHOLDINGS BY PUBLIC

Size in millions of dollars of assets	Corporation	Ownership	Source of information	No. of stockholders Dec. 1929
\$ 123.6	Railroads Florida East Coast Ry. Co.	Estate of Mary L. (Flagler) Bingham	RSOR 344	8
152.7	Virginian Ry. Co.	Estate of H. H. Rogers	RSOR 317	343
276.3				
108.7	Public Utilities New England Gas & Elec. Association ¹	Assoc. Gas & Elec. officials	SCR 1930	
112.2	Railway & Bus Assoc. ¹	Assoc. Gas & Elec. interests	MPU 1930	
220.9				
300.0 Est.	Industrials Aluminum Co. of America	Mellon Interests hold over 80% of stock	SCR 1929	
761.0	Ford Motor Co.	Ford family own all stock	NYT 4/11/29	
430.9	Gulf Oil Corp. of Pa.	Mellon Interests hold over 90% of stock	WSJ 7/8/29	12,368 ²
147.3	Great Atlantic & Pac. Tea Co. of America	Closely held	M. Ind. 1930	
222.0	Jones & Laughlin Steel Corp.	Jones & Laughlin families & associates	NYT 9/17/29	
250.0 Est.	Koppers Co. of Del.	Mellon interests	WSJ 3/20/30	
90.3	Minnesota & Ontario Paper Co.	Mr. Backus & associates	M. Ind. 1930	
120.8	Natl Steel Corp.	Appears to be closely held		
2,322.3				
2,819.5				

¹ These two companies are part of the Assoc. Gas & Electric System and it is possible that they should be regarded as subsidiaries of the latter.

² As of Dec. 1928.

B. CONTROL BY MAJORITY OWNERSHIP—IMPORTANT PUBLIC INTEREST

Size in millions of dollars of assets	Corporation	Owner of Majority	Source of information	No. of stockholders Dec. 1929
283.1	Railroads Seaboard Air Line Ry. Co. ¹	Underwriting Syndicate headed by Dillon, Read & Co.	RSOR 313	4,870 ²
283.1				
212.1	Public Utilities Duke Power Co.	Duke trusts & associates (Trusts hold 43.7%)	MPU 1930	7,000
158.7	Eastern Gas & Fuel Associates	Koppers interests	WSJ 10/2/29	
109.0	Lone Star Gas Corp.	Crawford interests	SCR 1930	
479.8				
97.0 Est.	Industrials R. H. Macy & Co.	Bulk believed to be closely held	Private	
137.2	Marshall Field & Co.	Bulk believed to be closely held	M. Ind. 1930	
124.7	Phelps Dodge Corp.	Bulk held by Dodge family & associates	NYT 3/14/29	3,359
210.0 Est.	Singer Mfg. Co.	Bulk believed to be closely held		4,451 ³
115.9	Crane Co.	Bulk believed to be closely held		
94.6	Deere & Co.	Bulk believed to be closely held		
779.4				
1,542.3				

¹ Large holdings in the hands of an underwriting syndicate are, as a rule, temporary prior to sale of securities to the investing public.

² As of April 1930.

³ As of October 1929.

TABLE XII: Control of the 200 Largest Corporations (Continued)

C. CONTROL BY A LEGAL DEVICE—BULK OF STOCK BELIEVED TO BE OWNED BY PUBLIC

Size in millions of dollars of assets	Corporation	Legal device	Source of information	No. of stockholders Dec. 1929
1,600.0 Est.	Railroads Alleghany Corp. ¹	Pyramiding	RSOR 882	24,511
184.4	Public Utilities Amer. Commonwealths Power Corp. ¹	Non-voting Common stock	MPU 1930	3,000 ²
378.5	Amer. Water Works & Elec. Co.	Voting Trust	SCR 1931	
900.4	Assoc. Gas & Elec. Co.	Non-voting Common stock	MPU 1930	190,139 ³
989.6	Cities Service Co.	Special Vote-Weighted Pref.	MPU 1930	459,458
458.6	Interborough Rapid Transit Co.	Voting Trust	MPU 1930	
95.6	Phila. Rapid Transit Co.	Pyramiding	MPU 1930	50,000
346.0	Tri-Utilities Corp.	Pyramiding	MPU 1930	
520.1	United Light & Power Co. ¹	Non-voting Common stock	MPU 1930	51,322
1,125.8	U. S. Elec. Power Corp. ¹	Pyramiding & Special stock	MPU 1930	
373.1	Utilities Power & Lt. Corp.	Non-voting Common & Voting Trust	MPU 1930	36,236
5,372.1				

¹ Control maintained by a large minority holding of voting stock.² As of June 1930.³ Whole system as of June 1930.⁴ As of February 1930.

