THE EFFECTS OF CORPORATE CONTROL ON PROFIT RATES & DIVIDEND

PAYOUT RATIOS: MISINTERPRETATIONS & THEIR CONSEQUENCES IN THE

THEORIES OF THE LARGE CORPORATION IN ADVANCED CAPITALIST SOCIETY


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ABSTRACT

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Focusing on the "who rules the corporations" debate, this disser-
tation attempts to identify the proprietary interests who have con-
trolled the 200 largest U.S. industrial corporations throughout the
1970s and to ascertain what difference that makes. The accumulation
of ten years of documentary and financial data, the use of multiple
indicators to define control, and extensive computer work show that
contrary to popular belief, the managerial revolution thesis does not
provide an accurate description of the general evolution of the corpor-
ate elite structure. Major premises of Fitch and Oppenheimer's theory
of bank control also appear to be incorrect. However, the data do
support the authors' claim that bank capital and industrial capital may
have fundamentally opposed interests in the United States, particularly
in the context of decisions to invest and disinvest in key sectors of
the U.S. economy. The problem lies in their conceptualization of the
form this contradiction takes and in the methodology they use to study
it. The data also support key inferences drawn from Baran and Sweezy's
Monopoly Capital on the behavioral characteristics of large firms, and
the data support the Kolko-Weinstein thesis that corporate predictability

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and security are prerequisites for high profitability, on the average. However, the model of class relations on which Baran and Sweezy base their analysis is problematic.  The concluding chapter discusses these findings; defends the significance of, and research into, the corporate control debate; and suggests directions for future research.

# ACKNOWLEDGMENTS

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CHAPTER I

THEORY AND LITERATURE

## Introduction and Statement of Problem

"Talk about centralisation!" exclaimed Marx.

The credit system, which has its focus in the so-called national
banks and big money-lenders and userers surrounding them, consti-
tutes enormous centralisation, and gives to this class of parasites
the fabulous power, not only to periodically despoil industrial
capitalists, but also to interfere in actual production in a most
dangerous manner--and this gang knows nothing about production and
has nothing to do with it (Marx, 1976:544-545).

Marx was alluding to bank control of large corporations, an issue buried

in the "Managerial Revolution" and only recently revived as a serious

area of inquiry. Three issues, then, form the focus of this dissertation.

First, who controls the two hundred largest industrial corporations in

the United States today? Has the "separation of ownership and control"

brought about the managerial revolution as the Galbraiths, Dahrendorfs,

and Bells have argued? Or, has it actually brought about an actual con-

centration of power paralleling the dispersion of stock ownership? Fur-

ther, among which groups is this power concentrated: managers, owners, or

bankers?

Second, what difference does it make who controls the corporations?

According to neoclassical and Marxian political economy, firms must be-

have according to the dictates of profit maximization or cease to exist.

The goals and preferences of whoever controls the firms do not have any

consequences for firm behavior in the long run. However, certain

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econometric studies suggest that this view may not be true of corporations that have achieved a high degree of market power. They claim that if largely unpropertied managers have gained control over firms with significant market power, then departures from classical firm behavior seem quite likely (Kotz, 1978:1, 6). Thus, we attempt to understand the significance of control for the goals of the large corporation, particularly profit and dividend payout policies. We ask whether managers have sufficient latitude to exercise their own discretion in corporate decision making and we attempt to understand the consequences of this alleged managerial freedom. We ask not only what potential control means in practice, but also whether managers are, or are not, part of the capitalist class, on what grounds and why. If they are, do they form a distinct faction and what would be the basis of this distinction? In sum, in the monopoly capitalist stage has the alleged managerial revolution brought about a stratum in the capitalist class with identifiable interests, ideas, and policies which are opposed to those of the original family capitalists and their active descendants (alternately called "owners") and a recently emerging group of finance capitalists?

(Note, however, that who among the contending factions of the capitalist class actually controls the corporation, and the consequences of such action, is a morphological question. The answer can only affect the forms in which the capitalist system is working, but not its fundamental nature as a process of self-expanding value. It pertains to the way in which surplus value is appropriated among capitalists, but not to its creation (DeVroey, 1975b:8).)

Third, has the relatively homogeneous capitalist class of the past indeed been superseded by the "decomposition of capital" into a rather

loose aggregate of fragmented groups having different, often opposing values and interests <u>or</u> has "the abolition of the capitalist mode of production within the capitalist mode of production itself" (Marx, 1976: 438) in fact reproduced a new financial aristocracy as Sweezy, O'Connor, Perlo and others claim? Does this form the basis of a transition to a new form of production as Marx (1976:438) contended?

In sum, we are not proposing to treat the problem of the capitalist class and its relationship to the large corporations as an abstract problem of society in general. In place of abstract models based on alleged "universal" elements in social structures, we attempt an analysis of the structure of a specific class in the context of the historical processes within which it has been formed (cf. Zeitlin, 1974:1112; Sweezy, 1953: 58-59; Sweezy, 1970:338). In the process we should be able to discover the theoretical gaps and errors, as well as inadequate methodologies, in current studies on the capitalist class and its relationship to the large corporations and to provide the basis for a theory that is more comprehensive and valid than the "extant one embodied in the 'astonishing consensus' among social scientists" (Zeitlin, 1974:1112). The literature review which follows will serve as an illustration. It is a summary and critique of three major theoretical perspectives which have to varying degrees debated these questions: the managerial revolution thesis, class theory as propounded by the Monthly Review group, and Fitch and Oppenheimer's theory of bank control. The literature review will also summarize and critique the empirical studies completed to date testing inferences derived from the corporate control debate. Finally, it will suggest an empirical model by which we should gain more definitive answers to the questions posed above than previously available.

## The Managerial Revolution Thesis

Managerial revolution theorists[1] have in common the argument that control[2] of the major U.S. corporations has passed to the individual corporation's chief executive officers (hereafter referred to as "management" or "managers") who, though normally owning at most a small fraction of the firm's stock, have become self-perpetuating and responsible only to themselves. This results from management's ability to solicit proxies for its slate of candidates with the use of the corporation's prestige and funds, and from the wide dispersion of the firm's stock among many small shareholdings (Galbraith, 1971:22, 64-65, 124; Larner, 1970: 3). In the election of the board the shareholder may refrain from voting, attend the annual meeting and personally vote his stock, or sign a proxy transferring his voting power to certain individuals selected by the management of the corporation. Because share voting at annual meetings counts for little in the absence of large blocks of stock, the small shareholder's alternative is to assign the right to vote his shares to the proxy. By doing so, he essentially hands over his vote to individuals over whom he has no control and in whose selection he did not participate. Because the overwhelming majority of the shareholders who vote sign and return the proxies, control tends to land 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. When ownership is sufficiently diffused, the management can thus become a self-perpetuating body even though its share in the ownership is negligible (Berle & Means, 1968:82; Villarejo, 1961:56; Larner, 1970:3; Scott, 1979:376).

Such a separation between ownership of the means of production and
the "powers of decision" in the large corporation resulted from the al-
leged break-up of family capitalism (Dahrendorf, 1959:42; Bell, 1962:
39-45; Bell, 1976:34-35; 60-61; 293-296). For Bell, the decline of the
extended family narrowed the choice of heirs competent to manage the
large firms, and the increasing importance of "professional techniques"
places a high premium on skill rather than blood relationships. He as-
sumes that what is characteristic of American society as a whole, such
as the decline of the extended family, is characteristic of the capital-
ist class as well. He goes so far as to argue that "family capitalism
. . . never succeeded in establishing its hegemony in the area of large-
scale capital industries" (Bell, 1962:41-42). By and large, the system
of family control is finished and technical skill rather than property,
political position rather than wealth, become the basis on which power
is wielded (Bell, 1962:45). For Galbraith, in turn, "the men who now
head the giant corporation are unknown. Not for a generation have
people outside Detroit and the automobile industry known the name of the
current head of General Motors . . . . So with Ford, Standard Oil and
General Dynamics. The men who now run the large corporation own no
appreciable share of the enterprise" (Galbraith, 1971:22). The noted
economist believes that only among a few of the two hundred largest
corporations in the United States do owners exercise any important in-
fluence on decisions, and this influence decreases year by year (Gal-
braith, 1971:95).

Despite a lack of quantitative data, managerial theorists argue
that the diffusion of ownership in the large corporation among numerous
and scattered stockholders has resulted in a separation of ownership and

control, and by severing the connection between the family and private property in the means of production, "has torn up the roots of the old class structure and political economy of capitalism" (Zeitlin, 1974: 1075). "Family elite" elements of the class structure hold a secondary rather than a primary position in the overall stratification system, as nonpropertied managers displace their capitalist predecessors. They do not "rule" in any sense economically, politically or socially. As a consequence, Galbraith could argue that "the decisive power in modern industrial society is exercised not by capital but by organization, not by the capitalist but by the industrial bureaucrat" (Galbraith, 1971: xvii).

According to the managerial revolution thesis, the separation of ownership and control in the large corporation is reinforced by retained earnings as the major source of capital such that financial sufficiency leads in turn to operational autonomy (Galbraith, 1971:93; Bell, 1962: 44; also see Kotz, 1978:3; Fitch & Oppenheimer, 1970b:68-69; Baran & Sweezy, 1966:15-16). The power of the owners of capital dwindles, especially that of the major stockholders, financial institutions, and "interest groups" epitomized by the Rockefellers and Mellons. "No banker," says Galbraith, "can attach conditions as to how retained earnings are to be used. Nor can any other outsider" (Galbraith, 1971:93). This argument presupposes that the large corporations have become so profitable that they produce most of the financing they need out of internally generated funds (Kotz, 1978:3). The separation of ownership and control is also reinforced by the nature of the firm's administrative structure which makes it impossible for the stockholders to control the behavior of managers completely (see Monsen & Downs, 1965:228).

With such a shift in class power comes a transformation in the principles that motivate corporate behavior: managers insulated from effective stockholder control may pursue policies divergent from owner interests (Sorensen, 1974:145; Galbraith, 1971:93; Berle & Means, 1968: 7; Gordon, 1966:xii, 324; Monsen & Downs, 1965:228; Bell, 1962:441; Florence, 1961:138; Berle, 1959:110; Dahrendorf, 1959:43, 46; see also Zeitlin, 1974:1094-1095; Zeitlin, 1976:902; Fitch, 1972b:95). Why is this the case? The personal attributes, background, and training of salaried managers are believed to differ from those of the owner-entrepreneur of the past or even of most family interests in the present (Gordon, 1961:320). Dahrendorf has no doubt that differing patterns of recruitment distinguish nonpropertied managers significantly from those of the original family capitalists, "as well as the new-style mere owners" (whomever they may be). Supposedly, their reference groups differ and different reference groups make for different values. For Dahrendorf, the crucial effect of the separation of ownership and control is that it "produces two sets of roles the incumbents of which increasingly move apart in their outlook on and attitudes toward society in general and toward the enterprise in particular" (Dahrendorf, 1959:46). Monsen went so far as to suggest that business schools may be turning out bureaucrats who know how to rise in the corporate bureaucracy but lack the motivation of family interests. The result is that nonpropertied managers may make decisions that prevent the management controlled firms from performing as profitably as the owner controlled firm (Monsen, 1969b:49). Dahrendorf was less equivocal: "Never has the assumption of a profit motive been further from the real motives of men than it is for modern bureaucratic managers" (Dahrendorf, 1959:46).

Such is the thesis of managerial discretion which posits different motives and conduct for managers than for owners and, thereby, differences in the profit orientations of management controlled versus owner controlled firms. With the breakdown of the unity of the old propertied capitalist class, stock ownership is dispersed among the middle mass of society and control of the largest corporations is exercised by a technocratic elite which is open to recruitment from below (Scott, 1979:376). The bureaucratic structure of the large firms will cause management to deviate systematically from achieving ownership objectives, because the motives of nonpropertied managers are not identical with the motives of owners. Managers separated from ownership will develop a distinct (but relatively unspecified) business outlook and so be less committed to the traditional goal of profit maximization (Monsen & Downs, 1965:228; Scott, 1979:376).

The "new" theories of the firm, by questioning the nature of corporate control itself, have also questioned the relevance of the "classical" assumptions of firm behavior in a capitalist economy (Sorensen, 1974:145). The profit imperatives of a capitalist economy are reduced to a problem of motivation and attitudes (cf. Berle & Means, 1968:7; Galbraith, 1971:124-127, 164). The new theories of the firm ascribe more power and discretion to top level corporate management than available to them under classical models. With such a change in emphasis comes a new perspective on the managerial elite. They have a strong tendency to practice what Herbert Simon calls "satisficing" rather than profit maximizing behavior characteristic of large corporations when they were still controlled by their owners. Berle claimed that nonpropertied managers weigh the profit making and capital gathering functions of the

large corporation against the social and economic needs of the rest of society and attempt to achieve a balance between the two. Instead of maximizing short-term gain, nonpropertied managers might choose to max-imize long-term growth in sales, pay adequate dividends to stockholders and fair wages to labor, set reasonable prices for the consumer, and thus deliberately sacrifice profits within limits to achieve broader social goals (Tilman, 1974:119). They are apt to respond to conflicting demands from various constituent groups such as workers, consumers, suppliers, stockholders, and the government by balancing one off against the other or by "utilizing compromise as an issue-settling device" (Monsen, 1969b: 48; Gordon, 1961:320-325).

In the absence of strong empirical evidence to demonstrate the above, the managerial theorists introduced a caveat. Originally implied in the work of Monsen and Downs (1965:222-223), it specified that the phenomenon of managerial discretion may not be evidenced except in very large firms where the development of complex bureaucratic structures in-troduced certain conflicts of interest between upper and middle or lower management. Other economists were more to the point when they argued that, bureaucratic structures aside, a nonpropertied manager must be relatively free from product market constraints before he can reduce reported profits below their maximum potential and yet still report a "normal" rate of return to the stockholders. If a corporation has a potential to earn monopoly profits, it should on the average provide more scope for profit-reducing activities my managers of management controlled firms than would be possible in firms characterized by low monopoly power. The nonpropertied manager must be relatively free of the threat of takeover from outside the corporation. Otherwise, an outsider

may recognize the potential for increasing the corporation's profits and displace the manager in the process of taking over the company. This freedom will exist if the market for corporate control is only partially effective, and such conditions have been empirically documented (Palmer, 1974:147). Thus, the more sophisticated managerial theories assume that for managers to be free to pursue goals other than profits, they must not only be free from a stockholder constraint, they must also be free from a strict, product market constraint (McEachern, 1976:114). As McEachern writes, the assumption that the separation of ownership from control along with imperfect product market constraints affords the nonpropertied manager an opportunity to divert a significant amount of potential profits to his own ends is based on the idea that the transaction costs in the market for corporate control are very high relative to the potential value to a controlling interest. In the absence of an imperfect market constraint, the manager who sacrifices profits for other objectives, and thereby allows the value of the corporation's shares to slide, opens the firm to a possible takeover attempt by an outsider interested in buying shares at the depressed level and experiencing capital gains after imposing corporate reforms (McEachern, 1975:36-37).

In essence, emerging oligopolistic market structures afford the modern corporation a certain amount of leeway to pursue nonprofit objectives (see Kania & McKean, 1978:497; Holl, 1977:260; Albin & Alcaly, 1976:261; Peterson, 1965:14) and stockholders frequently lack sufficient information, organized power, or the determination to compel management to maximize profits. Active intervention by stockholders occurs only when an acceptable limit of profits is violated (see Smith, 1976:709). The implication drawn is that the advanced capitalist system does not

behave in accordance with the profit rules under which it is supposed to function (Gordon, 1961:326). Management controlled corporations do not necessarily make the same investment decisions as would owner controlled and finance controlled corporations (defined below in the section entitled "Operationalizing Control") confronted with the same set of underlying conditions (Gordon, 1961:332). Consequently, management controlled firms experience not only lower profits but also less variability of profit earnings (for a theoretical justification why, see Monsen & Downs, 1965: 231-232); they pay out "adequate" (that is, low) dividends to stockholders so as to maximize retained earnings (Tilman, 1974:119); they attempt to maximize the rate of growth of the firm's sales (Florence, 1972:354-355; Larner, 1970:26; Reid, 1968:134-136); and they are less inclined to take risks, for example, the primary reason for merger activity is to diversify and thus reduce risks taken on any one product or line of products (see Monsen & Downs, 1965:232-233).

The new managerial stratum, born for the purpose of serving the capitalists, has effectively expropriated them (Kotz, 1978:148). In the absence of gross incompetence or serious misfortune, management pursues policies which serve its own interests at the expense of stockholders, although the extent to which this is possible is still a matter of dispute (Larner, 1970:3). As such the managerial thesis challenges both neoclassical and Marxian political economy by questioning the assumption that maximizing profits is the primary goal of the large corporation (Kotz, 1978:141). At the bottom of this perspective is a desire to refute the Marxist theory of social classes, which is alleged to no longer correspond to modern, "post-industrial" or "techno-bureaucratic" society (see Poulantzas, 1975:176). As such the managerial thesis has definate

if restricted implications for class structure and conflict (Dahrendorf, 1959:47).

## The Monthly Review Group

Although the dominant perspective in sociology today, the managerialists are not without critics. Baran and Sweezy (1966:15-16) have agreed that control rests in the hands of management, that real power is held by insiders, that management is a self-perpetuating group, and that each corporation aims at and normally achieves financial independence through the internal generation of funds which remain at the disposal of management. As a matter of policy the corporation may still borrow from or through financial institutions, but normally it is not forced to do so and hence is able to avoid the kind of subjection to financial control which was so common in U.S. capitalism in the early part of the twentieth century (Baran & Sweezy, 1968:16). In this perspective "bank control" (the question of which is unrecognized in managerial theory) is a transitional phase of capitalist development. At the stage of monopoly capitalism the function of issuing new securities on which bank power was based becomes "much less important" as the large corporations find themselves in direct proportion to their success (that is, profitability) in possession of internal sources of funds, which in turn increasingly free them from dependence on the market for new securities as a source of capital (Sweezy, 1970:267; Baran & Sweezy, 1966:18).

In contrast to the managerialists, however, these authors argue that managers' outlooks and objectives are entirely bound up with their "superiors,"[3] that their greatest ambition is to become genuine functionaries of capital, and that they are "utterly unsuited by training and

social status to adopt an independent historical position" (Sweezy, 1953:
63). In contrast to the managerialists, who argue that the dispersion of
stock eventually leads to a dispersion of power, neo-Marxists argue that
the corporate system brings about an actual concentration of power paral-
leling the dispersion of share ownership.

Furthermore, a separation of ownership and control in no way alters
the fundamental dynamics of the capitalist system. Do the original fam-
ily capitalists do the job of making capital function or is this done
through a delegation of power? If the latter is indeed the case, what
we evidence is a separation of ownership and management, understood as a
functional differentiation and nothing more (DeVroey, 1975b:3-4). Man-
agerial theory is based upon "a conceptual conflation of ownership, control,
and administration of capital" and the consequent illusion that control
and administration are identical. It confuses the existence of an ex-
tensive administrative apparatus in the large corporation in which the
proportion of managerial positions held by members of the principal cap-
italist families may well be negligible, but who nevertheless control
that apparatus. "If the varied functions of capital that were once large-
ly united in the person of the individual capitalist are now institution-
alized and split up among various bureaucratic roles and interdependent
offices in the large corporation, control over that apparatus remains
extra-bureaucratic, and resides with capital" (Zeitlin, 1979:36). Control
does not pass out of the hands of the original controlling interests and
become the prerogative of some other group in society. Rather, the great
majority of owners is stripped of control in favor of a small minority of
owners (Sweezy, 1970:262).

According to this perspective, the managerial elite are the most

active and influential part of the propertied class, are often among the

biggest owners themselves, and function as the protectors and spokesmen

for all large-scale property. Far from being a separate class, Baran and

Sweezy write, they constitute in reality the leading echelon of the prop-

erty owning class. All of this testifies "to the combined power of man-

agement and the very rich: the two are in fact integrated into a harmonious

interest group at the top of the economic pyramid" (Baran and Sweezy,

1968:35, 37). In essence, if the ascendance of the large corporation has

meant the dissociation between ownership of capital and actual direction

of production, nevertheless:

> (1) the large corporation continues to be controlled by ownership
> interests, despite their management by functionaries who may them-
> selves be propertyless; (2) whatever the situation within any given
> large corporation, the 'owners' and 'managers' of the large cor-
> poration, taken as a whole, are merely elements of the same more
> or less unified social class; and (3) the conduct of the large
> corporation is largely determined by the imperatives of capital
> accumulation (Zeitlin, 1979:36).

If the conduct of the large corporation is largely determined by the

imperatives of capital accumulation, we have already answered out next

question: what pattern of behavior can we expect from the large, finan-

cially independent industrial corporations? According to neo-Marxists,

the motives and objectives of the managerial elite are prescribed for

them by the specific historical form of their control over the means of

production (Sweezy, 1953:60). The primary aim of those who run the larg-

est industrial corporations, banks, and insurance companies is the maxi-

mization of the profits of the companies to which they are principally

attached. This ensures that the policies they adopt will, apart from

misfortune, mistakes, and miscalculations, act to increase the pool of

surplus value. Despite internecine quarrels and conflicts, this is the

common interest which binds the various factions of the capitalist class
into a "single and basically unified ruling class" (Sweezy, 1972:143).
The corporation as a unit must be oriented to profit maximization, growth,
and survival as a consequence of the material conditions of the specific
market structure and the general forces of the capitalist economy (Seider,
1977:114; Baran & Sweezy, 1968:20, 28, 39, 47; O'Connor, 1972:143; O'Con-
nor, 1968:31; Sweezy, 1953:60; cf. Peterson, 1965:23-24). An extension
of this argument is that even if "outsiders" such as financial institu-
tions succeeded in establishing control, production, pricing, investment,
and other major decisions would not change radically (O'Connor, 1974:
56). In essence, the making and accumulation of profits hold as dominant
position today as they ever did. O'Connor argues,

> but far from accepting the managerial revolution thesis, I refer
> to the 'corporate capitalist' who necessarily combines and synthe-
> sizes the motives of the merchant, industrialist and banker . . . .
> To my knowledge, there are no Marxist economists who seriously be-
> lieve that managers of industry have wrested control from the large
> owners and exercise that control (for more than a short time, any-
> way) in their own special interests (O'Connor, 1972:122, fn. 4).

Additionally, because managers are themselves "large" owners of
stock and as such have the same interest in dividends as other big stock-
holders, they seek a payout ratio somewhere between the minimum and max-
imum possible. Many managerialists assume that the desire of managers to
generate the largest feasible volume of internal corporate funds leads
to an interest in the lowest possible dividend payout ratio, while the
small stockholders' concern to maximize their disposable cash income leads
to an interest in the highest possible payout ratios. However, given that
managers themselves often own thousands of shares of stock, their interest
in dividends is the same as other large stockholders, which is that stock-
holdings should yield a reasonable cash income yet steadily appreciate

in value. The first requirement calls for dividends, the second for plowing back the earnings. Nevertheless, Baran and Sweezy concede that a special managerial interest in a low dividend payout ratio does exist and is "undoubtably important." This in turn is consistent with the very largest stockholders to whose "advantage [it is] for the corporations in which they own stock to do the saving for them rather than pay out dividends from which to do their own saving" (Baran & Sweezy, 1968: 35). Baran and Sweezy argue that in practice dividend payout policies are the outcome of a compromise between the desire of managements and large stockholders for a low payout ratio and the desire of small stockholders for a high rate. Thus, family controlled corporations tend to have the lowest payout rates, "while the highest rates of all are likely to be paid by companies which both have a large number of small stockholders and are also situated in what may be called 'public-relations-sensitive' areas of the economy" (Baran & Sweezy, 1968: 36).

In a debate with Fitch and Oppenheimer, whose position is discussed at length in the next section, Sweezy (1970:267-268; 1972:134) and Baran and Sweezy (1968:18) have argued that bank capitalist control (to be distinguished from finance capitalist control in later sections) is a passing phase of capitalist development which roughly coincides with the transition from competitive to monopoly capitalism. In contrast to Fitch and Oppenheimer, who claim that bank control is used to appropriate industrial profits at the expense of productive capacity and efficiency, Sweezy and O'Connor argue that stability, predictability, and security figure prominately in corporate decision making in the United States (O'Connor, 1972:133). To speak of bank control is to speak of a misconception. For example, bank trust and pension funds, mutual funds, and

other investors are legally committed to managing investments for
return, not control. Widespread publicity is given to their investment
performance, and companies whose pension funds are managed by banks
follow the banks' performance and those of competitive institutional
investors very closely. As a consequence, institutional investors tend
to buy and sell stocks according to how well they expect the corporations
to perform. High turnover of corporate stock is an obstacle in the way
of control and no doubt reduces institutional investors' weight with
managers, whose control would be more significantly threatened by cor-
porate raiders such as Victor Posner (Herman, 1979:53).

Rather, the Monthly Review group argues that bank power and lever-
age with large companies is almost always based on lending activities
rather than on stock ownership, and with the largest corporations it is
almost without exception far short of control (Herman, 1979:55). Sweezy
recognizes that financial institutions may intervene in poorly managed,
unprofitable corporations so as to protect their investments, given the
difficulty of selling very large blocks of stock. However, Sweezy views
such intervention in radically different terms than Fitch and Oppenheimer
do.

> In monopoly capitalism the giant corporation is the basic unit
> of capital [which] operates according to the classical/Marxian
> principles of profit maximization and capital accumulation.
> Obviously, to the extent that financial watchdogs oversee this
> process and hold managements to the straight-and-narrow path
> of making and expanding profits for the corporation, and indirectly
> for its stockholders and creditors, our position is by that much
> strengthened (Sweezy, 1972:117-118).

Although bankers can write specific conditions into loan agreements that
intrude into fundamental decision making of the large corporation, such
as its ability to pay dividends or sell stock, or exert leverage to

displace a chief executive officer whose method or performance does not satisfy them, these are invoked "only as a last resort" to protect the bank's loans or investments. Herman feels "fairly certain" that the vast bulk of large holdings of institutional investors will be found to be devoid of any control significance (Herman, 1973:19). Rather than threatening the power of existing managements in large corporations, banks along with other institutional investors tend to enhance their power as members of a reciprocity system and an "old-boy" network (Herman, 1973:25-26). Herman speaks of "mutual recognition of managerial autonomy as part of the rules of the game" within limits imposed by relationships, understandings, and collusion (Herman, 1979:55-56).

Taking issue with Fitch and Oppenheimer (see below), who argue that financial institutions attempt to increase the proportion of profits of corporations they "influence" paid out as dividends to stockholders, Sweezy (1972:120-121) argues that this has no claim to general validity. Circumstances exist in which raising the dividend payout rate will lead to a fall in stock prices if investors and speculators judge that the effect will be to deplete a company's cash flow below forseeable needs and thus to jeopardize its solvency. Rather, the main interest of banks is often to limit or reduce dividends rather than raise them, the purpose being to make sure that corporations have enough money to service already existing loans (although this begs the question of what happens in the case where a bank controls a large block of stock in a large corporation having no loans outstanding to the bank). The Monthly Review group believes that "the picture of a few [bank] capitalists manipulating stock, acquiring huge, overnight profits, and frantically putting together and taking apart industrial empires with an eye to immediate

financial gain is simply not consistent with what is known about managerial decision-making in the vast majority of large corporations today" (O'Connor, 1968:32). This claim is supported by some empirical evidence. For example, the motivation of investment bankers to serve as directors of industrial corporations appears primarily to assure that the investment banking relationship with the company be maintained and protected. Mace's interviews with investment bankers confirm that their primary reason for serving as a director of a company was to keep the investment banking business of the client, and to get exposure to other directors in order to generate new banking business (Mace, 1971:151). Fitch and Oppenheimer cite as evidence for bank control the presence of financial institution representatives on the boards of directors of large industrial corporations; and legal forms point to the board of directors as the locus of power within the corporation. But, as Herman notes, these forms obscure the reality. "The reality is evident in the way that boards generally operate: infrequent meetings, general avoidance of serious debate and unseemly questions, a tacit understanding of who is really in charge, and the choice of directors usually in the hands of of the top corporate officers" (Herman, 1973:15). According to Herman and others, Fitch and Oppenheimer deal very superficially with the role and power of outside directors, apparently assuming a priori that they are there to influence and control (Herman, 1973:16).

In answer to the question "Who controls the corporations?", the Monthly Review group responds that "monopoly capital [controls] the corporations, including not only individuals and utilities but also banks and other profit-making financial institutions" (Sweezy, 1972: 141). Based in the writings of Lenin (1977:35-36, 41, 47-61), this

group argues that by and large the same people organize the production, realization, and appropriation of surplus value. Although financial and nonfinancial corporations are formally separate, the U.S. capitalist class does not consist of "bankers" on the one hand and "industrialists" on the other. Rather, the dominant stratum of this class is made up of rich capitalists who own or control both kinds of institutions and whose interests transcend the banks and corporations in which they have principal or controlling shares (Leonard, 1979:462; Zeitlin, 1974:1102; Herman, 1973:25-26; O'Connor, 1972:126-127, 129; Perlo, 1957:42). In contrast to Bell's break-up of family capitalism, by merging industrial capital with bank capital through the trust department mechanism, the great capitalist families have been able to avoid dissipation of their estates. The capitalist families have transferred their ownership and active participation out of largely nonfinancial corporations to financial institutions, primarily banks, through which "they continue to dominate the affairs not only of their traditional nonfinancial family companies but of a host of others which their augmented financial power permits them to control" (Knowles, 1973:2-3). Such family holdings are disguised in a variety of ways (see Zeitlin, 1979:37), but such a change in the form of control is made necessary by the huge capital requirements of the modern corporation (Knowles, 1973:3).

We speak of the stage of finance capitalism. As a first approximation, the largest corporations are properly regarded as autonomous from a control standpoint, though operating within a system of constraints. Their links with financial institutions are best characterized as either reciprocity or community-of-interest relationships. The power of the banks in the largest corporations is real but usually indirect, "helping

to create a framework of expectations, ideology, and pressures that make

managerial capitalism very much like traditional capitalism in objectives,

behavior, and class orientation" (Herman, 1981:64; cf. Leonard, 1979:462).

Groups of capitalists, together with a number of others, own or control

both financial and nonfinancial institutions.

> Industrialists have become 'bankers' in order to mobilize capital
> from the population as a whole and in order to insure that they
> participate fully in the appropriation of surplus value.  And
> bankers have become 'industrialists' because they realize that in
> the long run their financial claims are worthless unless surplus
> value is produced and realized in industry on a continuous basis
> (O'Connor, 1972:126; also O'Connor, 1974:62).

To the extent that the largest banks and corporations constitute a new

form of class property--of social ownership of the means of production

by a single social class--Zeitlin argues that the "inner group" of inter-

locking officers and directors and particularly finance capitalists become

the leading organizers of this system of classwide property (Zeitlin,

1976:901).  The finance capitalist is not a financier extracting interest

at the expense of industrial profits, nor is he a mere banker controlling

one or more corporations.  Rather, he sits on the boards of the largest

banks and corporations, where he presides over the banks' investments as

creditor and shareholder, organizing production, sales and financing, and

appropriating the profits of their integrated activities (Zeitlin, 1976:

900).

Taking issue with Fitch and Oppenheimer, the Monthly Review group

argues that the above form of control does not reflect an antagonism

between banking and industry, nor the taking over of industry in any

crude sense.  Its general basis is characterized by the "community of

interest" principal (Perlo, 1957:42).  Given that on the one hand the

large banks and insurance companies are frequently themselves principal

shareholders in the large corporations, but that on the other hand the very same individuals and families may be principal shareholders in both the large banks and large corporations, even when these do not have institutional holdings in one another, it may not be valid to speak at all of bank control as do Fitch and Oppenheimer. "Rather, these families' interests transcend the banks and corporations in which they have principal or controlling interests; and the banks may merely be units in, and instrumentalities of, the whole system of propertied interests controlled by these major capitalist families" (Zeitlin, 1974:1102). Further, in contrast to Fitch and Oppenheimer, the Monthly Review group argues that most conflict between financial and nonfinancial companies is confined to those sectors of the economy that are poorly integrated into the dominant monopoly capitalist empires. The integration of industrial and bank capital in most large-scale industry has muted or eliminated conflicts arising from interest charges and other issues. It has helped to create a more or less uniform view within the capitalist class as a whole over questions of foreign trade and investment, tariff policy and related matters. O'Connor concludes that the "'conflict' between 'bankers' and . . . industrial capitalists that dominates Fitch and Oppenheimer's world view is largely a figment of their imagination" (O'Connor, 1972: 127; O'Connor, 1974:63-64).

## The Bank Control Theorists

The managerialists and the Monthly Review group can be criticized on a number of points. For example, the assumption of a decreased reliance on external sources of finance is unwarranted (Albin & Alcaly, 1976:264). As early as 1960 Lintner (some of whose work was cited by

Baran and Sweezy) argued that the available evidence simply does not support any inference that a significant or substantial long-term upswing occurred in the use of retained earnings instead of external sources to finance expansion (Lintner, 1960:181, 190). External finance has in fact played a major role in the net new investment of large corporations. This in turn is dominated by a limited number of the very largest financial institutions (Linter, 1960:193). Although corporations can finance expansion internally or through securities issues, most also rely on credit facilities with several banks. Large corporations usually have a lead bank which arranges loans and other credits. Large term loans are often made by a group of several banks known as a "syndicate," as banks are prohibited by the "legal lending limit' from lending more than ten percent of their capital to any single borrower. The Corporate Data Exchange [CDE] has noted that most term loan agreements contain "restrictive covenants" which place limits on future company borrowings, capital investments, dividends and salaries, as well as prior approval of any mergers (CDE, 1980c:21). (In contrast to commercial banks and insurance companies who are instrumental in supplying long-term debt, investment bankers usually serve to advise, underwrite, and market a firm's new securities.)

Thus, Fitch and Oppenheimer's contention that corporations cannot adequately finance themselves through retained earnings and depreciation allowances, nor can they rely on state expenditures to keep them from the bankruptcy court, appears to have some empirical substantiation (see also Zeitlin, 1974:1100). As a matter of fact,

so great has reliance on external funds become that insider
newsletters in 1970 began to tout those new corporations that
hadn't been forced into potentially ruinious indebtedness.  The
Magazine of Wall Street ran a computer survey of all corporations
listed on the New York Stock Exchange and discovered that only
six to seven per cent had no long-term debt . . . .  [T]he
profitable corporations without a high percentage of external
debt were relatively small and closely held (Fitch & Oppenheimer,
1970b:72).

Fitch and Oppenheimer conclude that external finance has in fact played

a major role in the net new investment of large corporations, partly

because profit margins have decreased while dividend payments have in-

creased (Fitch & Oppenheimer, 1970b:74-75).

Increased indebtedness is believed to be the outcome of the process

of capitalist reproduction; particularly, the ups and downs of the busin-

ess cycle force the corporation to rely on external capital at critical

conjunctures in its development (Fitch & Oppenheimer, 1970b:79; Fitch

& Oppenheimer, 1970c:34).  The possibilities of self-financing present

certain limits by virtue of the unevenness between the flow of profit and

the extension of productive capital (Poulantzas, 1975:114).  More import-

antly for Fitch and Oppenheimer, the suppliers of external finance see

the opportunity to create and profit from a speculative boom by financing

takeovers, which otherwise could not be accomplished (Fitch & Oppenheimer,

1970b:82).

Bank control theorists argue that financial dependence can be in-

ferred from a company's capital structure, specifically from the volume

of a firm's external short-term and long-term debt relative to its

equity.  The greater the volume of debt, the higher the dependence on

outside sources; conversely, the higher the degree of internal

financing, the higher the independence (Pennings, 1980:110).  Financial

dependence is also inferred from bank representation on the company's

board of directors.  Particularly, the presence on the board of an

investment or commercial banker identifies the company with that specific

banking firm and restricts the management's freedom of action in relation

to other banking firms (Mace, 1971:133). Mace argues that the presence

on the board of a representative of a banking firm in most cases is notice

to the world, including other bankers, that a client-banking relation-

ship has been established, and that the company's business is limited to

that firm. The result is that often other banking firms with services,

skills, acquisition opportunities, and information of value to the

company will approach other more likely customers who don't have an

already identified bank relationship (Mace, 1971:152). For this reason

top management in industrial corporations do not find that identification

with, and commitment to, one banker is desirable from the company's

point of view (Mace, 1971:150, 152, 201-202). The bank control theorists

proceed on the assumption that investment and commercial banks in control

of the supply of new funds are not likely to permit these funds to go

to a company in financial trouble without the exaction of terms, such

as taking charge of financial decisions, selecting a new chief executive

officer and perhaps other officers, or initiating policies aimed at

internal reorganization and financial retrenchment (Gordon, 1961:195-

196, 202-202; Kotz, 1978:20-22; Zeitlin, 1974:1100; U.S. Congress,

1968:23). A corporation offered terms it dislikes by one bank finds it

can't always turn to another because the sources of very large sums of

long-term capital are fewer than might be supposed. For example, each

powerful investment banking firm has achieved a monopoly on the security

business of certain corporations, and its monopoly is respected by other

investment bankers (Fitch & Oppenheimer, 1970b:77-79). In sum, to gain

control of a major corporation a banking group may find it sufficient

to be selective in its financing and to impose credit conditions, given the specific circumstances of the flow of profit (cf. Poulantzas, 1975: 120).

Another criticism to be made of the Monthly Review group is that what is referred to as the "merging" of industrial and bank capital need not present the features of a "combination" that is closely integrated and henceforth exempt from contradictions and divisions into factions; both of these are in fact found within finance capital in a new form (Poulantzas, 1975:109). O'Connor and others have correctly pointed out that finance capital is not a faction of capital in the same sense as industrial or bank capital. Rather, it is the form assumed by their re- lationship within the process of their merger itself, through which they are reproduced. "Merger" refers to a twofold process, with aspects that are united but relatively distinct: (a) the processes of concentration of industrial capital and of bank capital; (b) the forms of interpene- tration and the relations between industrial and bank capital (Poulantzas, 1975:110). Political economists have documented (a) but glossed over (b). The merger of capitals that gives rise to finance capital is a divergent and contradictory process. In the bank control thesis, finance capital is not yet a fully integrated capital but refers to the mode of functioning of the capitalist fractions in their growing interdependence and to the relations between them in this process (Poulantzas, 1975: 130). These points must be understood if we are to grasp the contradic- tions which run through monopoly capital at every moment of its repro- duction, and hence to reveal the fissures in the merger process (Poulantzas, 1975:115; Fitch & Oppenheimer, 1970b:97).

Bank capital and finance capital have very different meanings: bank

capital is owned by moneylenders who are rentiers pure and simple, while

finance capital is owned by individuals who are not merely rentiers but

also the heads of gigantic industrial-banking complexes (O'Connor, 1972:

119; O'Connor, 1974:58). O'Connor's comments are instructive:

> If an industrial capitalist organizes the production and realization
> of surplus value in some particular branch of the economy, but if
> all of the surplus value (in its money form, profits) is owed to
> a bank capitalist, then it is the banker who appropriates the sur-
> plus value, not the industrialist. In the event that the industrial
> capitalist is unable to win financial freedom from the banker,
> sooner or later he will be reduced to the status of hired manager.
> In this process, the bank capitalist is at first exclusively
> preoccupied with the problem of appropriating surplus value (that
> is, the problem of finance). At a certain point, however, the
> industry's loan/asset ratio reaches a high level and the bank
> capitalist must concern himself more and more with the problem of
> producing and realizing surplus value (O'Connor, 1974:60).

At the point where the bank capitalist concerns himself more and more

with the problem of producing and realizing surplus value (that is, the

problem of production and sales), he ceases to be a bank capitalist and

transforms himself into a finance capitalist (O'Connor, 1972:123).

The point of contention between the Monthly Review group and the

bank control theorists is the extent to which U.S. capitalism has evolved

into finance capitalism. The former implies that the transition is

relatively complete, the latter that it is not (despite a confusion in

terminology particularly evident in Fitch and Oppenheimer, 1970a, 1970b,

1970c). The elements of bank capital have not been extinguished. The

contradictory processes of concentration and dissociation of capitals

which take place in the extended reproduction of monopoly capital tend

toward the "amalgamation" of capitals under a single economic ownership

yet create the resistance to this process. The merging of capitals has

nothing friendly or cooperative about it (Poulantzas, 1975:121).

Thus, bank control theorists do not interpret in the same way as

does the Monthly Review group the factors which indicate influence or
control over nonfinancial corporations by financial institutions: the
supply of capital, the holding and voting of large blocks of stock of
companies, and extensive interlocking. The holding and voting of large
blocks of stock is a particularly troublesome issue. Trust departments
control 24 percent of all corporate stock, acquired as a consequence of
the rapid growth of private pension funds and employee benefit plans.
This often translates into significant blocks of many large companies'
stock. With holdings of four to five percent or more in a particular
company, banks can potentially influence policy by voting the stock or
by buying and selling the securities which cause fluctuations in the
price. Because of this banks maintain a "wall" between the trust and
commercial lending departments to limit the exchange of inside informa-
tion about a firm's financial status. Bank control theorists view these
walls as largely fictitious and point out that the power associated with
trust management is greatly increased by access to inside information
(CDE, 1980c:22; Kotz, 1979:409; U.S. Congress, 1968:23; Nyman & Silber-
ston, 1978:79; Fitch & Oppenheimer, 1970a:100). Banks claim that they
do not use their stockholdings to influence managerial decisions, but
bank control theorists find it difficult to believe that financial insti-
tutions would fail to exercise "prudence and responsibility" in checking
on the success or failure of managerial decisions, or that they would
fail to use power when it became necessary to influence key policy de-
cisions in the company in which they had substantial holdings (Leonard,
1979:462). Spokesmen for large banks often insist that they do not
exercise any influence over corporations whose stock is held in the
bank's trust department, and that if the firm's management takes a

course of action which the bank seriously disapproves of, the bank will sell the stock and purchase an alternative investment. However, this practice may not always be followed because when a bank holds five percent or larger block of a company's stock, selling out rapidly is likely to depress the stock price seriously enough to cause a capital loss for the trust account (Kotz, 1979:412; Kotz, 1978:129; Fitch & Oppenheimer, 1970b: 62; U.S. Congress, 1968:20). In any case, the threat of a sell-off by major investors raises concern among management because if the company's stock declines in price, the implication drawn is that the company isn't doing well. This in turn could adversely affect the public relations efforts of the company, with detrimental consequences for its business. And, a decline in the value of the company's stock may destroy the value of stock options held by principal officers because it could cause the price of the company's stock to fall below the price at which the stock options were granted (U.S. Congress, 1968:25).