C. CONTROL BY A LEGAL DEVICE—BULK OF STOCK BELIEVED TO BE OWNED BY PUBLIC (Continued)

Size in millions of dollars of assets	Corporation	Legal device	Source of information	No. of stockholders Dec. 1929
265.4	Industrials Amer. Tobacco Co.	Non-voting Common stock	M. Ind. 1930	30,459
98.0	Cliffs Corp.	Voting Trust & Pyramiding	M. Ind. 1930	
117.7	Crown Zellerbach Corp.	Voting Trust	WSJ 10/19/29	
360.0	Gen'l Theatre Equipment, Inc.	Pyramiding, non-voting Common, & Voting Trust	M. Ind. 1930	
217.6	Int'l Match Corp.	Pyramiding	M. Ind. 1930	
150.3	Liggett & Myers Tobacco Co.	Non-voting Common stock	M. Ind. 1930	12,219
163.1	R. J. Reynolds Tobacco Co.	Non-voting Common stock	M. Ind. 1930	
486.4	Shell Union Oil Corp.	Pyramiding	M. Ind. 1930	
240.0 Est.	Union Oil Associates	Pyramiding	M. Ind. 1930	13,712 ⁵
161.5	United Stores Corp.	Pyramiding, Special stock & Voting Trust	M. Ind. 1930	
2,260.0				
9,232.1				

⁵ Parent and Subsidiaries.

TABLE XII: Control of the 200 Largest Corporations (Continued)

D. MINORITY CONTROL THROUGH OWNERSHIP OF AN IMPORTANT MINORITY BLOCK OF STOCK—REMAINING STOCK BELIEVED TO BE WIDELY DISTRIBUTED

Size in millions of dollars of assets	Corporation	Minority interest	Size of holding	Source of information	Character of ultimate control	No. of stockholders Dec. 1929
<i>Railroads</i>						
840.0 Est.	Atlantic Coast Line Rd. Co.	Atlantic Coast Line Co.	27.10%	RSOR 283	Pyramiding	12,850 ¹
97.4	Chicago & Eastern Illinois Ry. Co.	Associated interests Estate of Thomas F. Ryan	11.79%			
149.2	Chicago Great Western Rd. Co.		38.13%	RSOR 255	Minority	2,071
189.3	Dela. Lackawanna & Western Rd. Co.	Patrick H. Joyce Baker & Vanderbilt families	23.4%	RSOR 452	Minority	6,409 ²
560.9	Erie Railroad Co.	Alleghany Corp. (and sub.)	17.85%	RSOR 134	Minority	6,943
680.9	Illinois Central Rd. Co.	Union Pacific Rd. Co. (and sub.)	30.41%	RSOR 878	Pyramiding	6,538
146.1	Kansas City Southern Ry. Co.		28.97%	RSOR 353	Management	20,152
350.0 Est.	N. Y. Chicago & St. Louis Rd. Co.	Alleghany Corp.	20.8%	MRR 1930	Pyramiding	3,746
497.0	Norfolk & Western Ry. Co.	Alleghany Corp. Penn. Rd. Co. (and sub.)	49.5%	RSOR 878	Pyramiding	7,787
189.4	St. Louis Southwestern Ry. Co.	N. Y. Investors, Inc. & associates	43.30%	RSOR 170	Management	12,068
			36.03%	RSOR 364	Pyramiding	1,265

¹ Whole system.² As of February 1930.

D. MINORITY CONTROL THROUGH OWNERSHIP OF AN IMPORTANT MINORITY BLOCK OF STOCK—REMAINING STOCK BELIEVED TO BE WIDELY DISTRIBUTED (Continued)

Size in millions of dollars of assets	Corporation	Minority interest	Size of holding	Source of information	Character of ultimate control	No. of stockholders Dec. 1929
334.6	Wabash Ry. Co.	Penn. Rd. Co. (and sub.)	48.93%	RSOR 164	Management	4,719
168.2	Western Maryland Ry. Co.	B. & O. Rd. Co.	43.10%	RSOR 211	Management	2,653 ²
156.0 Est.	Western Pacific Rd. Corp.	Arthur Curtis James (through holding Co.)		RSOR 482	Minority	5,500 ³
4,565.4	Public Utilities			SCR 1931	Management	13,064
431.0	Amer. Gas & Electric Co.	Elec. Bond & Share Co.	16.2%	SCR 1931	Management	
754.1	Amer. Power & Light Co.	Elec. Bond & Share Co.	20.2%	SCR 1931	Minority	4,859
123.7	Bklyn. Union Gas Co.	Koppers-Mellon Interests	26.3%	NYT 3/16/30	Management	46,100
529.2	Columbia Gas & Elec. Corp.	United Corp.	20.8%	MPU 1930	Management	
1,133.7	Commonwealth & Southern Corp.	Am. Super-power Corp. United Corp.	12.7%	SCR 1931	Management	107,000 ⁴
440.0 Est.	Commonwealth Edison Co.	United Gas Improvement Co.	5.1%	MPU 1930		
		In Treasury of Subsid. Insull Utility Invest. Inc.	2.7%	SCR 1930		
		Corporation Securities of Chi.	5.8%	SCR 1931		
			12.6%	SCR 1931	Pyramiding	
			4.3%	SCR 1931		

² As of February 1930.³ As of December 1928.⁴ Approximate figure as of May 1930.