A third criticism to be made of the managerial theorists and the Monthly Review group concerns itself with a unique phenomenon arising from the twofold process of merger of industrial and bank capital. The managerial theorists assume the break-up of family capitalism into independent management controlled corporations and reduce further theorizing to a problem of attitudes and motivations. The Monthly Review group minimizes the significance of management control by postulating the arrival of finance capitalism. Neither group has suggested that banks as rentiers and managers in management controlled firms may occupy contradictory locations within class relations (the extent to which is of course an empirical question). Despite claims to the contrary, the aforementioned perspectives have not adequately analyzed the historical

transformation of the class structure of capitalist societies in the
course of capitalist development. They have not examined the ways in
which the various processes which determine the class structure have
generated a number of contradictory locations within the class structure
itself. Within such locations we may find the "satisficing" managers of
managerial theory and the rentiers of bank control theory. The basis of
this argument is that

> the extent to which political and ideological relations enter into
> the determination of class position is itself determined by the
> degree to which those positions occupy a contradictory location
> at the level of social relations of production. The more contra-
> dictory is a position within social relations of production, the
> more political and ideological relations [not specified] can
> influence its objective position within class relations. The more
> a position coincides with the basic antagonistic class relations
> at the level of social relations of production, the less weight
> political and ideological forces can have in determining its class
> position. In a sense it is the indeterminacy of class determina-
> tion at the economic level which allows political and ideological
> relations to become effective determinants of class position
> (Wright, 1976:39-40; italics omitted).

Political and ideological relations can either heighten or counteract the
contradictory quality of locations that are not completely determined at
the economic level (Wright, 1976:40).

If managers are assumed to occupy a contradictory location (not
members objectively of any one of the "two great classes," as Marx put it,
but rather occupying its interstice), then a justification exists that
managers may indeed be less profit-oriented than owners under conditions
of high market power. If as a consequence of the contradictory nature
of the twofold process of merger to finance capitalism, banks find them-
selves influenced by unspecified ideological and political criteria to the
extent that they pursue their own profits at the expense of the corporate
system as a whole, then a justification for Fitch and Oppenheimer's theory

of bank control exists. As such, this represents another challenge to both neoclassical and Marxian political economy. By taking account of such contradictory processes of concentration and dissociation, we provide ourselves with the means of examining the contradictions within the capitalist class itself in the monopoly capitalist stage.

To some extent such a perspective informs Fitch and Oppenheimer's theory of bank control. Hence we arrive at our fourth criticism. In contradistinction to the managerialists and the Monthly Review group, recent empirical evidence (Kotz, 1978; U.S. Congress, 1968, 1974, 1975, 1976, 1978; CDE, 1977, 1980a, 1980b) and discussion (Clawson, 1981; Herman, 1979, 1981; Kotz, 1979; Hoffman, 1979; Leonard, 1979; Burch, 1979; Reinemer, 1979; Perlo, 1978; Zeitlin, 1974, 1976; Solomon, 1974; Fitch, 1972a, 1972b; Mace, 1971; Fitch & Oppenheimer, 1970a, 1970b, 1970c; Chevalier, 1969; Villarejo, 1962; cf. Gordon, 1961:191-192) have suggested that the power of financial institutions over nonfinancial corporations has increased. This has prevented the managers from rising to the position of ultimate control over many large corporations and from imprinting the corporations with their own personal goals (Kotz, 1978:143-144). But this has not necessarily resulted in policies we would expect of finance capitalists, such as showing a strong common interest in stable conditions throughout the entire economic system (Fitch, 1972a, 1972b; Fitch & Oppenheimer, 1970a, 1970b, 1970c).

So what difference does it make who controls the corporations? Fitch and Oppenheimer argue that if management and owner controlled firms behaved like bank controlled firms, the question of who exercises corporate control could be left to academic sociologists. However, in Fitch and Oppenheimer's paradigm, management controlled and bank controlled

firms have dissimilar rates of accumulation, dividend payout rates, and debt policy. Particularly, for the purposes of this study, large commercial banks which hold (and vote) substantial blocks of corporate stock benefit from common stock appreciation and from those portions of corporate earnings that are translated into dividends. Unlike management controlled firms who tend to favor large working capital, low dividends, maximum expansion, an all-common-stock capital structure, and the continuance of the business at all costs, commercial bankers who control companies will be "unenthusiastic" about those companies maintaining high levels of working capital since this hurts their short-term loan business (Fitch & Oppenheimer, 1970c:34, 44). Although less important than commercial banks as a source of control over nonfinancial corporations (Kotz, 1978:138), both commercial and investment bankers can unite around opposition to a low dividend policy since they seek profits from loans, not production. As a general rule, commercial banks will seek a high dividend payout rate, a low level of working capital, and a high level of external debt in the corporations they control.

For Fitch and Oppenheimer, "the two factors making for a high payout ratio--the objective interests of the large financial institutions, which want to maximize their loan capital, and the pressure of the stock market, exerted on behalf of 'optimum' dividend policy--complement each other" (Fitch & Oppenheimer, 1970c:45). From the perspective of bank capital, raising the dividend payout rate is a "surefire" way of boosting the price of a company's stock. The higher the price of company stock, the easier it is to carry out mergers and acquisitions, obtain credit, and hire top management talent. The higher the dividend payout rate, the higher the dividend income flowing into the bank's trust accounts.

Higher dividends and capital gains on stock held by a fund increase the bank's fee for managing it. The more profits are paid out as dividends, the less money is left for investment, thus forcing the corporation to borrow additional funds from the bank. A low dividend policy decreases the need for loan capital and thus the size of banking profits, and obstructs the accumulation of bank trust assets, insurance company reserves, and capital gains from securities trading. A bank that holds stock in a nonfinancial corporation through the bank's trust department has an interest in the corporation maximizing its profits in the long-term so that the firm can also meet its debt obligations. Thus, in Fitch and Oppenheimer's framework, a bank controlled corporation will pay higher dividends than management controlled and owner controlled firms and will maximize profits in the long-term (Fitch & Oppenheimer, 1970c: 43-44; Kotz, 1978:141-142; cf. O'Connor, 1972:149; Fitch, 1972a:168; Sweezy, 1972:121).

Management controlled corporations, as a response to falling profits, would be inclined to cut dividends, limit external debt, and maintain the company's capital position. It would carry out these policies, not because they represent sound business practice, but to prevent control from shifting to outsiders. In contrast, bank controlled firms are forced into a policy of capital transfer which in turn may result in bankruptcy and state intervention. At the same time the companies increase the rate of dividend payments, the controlling institutions increase the rate of fixed (interest) charges paid out to suppliers of long-term capital, that is, themselves. The surplus value earned in the industrial sphere is channeled back to financial institutions where it is used as loan capital (Fitch & Oppenheimer, 1970c:53, 56, 59, 63). In essence,

bank capital keeps payout ratios high in order to increase corporate indebtedness, the aim of which is to maximize their loan capital.

A number of points should be noted in this context. First, banks interested in control should display this in relatively stable holdings which should not fall below levels that might threaten their control position (Herman, 1973:22). Second, bank control does not mean full control but more likely veto power and considerable say in financial policy. Open bank intervention in the operation of companies is rare, although this does not indicate that banks are uninvolved in the control of the corporations. Companies are continually aware of banks' potential control and will generally follow policies acceptable to banks. Direct intervention is rare because it indicates a failure of the continuing and persistent exercise of pressure (Clawson, 1981:843). Third, inter-locks are assumed to reflect important structural relationships between firms and banks, such as stock and debt holdings, credit relationships, employment of the same investment bank and law firm, and buyer and sup-plier relationships (CDE, 1980c:14, fn. 1). And fourth, the individual company creates surplus value, but reallocation of surplus value is increasingly socialized. Investment decisions are no longer made by individual factory owners, but by finance committees composed of offi-cers of the major commercial banks and insurance companies (Fitch & Oppenheimer, 1970c:76).

Fitch and Oppenheimer posit that the merging of industrial and bank capital is incomplete and fraught with contradictions, hence to speak of bank capitalist control as a passing phase of capitalist development is premature (although in their discussion of reciprocity agreements, the authors clearly recognize the trend toward finance capitalist control).

They argue that there is a basic split within the capitalist class between
the industrial sector and the finance sector, that the two have different
and conflicting interests, and that it is the financial sector which holds
the upper hand and imposes its will on the industrial sector.  Those who
control the corporations do not represent the capitalist class as a whole
but a particular segment of the capitalist class which has its own spec-
ial interests and acts "as a debilitating parasite on the entire society"
(Sweezy, 1972:141-142).  Fitch and Oppenheimer thus posit the existence
of a basically antagonistic contradiction within the capitalist class.
Sweezy, Herman, O'Connor, Zeitlin, Perlo, and others believe that this
"merging" has already reached the stage of finance capitalism, hence
that banks will conduct their policies in the "common corporate interest."
Kotz takes a position similar to Sweezy et al. in a comparison/contrast
of bankers and "owner-entrepreneurs:" a banker has a broad network of
interests, ties, and investments in various firms and industries whereas
the owner is principally concerned with one company.  While the owner-
entrepreneur might "hope to gain through a policy of outdoing and un-
doing his rivals, a banker can be expected to prefer a policy of 'stable
profits for all' rather than 'profits for one at the expense of others'"
(Kotz, 1979:427).

In summary, the debate between the managerialists, Monthly Review
group, and the bank control theorists focuses on the extent to which the
capitalist class is divided by contradictions, which are determined by
the way each stratum derives its portion of the surplus value (Fitch,
1972:158-159; cf. DeVroey, 1972b:8; Burnham, 1960:82-95).  In contrast
to the Monthly Review group, managerialists and bank control theorists
argue that those who control the corporations do not represent the

capitalist class as a whole, but particular segments of the capitalist class with their own special interests. The existence of such contradictions should become the object of empirical inquiry, the goal of which is to determine the conditions under which these strata come into conflict over the division of the surplus value. O'Connor's unification of the capitalist class in the tautological phrase "Who Rules the Corporations? Answer: The Ruling Class" precludes such an analysis. On a number of variables it is possible that management controlled, owner controlled, and bank controlled firms will differ.

## Prior Research

With the exception of Zeitlin (1979), only in economics has any attempt been made to test hypotheses derived from the corporate control debate, and then only within the narrow framework of managerial theories of the firm. Particularly, much of the research has proceeded on the hypothesis that managers in management controlled corporations may maximize their self-interests in ways that reduce corporate profitability given the nature of market power in the monopoly capitalist stage and their alleged contradictory class location. The debate between the Monthly Review group and Fitch and Oppenheimer has been largely ignored. Hence, the summary of the empirical research which follows will necessarily appear incomplete.

A number of studies concluded that management controlled firms do not differ from owner controlled firms on the question of profitability (Kamerschen, 1968, 1969, 1973; Larner, 1970; Hindley, 1970; Elliott, 1972; Sorensen, 1974; Holl, 1975; Kania & McKean, 1976; Ware, 1976a; McKean & Kania, 1978; Zeitlin, 1979). Vernon (1971) could uncover

no evidence to suggest that control status exerted a significant influence
on the profit rates of large commerical banks during recent years. Other
studies found no statistical association between growth rates or other
performance variables and type of control (Kamerschen, 1969; Sorensen,
1974; Holl, 1975; Kania & McKean, 1976; Koshal & Pejovich, 1978). Seider
(1977) concluded that regardless of alleged differences between manage-
ment controlled and owner controlled firms, leading U.S. corporations show
similar ideologies; where ideologies do differ is explained as a function
of industrial and market structure. Zeitlin (1974:1096) suggests that
these findings are consistent with both neoclassical and neo-Marxian
reasoning concerning corporate conduct: even where management is in fact
in control, it is compelled to engage in a systematic search for the
highest practicable profits.

However, contrary findings which show statistically significant
differences in profit rates between management controlled and owner con-
trolled firms have been noted in a number of studies, including Monsen,
Chiu and Cooley (1968), Monsen (1969a, 1969b), Radice (1971), Palmer
(1973, 1974), Stano (1975, 1976), McEachern (1975, 1976b, 1978b), Round
(1976), and Bothwell (1980). In all cases, management controlled firms
report significantly lower profit rates than owner controlled firms.
A study by Glassman and Rhoades (1980) shows that owner controlled banks
tend to have higher profit rates than management controlled banks, al-
though the authors also discovered that the choice of the sample had an
important effect on the results: tests on the 200 largest banks showed
no relationship between profit rates and ownership. Furthermore, tests
for nonlinearity indicated that the effects of owner control are not
evident until a relatively high level of ownership exists, where

ownership is measured by the percentage of stock owned or controlled by a single party. Since only small firms are likely to experience a relatively high level of owner control, "managerial preferences will generally be evident in the objective functions of large firms" (Glassman & Rhoades, 1980:270). Only one study to date has discovered higher profit rates among management controlled firms than owner controlled firms. Thonet and Poensgen (1979:28) found that the return on equity per year is two and one-half percent higher for management controlled firms than for owner controlled ones, regardless of the rate of concentration. Introducing size or market share plus an interaction term for type of control and market share widen the differential between the two groups of firms.

Another study indicated that management controlled firms report profit rates that are more variable than those reported by owner controlled firms (Palmer, 1975:129). Stano (1976) argued that management controlled firms are more inclined to take market-related risks as indicated by a significantly lower equity-asset ratio than owner controlled firms. But McEachern (1975, 1976a) claimed that owner controlled firms are more inclined to take market-related risks, where risk is measured by the beta coefficient, than externally controlled firms, and that management controlled firms appear to fall between the owner controlled and externally controlled firms (cf. Mingo, 1976:411). Externally controlled firms included cases of bank control. The author notes, however, that "one cannot necessarily conclude that firms have a lower market-related risk because they are externally-controlled. It may be that these firms remain externally-controlled because they had a lower market-related risk" (McEachern, 1976a:277).

Other studies argued that management controlled firms tend to have larger cash dividend payout ratios than owner controlled firms (Monsen, 1969b; Kamerschen & Pascucci, 1970, 1971; Kamerschen & Paul, 1971; McEachern, 1975). McEachern (1975:97) also discovered that owner controlled firms had a significantly lower payout ratio than did externally controlled firms even after the effects of size and age were accounted for. He found no significant differences between management controlled and externally controlled firms. Sorensen (1974) found that management controlled firms had higher dividend payout ratios than did owner controlled firms, but that the differences were not statistically significant. In contrast, Kania and McKean (1976) argued that owner controlled and management controlled firms do not demonstrate, in an overall sense, any significant differences on the payout ratio. In their research, only the textile apparel industry showed a significantly higher payout ratio for management controlled firms. Accounting for firm size in the model did not alter appreciably the resulting owner-manager control test. In only one study did the author find that owner controlled firms paid out higher dividends than did management controlled firms, and this sample pertained to firms in Great Britain in the late 1940s (Florence, 1961; cf. Florence, 1972:348).

For other differences between management controlled and owner controlled firms, see Salamon and Smith (1979), Kamin and Ronen (1978), and Smith (1976). Finally, Pedersen and Tabb (1976) demonstrated that owner control has increased through merger activity and that owner interests predominate in the acquisition process and subsequent reorganization.

## A Critique of Prior Research

Unfortunately, we cannot take the results of these studies seriously. Table 1 provides a convenient summary of the major studies completed on the relationship between corporate control and profit and dividend payout rates, noting (i) the author, (ii) sample size, (iii) time period of the study, (iv) whether a market power variable (that is, a concentration ratio or barriers to entry variable) was included to test the assumption that the lower profit rates will be evidenced only among management controlled firms under conditions of high market power, (v) statistics used, (vi) the control criteria used to classify the firms, (vii) the relationships discovered, and (viii) the country in which the firms are based. From this table we can argue that the inconsistent findings are attributable at least in part to different samples, time periods for the study, methods of classification of firms by control type, independent variables, and statistical techniques (see Palmer, 1973:293). For example, nearly all of the empirical studies which examine various performance characteristics of the large firm sort the firms into dichotomous owner controlled [OC] versus management controlled [MC] categories. McEachern (1975) claimed that his study was a conceptual improvement over prior studies because it utilized three categories: (i) firms with a controlling stockholder but with a hired manager; (ii) firms with a controlling stockholder who also serves as a manager; and (iii) firms with no controlling stockholder. The problems with this approach are obvious. For example, the "external controlled" category does not differentiate between external but owner controlled firms and bank controlled firms. Furthermore, we can think of no sound reasons why firms in which owners are not present in management should perform differently than firms in

Table 1. Empirical Studies of the Effects of Corporate Control on Profit Rates and Dividend Payout Ratios: A Summary.[a]

## Studies on Profit Rates, in Chronological Order

| | |
|---|---|
| Author(s): | Kamerschen (1968) |
| Sample Size: | Subsamples were obtained from Larner's (1966) 200 firm sample, which constituted the 200 largest nonfinancial firms in 1963 |
| Time Period: | 1959-1964 |
| MP Variable: | Yes |
| Statistic(s): | Zero-order correlation coefficients, multiple regression |
| Control Criteria: | Not specified, but apparently were based on Larner (1966) |
| Findings: | No difference in profit rates |
| Country: | U.S. |

| | |
|---|---|
| Author(s): | Monsen, Chiu & Cooley (1968) |
| Sample Size: | 72 firms were obtained from the Fortune 500 list in 1964 |
| Time Period: | 1952-1963 |
| MP Variable: | No |
| Statistic(s): | Analysis of variance |
| Control Criteria: | OC: more than 10% of the stock was held by a party represented in management or on the board of directors, or 20% or more was held by a party not represented as such; MC: less than 5% of the stock was owned by an identifiable party |
| Findings: | OC firms were more profitable than MC firms |
| Country: | U.S. |

Table 1 (cont'd.).

Studies on Profit Rates, in Chronological Order

Author(s): Kamerschen (1969)

Sample Size: 192 firms were obtained from the Fortune 200 list in 1963

Time Period: 1959-1964

MP Variable: Yes

Statistic(s): Zero-order correlation coefficients, multiple regression

Control Criteria: Same as Larner (1966)

Findings: No difference in profit rates

Country: U.S.

Author(s): Monsen (1969a, 1969b)

Sample Size: 72 firms were obtained from the Fortune 500 list in 1963

Time Period: 1952-1963

MP Variable: No

Statistic(s): Balanced fixed model of three-way analysis of variance, analysis of covariance with one concommitant variable

Control Criteria: OC: 10% or more of the stock was held by an identifiable party;
MC: Less than 10% of the stock was held by an identifiable party (?)

Findings: OC firms were more profitable than MC firms

Country: U.S.

Table 1 (cont'd.).

Studies on Profit Rates, in Chronological Order

| | |
|---|---|
| Author(s): | Larner (1970) |
| Sample Size: | 187 firms were obtained from the 500 largest nonfinancial firms in 1963 |
| Statistic(s): | Multiple regression |
| Control Criteria: | OC: 10% or more of the stock was held by an identifiable party; MC: less than 10% of the stock was held by an identifiable party |
| Time Period: | 1956-1962 |
| MP Variable: | Yes |
| Findings: | No difference in profit rates |
| Country: | U.S. |
| Author(s): | Radice (1971) |
| Sample Size: | All firms with more than £ million net assets in the food, electrical engineering & textile industries, from the Board of Trade's Company Assets, Income and Finance in 1963, were included (n = 89) |
| Statistic(s): | Multiple regression |
| Control Criteria: | OC: more than 15% of the stock was owned by an identifiable party; MC: less than 5% of the stock was owned by an identifiable party |
| Time Period: | 1957-1967 |
| MP Variable: | No |
| Findings: | No difference in profit rates |
| Country: | U.K. |

Table 1 (cont'd.).

Studies on Profit Rates, in Chronological Order

Author(s): Elliott (1972)

Sample Size: 88 firms were obtained from the 840 firms included in Standard & Poor's Compustat Data Tapes

Statistic(s): T-tests, three-way analysis of variance

Control Criteria: OC: 10% or more of the stock was held by members of management or 20% of the stock was held by a party out-side of management; MC: less than 5% of the stock was held by a party

Time Period: 1964-1967

MP Variable: No

Findings: No difference in profit rates

Country: U.S.

Author(s): Palmer (1973, 1974)

Sample Size: The 500 largest firms ranked by Fortune in 1965 were included

Statistic(s): See B. Ostle, Statistics in Research (1963), p. 337

Control Criteria: Strong OC: 30% or more of the stock was owned by one party; Weak OC: between 10% and 29.9% of the stock was owned by one party; MC: no single party owned 10% or more of the stock

Time Period: 1961-1965 & 1966-1969

Findings: OC firms were more profitable than MC firms only under conditions of high BTE

MP Variable: Yes

Country: U.S.

Table 1 (cont'd.).

Studies on Profit Rates, in Chronological Order

| | |
|---|---|
| Author(s): | Sorensen (1974) |
| Sample Size: | 60 firms were included, apparently taken from Larner (1970) |
| Time Period: | 1948-1966 |
| MP Variable: | No |
| Statistic(s): | Analysis of variance with nested design |
| Control Criteria: | OC: 20% or more of the stock was held by a single party; MC: no share concentration of 5% or more was evident |
| Findings: | No difference in profit rates |
| Country: | U.S. |
| Author(s): | Holl (1975) |
| Sample Size: | 183 firms were obtained from the Stock Exchange Yearbook, 1951 |
| Time Period: | 1948-1960 |
| MP Variable: | No |
| Statistic(s): | Discriminant analysis, generalized (Mahalanobis) distance analysis |
| Control Criteria: | OC: more than 20% of the stock was owned by one person, or the board of directors collectively owned more than 10% of the stock, or 20% of the stock was held collectively by the 20 largest stockholders & two or more members of the board were among that group; MC: all other companies |
| Findings: | No difference in profit rates |
| Country: | U.K. |

Table 1 (cont'd.).

Studies on Profit Rates, in Chronological Order

| | |
|---|---|
| Author(s): | Stano (1975) |
| Sample Size: | 46 firms were included, the smallest ranking 78th in sales on the 1963 Fortune 500 list |
| Time Period: | 1956-1962 |
| MP Variable: | Yes |
| Statistic(s): | Multiple regression |
| Control Criteria: | Same as Larner (1970) |
| Findings: | No difference in profit rates |
| Country: | U.S. |

| | |
|---|---|
| Author(s): | Kania & McKean (1976) |
| Sample Size: | 178 firms were obtained from the 1972 Compustat Data Tapes |
| Time Period: | 1963-1972 |
| MP Variable: | Yes |
| Statistic(s): | Analysis of covariance |
| Control Criteria: | OC: 10% or more the stock was held by a single party; MC: less than 10% of the stock was held by a single party |
| Findings: | No difference in profit rates |
| Country: | U.S. |

| | |
|---|---|
| Author(s): | Round (1976) |
| Sample Size: | 289 firms were obtained from Wheelwright & Miskelly, Anatomy of Australian Manufacturing Industry (1967) |
| Time Period: | 1962-1964 |
| MP Variable: | No |
| Statistic(s): | Multiple regression |
| Control Criteria: | Not specified in the article |
| Findings: | OC firms were more profitable than MC firms |
| Country: | Australia |

Table 1 (cont'd.).

Studies on Profit Rates, in Chronological Order

Author(s): Stano (1976)
Sample Size: 354 firms were obtained from the Fortune 500 list in 1965
Time Period: 1963-1972
MP Variable: Yes

Statistic(s): Multiple regression
Control Criteria: Same as Palmer (1973, 1974)

Findings: OC firms were more profitable than MC firms
Country: U.S.

Author(s): Ware (1976a)
Sample Size: 74 firms were obtained from Standard & Poor's Compustat Data Tapes

Statistic(s): Analysis of covariance
Control Criteria: OC: 15% or more of the stock was owned by a party represented in management or on the board of directors, or 20% or more of the stock was held by a party not represented as such;
MC: no evidence of owner control over the time period & no single block of voting stock greater than 5% were discovered

Time Period: 1960-1970
MP Variable: No

Findings: No difference in profit rates
Country: U.S.

Table 1 (cont'd.).

Studies on Profit Rates, in Chronological Order

Author(s): McKean & Kania (1978)

Sample Size: A stratified sample of 174 was obtained from the 1972 Compustat Data Tapes

Time Period: 1963-1972

MP Variable: Yes

Statistic(s): Analysis of variance model with one repeated measure & two covariates

Control Criteria: OC: 10% or more of the stock was held by a single party, the board of directors, or a closely held firm;
MC: less than 10% of the stock was held by such parties

Findings: No difference in profit rates

Country: U.S.

Author(s): Thonet & Poensgen (1979)

Sample Size: 52 to 92 (depending on the year) were obtained from the 300 manufacturing firms listed on a German stock exchange

Time Period: 1961, 1966, 1970

MP Variable: Yes

Statistic(s): Multiple regression

Control Criteria: OC: more than 25% of the stock was owned by a person or family;
MC: no party owned more than 25% of the stock;
All Others: 25% or more of the stock was owned by another firm, institution or the government

Findings: No difference in profit rates

Country: West Germany

Table 1 (cont'd.).

Studies on Profit Rates, in Chronological Order

| | |
|---|---|
| Author(s): | Zeitlin (1979) |
| Sample Size: | Somewhat less than 300 firms were obtained from the 300 largest U.S. industrial firms of 1964, classified into control types by Burch (1972) |
| Time Period: | 1964 |
| MP Variable: | Yes |
| Statistic(s): | T-tests, analysis of variance, multiple regression |
| Control Criteria: | Based on multiple indicators that are too complex to summarize here (see Burch, 1972) |
| Findings: | No difference in profit rates |
| Country: | U.S. |

| | |
|---|---|
| Author(s): | Bothwell (1980) |
| Sample Size: | 150 firms were obtained from Shepherd (1972), Palmer (1973), and the 1967 Compustat Data Tapes |
| Time Period: | 1960-1967 |
| MP Variable: | Yes |
| Statistic(s): | Multiple regression |
| Control Criteria: | Same as Palmer (1973, 1974) |
| Findings: | Weak OC firms were more profitable than MC firms under conditions of high & substantial BTE; Weak OC firms & Strong OC firms combined were more profitable than MC firms under conditions of high & substantial BTE |
| Country: | U.S. |

Table 1 (cont'd).

Studies on Dividend Payout Rates, in Chronological Order

| | | | |
|---|---|---|---|
| Author(s): | Florence (1961) | Statistic(s): | Comparison of means |
| Sample Size: | 1600 industrial firms | Control Criteria: | Unknown |
| Time Period: | 1948-1951 | Findings: | OC firms had much higher payout ratios than MC firms |
| MP Variable: | Unknown | Country: | U.K. |
| Author(s): | Monsen (1969b) | Statistic(s): | Analysis of variance |
| Sample Size: | 69 firms were obtained from the 200 largest nonfinancial firms in 1963 | Control Criteria: | OC: 10% or more of the stock was owned by a single party; MC: less than 10% of the stock was owned by a single party |
| Time Period: | 1952-1963 | Findings: | MC firms had higher payout ratios than OC firms |
| MP Variable: | Apparently no | Country: | U.S. |
| Author(s): | Kamerschen & Pascucci (1970, 1971), Kamerschen & Paul (1971) | Statistic(s): | T-tests, multiple regression |
| Sample Size: | 198 firms were obtained from the Fortune 200 list in 1963 | Control Criteria: | Same as Larner (1966) |
| Time Period: | 1959-1964 | Findings: | MC firms had higher payout ratios than OC firms |
| MP Variable: | No | Country: | U.S. |

Table 1 (cont'd.).

Studies on Dividend Payout Rates, in Chronological Order

| Author(s): | Sorensen (1974) |
| --- | --- |
| Sample Size: | 60 firms apparently taken from Larner (1970) |
| Time Period: | 1948-1966 |
| MP Variable: | No |
| Statistic(s): | Analysis of variance with nested design |
| Control Criteria: | OC: 20% or more of the stock was held by a single party; MC: no share concentration of 5% or more was evident |
| Findings: | MC firms had higher payout ratios than OC firms but the differences were not statistically significant |
| Country: | U.S. |

| Author(s): | McEachern (1975) |
| --- | --- |
| Sample Size: | Samples of 48 & 96 were obtained from the 500 largest firms in 1971 |
| Time Period: | 1969-1972 |
| MP Variable: | No |
| Statistic(s): | Multiple regression |
| Control Criteria: | EC: 4% or more of the stock was held by a party not part of management; OC: 4% or more of the stock was owned directly or beneficially by the c.e.o.; MC: no single party owned 4% or more of the stock |
| Findings: | EC firms had higher payout ratios than OC firms; MC firms had higher payout ratios than OC firms; MC firms & EC firms did not differ |
| Country: | U.S. |

Table 1 (cont'd.).

Studies on Dividend Payout Rates, in Chronological Order

| | |
|---|---|
| Author(s): | Kania & McKean (1976) |
| Sample Size: | 178 firms were obtained from the 1972 Compustat Data Tapes |
| | |
| Time Period: | 1963-1972 |
| | |
| MP Variable: | Yes |

| | |
|---|---|
| Statistic(s): | Analysis of covariance |
| Control Criteria: | OC: 10% or more of the stock was held by a party, the board of directors, or a closely held firm; MC: less than 10% of the stock was held by such parties |
| Findings: | No differences were found for the payout ratio, except for the textile apparel industry which showed a significantly higher payout ratio for MC firms compared to OC firms |
| Country: | U.S. |

[a]Excludes the banking studies by Vernon (1971) and Glassman and Rhoades (1980).

which they are present. Nor is it always obvious that in the externally
controlled firms owners are absent in management because McEachern made
no attempt to trace kinship relations. The absence of a dominant stock-
holder by name does not mean the absence of his brother-in-law, trust
representative, or lawyer. Most importantly, all of the prior studies
have overlooked the category of bank control, which renders their results
of questionable value and might help explain why they conflict. These
studies have not accounted for the dramatic rise in institutional share-
holdings during the 1960s. They have either ignored or denied the fact
that corporations rely significantly on external funds and that bank
capital can exercise power through its lending activities (Nyman & Sil-
berston, 1978:89; Fitch & Oppenheimer, 1970b:68).

The conceptualization of control in the econometric studies has
not only ignored Berle and Means' complicated schema (1968:72-89; later
critiqued by Villarejo, 1961:56; Zeitlin et al., 1974:102; and Nyman &
Silberston, 1978:77-81), it has also been linked with a single criter-
ion: particularly, a minimum percentage of stock held by a single party
(an individual, a family, or business associates). In most cases the
minimum percentage of stock necessary for control is overestimated.[4]
As a consequence, classification of firms is attended by a large measure
of error, although part of this problem is due to the difficulty of
getting accurate information and to the conceptual difficulties involved
in drawing the line between management control and owner control (cf.
Berle & Means, 1968:84-85). However, to the discredit of much of the
prior research, few studies have presented any really new factual or
quantitative data to substantiate their claims, relying rather to a great
extent on Larner's (1970) flawed data. In most cases studies simply

drew stockholder data from the <u>Value Line Investment Survey</u> or from proxy statements. Our use of multiple indicators from a variety of different sources shows that the stockholder data reported in the <u>Value Line Investment Survey</u> is notoriously incomplete. Particularly, family controlled companies often do not report the family holdings. Burch (1972) showed that proxy statements have often been deliberately falsified. Such superficial sources of information and the use of residual categories to define management control are inappropriate. We have little reason to believe that companies are truly under management control simply because proprietary interests of a specific size do not appear in the data of offical files or proxy reports (Zeitlin, 1979:40). Findings to date as to differences in performance characteristics of firms classified by different types of control are of questionable value due to the lack of a good method for ascertaining the locus of control in large corporations. A full investigation of the extent of owner control must take a case-by-case approach and investigate a wide range of factors. Thus, prior studies have not revealed the true impact of ownership on corporate behavior because they have a very narrow conception of the nature of ownership, of how it should be measured, and what its effects are likely to be (Nyman & Silberston, 1978:92).

Furthermore, as Table 1 shows, certain studies did not adequately control for market power effects. Particularly, many of these studies used samples that did not account in a satisfactory fashion for the confounding effect on performance of firms classified in the same two- and three-digit SIC industry groups but operating in different product markets (McKean & Kania, 1978:328; cf. Mann, 1966:299-300). Industry dummy variables to control for industry effects, used in a number of

the studies, are inappropriate because very few large firms can be classified as single industry firms; the vast majority of the two hundred largest industrial firms in the United States are highly diversified. This would help account for why four-firm concentration ratios, as a measure of market power, have consistently proved statistically insignificant in multiple regression runs in prior work. Previous studies have neglected the product market constraint and considered concentration ratios or size per se as sufficient grounds for monopoly power. However, certain very large firms also have relatively low barriers to entry and some empirical evidence (Palmer, 1973, for example) suggests that management controlled firms under those conditions should behave no differently than owner controlled firms under the same conditions (cf. McEachern, 1975:44; McEachern, 1978b:492).

Finally, we may note two other important points in passing. First, the samples in these studies are not strictly comparable, because convincing arguments can be made that the 200 largest firms behave somewhat differently than do the 1800 largest firms taken as a whole on questions of control, overseas activity, merger activity, interaction with the financial community, etc. (for example, see Glassman & Rhoades, 1980). Second, how statistical methodology was used in the studies had an important effect on the results, for example, in using two-tailed instead of one-tailed t-tests to test individual regression coefficients in multiple regression equations. McEachern (1975:38-56) reports that with corrections in statistical methodology, Kamerschen (1968), Radice (1971), and Sorensen (1974), who reported no differences in profit rates for control type, would show quite different results. In all cases, owner controlled firms would be more profitable than management controlled firms.

CHAPTER II

NOTES ON METHODOLOGY

## Operationalizing the Concept of Control

"Control" cannot be reduced to two categories or to a single cri-

terion. It requires a more complex classification scheme and a variety

of interrelated but independent indicators. Control should be understood

to be both "relative" and "relational" (see Zeitlin, 1974:1089-1094).

Thus it must be conceptualized in the following manner: "When the concrete

structure of ownership and of intercorporate relationships makes it prob-

able that an identifiable group of proprietary interests will be able to

realize their corporate objectives over time despite resistance"

(Zeitlin, 1974:1091; also see Kotz, 1978:14-22; Berle & Means, 1968:

114; Dimhock & Hyde, 1940:19-27; Means, 1931:72). Corporate control has

for too long been regarded as a "static" rather than as a "fluid" phenom-

enon. Where the definition of control is taken to mean the power to

elect the company's board of directors, and to determine the broad policies

guiding a corporation, especially in the areas of finance, expansion, and

distribution of profits, the question of control then centers around

whether or not the would-be-controlling interest can win a proxy battle

or turn back a tender offer if the need arises (Knowles, 1973:15; Kotz,

1978:15; Zeitlin, 1974:1089-1090). Control defined as such does not neces-

sarily imply active involvement in routine decision making of the company

but it does imply involvement in the making of more fundamental decisions.

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Though the parties possessing sufficient power to control the corporation may not actively exercise control for extended periods of time, the existence of strong minority holdings keeps management mindful of the owners' welfare and exercises at least a passive form of control (Smith, 1976: 709; Gordon, 1961:190). Such a definition of control presupposes a theory which is based on an analysis of board composition, directors' roles, selection processes, the factors constraining and enlarging the powers of managerial insiders, the role of interlocks, and the ways in which stock ownership and creditor-borrower relationships yield influence and control (Herman, 1981:61; Herman, 1979:50; Kotz, 1978:19).

The conception of control upon which this dissertation is based considers such elements. If control is defined passively as the power to determine the broad policies guiding a corporation, then a holder of a sufficiently large block of stock or debt in the company may be identified as having possible control over the company (Kotz, 1981:58). However, no scientific evidence has ever been put together that "throws much light" on how large a block of stock is necessary to gain and hold control. Various laws have established between five percent and 25 percent as presumptive evidence of minority control (Herman, 1973:18). Dispersion of stockholdings among a wide variety of small shareholdings simultaneously reduces the fraction of total shares required for effective control (Albin & Alcaly, 1976:262). However, at what point does a block of shares in the hands of an individual or group of associates become too small to ensure minority control? And, if that point is reached, does it mean abrogation of control by propertied interests and its appropriation by a distinct stratum of nonpropertied managers (Zeitlin, 1974:92-93)? The extent of control or influence that can be exerted as the ten percent

or five percent level is approached is difficult to answer. Reliance
on a figure such as a holding with voting authority of five percent of
the company's shares is probably a crude and insufficient indicator of
influence or control because its effect is not readily subject to empir-
ical determination (U.S. Congress, 1978:661-662).

On the other hand, voting stock remains the one measure that has
legal sanction as a means by which shareholders can exercise their rights
in modifying the structure and functions of a corporation. Furthermore,
control of a small percent, even one or two percent, of stock in a public-
ly held corporation can wield tremendous influence over a company's pol-
icies and operations. This is because (i) with the dispersal of share
ownership, each owner having at best a few thousand shares, a holder of
even one percent may be by far one of the largest stockholders; (ii)
many institutional shareholders such as certain pension and mutual funds
do not as a matter of policy vote shares held by them, which increases
the voting power proportionately of those who do vote their shares,
particularly those who hold large blocks of stock; and (iii) such blocks
of stock are often adequate to put representatives on the boards of direc-
tors of these companies. This is especially true when cumulative voting
arrangements exist whereby the number of votes equals the number of shares
held times the number of directors up for election. In such cases stock-
holders of one or two percent have an excellent chance of electing one
or more members to the board of the corporation in which they hold stock
(U.S. Congress, 1975:2, fn. 2). Furthermore, even in cases where family
interests may only have four to five percent of the company's outstanding
stock, their ability to purchase more stock, to gain support of insti-
tutional stockholders, and to benefit from inside knowledge obtained from

one or more positions in the company's management is often of decisive
importance (Knowles, 1973:17).

On the basis of such considerations the Patman Committee concluded
that effective control by institutional holders could be assured with
even less than a five percent holding, especially in very large companies
whose stock is widely held (cf. Zeitlin, 1974:1087; Solomon, 1974:782).
Chevalier took five percent as the threshold between minority and manage-
ment control, on the assumption that a group which holds five percent of
the company's voting stock and which is represented on the board of direc-
tors, can in certain cases control that company (Chevalier, 1969:165).
Similar points have been made by Villarejo (1961:55), Burch (1972:29-
35), and others.

To identify a block of stock as being the largest is not sufficient
to establish the locus of control in a given corporation, however. We
must show the presence of identifiable individuals, families, or other
proprietary interests, and we must investigate the interconnections be-
tween the principal shareholders, officers, and directors, and other
companies. Further, to estimate the probability that a given individual,
family or group controls a corporation, we must know who the rivals or
potential rivals for control are and what assets they can bring to the
struggle (Zeitlin, 1974:1083, 1091; Zeitlin et al., 1974:88). As Zeitlin
notes, "the very same quantitative proportion of stock may have a quali-
tatively different significance, depending on the system of intercorpor-
ate relationships in which the corporation is implicated" (Zeitlin,
1974:1091).

This means that we must emphasize ultimate contro, that is, if
nonfinancial corporation A is found to be immediately controlled by

nonfinancial corporation B, then whoever controls corporation B is held
to control A as well (Kotz, 1978:83). Disclosure of the control group
ordinarily requires investigations of the corporation's history and kin-
ship ties, business associations, financial arrangements, and careers of
its principal shareholders, officers, and directors. Even with such data
a precise determination of the control of individual companies would be
doubtful in many cases owing to joint influences of two or more interests
(Pedersen & Tabb, 1976:55-56). Further, "many legally distinct personal
holdings, together with those held through personal and family holding
companies, trusts, and estates (and/or such intermediaries as nominees
and brokers), may form a single family block for purposes of control.
Aggregating such holdings (and penetrating their anonymity) is a primary
task in any study of corporate control" (Zeitlin, et al., 1974:103).
Particularly, trusts enable a stockholder to segregate the prerogatives
of ownership: the right to receive income and the power of control. The
right to receive income may be divided among a number of beneficiaries,
while the power of control, such as the right to sell, exchange, or vote
securities held by the trust, may be vested in the hands of a family
representative or a trustee whose business attitudes concur with those
of the founder of the trust (Goldsmith & Parmelee, 1940:76). Similar
functions are performed by family holding companies.

Thus, not only must holdings be traced back to their original sources;
the management must be examined for the presence of one or more family
names in the upper echelon (vice-president and above) (Burch, 1972:18-19).
Board committees must be examined because they are often more active and
of "more positive influence" than the boards of directors as a whole.
Their power stems from the tendency of boards to routinely approve the

recommendations of their committees. As a consequence, a small group

on a strategic committee may wield a great deal of influence, particularly

in the field of its specialty (Dimhock & Hyde, 1940:25).