TABLE XII: Control of the 200 Largest Corporations (Continued)

D. MINORITY CONTROL THROUGH OWNERSHIP OF AN IMPORTANT MINORITY BLOCK OF STOCK—REMAINING STOCK BELIEVED TO BE WIDELY DISTRIBUTED (Continued)

Size in millions of dollars of assets	Corporation	Minority interest	Size of holding	Source of information	Character of ultimate control	No. of stockholders Dec. 1929
296.1 560.0 Est. 1,120.0 Est.	Detroit Edison Co. Elec. Power & Light Corp. Middle West Utilities Co.	No. American Co. Elec. Bond & Share Co. Insull Utility Investments, Inc.	20.6% 23.4%	SCR 1931 SCR 1931	Pyramiding Management	13,726
500.0 Est.	Nat'l Power & Light Co.	Electric Bond & Share Co.	28.4%	SCR 1931	Pyramiding	296,389 ¹
756.9	Niagara Hudson Power Corp.	United Corp.	45.7%	SCR 1931	Management	
810.3	North American Co.	Central States Elec. Corp. & subs. or affl.	22.1%	NYJ 3/3/31	Management	73,702 ²
428.2 203.4	Pacific Gas & Elec. Co. Pacific Lighting Corp.	No. American Co.	24.4% 20.0%	MPU 1930 SCR 1931 Private	Pyramiding Pyramiding Minority	47,528 ³ 61,131 7,765
192.1	Peoples Gas Light & Coke Co.	[Insull Utility Investments, Inc. Corporation Securities Co. of Chicago	23.0% 5.2%	SCR 1931	Pyramiding	7,298

¹ Whole system.² As of March 1930.³ As of April 1930.

D. MINORITY CONTROL THROUGH OWNERSHIP OF AN IMPORTANT MINORITY BLOCK OF STOCK—REMAINING STOCK BELIEVED TO BE WIDELY DISTRIBUTED (Continued)

Size in millions of dollars of assets	Corporation	Minority interest	Size of holding	Source of information	Character of ultimate control	No. of stockholders Dec. 1929
190.0	Public Service Co. of Northern Illinois	[Middle West Utilities Co. (through sub.) Insull Utility Investments, Inc. Corporation Securities Co. of Chicago	over 31.4% 8.1%	SCR 1931 SCR 1931	Pyramiding	4,821 ⁷
802.0	United Gas Improvement Co.	United Corp.	1.7%	SCR 1931	Management	90,054 ²
167.2	Industrials Atlantic Refining Co.	Blair & Co. and associates	about 20%	MPU 1930	Management	
94.0 497.3	Consolidation Coal Co. E. I. duPont de Nemours & Co.	John D. Rockefeller, Jr. du Pont family E. I. duPont de Nemours & Co. (& sub.)	35.8%	NYT 8/4/28 NYT 5/25/28	Minority Minority	19,000
1,400.0 Est.	General Motors Corp.		30.0%	M. Ind. '28	Minority	36,238
243.2	Goodyear Tire & Rubber Co.	Cyrus S. Eaton & Assoc.	32.6%	M. Ind. '30	Pyramiding	189,600
			27.5%	Keane's 1930 SCR 1931	Pyramiding	46,025

² As of February 1930.⁷ Preferred stocks only as of November 1930.

TABLE XII: Control of the 200 Largest Corporations (Continued)

D. MINORITY CONTROL THROUGH OWNERSHIP OF AN IMPORTANT MINORITY BLOCK OF STOCK—REMAINING STOCK BELIEVED TO BE WIDELY DISTRIBUTED (Continued)

Size in millions of dollars of assets	Corporation	Minority interest	Size of holding	Source of information	Character of ultimate control	No. of stock-holders Dec. 1929
103.2	Inland Steel Co.	Cyrus S. Eaton & Assoc. Gen'l Theatre (thru affil.)	26.1%	SCR 1931	Minority	
124.2	Loew's Inc.	Petroleum Corp. of Amer.	48.5%	WSJ 2/21/30	Pyramiding	
209.8	Prairie Oil & Gas Co.		23.8%	SCR 1931	Pyramiding	
850.0 Est.	Standard Oil Co. of Indiana	Rockefeller interests	14.5%	WSJ 1/15/29	Minority	81,022
1,767.3	Standard Oil Co. of N. I.	Rockefeller interests	about 20%	NYT 4/26/29	Minority	104,000 ³
708.4	Standard Oil Co. of N. Y.	Rockefeller interests	about 20%	NYT 6/3/30	Minority	55,804
251.4	Tide Water Associated Oil Co.	Executives of company thru Holding Co. du Pont family	about 20%	NYT 4/26/29	Minority	32,286
307.8	U. S. Rubber Co.	Rockefeller interests	about 20%		Minority	25,486
205.7	Vacuum Oil Co.					

³ As of May 1930.

E. JOINT CONTROL BY TWO OR MORE MINORITY INTERESTS—LARGE PUBLIC INTERESTS

Size	Corporation	Minority interest	Size of holding	Source of information	Character of ultimate control	No. of stock-holders Dec. 1929
256.4	Railroads Boston & Maine Rd. Co.	N. Y., N. H. & H. R. R. Co., through Holding Co.	29.20%		Management	14,349
226.0	Lehigh Valley Rd. Co.	Pennroad Corp. Pennsylvania Rd. Co. (through sub.) Wabash Ry. Co.	16.00%	RSOR 90	Management	6,338
565.0 Est.	Reading Co.	Baltimore & Ohio Rd. Co.	30.19%	RSOR 268	Management	
791.0		N. Y. Central Rd. Co. (and Sub.)	19.10%	RSOR 194	Management	8,576
199.5	Utilities Gen. Pub. Ser. Co.	Public Utility Holding Co. A. E. Pierce & Co.	34.26%	MPU 1930	Pyramiding	36,865 ¹
			25.01%		Minority	

¹ Subsidiaries only.