We must also examine where possible the ability of any party to win

a proxy contest.[5] The ability to win a proxy contest depends on a number

of factors, including (i) whether the party is represented by current

management which has better access to information, control of the proxy

solicitation machinery, and the ability to deduct the costs of a proxy

fight; (ii) the extent of stock held; (iii) the availability of resources

to defray the costs of a proxy solicitation compaign and, if time permits,

to build up one's holdings in the company's stock; (iv) connections of a

friendly sort with other major stockholders; and (v) the availability of

issues upon which to mount an attack against adversaries (Knowles, 1973:

16). Given (i) shareholder apathy, (ii) the practical impossibility of

a majority of the stockholders of a large company to get together to ex-

ercise a degree of control, (iii) various restrictions placed on share

voting, (iv) the tendency of many shareholders to divide their interest

between several companies so as to minimize risk, and (v) the small sums

most stockholders have placed in their investments, making it unlikely

that they will spend the time and money to attend the annual share-

holders meeting (Wildsmith, 1973:7; Dimhock & Hyde, 1940:19; Florence,

1972:388; Villarejo, 1961:55), the existing directors will probably obtain

the proxy votes of the large owners. The result is a disenfranchisement

of the vast majority of minute owners rather than a total separation of

ownership and control (Wildsmith, 1973:7-8). Thus, control by families

rests upon their ability to attract from scattered owners sufficient

proxies 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 a-

round which to gather a majority of the votes (Berle & Means, 1968:75).

Owner control is possible because a party owns a substantial but

minority interest which constitutes a majority of the stock actually re-

presented at stockholders' meetings or to which the control group can

attract a sufficient number of proxies from scattered owners to consti-

tute a majority at such meetings (Dimhock & Hyde, 1940:20).  However,

we should note that direct proof of family control based on the share-

holdings of family members or their representatives can be established

only for a small minority of the large corporations.  The hypothesis of

extensive control by ownership must be proved mainly from the concentra-

tion of shareholding (Florence, 1972:247).  We should also note that such

control is precarious.  When the minority and the management disagree,

a major battle may ensue in which the management may deny the use of

the proxy machinery to the minority, which is then faced with formidable

obstacles.  Such a group has the expensive recourse of sending out a

duplicate set of proxies and bidding for the stockholders' 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"

(Berle & Means, 1968:76; Dimhock & Hyde, 1940:20).

In contrast, management control presupposes a very wide dispersal

of stock and no blocks in excess of four to five percent, that the proxy

machinery is at the disposal of insiders, and that management chooses the

proxy committee whose appointments from among members of management as-

sures its own continuance (Dimhock & Hyde, 1940:21).  Distinguishing

between management control and owner control represented by small hold-
ings has always been the major stumbling block in analyzing and classi-
fying types of control. Management control implies control by a group
without substantial legal power stemming from ownership; family control
implies that the control group not only has a substantial (but minority)
interest, but that this ownership interest is their primary means of
control (Herman, 1973:18).

To adequately account for bank control, we must also consider a
number of issues. For example, contrary to Fitch and Oppenheimer, the
mere identification of interlocks proves little. Boards of directors do
not control most corporations and outside directors rarely influence
corporate decision making (Solomon, 1974:782; Mace, 1971). Whether di-
rector representation constitutes a reliable indicator of financial con-
trol over a company depends on such factors as the number of represen-
tatives, whether the representatives hold important positions on the
board of directors of the company, such as chairman of the board or
member of the finance or executive committee, and the coexistence of
actual sources of power over the corporation held by the financial insti-
tution such as stock or debt holdings (Kotz, 1978:22). Many writers
have confused the legal functions of boards with what they actually do.
In the largest corporations, directors play a minor role in corporate
affairs and outside directors are usually relegated to a limited advis-
ory capacity. Generally, the board does not set corporate policies,
evaluate management performance, or even select top officers. Boards
avoid serious debate or discussions. And, if a member questions corpor-
ate policy, he remains silent or resigns (Solomon, 1974:783; Mace, 1971).
The key is who has the power to select the board of directors, and who

occupies the critical policy formation committees. As we have noted

previously, the power of board committees stems from the tendency of

boards to approve the recommendations of their committees. For example,

the finance committee determines the distribution of profits, authorizes

dividends and takes charge of capital investments (Fitch & Oppenheimer,

1970a:84; Dimhock & Hyde, 1940:25). In addition to dominating financial

affairs, the committees also set the overall policies and objectives for

the company. For example, they decide the rate and type of corporate

growth to be pursued. Furthermore, Pennings (1980) found strong evidence

that financial institutions refrain from interlocking with companies

saddled with considerable capital outlays, and that they would rather be

associated with financially healthy companies.

Secondly, although the Patman Committee concluded that effective

control of corporations by financial institutions could be assured with

a four to five percent holding, to determine not only the extent of fin-

ancial holdings but also how they are voted is extremely difficult.

Banks may lack sole voting rights over trust accounts; joint voting

control may be exercised by banks with another trustee; or banks may

lack any voting rights (Solomon, 1974:782). In some cases, heirs have

no interest in voting the stock in trust accounts left by founding capital-

ist families, in which case that right may pass to the bank managing the

trust fund. However, to determine in practice when this occurs in the

absence of full reporting by banks is nearly impossible (Kotz, 1978:

66).

Although pension funds generally allow the managing bank to vote

fully stock held in the fund, this is not always the case. To discover

who votes, and how, is important because the management of pension funds,

including the authority to buy, sell, and vote equities, is concentrated

among banks, insurance companies, and investment company complexes.

Stock held by pension funds amounts to 37 percent of all stock held by

institutional investors (Reinemer, 1979:394). According to the U.S.

Congress,

> most of the major pension funds surveyed . . . do not exercise
> voting rights directly but assign responsibility for exercise
> of voting rights of the stocks in their respective portfolios to
> outside trustees and investment managers, mostly trust departments
> of banks, but also including insurance companies, investment
> companies, and other financial institutions. For most of the
> largest pension funds the customary procedure appears to be for
> officers of a pension fund to select several trustees, each to
> manage a portion of the fund's investments. Along with invest-
> ment responsibility, the outside trustee assumes full responsi-
> bility for voting the proxies of the stocks in the portfolio in
> his care (U.S. Congress, 1978:720-721).

However, we find variants on this procedure (see U.S. Congress, 1978:

721 ff.). For example, the U.S. Steel Pension Fund has its investment

staff exercise the voting rights inherent in its portfolio. The president

of the fund has reported that "'while the great majority of staff evalu-

ations result in support of management positions, there have been numer-

ous instances of opposition to management or support of stockholder

proposals'" (quoted in U.S. Congress, 1978:723). Yet we can assume that

banks vote at least three-fourths of the value of the stock held in em-

ployee benefit accounts, and at least 50 percent of the value of stock

held in personal trust and estate accounts (see U.S. Congress, 1978:

689). Additionally, shared voting often works to the banks' advantage.

One of the most common forms of shared voting is where the bank will

mark "the proxy as it judges would be in the best interest of the client,

or recommend a voting position and forward it to the co-trustee for

approval, leaving it to the co-trustee to forward the proxy ballot to

the portfolio company either without change or changing it as the co-trustee desired, or abstaining from voting altogether" (U.S. Congress, 1978:692).

Thirdly, we should note certain points about investment banks and investment advisors. Investment banks have two major functions in the securities markets: underwriting new stock and debt issues, and arranging corporate mergers and acquisitions (CDE, 1980c:36). Debt issues may constitute a form of control, as discussed previously. An attempt to operationalize debt as control is discussed shortly. Investment advisors specialize in the management of funds for a diverse group of clients, including private pension plans, mutual fund complexes, and wealthy individuals. The principal line of business of an investment advisor is the continuous paid supervision of outside clients' investment funds. Although they do not have actual ownership of the funds, advisors usually retain "total" discretion over investing and voting the securities. For investment companies, like commercial banks, voting of proxies provides a means of influencing portfolio companies that they generally take seriously. Almost never do they abstain from voting (CDE, 1980c:39; U.S. Congress, 1978:709). Examples of investment advisors include Capital Group, FMR Corporation, Wellington Management, Dreyfus Funds, Massachusetts Financial Services, Lord Abbett, and a number of others. These companies are important because they are the second largest institutional manager of common stocks after bank trust departments (CDE, 1980c:39). (Stocks held by brokerage firms are not considered to be a problem of bank control, because brokers do not have voting rights to the stock except under unusual circumstances. Brokerage firms typically send proxy materials to the beneficial owners of the stock (U.S. Congress,

1978:15).)

Finally, we should re-emphasize that financial institutions are very wary of charges that they control nonfinancial corporations. This provides an additional motivation to keep their stockholdings in a company at the minimum level necessary for the degree of influence they may wish to exert (Kotz, 1978:100).

In sum, we attempt to explicate the system of intercorporate relationships in which the corporation is implicated, without which the actual control group(s) is unlikely to be identified (Zeitlin, 1974:1083, 1091). We attempt to conceptualize control "in such a way as to link it inextricably with a method that is not reducible to a single criterion, such as a minimum percentage of stock held by a single minority block, but which requires instead a variety of interrelated yet independent indicators" (Zeitlin, 1974:1090).

A number of authors have suggested alternative schemes that are more consistent with Zeitlin's recommendations, including Burch (1972:29-30, 34-35), DeVroey (1975a:6), Nyman and Silberston (1978:94), and Kotz (1978:75-79). The study to be undertaken here will rely mainly on the fourth and to date the most useful classification of control type: that of Kotz. Modifying his schema somewhat, the categories will include potential financial control (stock), potential financial control (debt), potential financial control (stock and debt), probable family control, probable management control, foreign control, miscellaneous forms of control, transitional control, and indeterminate control. The term "financial control" is used rather loosely in this context. Whether the potential for control is exercised in the interests of bank or finance capital remains to be seen. The potential financial control

(stock), <u>probable family control</u>, and <u>probable management control</u> categories will be used in the statistical analyses which are presented in a later chapter.  The category definitions are based on multiple, not single indicators of control, including but not limited to: the presence in upper management or on the board of directors of the founder of the company, a member of his family, or his descendants; other family connections among directors, officers and upper management; other major stockholders such as companies and financial institutions; the percentage of votes held by the largest five to twenty stockholders (where available); long-term and short-term creditor relationships, particularly the ratio of long-term debt to total assets for a corporation and the major holder(s) of the debt; and representation on the company board of directors, but more importantly key policy formation committees, of banks, investment companies, insurance companies, or other financial institutions.  The schema which follows is heavily indebted to Kotz (1978) and Burch (1972).

A company is classified as under <u>potential financial control (stock)</u> if a financial institution has sole or shared voting rights over at least four to five percent of the firm's stock, and evidence suggests that the firm has no other stockholders with holdings in excess of four percent.  This definition is strengthened to the extent that the financial institution has one or more representatives serving on the board of directors, but more importantly serving on the finance, executive, or audit committees.  Further, no evidence of family influence in the company has been discovered, nor is the corporation indebted to investment banks, commercial banks, or insurance companies to the extent that restrictions are written into the loans, debentures, or other forms of debt.

A company is classified as under <u>potential financial control (debt)</u>

if a financial institution is a leading supplier of capital to the firm and has strong representation on its board of directors. Strong representation means that the financial institution has two representatives on the company's board (a very rare occurence) or one representative serving as a high-level officer if the company or one representative serving on the executive, finance, or audit committees of its board. We assume that such representation constitutes a source of power over the firm based on the capital-supplier relationship (Kotz, 1978:82). In deciding whether a financial institution is a leading supplier of capital to a company, account must be taken not only of whether the financial institution is one of the two or three biggest creditors, the traditional investment banker, or the lead commerical bank, but also of the firm's degree of reliance on external funds (Kotz, 1978:81-82). Following Kotz, the ratio of long-term debt to total assets was used as the measure of reliance on external finance. The average ratio of long-term debt to total assets for manufacturing corporations was 16.7 percent in the fourth quarter of 1969 and 16.8 percent in the fourth quarter of 1978 (U.S. Federal Trade Commission, 1969:28-33; U.S. Federal Trade Commission, 1978:58-59). However, for the largest corporations the debt-to-asset ratio is higher for both 1969 and 1978: approximately 18 percent and 19 percent respectively. Although Kotz relied on the 1969 figure for all manufacturing corporations, we will rely on the 1978 figure for the largest manufacturing corporations. On this basis we defined a company as a light user of long-term debt if it had a debt-to-asset ratio of less than two-thirds the average for the largest firms (cf. Kotz, 1978:81). From this definition the following schema based on Kotz (1978:157) was constructed:

| Description | Ratio of Long-Term Debt to Assets |
|---|---|
| light user of long-term debt | less than 13% |
| moderate user of long-term debt | 13% to 19% |
| moderate/heavy user of long-term debt | 20% to 35% |
| heavy user of long-term debt | 36% to 50% |
| very heavy user of long-term debt | more than 50% |

No corporation was classified under financial control based on a capital-supplier relationship if the company was a light or moderate user of long-term debt. Further, no corporation was classified in this category if any evidence indicated that individuals, families, or institutions held blocks of stock in excess of four percent.

A corporation classified in the category potential financial control (stock and debt) shows elements of control in terms of both categories defined above. However, few cases of this existed in the sample under study.

A firm is classified in the category probable family control if identifiable family interests control at least four to five percent of the company's voting stock and show some form of representation in the company's management, including but not limited to upper level management positions, board directorships, and committee memberships. Additionally, the stockholdings and executive positions must have been held over an extended period of time (that is, from 1969 to 1978), and no other key blocks of stock can be identified which would represent potential rivals for control. Family interests are defined to include a group of relatives by blood or marriage, or a small group of business associates. The relationship between business associates had to go beyond their

joint presence on the board of the company in question in order to consider them a group for the purposes of family control (Kotz, 1978: 78; Burch, 1972:29-31). Of particular interest is whether the chairman or chief executive officer is the founder of the company, or if he is a member of the founder's family, or one of his descendants (Nyman & Silberston, 1978:83). U.S. based companies controlled by families domiciled in foreign countries, such as the Bronfman interests of Canada which control Seagram, are included in the family controlled category, not the foreign controlled one. In a few cases a statement appearing in a reputable business publication that a certain company was family controlled was also used as evidence.

A firm is classified in the category probable management control if no holdings in excess of four percent have been identified, if no family connections among the upper level management or board of directors have been discovered, if the company has been classified as a light or moderate user of long-term debt, if the company has a history of seeking out managerial talent and a tendency to promote technicians from within to the highest level positions, if no successful challenges to control have been mounted in the decade under study, or if the company does not satisfy the working definition for any of the preceding or following control categories discussed here.

Firms classified in the category foreign control are those for which the dominant stockholder was a foreign-based financial or nonfinancial company, but where we could not determine ultimate control status. To be classified as such, the firm also had to show evidence of active participation in the affairs of the firm by representatives of the dominant stockholder. This included but was not limited to positions

in upper management, representation on the board of directors, and participation on board committees. Accounts of battles for corporate control, such as the Canada Development Corporation's takeover of Texasgulf, are particularly useful here.

The category miscellaneous forms of control includes cases where a self-administered fund is the largest stockholder in the company, and no other evidence of active control exists. The category transitional control includes all cases where we were clearly able to identify changes in control status in the period from 1969 to 1978, such as in the buying and selling of major blocks of stock, the ouster of family interests through a proxy battle, the acqusition of major debt, etc. Contrary to the claims of a number of writers (see Chapter IV), this category included a relatively large number of firms and suggests that corporate control is far more unstable than previously thought. Such cases, and accompanying evidence, are described in detail in Appendix C.

Finally, the category indeterminate control includes all cases where evidence was insufficient to classify firms by control type. Rather than arbitrarily assigning them to management control, as did Larner (1970) and others, we omitted these firms from the analysis. Among the firms in this category are those where the company shows definate signs of family influence (usually in the form of representation on the board of directors, but also in terms of stock ownership where the family has less than four percent but more than one percent of the stock and the remainder is widely scattered), but for which we have insufficient data by which to make a reliable assessment of control status. Also among firms in this category are those which were family controlled in 1969 but in which the family interests have since sold large blocks of stock.

This phenomenon tends to be accompanied by the gradual disappearance of family members from management over a period of years. And among firms in this category are those where the largest block of stock was held by a financial institution but where voting rights could not be determined, or more commonly, current holdings could not be identified.[6] Each company is described separately in Appendix C. (Parenthetically, we should note that certain exceptions have been made in classifying firms according to the aforementioned criteria. For example, although Johns-Manville fails to meet the criteria of potential financial control (debt) or potential financial control (stock), the company has long been dominated by the Morgan interests and should be considered a case of financial control.)

The use of multiple categories as opposed to the usual dichotomy leads undoubtably to a clearer perception of reality (DeVroey, 1975a:13), although the dividing lines remain problematic. Furthermore, with multiple indicators, we can be more certain that the independent variable "control type" is adequately measured. In this research we took as a sample the 200 largest industrial corporations ranked by assets by Fortune at year-end 1968,[7] and following the guidelines discussed by Kotz (1978), Nyman and Silberston (1978:82-84), Zeitlin et al. (1974: 110-113), Burch (1972), and Villarejo (1961:73-75), who offer research paradigms for the investigation of corporate control, we attempted to determine who controlled them. A complete description of the results are presented in Appendix C. Briefly, we discovered that of the initial sample of 200 firms, eight had to be discarded because they either merged with firms not listed in the Fortune 200 for 1968, went bankrupt, or were in liquidation proceedings. Of the remaining 192 firms, we were

able to establish with some certainty that for the period 1969 to 1978,

50 were family controlled and another 39 were management controlled.

Twelve firms were identified as under potential financial control (debt

only), five firms were identified as under potential financial control

(stock only), one firm was identified as under potential financial con-

trol (stock and debt), one firm was identified as under a combination of

potential financial control (debt) and probable family control, two firms

were clearly identified as foreign controlled, and two firms were iden-

tified as having miscellaneous forms of control. Thirty five firms under-

went changes in control status in the period from 1969 to 1978, and

insufficient data were available on the remaining 45 firms to make an

accurate assessment of control status.

Contrary to the claims of Radice (1971), Burch (1972), Palmer (1973),

Holl (1975), Allen (1978), and others, control type does not appear to

be of a "very direct and enduring nature" when we could firmly establish

that nearly 20 percent of the sample underwent changes in control status

in less than ten years. This percentage would no doubt be higher if

adequate data were available to determine the control type of the 45

firms classified as indeterminate. Nor can we find any clear evidence

that firms are slowly shifting toward a professional form of managerial

control as Burch (1972:104) and others have claimed. Furthermore, our

accumulation of ten years of stockholder data shows that Larner (1970),

Burch (1972), Kotz (1978) and countless others have made numerous errors

in classifying their firms by control type. We state this only in pass-

ing and as a warning to those who would use their data because an

adequate comparison/contrast would make this dissertation intolerably

long. Examples of errors are discussed by Burch (1979) and Herman (1979).

For example, Kotz (1978) claimed that Gulf & Western Industries was controlled by Chase Manhattan Bank, when in fact it is dominated by Charles G. Bluhdorn and his associates.

We must also note that bank control appears to be very unstable, and as Appendix C shows, few major financial institutions hold onto major blocks of stock in a given company for more than three or four years. Given this fact, and given a general lack of adequate data since financial institutions are notorious for failure to report holding and voting rights, and the appropriate government agencies are equally notorious in failure to enforce reporting regulations, we find it impossible to compare and contrast family and management controlled corporations with finance controlled firms for the ten year period. As a consequence, we pursued the following strategy: for the ten year period 1969 to 1978,[8] a comparison/contrast between family controlled and management controlled firms was carried out for various performance variables. In this case the sample had 50 family controlled and 39 management controlled firms from among the 200 largest industrial corporations ranked by assets at year-end 1968. The same group of companies was compared with finance controlled firms for the period 1969 to 1970, for the period 1973 to 1974, and for the period 1977 to 1978. A sample of 32 finance controlled companies for the period 1969 to 1970 was determined from Kotz (1978); and a sample of 43 finance controlled companies for the period 1973 to 1974, and a sample of 26 finance controlled firms for the period 1977 to 1978, were determined from Congressional reports and data furnished by the Corporate Data Exchange. These samples constitute firms classified as potential financial control (stock only) because the presence of large debt typically means the restriction of dividend payments.

The latter would be a confounding influence in a test of Fitch and Oppenheimer's theory of bank control. We recognize that this sampling procedure is far from satisfactory, particularly because long-term trends cannot be accounted for. However, the inadequacy of the data left no alternative.

## The Search Strategy

Data sources for determining control type, and their advantages and disadvantages are discussed extensively in Kotz (1978), NACLA (1976), Burch (1972), Villarejo (1961) and in _passim_ in a number of other documents such as Congressional studies and journal articles. However, a number of points should be made here. First, stockholder data were gathered from the following sources:

(i) Kotz, _Bank Control of Large Corporations in the United States_ (1978), particularly for information on financial control in the late 1960s;

(ii) Burch, _The Managerial Revolution Reassessed_ (1972), particularly for information on family holdings in large corporations for the period from 1955 to 1970;

(iii) Congressional studies on corporate ownership and control, including _Commercial Banks and Their Trust Activities_ (1968), _Disclosure of Corporate Ownership, Part I_ (1974), _Corporate Ownership and Control_ (1975), _Institutional Investors' Common Stock: Holding and Voting Rights_ (1976), and _Voting Rights in Major Corporations_ (1978);

(iv) a series of directories published by the Corporate Data Exchange, including _No. 1: Transportation Industry_ (1977), _No. 3: Banking & Finance_ (1980a), and _No. 4: Energy_ (1980b);

(v) the business press, including <u>Fortune</u> (all issues from January 1972 to September 1980 were searched), <u>Forbes</u> (all issues from January 1972 to December 1980 were searched), <u>Business Week</u> (all issues from January 1972 to December 1980 were searched), and <u>The New York Times</u> (all issues from January 1968 to December 1979 were searched, and a limited search of certain companies for 1980 was conducted, given that the <u>1980 New York Times  Cumulative Index</u> was not available at the time this work was completed).  These four sources considered together are an outstanding tool in the search for family interests in companies, given often detailed biographies and corporate histories;

(vi) <u>American Stock Exchange</u> and <u>New York Stock Exchange Listing Statements</u>, including prospectuses and proxy statements (a selective search was  made for those issued between 1968 and 1979);

(vii) company annual reports (selective use was made for the years 1975 to 1979 to determine membership on executive, finance and audit committees);

(viii) <u>Moody's Industrial Manuals</u>, particularly the 1969 and 1978 volumes for stockholder data and the 1979 volume for debt data;

(ix) Standard and Poor's publications, including <u>Standard & Poor's  Stock Market Encyclopedia</u> (1977) and the <u>Standard Corporation Descriptions</u> (1979, Volume 40, numbers 8, 11-15, 17, 19, 21-22, 24; and 1980, Volume 41, numbers 2-5, 7-16);

(x) Dun and Bradstreet's <u>Reference Book of Corporate Managements</u> (1969, 1978, and selective use of other volumes from 1970 to 1976);

(xi) the U.S. Securities and Exchange Commission's <u>Official Summary of Security Transactions & Holdings</u> (selected use only for certain companies); and

(xii) the U.S. Federal Trade Commission's Quarterly Financial Report for Manufacturing Corporations (1969, 1978).

Additionally, a number of other sources were examined and then discarded because of fundamental problems in the presentation of stockholder data, including the Value Line Investment Survey, the Wall Street Journal, Time, a number of minor trade journals, and certain Internal Revenue Service publications. Burch (1972) and Kotz (1978) were used as a starting point and as a reliability check on all subsequent data gathered for each corporation. The results are presented in detail in Appendix C.

Second, since we are assuming the reader is familiar with the discussions of the advantages and disadvantages of the data sources in Kotz, NACLA, Burch, Villarejo, and others, we will only supplement their discussion here. Unavailable until recently is a new data source published by the Corporate Data Exchange [CDE]. CDE publishes stockholder profiles for selected companies, which include all the major stockholders ranked by voting power and investment authority. For the companies profiled CDE analyzes financial institution holdings by purging each institution's nominees and aggregating its holdings. CDE then determines the extent of the institution's voting rights. Given that commercial bank trust departments specialize in holding stock for other parties such as pension funds, mutual funds, individuals and estates, CDE determines to what extent the banks exercise certain management powers over the stock they hold, including voting authority, investment discretion (authority to buy and sell stock), investment advice (authority to recommend the purchase of stock), and other trustee activity. The Exchange also notes how employee benefit plans may be voted. Finally, CDE combines into one family holding the components of a single family,

including relatives, estates, and family controlled foundations (CDE, 1977:117-118). Although the profiles for a given company are available for only the year profiled, in conjunction with the above named sources, we can determine with accuracy the controlling group in the company. Unfortunately, until the Corporate Data Exchange publishes the Fortune 500 Stock Ownership Directory, profiles are only available for a certain group of companies, primarily those in transportation and energy.

Although Burch (1972) was somewhat wary of using Standard and Poor's Standard Corporation Descriptions (also known as the Corporation Records) because they are published in loose-leaf form, with new entries being added regularly to replace various dated sections which are then usually discarded, and are indexed in such a way as to make a search extremely tedious, we found them to be worth the effort. Often the company descriptions report aggregated family holdings in particular companies, give important clues as to pyramiding, and note changes in corporate control. Furthermore, the corporate descriptions often provide a detailed breakdown of sales data by product groups, which is essential in determining the monopoly power of the firm (see below). Unfortunately, the policy of the Michigan State University Libraries is to discard all but the current issues on the reasoning that information presented in the descriptions is redundant with the bound volumes of Moody's Manuals. This is a mistaken assumption because the stockholder and sales data presented in the Corporation Descriptions are more detailed  and often more complete than that presented in Moody's Manuals.

Third, the use of multiple data sources is important because of the difficulty of getting any sound, systematic data on the degree of owner control or finance control. Only with the use of multiple

sources can we determine the parties behind nominees, voting trusts, depositary accounts, foundations, holding companies, and other related operating companies in which a given family has a dominant interest (Zeitlin, 1974:1086; cf. U.S. Congress, 1975:6, 9-12). One problem remains mostly unsolved: the extent of voting authority by bank trust departments, whether sole, shared, or none, is very difficult to come by. With the exception of the CDE and certain Congressional studies, virtually no data are available. Typically, as a Congressional report notes, banks do not keep voting rights information in a form that is readily understandable (U.S. Congress, 1978:640). If pressed for accurate information, some banks decline to identify even the major stockholders as differentiated from the major stock voters. "The variously question the propriety or legality of the request, cite company policy, corporate practice or fiduciary responsibility, or express fears that newspaper columnists, company creditors or neglected spouses of investors would use such information improperly" (U.S. Congress, 1975:4). Stock held in the Depository Trust Company has been often reported in the name of Cede & Co. by companies filing ownership information with regulatory agencies, even though major stockholders with stock in the depository also had other holdings in the company in other accounts. Although the Depository, which is a computerized system to simplify settlement of securities transactions among brokers and their institutional customers, technically holds stock, it has no authority whatsoever to vote, purchase or sell it. Therefore, the reporting of Cede & Co. as a major stockholder frustrates any attempt to determine the actual locus of control in a corporation (U.S. Congress, 1975:4-5).

The use of mutliple data sources avoids the errors common in the

econometric studies. Larner (1970) carried out a major and oft-cited study, basing his stock ownership data on one source only: proxy statements. His mistake was repeated in subsequent studies by others. Yet widespread evidence exists that proxy statements are fundamentally inadequate in power structure research, for individual stockholders in many companies do not have to report their holdings and voting rights unless they (i) are officers or directors of the company, or (ii) control at least five percent of an issue of securities (Reinemer, 1979:399). (Prior to 1978 only those holding ten percent or more had to report their holdings.) Furthermore, we are almost certain that not all stock held indirectly by officers and directors has been reported, particularly in cases where nominal ownership has been transferred to relatives directly or through trusts--even though the officials in question actually controlled the voting of these shares (Gordon, 1938:370; Kotz, 1978:91). Proxy statements usually list only the stockholdings of the current directors of a company and their immediate families, plus occasionally the number of shares owned by certain big trusts or other concerns, and therefore frequently fail to reveal the existence of sizable blocks of stock held by other family or economic interests (Burch, 1972:21).

Other econometric studies have relied predominately on Moody's Manuals, which contrary to popular belief rarely list any figures on overall family or individual shareholdings in the stock section found ordinarily at the end of each corporate entry (Burch, 1972:9). As for the other major source relied on by econometric studies, the S.E.C.'s Official Summary of Security Transactions & Holdings, Burch had this to say:

> . . . no officer, director, or big corporate investor is required
> to report his holdings in a company to the SEC other than when he
> either buys or sells stock, and since many wealthy figures keep
> their large blocks of stock intact for long periods of time, such
> shareholdings often go unrecorded for as much as one, two, or even
> three decades.  In addition, this SEC publication lists only the
> number of shares of that class of stock traded in the course of a
> month, and not a person's overall holdings, so that an individual's
> common stock may be recorded without any mention being made of his
> or her preferred share holdings, which in some cases have equal,
> if not even proportionately greater, voting (Burch, 1972:21).

Furthermore, only those relatives of an officer or director living at

the same home address are required to report their shareholdings.  Thus

a wealthy uncle, brother or sister with whom an officer or director has

a close working relationship need not report the amount of stock he or

she owns in a company to the SEC unless it represents more than ten

percent of the total stock (Burch, 1972:22).

Finally, we should note that in the classification of firms by control

type, ultimate control is emphasized in the probable family, probable

management, and transitional control categories; special problems are

posed by the indeterminate, foreign, and miscellaneous control categor-

ies; and that immediate control is emphasized in the respective financial

control categories.  This is a legitimate strategy to the extent that we

are testing for differences between bank capitalists who center their

activities around financial institutions and industrial capitalists who

center their activities around productive corporations and have no major

financial institutions under their control, including the McDonnells of

McDonnell-Douglas, the Pews of Sun Company, the Fords of Ford Motor, and

so forth (cf. Kotz, 1981:59).  Certain companies which are immediately

bank controlled, such as ALCOA and Gulf Oil, have here been classified

as probable family controlled because of long historical family ties and

domination of management by family members and representatives, and

because the banks in this example are also controlled by the Mellon family. The firms classified in this study as potential financial control (stock) have shown no evidence of overt family control, including those whose dominant stockholder is an investment company complex, the vast majority of which are controlled by family interests (see Table 2), and have been controlled financially for only a relatively short period of time. This procedure will make a comparison/contrast between bank and industrial capital a valid test. The ultimate problem, of course, is to determine which of the banks are management or owner controlled, and then to compare and contrast not only the performance of the banks themselves on various measures, but also to compare and contrast non-financial companies controlled by management controlled banks with non-financial companies controlled by family controlled banks. If this procedure produces no significant differences, then we should examine very closely the social backgrounds, a la G. William Domhoff, of those who run the management controlled banks and those who run the family controlled banks to see to what extent they are integrated into a socially harmonious interest group at the apex of the economic pyramid. If so, this would then provide formidable evidence for the "finance capital" thesis of O'Connor and Sweezy.

However, determining who controls the banks is an ominous problem. As Table 2 demonstrates, the most important shareholders in the banks are the banks themselves. An extremely complicated set of cross-holdings exists wherein banks own their own stock, the stock of other banks (which in turn hold their stock), and the stock of their subsidiaries (which in turn hold the stock of the parent bank). All of this is intertwined with family control (Clawson, 1981:843; cf.

Table 2. 1979 Stock Ownership Data for Selected Financial Institutions.[a]

| Financial Institution | Top Stockholder in 1979 | Type of Control |
|---|---|---|
| **Major Banks** | | |
| 1. Bank of America | Bankamerica Corp. had investment authority over 7.03% of the total stock & voting rights over 5.90%[b] | Management? |
| 2. Bank of New York | Bank of New York Co. Inc. had investment authority over 3.40% of the total stock & voting rights over 3.38% | Management? |
| 3. Bankers Trust | Bankers Trust New York Corp. had investment authority over 7.24% of the total stock & voting rights over 0.47%[b] | Management? |
| 4. Central Trust Co., Cincinnati | Not available | Unknown |
| 5. Chase Manhattan Bank | Chase Manhattan Corp. had investment authority over 2.82% of the total stock but had no voting rights;[b] Rockefeller family interests had investment & voting authority over 2.40% of the total stock | Rockefeller family? |
| 6. Chemical New York Corp. | Chemical New York Corp. had investment & voting authority over 2.39% of the total stock[b] | Management? |

Table 2 (cont'd.).

| Financial Institution | Top Stockholder in 1979 | Type of Control |
|---|---|---|
| 7. Citicorp. | J. P. Morgan & Co. Inc. had investment authority over 4.11% of the total stock & voting authority over 3.37% | Management? |
| 8. Clevetrust Corp. | Clevetrust Corp. had investment authority over 26.43% of the total stock & voting rights over 25.36%; Gund family interests had investment & voting rights over 3.68% of the total stock & have had an ongoing association with the bank | Gund family? |
| 9. Continental Bank | Not available | Unknown |
| 10. Continental Illinois Bank & Trust | Wellington Management Co. had investment authority over 2.72% of the total stock & voting rights over 0.24% | Management? |
| 11. Crocker National Corp. | Not available, but the bank has been historically associated with the Crocker family | Crocker family? |
| 12. Fifth Third Union Trust, Cincinnati | Not available | Unknown |
| 13. First Boston Inc. | Swiss Credit Bank had investment & voting authority over 41.48% of the total stock | Unknown |
| 14. First Chicago Corp. | First Chicago Corp. had investment authority over 7.76% of the total stock & voting rights over 6.07% | Management? |

Table 2 (cont'd).

| Financial Institution | Top Stockholder in 1979 | Type of Control |
| --- | --- | --- |
| 15. Industrial National Bank of Rhode Island | Not available | Unknown |
| 16. Mellon National Bank | The Mellon-family-controlled Mellon National Corp. had investment authority over 23.73% of the total stock & voting rights over 0.53%; Mellon family interests had investment & voting authority over 17.99% of the total stock | Mellon family |
| 17. Morgan Guaranty Trust (J. P. Morgan & Co.) | Not available (T. Rowe Rice & Associates had investment authority over 3.05% of the total stock & voting rights over 0.50%) | Unknown (Management?) |
| 18. National Bank of Detroit | Not available | Unknown |
| 19. Pittsburgh National Corp. | Not available, although the bank has been historically associated with the Hillman family | Hillman family? |
| 20. Republic of Texas Corp. | Republic of Texas Corp. had investment authority over 10.54% of the total stock & voting rights over 10.23% | Unknown |

Table 2 (cont'd.).

| Financial Institution | Top Stockholder in 1979 | Type of Control |
|---|---|---|
| 21. Seattle First National Bank | Not available | Unknown |
| 22. United California Bank (a subsidiary of Western Bancorporation) | Not available | Unknown |
| 23. United Missouri Bank of Kansas City | Not available | Unknown |
| 24. U.S. Trust Corp. | U.S. Trust Corp. had investment authority over 11.38% of the total stock & voting rights over 7.41% | Management? |
| 25. Wachovia Corp. | Wachovia Corp. had investment authority over 7.11% of the total stock & voting rights over 6.37% | Management? |

Table 2 (cont'd).

| Financial Institution | Top Stockholder in 1979 | Type of Control |
|---|---|---|
| **Investment Companies** | | |
| 1. American Financial Corp. | Lindner family interests had investment & voting authority over 42.19% of the total stock | Lindner family |
| 2. Capital Research & Management Co. (a subsidiary of Capital Group) | John B. Lovelace Jr. controlled at least 25% of the stock; Robert L. Cody, Robert B. Egelston, James D. Fullerton & Howard B. Schow controlled 5-10% of the stock each | Partnership |
| 3. Deleware Management Co. | Not available | Unknown |
| 4. Dreyfus Funds/ Dreyfus Corp. | Dreyfus family interests had investment & voting authority over 9.45% of the total stock; Howard Stein had investment & voting authority over 7.19% of the total stock | Dreyfus & Stein families |
| 5. FMR Corp. | Edward C. Johnson III had 69% of the total stock, followed by Caleb Loring Jr. with 21% & William T. Byrnes with 5% | Johnson family |
| 6. Investors Diversi-fied Services | IDS's major stockholder was Alleghany Corp., which in turn was majority owned by the Kirby family interests | Kirby family |

Table 2 (cont'd.).

| Financial Institution | Top Stockholder in 1979 | Type of Control |
|---|---|---|
| 7. Fayez Sarofim & Co. | Fayez S. Sarofim controlled betwwen 50% & 75% of the total stock, followed by the Fayez Sarofim family with somewhat less than 20% of the total stock, & Edward Rudge Allen Jr. with between 10% & 25% | Sarofim family |
| 8. Wellington Management Co. | Robert Doran family & associates had investment & voting authority over 15.42% of the total stock; Nicholas Thorndike family & associates had investment & voting authority over 11.72% of the total stock; & an additional 45.63% of the total stock was controlled by the Lewis, Ogden, Gwynn, Paine, Neff, Ahearn, & Stuart families | Combined families |

Insurance Companies

| | | |
|---|---|---|
| 1. Prudential Insurance Company of America | Policyholders | Management? |

[a]The sources of data for this table are CDE's stock ownership directory, No. 3: Banking & Finance (1980a), and Burch's The Managerial Revolution Reassessed (1972).

[b]Designates a thrift holding plan, voted to varying degrees by its participants.

Corporate Data Exchange, 1980c). In sum, in the absence of detailed,
thorough case studies of each major bank and insurance company, and
access to voting data which banks have refused to furnish, to determine
who controls the major banks and insurance companies is extremely
difficult.


## Description of Variables

We will attempt to use systematic empirical techniques to test for
alleged differences between management controlled, owner controlled, and
finance controlled firms, and to avoid the shortcomings of the anecdotal
approach evident in Fitch and Oppenheimer (1970a, 1970b, 1970c; cf.
Salamon & Siegfried, 1977:1028). The profit rate and the dividend pay-
out ratio were selected as the dependent variables because they are
observable performance indicators which several theories suggest would
be affected by the separation of ownership and control. Should differ-
ing goals be pursued by the three main categories of firms, this should
be evidenced by statistically significant differences in these perform-
ance indicators (cf. Sorensen, 1974:146). However, if the effects of
control type are to be correctly specified, we must control for those
intervening factors which determine the ultimate value of the performance
variables under consideration. This problem is discussed below.

Profits are important because they indicate where investible capital
might flow in the economy. Any capital "thrown onto the market" seeks
at least the average rate of profit and those companies or sectors
showing above the average rate will attract funds in the long-run.
Conversely, those sectors or companies showing below the average will
"lose" such funds (Thompson, 1978:396). More importantly for the purposes

of this study, profitability is the fundamental behavioral measure relevant to the neoclassical theory of the firm (McKean & Kania, 1978: 328). Profitability ratios are designed for the evaluation of the company's operational performance. The numerator of the ratios consists of periodic income according to a specific definition, while the denominator represents the relevant investment base. The ratio thus defined yields an indicator of the company's efficiency in using the capital committed by stockholders and lenders (Lev, 1974:15; also see Tamari, 1978:73; McKean & Kania, 1978:329; Ware, 1976a:82; Palmer, 1973:294; Vernon, 1971:616; Kamerschen, 1968:433-434; Monsen, Chiu & Cooley, 1968: 440). Although alternative ways exist to define the profit rate (for example, see McKean & Kania, 1978:332, fn. 7; Salamon & Siegfried, 1977:1038; Round, 1976:428; Monsen, Chiu & Cooley, 1968:440), here it will be defined by the ratio of net income to net worth, that is, the rate of return after tax on year-end equity. The ratio is constructed on an annual basis and then averaged for either a ten-year period or two-year period, depending on whether the ten-year sample or the subfiles are being used.

We can get a fairly good idea of the rate of accumulation in a corporation by examining dividend payout ratios. Dividends are money that the company cannot plough back. The share of profits expended on dividends to stockholders is not available for productive reinvestment in the firm itself. Fitch and Oppenheimer's premise is that a declining rate of capital accumulation, the corollary of high payout ratios, is the basis for the growing influence of financial factors in corporate decision making (Fitch & Oppenheimer, 1970c:38-39). The dividend payout ratio is measured by the ratio of cash dividends paid per share to net

income per share (see Lev, 1974:18; Sorensen, 1974:146; Kamerschen &
Paul, 1971:31; Kamerschen & Pascucci, 1970:43; Kamerschen & Pascucci,
1971:15; cf. Sweezy, 1972:122). Annual ratios are constructed for
each company in the samples, and then averaged for either ten-year or
two-year periods depending on the task at hand. Where shares outstand-
ing have increased or decreased during the year net income per share is
based on the average number of shares outstanding during the year. Net
income per share is also adjusted for all stock splits and stock divi-
dends (Lev, 1974:18; Moody's Industrial Manual, 1979:vii).

Based on a reading of the relevant econometric literature, theor-
etical considerations, and the availability of usable data, the most
important independent variables to be used to "explain" the dependent
(or performance) variables include "type of control of firm," "monopoly
power of the firm," "size of the firm," growth rate, and risk-taking
(Round, 1976:432; Palmer, 1973:294; Larner, 1970:28, fn. 14; Monsen,
1969a:487; Kamerschen, 1968:446; Kamerschen, 1969:490-491; Monsen, Chiu
& Cooley, 1968:439). In addition, the profit rate was entered as an
explanatory variable in multiple regression runs using the payout ratio
as the dependent variable. These variables enable us to get away from
the tendency to treat the entire corporate sector as a uniform entity,
and rather to examine the potential variations in corporate performance
flowing from variations in the structure of particular industries (cf.
Salamon & Siegfried, 1977:1027).

Control type, previously explained, will be operationalized by the
use of a dummy variable.