TABLE XII: Control of the 200 Largest Corporations (Continued)

E. JOINT CONTROL BY TWO OR MORE MINORITY INTERESTS—LARGE PUBLIC INTERESTS (Continued)

Size	Corporation	Minority interest	Size of holding	Source of information	Character of ultimate control	No. of stockholders Dec. 1929
298.1	Midland United Co.	Commonwealth Edison Co. Peoples Gas Light & Coke Co. Public Service Co. of Nor. Ill. Middle West Utilities Co. United Gas Improvement Co. N. American Co. (in voting trust) Middle West Utilities Co. (in voting trust) United Gas Improvement Co. United Corp.	over 40%	MPU 1930	Pyramiding	84,835 ²
308.4	N. Amer. Light & Power Co.		16.7%	MPU 1930	Management	
634.6	Pub. Serv. Corp. of N. Jersey		over 50%	SCR 1931	Pyramiding	19,770
280.0 Est.	Industrials Radio Corp. of America		27.1% 14.3%	MPU 1930	Pyramiding Management Management	83,720
		Gen. Electric Co. Westinghouse Elec.	32.1% 19.2%	M. Ind. 1930	Management Management	60,000 ³

² Including subsidiaries.³ Approximate only.

F. JOINT CONTROL BY A MINORITY AND THE MANAGEMENT—LARGE PUBLIC INTEREST

Size	Corporation	Minority interest	Size of holding	Source of information	Character of ultimate control	No. of stockholders Dec. 1929
477.4	Railroads Chic., Rock Island & Pac. Ry. Co.	St. Louis-San Francisco Ry. Co.	14.22%	RSOR 495	Management	15,865
560.8	N. Y., N. H. & H. Rd. Co.	Penn. Rd. Co. & Pennroad Corp.	13.24%	RSOR 110	Management	29,965
1,038.2						
140.5	Industrials Prairie Pipe Line Co.	Petroleum Corp. of America	13.7%	SCR 1931	Management Pyramiding	9,179

TABLE XII: Control of the 200 Largest Corporations (Continued)

G. MANAGEMENT CONTROL—NO SINGLE IMPORTANT STOCK INTEREST

Size	Corporation	Largest stockholders or stockholding family and 2nd largest stockholder				Size of 20th largest holding	Size of 2d largest holding	Holdings by 20 largest holders	Source of information	No. of stockholders Dec. 1929
		Size of largest holding	Size of 2d largest holding	Size of 20th largest holding	Size of 2d largest holding					
1,135.4	Atchison, Topeka & Santa Fe Ry. Co.	Mills Family	.76%	.74%	.18%	6.1%	RSOR 443			59,042
1,040.8	Baltimore & Ohio Rd. Co.	Rocketteller foundation Union Pac. Rd. Co. Alien Property Custodian	2.56%	1.02%	.12%	8.7%	RSOR 183			39,627
776.1	Chicago, Milwaukee, St. Paul & Pac. Rd. Co.	Director General of Rds. ¹	1.36%	1.29%	.16%	11.9%	RSOR 399			12,045 ²
641.0	Chicago & North Western Ry. Co.	Edw. S. Harkness Vanderbilt Family Union Pac. Co. (thru sub.)	3.45%	2.45%	.17%	14.7%	RSOR 375			15,706
269.4	Delaware & Hudson Co.	B. P. Trenkman	1.51%	.97%	.38%	12.4%	RSOR 95			9,003
812.4	Great Northern Ry. Co.	Home Insurance Co. Arthur Curtis James	2.12%	.94%	.20%	9.5%	RSOR 384			42,085
814.0	Missouri-Kansas-Texas Rd. Co.	Geo. F. Baker, Jr. Partner, Lodenberg, Thalman & Co. Reorganization	2.23%	1.40%	.23%	11.2%	RSOR 419			12,693
2,250.0	New York Central Rd. Co.	Managers Union Pac. Rd. Co. (thru sub.) Vanderbilt Family	5.35%	4.78%	.13%	19.3%	RSOR 123			54,122 ³

¹ On the assumption that the largest stockholders had converted their expired voting trust certificates.
² As of April 1930.
³ As of February 1930.

G. MANAGEMENT CONTROL—NO SINGLE IMPORTANT STOCK INTEREST (Continued)

Size	Corporation	Largest stockholders or stockholding family and 2nd largest stockholder				Size of 20th largest holding	Size of 2d largest holding	Holdings by 20 largest holders	Source of information	No. of stockholders Dec. 1929
		Size of largest holding	Size of 2d largest holding	Size of 20th largest holding	Size of 2d largest holding					
813.9	Northern Pacific Ry. Co.	Arthur Curtis James	2.13%	1.20%	.20%	10.8%	RSOR 391			38,339
2,600.0 Est.	Pennsylvania Rd. Co.	Emma B. Kennedy Penn. Rd. Em- ployees' Provident & Loan Assn. William M. Potts Speyer & Co. ac- count J. W. Davis & Co. account	.34%	.20%	.07%	2.7%	RSOR 143			196,119
439.9	St. Louis-San Francisco Ry. Co.	Dodge Family thru holding company Arthur Curtis James	4.01%	3.98%	.21%	20.0%	RSOR 487			15,865
2,156.7	Southern Pacific Co.	Milbank Interests Eli B. Springs N. V. M. tot B. van het A. F. ⁴ Harriman Family	1.65%	1.37%	.13%	12.1%	RSOR 501			55,788
655.5	Southern Ry. Co.	Arthur Curtis James	1.92%	1.83%	.40%	10.0%	RSOR 321			20,262
1,121.1	Union Pacific Rd. Co.	N. V. M. tot B. van het A. F. ⁴	2.27%	1.85%	.24%	10.4%	RSOR 425			49,387
15,026.2		Harriman Family								
4,228.4	Public Utilities Amer. Tel. & Tel. Co.	Sun Life Assurance Co.	.60%	.47%	.09%	4.0%	WSJ 4/11/30			469,801
109.7	Boston Elevated Ry. Co.	Geo. F. Baker Curtis & Sanger (broker) R. L. Day & Co.	1.66%	1.55%	less than .30%		WSJ 4/5/30			16,419

⁴ N. V. Maatschappij tot Beheer van het Administratiekantoor Fondsen, Amsterdam, Holland.

TABLE XII: Control of the 200 Largest Corporations (Continued)

G. MANAGEMENT CONTROL—NO SINGLE IMPORTANT STOCK INTEREST (Continued)

Size	Corporation	Largest stockholders or stockholding family and 2nd largest stockholder	Size of largest holding	Size of 2d largest holding	Size of 20th largest holding	Holdings by 20 largest holders	Source of information	No. of stock-holders Dec. 1929
1,171.5	Consol. Gas Co. of N. Y.	Sun Life Assurance Co.	2.11%	1.50%	less than 40%	NYT	NYT 3/16/30 MPU 1930	93,515
756.0 ^s	Electric Bond & Share Co.	United Corp. Elec. Bond & Share Sec., Inc. Part of Employee Stock Purchase Plan	4%	less than 2%			SCR 1931	95,000
332.2	Western Union Tel. Co.	Morgan, Turner & Co.	2.74%	1.9%		NYT	NYT 4/11/31	28,738
6,597.8		Johnson & Co.						
515.7	Industrials General Electric Co.	Elec. Securities Corp. (An Employees' Investment Co. and subsidiary to Gen. Elec. Co.) George F. Baker	about 1.5%			WSJ	WSJ 3/19/28	60,374
2,286.1	United States Steel Corp.		.74%		.09%	NYT	NYT 4/22/30	182,585
2,801.8								

^s Assets of American and Foreign Power Co. only.

H. SPECIAL SITUATIONS

Size	Corporation	Situation	Character of ultimate control	Source of information	No. of stock-holders Dec. 1929
161.8	Railroads Chicago & Alton Rd. Co.	On Dec. 31, 1929 in hands of receiver. Subsequently the B. & O. R. Co. acquired property at foreclosure sale.			
104.1	Wheeling & Lake Erie Ry. Co.	Stock having 53.34% of voting power was held by a trustee with limited powers for the joint benefit of the New York, Chicago & St. Louis Rd. Co. and the Alleghany Corp.		RSOR 215	2,265
265.9					
108.2	Public Utilities Chicago Rys. Co.	In hands of receivers.	Pyramiding	RSOR 259 MPU 1930	389

TABLE XII: Control of the 200 Largest Corporations (Continued)

I. JOINTLY CONTROLLED BY OTHER COMPANIES—VIRTUALLY NO PUBLIC INTEREST

Size	Corporation	Controlling companies	Size of holding	Character of ultimate control	Source of information	No. of stockholders Dec. 1929
645.4	Railroads Chicago, Burlington & Quincy Rd. Co.	Great Northern Ry. Co. Northern Pacific Ry. Co. Stock for both in hands of a trustee	48.5%	Management	RSOR 406	425
96.8	Chicago Union Station Co.	Chicago, Burlington & Quincy Rd. Co. Chicago, Milwaukee, St. Paul & Pacific Rd. Co. Pennsylvania Rd. Co. & sub.	48.5%	Management		
223.4	Denver & Rio Grande Western Rd. Co.	Allegany Corp. (through sub.) Western Pacific Rd. Co.	25%	Management	MRR 1930	4
140.2	Spokane, Portland & Seattle Ry. Co.	Great Northern Ry. Co. Northern Pacific Ry. Co.	25%	Management		
1,105.8	Industrials Sinclair Crude Oil Purchasing Co.	Sinclair Consolidated Oil Corp. Standard Oil Co. of Indiana	50%	Pyramiding Minority	RSOR 476	1,556 ¹
111.9			50%	Management	RSOR 394	12
			50%	Management Minority	M. Ind. 1930	