Monopoly power of the firm must be controlled for because different
industries exhibit different investment opportunities and growth patterns,

and because some interindustry variations in accounting practices exist (McEachern, 1978a:262; McKean & Kania, 1978:329; Kotz, 1978:101-108). Two measures are appropriate here: (i) the four firm concentration ratio for the principal industry in which the firm operates (that is, the proportion of total industry output accounted for by the four largest producers). Market concentration typically yields higher profits; a more competitive industry of roughly the same size is likely to earn fewer profits (Salamon & Siegfried, 1977:1032; Larner, 1970:28, 136, fn. 14; Kamerschen, 1968:434-436; Kamerschen, 1969:490-491; cf. O'Connor, 1973). (ii) Height of the barriers to entry. Although Kamerschen (1968:435-436) believed that height of the barriers to entry and concentration ratios exert independent influences on the rate of return, height of the barriers to entry may be more suitable because the concentration ratio has not been shown to be statistically significant in predicting profit levels in prior studies (see especially McEachern, 1978b:493, fn. 3; Palmer, 1973:295-296; Kamerschen, 1968:446; Kamerschen, 1969:490-491). Furthermore, even under the broad definition of the term "product," few corporations in this sample are single-product firms, and we find it unlikely that the "product mix" of any particular corporation is precisely duplicated by another (Hindley, 1970:190; Palmer, 1973:295). Mann (1966:300) argued that barriers to entry apparently exert an influence apart from concentration ratios in that highly concentrated industries with very high barriers to entry earned a distinctly higher average return than highly concentrated industries in other categories.

Barriers to entry include scale barriers, product differentiation barriers, absolute cost barriers, and capital barriers. Briefly, scale barriers constitute the situation where economies of scale are so

important that an entrant would have to supply a substantial fraction of industry output in order to operate at the minimum optimal scale of plant or firm. The rate of output may be so large relative to the total demand for the product that only a few firms can profitably exist in the industry. Entry by other firms would lead to excess capacity, reduce the market shares of all firms, and raise their average costs, or lead to a price war, so that none of them could be profitable. The reduction of profits due to such eventualities discourages the entrant (Palmer, 1973: 295; Mann, 1966:297).

Product differentiation barriers constitute the situation such that if consumers are strongly attached to existing brands of a product, entrants to this industry may be forced to sustain extremely large advertising expenditures if they wish to capture a profitable share of the market. New entrants must sell at a price below those of the more preferred brands of established sellers or invest heavily in advertising and other types of promotional activity in order "to achieve a preferred status for their own brands and a sales volume capable of generating low unit processing and distributing costs" (Palmer, 1973:295; Mann, 1966: 297).

Absolute cost barriers constitute the situation such that if one company or a few companies control necessary patents or natural resources or have special technical secrets, entry into this industry will be effectively impeded.

> The established firms may control scarce raw materials forcing entrants to use inferior supplies or to buy at prices above the competitive level from the going firms, have patent protection on superior production techniques which entrants can only obtain for royalty charges, or have access to factors of production at lower prices than entrants. Any or all of these advantages of

established firms mean that the entrant will operate at higher costs . . . (Mann, 1966:297; Palmer, 1973:295).

Capital barriers constitute the situation where the entrants may have to raise large amounts of capital, not only to build efficient plants or to acquire their own supplies of raw materials, but also to compensate for losses, possibly for a number of years, until profits are made (Mann, 1966:297). Particularly, small firms may be unable to obtain investment funds because of the problems of access to capital markets, or they may be forced to pay significantly higher interest rates for the investment funds they do get (Palmer, 1973:296).

Based on Palmer (1973:299-302), the monopoly power of each firm is measured by first estimating the height of the barriers to entry (very high, substantial, or moderate-to-low) into each industry in which each firm operated. The major industrial groups of a given company were determined from Standard and Poor's Register of Corporations, Directors & Executives, Vols. 1 & 3 (1978) and from sales data broken down by major product groups, as presented in Moody's Industrial Manuals and in Standard and Poor's Standard Corporation Descriptions. Classification of industries with respect to barriers to entry is explained in detail in an appendix in Mann (1966:301-307), which includes not only examples but also extensive documentation to other sources. An appendix in Palmer (1973:299-302), which was constructed from Palmer's work and several prior studies, lists the major industries in the United States classified by very high, substantial, or moderate to low barriers to entry, respectively. Other source material drawn upon to determine monopoly power of the firm included Shepherd (1970), Wilson (1978), Bureau of the Census (1976), Moody's Industrial, Transportation, and Public Utility Manuals

(selected years), Standard and Poor's <u>Standard Corporation Descriptions</u>
(selected issues from 1979 and 1980), and company annual reports and
prospectuses.

Then, those industries with very high barriers to entry were assigned
the value of 1.0, substantial 0.5, and moderate to low 0.0. To allow
for diversification across industry lines, the percentage of each firm's
sales in each industry was multipled by the weight of that industry's
barriers to entry and the sum was used to indicate each firm's degree of
monopoly power. (The weighted sum has been averaged for certain years;
see Table 25 in Appendix D. See also Stano, 1976:678; cf. McEachern,
1976a:275; Kamerschen, 1968:434.) On the basis of this weighted sum,
each firm was assigned to one of the following three categories: (i)
high monopoly power: the weighted sum $\geq$ 0.667; (ii) substantial monopoly
power: 0.667 $>$ the weighted sum $>$ 0.333; (iii) moderate to low monopo-
ly power: 0.333 $\geq$ the weighted sum (Palmer, 1973:296). An illustration
of the monopoly power of the firm variable is given in Table 3. The
barriers to entry "index" was operationalized in the multiple regression
runs by means of a dummy variable.

The use of the monopoly power of the firm index has proved proble-
matic, however. Particularly, (i) detailed systematic data on sales by
major product for each firm are very difficult to obtain. When sales
categories are presented, often they are so broad that consideable guess-
work is needed to interpret them. Furthermore, individual firms are not
consistent in their presentation of sales data from one source to an-
other, such as <u>Moody's Industrial Manual</u> compared to Standard and Poor's
<u>Standard Corporation Descriptions</u> for a given year. (ii) Moody's Manuals,
company annual reports, and prospectuses provide only an incomplete

Table 3. Illustration of the Computation of the Barriers to Entry Index: Allied Chemical.

| 1968 Sales Data[a] | Percent of Total Sales[d] | Height of BTE[c] | | Weight |
|---|---|---|---|---|
| Synthetic organic chemicals | .18 | x .5 | = | .09 |
| Alkalies, chlorine & chromium compounds | .12 | x .5 | = | .06 |
| Plastics & fibers | .20 | x .5 | = | .10 |
| Acids & industrial chemicals | .09 | x .5 | = | .045 |
| Ammonia & nitrogen products | .06 | x .5 | = | .03 |
| Fabricated products & road materials | .09 | x .5 | = | .045 |
| Natural gas liquids, residue gas & refined petroleum products | .07 | x .5 | = | .035 |
| Coke & by-products | .05 | x .5 | = | .025 |
| Produced natural gas, crude oil & condensate | .04 | x .5 | = | .02 |
| Insecticides, reagents & fine chemicals | .03 | x .5 | = | .015 |
| Construction & engineering services & misc. other products[b] | .07 | x 0 | = | 0 |
| TOTAL | 1.00 | | | .465 |

Table 3 (cont'd.).

| 1974 Sales Data[e] | Percent of Total Sales | Height of BTE | | Weight |
|---|---|---|---|---|
| Petroleum | .16 | x .5 | = | .08 |
| Coal, coke & other | .07 | x .5 | = | .035 |
| Fibers | .13 | x .5 | = | .065 |
| Fabricated products | .09 | x .5 | = | .045 |
| Inorganic chemicals | .21 | x .5 | = | .105 |
| Plastics | .07 | x .5 | = | .035 |
| Organic chemicals | .16 | x .5 | = | .08 |
| Agricultural chemicals | .11 | x .5 | = | .055 |
| TOTAL | 1.00 | | | .500 |

| 1978 Sales Data[f] | Percent of Total Sales | Height of BTE | | Weight |
|---|---|---|---|---|
| Oil & gas | .305 | x .5 | = | .1525 |
| Chemicals | .268 | x .5 | = | .134 |
| Fibers & plastics | .256 | x .5 | = | .128 |
| Other operations, unallocated[g] | .171 | x .5 | = | .0855 |
| TOTAL | 1.00 | | | .500 |

Table 3 (cont'd.).

_____

| Sample/Computations | Barriers to Entry (High, Substantial, Low) |
|---|---|

_____

<u>Ten-Year Sample, 1969-1978</u>

$(.465 + .500 + .500) \div 3 = .488$    Substantial

<u>1969-1970 Subfile</u>

.465 used to classify the firm    Substantial

<u>1973-1974 Subfile</u>

.500 used to classify the firm    Substantial

<u>1977-1978 Subfile</u>

.500 used to classify the firm    Substantial

_____

[a]From <u>Moody's Industrial Manual</u> (1970).

[b]Includes animal feed, textile products, farm supplies, and leather goods.  This was determined from Standard and Poor's <u>Register of Corporations, Directors & Executives, Vols. 1 & 3</u> (1978).

[c]From Palmer (1973) and other sources.

[d]Expressed as a decimal.

[e]From <u>Moody's Industrial Manual</u> (1975).

[f]From Standard and Poor's <u>Standard Corporation Descriptions</u> (1980).

[g]Includes coal, clay, animal feed, man-made fibers, textile products, leather goods and farm supplies.  The value assigned to the Height of BTE should be somewhat less than .5 since coal and clay, for example, are classified by Palmer (1973) as having moderate to low barriers to entry.  However, detailed sales data are not available and a rough estimate was made.

record of sales by product groups for a given firm; data on less than

a third of the firms in this study are available prior to the period

1973 to 1975. Possibly the best source for sales breakdowns is Stan-

dard and Poor's Standard Corporation Descriptions. However, this source

is only available after 1978 in many major libraries. (iii) Standard

and Poor's summary of SIC numbers (which designate the major product

groups for each firm) is curiously incomplete for a number of firms.

For example, Ford Motor Company's list does not include the SIC number

for automobiles. A complete list of these numbers for each firm is

essential in interpreting the broad sales categories typically given by

the firms themselves. And (iv) Palmer's (1973) list of industries

classified by barriers to entry is incomplete and somewhat ambiguous.

For example, it does not include the transportation industry. Nor does

it sufficiently differentiate categories. "Pulp Mills" could refer

to either the building of such mills or the operation of such mills;

the two have different barriers to entry. However, this index is prob-

ably superior to using the four-firm concentration ratio, given that few

firms in the sample operate in predominately one industry, and that

recent four-firm concentration ratios are available for only a narrowly

defined span of manufacturing industries (see Bureau of the Census,

1976).

We need a size variable to avoid the possibility of the control

type representing some of the effects of size as well as control type

(see especially Kotz, 1978:101-108; Round, 1976:432; Palmer, 1972:57-

58; Kamerschen, 1968:446). Despite widespread use of total sales as a

measure of size, it is not used here because any regression involving

sales as an explanatory variable contains a spurious correlation, since

the identical variable (revenue) appears on both sides of the equation.

Secondly, it is highly probable that the barriers to entry variable would

"catch" many of the scale barrier effects (McEachern, 1976a:437). Given

these considerations, size is measured for each year by total assets ex-

pressed in thousands of dollars and then averaged for the relevant time

period under study (cf. McEachern, 1976a:275; Kamerschen, 1968:433;

Larner, 1966:778; Palmer, 1973:296). The inverse logarithm of assets and

the natural logarithm of assets were also used in alternative regression

equations, but are not reported in this study because they failed to

yield results appreciably different from total assets. Beaver et al.

(1970:662) used the natural logarithm of total assets on the premise that

its distribution more nearly conforms to the properties of symmetry and

normality and because the cross section coefficient of variation is

greatly reduced with the log transformation. Hall and Weiss

> used a logarithmic form of asset size for the argument that the
> difficulty of raising another one per cent in assets is more
> nearly comparable between General Motors and, say American Motors,
> than is the difficulty of raising another million dollars for
> each firm. [They] used the reciprocal form because [they]
> anticipated that another percentage addition to assets might, in
> fact, be easier for General Motors to raise than for a smaller
> firm . . . (Hall & Weiss, 1967:322).

A number of studies have since cited this argument, but we find its logic

unclear.

Although growth rates can be measured in a number of ways (for

example, see Kamerschen, 1968:434; Radice, 1971:553; Larner, 1970:41;

McEachern, 1978a:260; Stano, 1976:674-675; Sorensen, 1974:146; Round,

1976:429; Zeitlin, 1979:59), here it is measured as follows: growth in

the firm's sales is expressed as a percentage of sales in a base year.

In other words, for firm A, the growth rate is measured by (1970 sales

- 1969 sales) divided by 1969 sales. Thus, we have the percent change

in the firm's sales from 1969 to 1970, from 1970 to 1971, from 1971 to

1972, and so on. Nine observations in the ten-year period 1969 to

1978 are averaged to produce an average annual growth rate.

Although risk-taking by firms can be measured in a number of ways

(in particular, see McEachern, 1976a:270, 273-274; Stano, 1976:679;

Larner, 1970:29), this study will rely on the equity-asset ratio primar-

ily because of the availability of the financial data necessary to cal-

culate the ratio. This ratio is a long-term solvency ratio which is used

to indicate the firm's ability to meet both the principal and interest

payments on long-term obligations. It stresses the long-run financial

and operating structure of the firm. More specifically,

> the equity-asset ratio is the proportion of total assets financed
> by equity capital (common stock and accumulated earnings). The
> debt-asset ratio, which measures the firm's leverage, is the
> proportion of total assets financed by debt capital (long-term
> corporate bonds). Where the firm has no preferred stock, the
> equity-asset and debt-asset ratios sum to 1.0. Since interest
> payments to bondholders are a fixed cost which the firm must meet
> each year, the greater is the debt-asset ratio--or the greater is
> the leverage--the greater will be the fluctuation in the rate of
> return to common stockholders from a given stream of yearly
> earnings. Hence, where the debt-asset ratio is high (the equity-
> asset ratio is low), common stockholders require a larger rate of
> return to compensate for the greater risk (Larner, 1970:136, fn.
> 15; cf. Stano, 1976:675; Lev, 1974:24-26).

In essence, a low equity-asset ratio implies high risk, which in

conventional theory should yield a higher rate of return for the firm

than low risk (Zeitlin, 1979:53; McKean & Kania, 1978:329; cf. Lintner,

1959:177-179; Allen, 1974:401).

In addition to the use of contingency tables and tests of means to

determine if the managers of management controlled firms with a high

degree of monopoly power, because of their relative freedom from the

rigors of competition, have more discretion in the use of their firm's

potential profits than their counterparts in firms with a low degree of

monopoly power, a size-control interaction variable will be introduced

in the multiple regression runs for the ten-year sample. The size-

control interaction variable is formed by multiplying the control dummy

for each firm by its asset size. The use of this variable measures any

effect that results from the interaction between firm size and type of

control and avoids confounding this effect with the control effect

itself.

> Since firm size and type of control are interrelated, the use of
> this variable permits better isolation of the control effect. A
> significant and positive relationship between the dependent variable
> and CZ [the interaction variable] indicates that an increase in the
> dependent variable resulting from a firm being classified as owner-
> controlled (rather than management-controlled) is greater for a
> large firm than for a small firm. If the size [sign?] of the CZ
> variable is negative, this implies an opposite effect (Ware, 1976a:
> 84; cf. Ware, 1976b; McEachern, 1976a:276, fn. 14).

We recognize that a number of other dimensions need to be integrated

more fully into the corporate control debate, particularly the contra-

dictory tendencies toward cooperation and competition between the U.S.,

Europe, and Japan; the conflict between multinational corporations and

national interests; and Third World opposition to world capitalist

labor segmentation. The internationalization of capital exacerbates the

fiscal crisis of the state by allowing multinational companies to escape

taxes and manipulate inflationary trends and exchange rates. Thus, we

need a variable to take into account the return on investment from over-

seas activities, for such activities often account for a high percentage

of total profits (for example, see Baran & Sweezy, 1968:194). We

attempted to construct such a variable from data available in the Fortune

directories, Moody's Industrial Manuals, the Value Line Investment

Surveys, Standard and Poor's Standard Corporation Descriptions, company
annual reports, and company prospectuses. The variable would have been
expressed in a form such as foreign sales as a percentage of total sales,
or net earnings from foreign investments expressed as a percentage of
total net earnings. However, despite the use of multiple data sources,
usable data could only be obtained for a few companies and the attempt
was eventually abandoned. The large amount of missing data would have
invalidated the multiple regression runs. We found it extremely diffi-
cult to get accurate and complete data on the proportion of profits
from foreign and domestic operations, respectively, or even on the pro-
portion of total assets that are not based in the United States. However,
fragmentary evidence in the Value Line Investment Surveys and the
Standard Corporation Descriptions suggests that this variable could
"explain" a considerable part of the variation in profit rates among
large corporations.

Another interesting independent variable which has not been attempt-
ed here because of time constraints is the "rate of exploitation" (the
ratio of surplus value to variable capital). In a recent article Zeit-
lin (1979) attempted to measure such a variable and submit this logical
deduction from Marx's theory to an empirical test, even though conven-
tional statistics are not always well suited for the testing of Marxist
hypotheses (Zeitlin, 1979:47). Zeitlin also discussed the methodological
problems involved in devising an empirical measure of the variable and
in determining its impact on the rate of profit, especially the fact
that Marx's principal categories are expressed in "value" terms rather
than in "price" terms (Zeitlin, 1979:47). His operationalization of the
rate of exploitation was "(value added per production worker manhour

minus wages per production worker manhour) divided by wages per production worker manhour." Assigned to individual firms was the aggregate rate of surplus value obtained in the specific industry as a whole to which they belonged (Zeitlin, 1979:49-50). Any attempt to actually determine the impact of the rate of exploitation on the rate of profit means that the effect of the organic composition of capital also has to be considered. As a rough indicator for the organic composition of capital, Zeitlin introduced into his equations the "book value of assets per employee" in each industry as a rough indicator of the ratio of constant to variable capital within each industry (Zeitlin, 1979:50). Of all the variables Zeitlin introduced into his multiple regression runs, the rate of exploitation was by far the most important variable in "explaining" the variation in profit rates among large firms.

These variables cannot be ignored in future research because they appear to be responsible for confounding effects and measurement errors. These unmeasured variables may in fact be of more theoretical interest than those commonly used in the numerous econometric studies cited in this dissertation (cf. Blalock, 1964:181).

## Data Sources

Data sources for control type and monopoly power of the firm have already been discussed. Data for the financial and performance variables, including profit rates, dividend payout ratios, growth rates, total assets, and equity-asset ratios were gotten primarily from Moody's Industrial Manuals (1970, 1972, 1977, 1979, 1980), Moody's Transportation Manuals (1971, 1975, 1979), and Moody's Public Utility Manuals (1974, 1979). These sources were supplemented by "The Fortune Directory of the

500 Largest U.S. Industrial Corporations" (1970 to 1979 inclusive),

"The Fortune Directory of the Second 500 Largest U.S. Industrial Corpor-

ations" (1978, 1979), "The Fortune Directory of the Fifty Largest U.S.

Transportation Companies" (1974, 1975, 1978, 1979), and "The Fortune

Directory of the Fifty Largest U.S. Retailing Companies" (1978, 1979).

Certain NYSE Listing Statements were also used to supplement missing

data.

As is well known, however, such financial statements are beset

with accounting, political, and other sources of bias (for interesting

discussions of this problem, see Fortune, August 27, 1979:90-93,

95-96; Thompson, 1978, 1980; Reati, 1980; McEachern, 1975:49; Morgen-

stern, 1963:74-87; Westwick, 1973:11-14; Tamari, 1978:6-7, 48-49, 54).

Among the more notable problems are the attempts to match the reality

of statistics, collected and expressed in price terms, with the hidden

value categories a la Marx that are supposed to underly such statistics

(Thompson, 1978:395, 403-404). We should also consider the empirically

documented problem of managers in management controlled corporations

deliberately eliminating fluctuations in performance measures as reported

in annual reports. Apparently, managers exercise their control over

publicized performance data in an attempt to present the results of firm

operations in a favorable or defensible way, partly to keep current

stockholders satisfied and disinclined to support any takeover attempts

by outside groups (Smith, 1976:709-711; Salamon & Smith, 1979:320).

Furthermore, to the extent that managers view retained earnings as a

source of utility, managers may want to understate true profits so as

not to appear to be retaining an excessively large amount of profits,

thereby keeping stockholder relations more harmonious (McEachern,

1975:49). While it is naive to accept a firm's financial statements
as an exact reflection of its activities, at the same time it is an
error to negate their usefulness as a basis for a viable evaluation of
the firm's past performance (Tamari, 1978:4; Morgenstern, 1963:124).
For example, at the present the firm's financial statements are the
only data available describing the financial structure of the firm and
the results of its economic activities. To the greatest extent possible,
we have scrutinized the data and corrected for distortions often found
in financial reporting. And, we have attempted to eliminate statistical
problems, primarily those arising out of the interrelations between the
items in the balance sheet. Further, we believe that the ratios chosen
have a theoretical significance over and above their statistical signi-
ficance (cf. Tamari, 1978:92).

## Hypotheses

Having determined the samples of firms, having determined control
type, and having introduced a number of variables to account for con-
founding effects, we will test a number of hypotheses in simple means
tests and multiple regression runs. We are particularly concerned with
statistically significant differences between management, family, and
finance controlled firms on profit rates and dividend payout ratios.