¹ All but two of stockholders are owners of the preferred which is virtually non-voting.TABLE XII: Control of the 200 Largest Corporations (Continued)
J. MAJORITY OF STOCK BELIEVED TO BE WIDELY DISTRIBUTED AND WORKING CONTROL HELD EITHER BY A LARGE MINORITY INTEREST OR BY THE MANAGEMENT, PRESUMABLY THE FORMER

Size	Corporation	Number of stockholders December 1929
	Railroads	
	None	
	Public Utilities	
95.9	Associated Telephone Util. Co.	8,278
131.7	Hudson Manhattan Rd. Co.	3,522 ¹
400.0 Est.	Stone & Webster, Inc.	15,000 ²
110.0 Est.	Third Ave. Ry. Co.	1,170 ³
96.7	United Rys. & Elec. Co. of Balt.	1,955
834.3		
	Industrials	
277.2	Allied Chemical & Dye Corp.	
104.3	American Rolling Mill Co.	10,113
241.0	Amer. Smelting & Ref. Co.	20,110
198.0	Continental Oil Co.	
126.7	Corn Products Refining Co.	10,000 ⁴
124.3	Crucible Steel Co. of America	7,657
101.3	Cuban Cane Products Co.	
300.0 Est.	Glen Alden Coal Co.	
100.0 Est.	International Mercantile Mar. Co.	6,426
111.3	International Shoe Co.	12,050
109.5	S. S. Kresge Co.	3,500 ⁴
116.1	Long-Bell Lumber Corp.	9,786
108.4	National Lead Co.	7,796 ⁵
110.6	Ohio Oil Co.	13,589
236.7	Paramount Publix Corp.	12,025
145.3	Phillips Petroleum Co.	3,872
171.5	Pittsburgh Coal Co.	4,000 ⁴
101.6	Pittsburgh Plate Glass Co.	14,581
109.4	Procter & Gamble Co.	
331.7	Republic Iron & Steel Corp.	
604.7	Standard Oil Co. of Calif.	55,077 ⁶
124.6	U. S. Realty & Improvement Co.	
167.1	Warner Bros. Pictures, Inc.	11,157
128.3	Wheeling Steel Corp.	3,630
4,249.6		

¹ As of March 1930.² Over this amount.³ As of October 1929.⁴ Approximately.⁵ As of February 1930.⁶ As of December 1928.

TABLE XII: Control of the 200 Largest Corporations (Continued)

K. MAJORITY OF STOCK BELIEVED TO BE WIDELY DISTRIBUTED AND WORKING CONTROL HELD EITHER BY A LARGE MINORITY INTEREST OR BY THE MANAGEMENT, PRESUMABLY THE LATTER

Size	Corporation	Number of stockholders December 1929
	Railroads	
	None	
	Public Utilities	
288.5	Bklyn. Man. Transit Co.	
135.9	Consol. Gas, Elec. Lt., & Pr. Co. of Baltimore	10,700 ¹
156.3	Edison Elec. Ill. Co. of Boston	14,878
521.2	Inter. Tel. & Tel. Corp.	53,594
340.6	So. Calif. Edison Co., Ltd.	119,418
1,442.5		
	Industrials	
191.3	American Can Co.	
119.5	American Car & Foundry Co.	17,152 ²
106.2	American Locomotive Co.	21,564
199.4	American Radiator & St. San. Corp.	20,404
157.1	American Sugar Refining Co.	20,690
113.9	American Woolen Co.	
680.6	Anaconda Copper Mining Co.	95,050
452.3	Armour & Co. (Ill.)	80,000 ³
98.8	Baldwin Locomotive Works	8,100 ⁴
801.6	Bethlehem Steel Corp.	75,876
174.0	Borden Co.	17,167
209.7	Chrysler Corp.	36,000 ⁵
158.0	Drug, Inc.	29,124 ⁶
163.4	Eastman Kodak Co.	32,807
161.6	Firestone Tire & Rubber Co.	
163.6	B. F. Goodrich Co.	15,000 ⁵
384.0	International Harvester Co.	40,200 ⁵
686.5	International Paper & Pr. Co.	37,849
337.8	Kennecott Copper Corp.	31,009 ⁷
110.0	P. Lorillard Co.	10,000 ⁵
187.5	Montgomery Ward & Co.	45,852
133.2	National Biscuit Co.	19,881

¹ As of December 1928.² As of July 1929.³ As of October 1930.⁴ As of May 1930.⁵ Approximately.⁶ As of January 1927.⁷ As of December 1927.

TABLE XII: Control of the 200 Largest Corporations (Continued)

K. MAJORITY OF STOCK BELIEVED TO BE WIDELY DISTRIBUTED AND WORKING CONTROL HELD EITHER BY A LARGE MINORITY INTEREST OR BY THE MANAGEMENT, PRESUMABLY THE LATTER (Continued)

Size	Corporation	Number of stockholders December 1929
224.5	National Dairy Products Corp.	31,074
129.0	Phila. & Reading Coal & Iron Corp.	
315.5	Pullman, Inc.	30,162 ⁸
215.4	Pure Oil Co.	37,000 ⁹
131.9	Richfield Oil Co. of Calif.	17,256 ¹⁰
251.8	Sears, Roebuck & Co.	27,700 ¹¹
400.6	Sinclair Consolidated Oil Corp.	27,601 ¹¹
134.2	Studebaker Corp.	26,451
351.2	Swift & Co.	47,000
609.8	Texas Corp.	65,898
306.6	Union Carbide & Carbon Corp.	28,780
226.0	United Fruit Co.	27,960
94.1	United Shoe Machinery Corp.	18,051 ¹²
253.9	Westinghouse Elec. & Mfg. Co.	44,004
98.0	Wilson & Co.	9,800 ¹⁴
165.4	F. W. Woolworth Co.	19,416 ¹³
235.7	Youngstown Sheet & Tube Co.	
9,133.6		

⁸ As of April 1930.⁹ As of March 1929.¹⁰ As of January 1930.¹¹ As of December 1928.¹² As of March 1926.¹³ As of October 1929.¹⁴ Approximately.

TABLE XIII: Summary According to Type of Ultimate Control of 200 Largest Corporations

Type of Control	Number of corporations			Proportion of companies by industrial groups		
	Rail-roads	Public utilities	Industrials	Total	R. R.	P. U.
I Private Ownership	2	2	8	12	5%	4%
II Majority Ownership	1	3	6	10	2%	6%
III Minority Control	4½	7½	34½	46½	11%	14%
IV Legal Device	7½	19	14½	41	18%	36%
V Management Control	26	19½	43	88½	62%	38%
In Receivership	1	1	2	2	2%	2%
Total	42	52	106	200	100%	100%
IV & V Management Control or Legal Device involving a small proportion of total ownership	33½	38½	57½	129½	80%	74%
					80%	74%

Type of Control	Wealth of corporations (in million dollars)			Proportion of wealth by industrial groups		
	Rail-roads	Public utilities	Industrials	Total	R. R.	P. U.
I Private Ownership	276	221	2,869	3,366	1%	1%
II Majority Ownership	283	480	779	1,542	1%	2%
III Minority Control	704	1,261	9,258	11,223	3%	5%
IV Legal Device	3,852	9,406	4,307	17,565	15%	37%
V Management Control	19,675	14,291	13,142	47,108	79%	55%
In Receivership	161	108	269	269	1%	43%
Total	24,951	25,767	30,355	81,073	100%	100%
IV & V Management Control or Legal Device involving a small proportion of total ownership	23,527	23,697	17,449	64,673	94%	92%
					94%	92%

TABLE XIV: Summary According to Type of Immediate Control of 200 Largest Corporations

Type of control	Railroads		Public utilities		Industrials		Total		Distribution	
	No. companies	Assets in million dollars	No. companies	Assets in million dollars	No. companies	Assets in million dollars	No. companies	Assets in million dollars	According to companies	According to assets
I Private Ownership	2	276	2	221	8	2,870	12	3,367	6%	4%
II Majority Ownership	1	283	3	480	6	779	10	1,542	5%	2%
III Minority Control										
(a) Known to be controlled	13	4,309	17	9,271	14	6,929	44	20,509	22%	26%
(b) Thought to be so controlled										
IV Legal Device	1	1,600	5	834	24	4,250	29	5,084	14½%	6%
V Management Control										
(a) Known to be controlled	14	15,026	5	6,598	2	2,802	21	24,426	10½%	30%
(b) Thought to be so controlled										
Joint Control	9	3,191	4	1,442	39	9,934	44	11,376	22%	14%
Special Situations	2	266	1	108	3	532	16	5,164	8%	6%
Total	42	24,951	52	25,767	106	30,356	200	81,074	100%	100%

since that time. In 1929 three of the ten directors of the Allied Chemical and Dye Corporation were also directors of the Solvay American Investment Corporation. The stock of the former is known to be widely held. Recently the New York Times reported that the above investment company was its largest stockholder.³⁶ On the basis of this information the company was classed as doubtful but presumably minority controlled.

For some other cases in the doubtful group, little information was obtained and the companies were classified on a basis of general "street knowledge." The possible error in this group is therefore considerable. On the whole, information could be most readily obtained for the railroads and public utilities since regulation of these fields has required a greater publicity of accounts and has yielded important government reports. Explicit information on the railroads was available from the very competent study of the ownership of railroads already referred to and made under the direction of Dr. Walter M. W. Splawn, Special Counsel to the House Committee on Interstate and Foreign Commerce.³⁷ Less information was available with respect to the utilities, except where one company owned stock of another. The industrials are undoubtedly the least accurately classified.³⁸

In the process of classification, certain arbitrary judgments had to be made. Corporations which appeared to be owned to the extent of 80 per cent or more by a compact group of individuals were classed as private and those in which the public interest appeared to be larger than 20 per cent but less than 50 per cent were classed as majority owned. Companies were regarded as controlled by a legal device only where there appeared to be a very considerable separation of ownership and control. A mild degree of pyramiding or the issuance of non-voting preferred stock was disregarded. The dividing line between minority and management control was drawn roughly at 20 per cent, though in a few special instances a smaller holding was credited with the power of control. It is notable that in none of the companies classed under management control was the dominant stock

³⁶ New York Times, April 24, 1931.

³⁷ "Regulation of Stock Ownership in Railroads," *loc. cit.*

³⁸ Dr. Splawn's report not only gave accurate data with respect to the railroads but served indirectly to support the data obtained in the other two fields. Before his report was published, the present writer had gathered information on the largest 200 companies in 1927 and classified them according to type of control. Comparison of the results insofar as railroads were concerned with the data supplied by Dr. Splawn showed almost no cases of inaccurate classification. While this applies only to the railroads, it suggests that the data relied upon for classification is essentially satisfactory.

interest known to be greater than 5 per cent of the voting stock. Cases falling between 20 and 5 per cent were usually classed as joint minority-management control. Perhaps others should be classed in this category.

Many cases were found in which the immediate control of a corporation was exercised by a second corporation through a dominant minority stock interest.³⁹ When the controlling corporation was itself management controlled, the first company was classed as minority in its immediate, but management in its ultimate control. If the controlling company was controlled otherwise than by the management, the first company was classed as minority in its immediate control, but pyramided in its ultimate control. Likewise in the case of joint control, insofar as ultimate control was concerned, each such company was treated as if it were two companies of half the size, one controlled by each group sharing the control. Thus a company that was jointly controlled by a minority and the management would be classed in ultimate control as one-half company minority controlled and one-half company management controlled. Only five companies had to be subdivided in this manner.

With these reservations as to the source of the material, and the method of handling it, let us examine the type of control exercised over the 42 railroads, the 52 public utilities, and the 106 industrials which compose the list of 200 largest companies at the beginning of 1930,⁴⁰ remembering that their combined wealth amounted to nearly half of that of non-banking corporate wealth. Of these companies ultimate control appeared to be:

	By number	By wealth
Management control	44%	58%
Legal device	21%	22%
Minority control	23%	14%
Majority ownership	5%	2%
Private ownership	6%	4%
In hands of receiver	1%	negligible
	100%	100%

While these percentages do not reflect a static condition and while in many cases they are based only on careful guesses, their cumulative

³⁹ A corporation controlled by another corporation through majority ownership or a legal device was classed as a subsidiary of the latter and disregarded except where an important element of pyramiding entered in.

⁴⁰ Given in detail in Table XII.

effect is such as to indicate the great extent to which control of these companies rests on some factor other than ownership alone, and more striking still, the extent to which the management has itself become the control. That 65 per cent of the companies and 80 per cent of their combined wealth should be controlled either by the management or by a legal device involving a small proportion of ownership indicates the important extent to which ownership and control have become separated. Only 11 per cent of the companies and 6 per cent of their wealth involved control by a group of individuals owning half or more of the stock interest outstanding.

Of the three groups concerned, the separation of ownership and control has become most nearly complete in the railroads and utilities. Out of 42 railroads, 26 were management controlled or controlled through minority interests by other roads which were in turn management controlled. Thus 62 per cent of the railroads and 79 per cent of their assets involved this high degree of separation of ownership and control. In addition $7\frac{1}{2}$ roads were ultimately controlled by pyramiding ($5\frac{1}{2}$ being in the Van Sweringen System) indicating a total of 80 per cent of the railroads and 94 per cent of their wealth controlled by individuals lacking an important proportion of the total ownership.

The public utilities show a greater use of legal devices. Three were controlled by voting trusts, in one case combined with non-voting common stock. Three others were controlled by non-voting stock and two by the issue of special vote-weighted stock. Two were controlled by pyramided structures, while in most of the utilities a greater or less degree of pyramiding was found. In all 19 of the 52 utilities were classed as ultimately controlled by a legal device, while $19\frac{1}{2}$ were classed as ultimate management control. Thus 74 per cent of the companies and 92 per cent of their wealth involved control without important ownership.

The separation appears to have progressed least far in the case of the industrials. Even in this field, however, the separation has assumed considerable importance. According to the classification of industrials, which it must be remembered is more subject to error than either of the foregoing groups, 54 per cent of the companies and 57 per cent of their wealth were controlled either by a legal device or by the management.

It is apparent that, with the increasing dispersion of stock ownership in the largest American corporations, a new condition has developed with regard to their control. No longer are the individuals in control of most of these companies, the dominant owners. Rather, there are no dominant owners, and control is maintained in large

measure apart from ownership. As has been indicated, control as something apart from ownership on one hand and from management on the other is a new concept ill-defined in practice. It deals with a condition which exists only relatively and one on which information is of the most approximate character. Probably the condition of "joint control" which appears only rarely on the above list is more characteristic of the big corporation than is indicated, control in fact being not a single clearly defined phenomenon local to an individual or small group, but an element in the organization of industry which is broken up and appears in various forms. It may be held to a greater or less extent by a wide variety of individuals. We are justified, however, in treating it here as a single factor; because, whether whole or divided, whether dependent upon proxy machinery, legal device, a measure of ownership, or a strategic position astride the management, it has in very considerable extent become separate from ownership. Formerly assumed to be merely a function of ownership, control now appears as a separate, separable factor.