1. If the separation of ownership from control results in manage-
ment being able to take decisions at least in part independently of the
stockholders, managerial theorists expect that on the average management
controlled firms will exhibit lower profit rates than owner controlled
firms (Holl, 1975:262). This will be particularly true under conditions
of high barriers to entry. Finance controlled firms have not been

considered in the managerial literature (cf. Salamon & Smith, 1979:
319; Smith, 1976; Kania & McKean, 1976:275; Holl, 1975:263). The Monthly
Review group and the bank control theorists represented by Fitch and
Oppenheimer predict that management controlled, owner controlled, and
finance controlled firms should be equally profitable, as they all seek
the highest practicable profits as the one unassailable measure of cor-
porate performance. The Monthly Review group and Fitch and Oppenheimer
probably would agree that finance controlled firms could evidence the
highest profit rates of all, although such a relationship may not be
statistically significant (cf. Scott, 1979:380; Zeitlin, 1976:899-900;
Fitch & Oppenheimer, 1970b:83).

2. According to the managerialists, Monthly Review group, and Fitch
and Oppenheimer, management controlled firms are expected to follow a
policy of retaining a high proportion of after-tax profits (along with
depreciation allowances) to meet the firms' capital needs. Furthermore,
the contending perspectives argue that given the preferential tax treat-
ment allowed capital gains over dividends, a case can be made for expect-
ing owner controlled firms to also try to withhold their cash dividends
in favor of capital appreciation through productive reinvestment of
larger retained earnings. These policies will be carried out by both
groups of firms not because they represent sound business practices but
to prevent control from shifting to outsiders. However, in both groups
of firms the payout ratio won't be so low as to unite dissident stock-
holders behind an outsider who wishes to seize control of the corpora-
tion. Reduced share values as a consequence of a low payout of earnings
would give an outside "raider" such as Victor Posner "a talking point
that is of immediate interest to all needy stockholders" (Kamerschen

& Pascucci, 1971:17; cf. Kotz, 1978:130; Kania & McKean, 1976:275; Fitch & Oppenheimer, 1970c:44, 53; Monsen, 1969b:46; Salamon & Smith, 1979:320; Kamerschen & Pascucci, 1970:44).

Florence (1961, 1972) is the only author we know of to date who has argued that owner controlled firms will favor "liberal" dividend policies, compared to management controlled firms, on the premise that if the price of shares depends largely on the payout rate, the capital gains which the large shareholder wants may not be obtained without a liberal dividend policy (Florence, 1961:156). Florence has also argued that reinvestment by owner controlled firms is likely to be kept at a moderate level because

> the family business is often restricted because of large holdings of stock that distant cousins, aunts, widows and even children may possess as a result of past inheritance through many genera-tions. It is not felt right to deprive these members of the family—complete 'passengers' though they may be—of their expected dividends. It would be 'letting one's people down'—and 'one's people' are not like ordinary shareholding people (Florence, 1972:348).

In contrast, where shareholders are not in control, and failing any sign of takeover bids, the existing management may continue to put most of the large profits back to the company assets as reserves (Florence, 1961:156).

Although the managerialists do not discuss finance controlled firms, partly as a consequence of their tendency to over-generalize the extent of management control, the Monthly Review group does. It argues that finance controlled firms should evidence payout ratios that are no higher, and possibly even lower than, management controlled and owner controlled firms. Given the interests of finance capital in economic conditions as a whole, particularly corporate stability and predictabil-ity, finance capitalists will not allow the subversion of long-term

profits by bank capitalists interested in high short-term profits. In contrast, on the premise that the transition to finance capitalism is incomplete and that financial institutions are staffed by bank capitalists, not finance capitalists, Fitch and Oppenheimer argue that finance controlled firms will reflect the interests of bank capitalists. In other words, they will pay out significantly higher dividends than the other two categories of firms, since this results in a low level of working capital and additional profits to financial institutions in the form of increased loans and financial services (Fitch & Oppenheimer, 1970c:44).

3. Although of secondary importance to this dissertation, we can note a number of other hypotheses pertaining to the profit rate which can be tested in multiple regression runs. For example, (a) one of the cardinal hypotheses of oligopoly theory is that high barriers to entry are expected to be associated with high profit rates (Mann, 1966:296). Conversely, the lower the barriers to entry, the lower the profit rates. (b) Hall and Weiss (1967:329) argue that size as measured by total assets should also be positively associated with profit rates. Yet the variable has proved to be statistically insignificant in a number of studies (see Ware, 1976a:87). Zeitlin points out that "absolute size could raise average costs, even if competitive constraints were tight, and sales maximization to secure larger market shares could be at the expense of short-term rates of return." Hence, we find it difficult to predict the net effect of these opposed forces (Zeitlin, 1979: 53). (c) Managerial theorists argue that "growth" takes priority over profits as a managerial goal because it both minimizes risk and maximizes firm size, and thereby the power and prestige of management

itself.  If this is correct, the results of quantitative analysis should reveal no association between the average annual rate of growth and return, as measured by net income/net worth.  However, neoclassical and Marxist economists argue that growth is not simply a managerial goal, but an objective determinant of high profits, hence that we should discover a direct association between it and the rate of return.  As Zeitlin argues,

> if growth were equivalent to internal accumulation of capital, it would be closely associated with the rate of profit.  However, in practice expansion also can occur through acquisitions and mergers, as well as through pricing tactics that sacrifice immediate profits so as to assure market security and long-term profit stability.  Therefore, growth and the rate of return may be only weakly associated at any given time, if these aspects of growth are not distinguished in the analysis . . . (Zeitlin, 1979:52),

and this dissertation does not do so.  (d) As argued previously, since large amounts of leverage (a low equity-asset ratio) imply high risks, we would expect a negative relationship between the profit rate and the equity-asset ratio (Hall & Weiss, 1967:321) if the assumptions of neoclassical economics hold.  One of those assumptions is that investors seek to reduce risk by holding diversified portfolios.  In order for them to hold risky firms' stock in their portfolios, they require the risky firms to have higher rates of return (Bothwell, 1980:305).  On the other hand, "revisionist" history, a la Kolko and Weinstein, suggests that corporate predictability, stability, and security figure prominately in corporate decision making among the largest firms.  To the extent that firms have succeeded in creating those conditions, we would expect a positive relationship between the equity-asset ratio and profit rates.

4. Little has been stated in the cited econometric literature on the expected relationship between dividend payout ratios and, respectively,

growth rates, profit rates, size as measured by assets, and barriers

to entry. The use of multiple regression here is more exploratory than

in the case of profit rates. However, we will venture a few comments.

For example, (a) we could expect a positive relationship between the

equity-asset ratio and the payout ratio. Prior work has discovered that

management of large corporations perceive a significant association be-

tween low payout policies and risk-taking behavior. This belief is

rationalized in the following manner: if firms follow a policy of

dividend stabilization (that is, firms are reluctant to cut back once

a dividend level has been established), and are adverse to paying out

more than 100 percent of earnings in any single fiscal period, then firms

with greater volatility in earnings will pay out a lower percentage of

expected earnings in order to avoid the possibility of reducing divi-

dends in "trough" years (Beaver et al., 1970:660; Lev, 1974:203-204).

We should note that this argument stands in opposition to Fitch and

Oppenheimer who argue that firms with low equity-asset ratios will pay

out high dividends regardless. (b) Fitch and Oppenheimer also predict

that the largest firms will also have the highest payout ratios. How-

ever, the argument is based on a faulty assumption, namely, that the

largest corporations are also the ones most likely to be under bank

control. This is not necessarily so.

## Statistical Procedure

Of the more than 30 econometric studies cited here, authors relied

predominately on multiple regression, analysis of variance, or analysis

of covariance (depending on how the particular model was defined). We

will mainly use multiple regression to measure the separate influences

of a number of independent variables on the two dependent variables
(see Blalock, 1972:429 ff.; Larner, 1970:28).[9] (In the regression
equations the dependent variable should properly be called the regres-
sand, and the independent variables the regressors (Maddala, 1977:99).)
We will assume that the mathematical form which best describes the de-
pendent variable's behavior is a linear model and with exceptions noted
earlier, economic theory has provided the appropriate specification of
the model, that is, the independent variables have been hypothesized to
be potentially relevant and conceptually distinct (Gordon, 1968:593).
The goodness-of-fit measures, such as the coefficient of multiple de-
termination $R^2$, the standard errors of the estimates, and the F-ratio
will indicate the relative performance of the models examined. Addition-
ally, experimentation with two transformations of the assets variable
may suggest the optimal mathematical form of the model (Lev, 1974:43;
Gordon, 1968:593). Since it is not possible from a consideration of $R^2$
to deduce whether all of the independent variables contribute signifi-
cantly to the explanation of the variation in the dependent variable,
or whether some are more important than others, we must have information
concerning the standard errors of the estimates or the t-ratios connected
with the estimates (Thomas, 1967:174).

The constant, A, in the regression equation equals the average value
of the dependent variable, Y, when each independent variable equals zero.
The unstandardized partial regression coefficient, $b_i$, equals the aver-
age change in Y associated with a unit change in $X_i$, when the other
independent variables are held constant. By means of this control, we
are able to separate out the effect of $X_i$ itself, free of the distorting
influences from the other independent variables (Lewis-Beck, 1980:49).

The standardized regression coefficient, or beta weight, indicates the
average standard deviation change in Y associated with a standard devia-
tion change in $X_i$ when the other independent variables are held constant
(Lewis-Beck, 1980:65). In the case of a dichotomous dummy variable,
say 0 = management control and 1 = owner control, then the unstandard-
ized regression coefficient $b_i$ indicates the difference between the mean
profit rates of management controlled and owner controlled firms after
the influences of the other variables in the equation have been accounted
for. The t-ratio of $b_i$ measures its statistical significance and may be
designated as one-tailed or two-tailed, depending on whether we believe
a parameter has a particular value (Lewis-Beck, 1980:67). The coefficient
of multiple determination, $R^2$, indicates the proportion of variation in
the dependent variable Y that is explained or accounted for by all the
independent variables; it is a measure of the explanatory power of the
equation (Lewis-Beck, 1980:53; Wesolowsky, 1976:43). A low $R^2$ can reveal
that the independent variables help explain the variation in Y, but con-
tribute a rather small amount to that explanation. An extremely low $R^2$
(near zero) offers very useful information, for it implies that Y has
virtually no linear dependency on the independent variables (Lewis-Beck,
1980:24). A low $R^2$ does not necessarily mean that a regression has no
value. One or more of the coefficients may be statistically significant
and the corresponding parameter(s) may be of theoretical interest (Weso-
lowsky, 1976:62). Since $R^2$ often can be increased by including a large
number of independent variables in the regression equations, the adjusted
coefficient of determination will also be reported, which is a modified
measure that recognizes the number of independent variables in the
model (Neter & Wasserman, 1974:229). The overall F test establishes

whether or not there is any relation between the dependent variable and the set of independent variables. This is a test of whether all $b_i$ equal zero.

The use of multiple regression may sometimes prove difficult with economic and financial data because ratios often have common components and financial statement items tend to move in the same direction as other items, such as dividends and net income, or sales and distribution costs. This is the problem of multicollinearity which refers to a situation where we find it difficult to disentangle the separate effects of the independent variables on the dependent variable because of stron inter-relationships among the independent variables (Tamari, 1978:50; Maddala, 1977:183; Lev, 1974:64-65; Blalock, 1964:179). In other words, multicollinearity exists where any independent variable $X_i$ is correlated with another independent variable or with a linear combination of other independent variables (Wesolowsky, 1976:49). Under such conditions a set of independent variables may be related to the dependent variable, yet all of the individual tests on the regression coefficients will lead to the conclusion that they equal zero (Neter & Wasserman, 1974:259, 339), although the effect of an explanatory variable may be sufficiently strong for the estimated regression coefficient to be statistically different from zero in spite of the effect of collinearity in increasing the standard error. Such collinearity will probably obscure the presence of less strong effects. As a consequence of multicollinear-ity, the estimated regression coefficients may be quite imprecise (Neter & Wasserman, 1974:344; Nie et al., 1975:340). The magnitude of a given regression coefficient in the first sample may differ consid-erably from its magnitude in the next sample. Hence, we have little

confidence that a particular regression coefficient accurately reflects the impact of X on Y in the population. Obviously, because of such imprecision, this regression coefficient cannot be usefully compared to other regression coefficients in the equation in order to arrive at a judgment of the relative effects of the independent variables (Lewis-Beck, 1980:59). Finally, because estimates of the regression coefficients become very sensitive to particular sets of sample data, the addition of a few more observations can sometimes produce dramatic shifts in some of the coefficients (Johnston, 1972:160).

Fortunately, procedures are available to determine the presence of high multicollinearity. The simplest is to note whether bivariate correlations among the independent variables exceed approximately .8 or larger (Lewis-Beck, 1980:60; Farrar & Glauber, 1967:98). However, Farrar and Glauber (1967:98) note that this procedure "makes no pretense to theoretical validity," and it only avoids the most obvious type of pairwise sample interdependence. This approach fails to take into account the relationship of an independent variable with all the other independent variables. We may find no large bivariate correlations, yet one of the independent variables could be a nearly perfect linear combination of the remaining independent variables. Lewis-Beck suggests an alternative method of assessing multicollinearity: "Regress each independent variable on all the other independent variables [in the equation]. When any of the $R^2$ from these equations is near 1.0, there is high multicollinearity. In fact, the largest of these $R^2$ serves as an indicator of the amount of multicollinearity which exists" (Lewis-Beck, 1980:60). Farrar and Glauber's test is somewhat more strict: a variable $X_i$ would be said to be "'harmfully

multicollinear' only if its multiple correlation with <u>other</u> members of

of the independent variable set $R_{x_i}$, were greater than the dependent

variable's multiple correlation with the entire set, $R_y$" (Farrar &

Glauber, 1967:98). The procedures of Lewis-Beck and Farrar and Glauber

are recommended because it is possible to have a set of dummy variables

which may have very low pair-wise correlations among themselves and

yet form a perfectly collinear set (Johnston, 1972:163). The F statis-

tic may then be computed for each $R_i^2$, replacing the total number of

variables, K, by (K - 1) since we have excluded Y and are looking only

at the relationships between the X's.

> Most, if not all, of the $F_i$ in any econometric analysis will be
> statistically significant, that is the hypothesis of orthogon-
> ality among the explanatory variables will be rejected, but . . .
> inspection of the $F_i$ will show which explanatory variables are
> most affected by multicollinearity and will thus indicate the
> area in which the search for better and more fruitful data should
> be concentrated (Johnston, 1972:164).

A third indication of multicollinearity is the case where all re-

gression coefficients in an equation are <u>not</u> statistically significant,

but the $R^2$ is. The problem is that although the explanatory variables

as a set can explain the dependent variable well, the effect of each

variable separately cannot be estimated with any reasonable degree of

precision. This problem usually occurs in cases where explanatory

variables are highly intercorrelated, but it can also occur in equations

with a large number of dummy variables, where the explanatory variables

are all weakly correlated both among themselves and with the explained

variable (Maddala, 1977:123; cf. Geary & Leser, 1968; Cramer, 1972).

Following these procedures, we attempted to determine to what

extent multicollinearity was a problem in this study. First, an

examination of the correlation matrices presented in Appendix E

revealed no bivariate correlations exceeding .8; most bivariate

correlations were in fact extremely low. However, we have noted deficien-

cies in this approach. Thus, second, each independent variable was re-

gressed on all other independent variables for a number of equations,

some of which included interaction terms. This procedure was carried

out for the ten-year sample and for the 1969-1970 subfile. In no cases

was multicollinearity a problem in equations omitting the interaction

terms, according to the criteria of Lewis-Beck and Farrar and Glauber.

Only among equations with two or more interaction terms did $R^2$s reach

a level at which the individual regression coefficients would become

clearly unreliable. With the exception of the size-control variable,

the interaction terms were not included in the final regression runs

because they were difficult to justify theoretically. In the empirical

model reported in the next chapter, no equations were discovered where

the $R^2$ is statistically significant but none of the regression coef-

ficients are. As a consequence, we conclude that multicollinearity is

not a problem here, and hence that we can make a fair assessment of the

relative effects of the independent variables.

We face another problem, however. Apparently common in financial

data are "outliers" which are, roughly speaking, observations that

behave differently from the rest of the observations. In a residual

plot, outliers are points that lie far beyond the scatter of the re-

maining residuals, where residuals are understood to be the deviations

of observed Y values from estimated Y' values, or the prediction errors,

in a regression model (Neter & Wasserman, 1974:106). Observations with

extremely large residuals place them quite far from the regression

line, and at least with regard to these observations, the model provides

a very poor fit as evidenced by a reduced $R^2$. Researchers commonly
plot the residuals, $Y_i - Y_i'$ (or e), against $Y'$, and the residuals a-
gainst each of the independent variables $X_i$ to detect such outliers and
to assess the shape of the distribution of the deviations which the
residuals reflect (Anscombe & Tukey, 1963:142).

Exactly how to treat the outliers is open to debate. Among the
possibilities are to exclude the outlying observations; report two
equations, one with the outliers included and one without; transform the
offending variable; or gather more observations (Lewis-Beck, 1980:40).
The second option was omitted because it proved too cumbersome to con-
sider two empirically different versions of ostensibly the same model;
the third option was not tried; and the fourth option was not possible
in the context of this study. Option one was followed, but it produced
certain problems. Not only does this option result in a reduction
in sample size and the loss of information it entails, it also produces
a dilemma: leaving the observations in produces "meaningless" results
and discarding them produces uncertain standard errors. Maddala argues,

> from the statistical point of view it makes a difference whether
> the so-called outliers are omitted before or after a preliminary
> analysis is made. If we estimate a regression equation, look at
> the residuals, then decide that some observations are outliers,
> and then estimate the equation omitting these observations, the
> standard errors and confidence intervals we report are no longer
> valid. On the other hand, if we do not discard these observa-
> tions, even in view of some information we have on why they are
> out of the way, the results we get are not meaningful (Maddala,
> 1977:89).

Given these considerations, we decided to follow the advice of
Anscombe and Tukey, which was to reject those observations whose residuals
are extremely large in magnitude (such rejections being equivalent to
changing the observations so that the residuals become zero), and not

to reject observations whose residuals are somewhat less large. Such

a procedure gives protection against gross errors, but does not resolve

the dilemma posed above (Anscombe & Tukey, 1963:149; cf. Foster, 1978:

58, who notes that this expedient is a common one in econometric studies

because extreme profit rates and dividend payout ratios otherwise would

dominate control-type means). The rejected values for the equations

with profit rate as the dependent variable, in addition to the sample,

case number, company, control type, and barriers to entry type, are

reported in Table 4. Similar information is reported in Table 5 for the

payout ratio runs.

A residual plot against the fitted values, $Y_i'$, is also an effective

means of studying the constancy of the error variance, particularly when

a multiple regression model is employed (Neter & Wasserman, 1974:103;

Thomas, 1967:174; Lewis-Beck, 1980:28). Heteroscedasticity is the formal

name for the case in which the error term has no constant variance

(Wesolowsky, 1976:126; Lewis-Beck, 1980:42; Maddala, 1977:93). The

consequences of undetected heteroscedasticity are that the estimators

for the regression parameters

> no longer have minimum variance, for if we knew the exact nature
> of the heteroscedasticity, we could construct estimators with
> smaller variances. Furthermore, the standard errors of the sample
> regression coefficients . . . are incorrect (usually the tendency
> is to underestimate these standard errors). As a result, tests of
> significance and confidence intervals for the regression coefficients
> may be seriously misleading (Wesolowsky, 1976:126).

Prior work has indicated that in studies of this sort some degree

of heteroscedasticity may be present, primarily because the variance of

profit rates appears to be inversely related to firm size (Shepherd,

1972:29-30; cf. Lev, 1974:68, fn. 22). Shepherd (1972:30) believed that

an appropriate correction, based on an inspection of the residuals from

Table 4. Companies for Which Missing Values Were Declared in the
Regression of Profit Rates on Selected Variables.[a]

| Case No. | Company | Value | Control Type | BTE |
|---|---|---|---|---|
| Ten-Year Sample (1969-1978): Initial N = 89; Final N = 88 | | | | |
| 4022 | Genesco | -.1702 | Owner | Moderate to Low |
| 1969-1970 Subfile: Initial N = 121; Final N = 119 | | | | |
| 1109 | Northwest Industries | -.2971 | Finance | Substantial |
| 1118 | Trans World Airlines | -.0798 | Finance | Very High |
| 1973-1974 Subfile: Initial N = 132; Final N = 131 | | | | |
| 2022 | Genesco | -.0799 | Owner | Moderate to Low |
| 1977-1978 Subfile: Initial N = 115; Final N = 111 | | | | |
| 3022 | Genesco | -.9002 | Owner | Moderate to Low |
| 3044 | Teledyne | .2854 | Owner | Substantial |
| 3047 | Lykes | -.1620 | Owner | Substantial |
| 3056 | Bethlehem Steel | -.0552 | Management | Substantial |

[a]These observations were omitted because initial regressions revealed that they had extremely large residuals and were not representative of "control type" means. Missing values were declared and listwise deletion in the regression program was used for these observations.

unweighted regressions, would be to weight observations by the square
root of the natural logarithm of firm size, where firm size is measured
by the natural logarithm of net total assets. However, this does not
signify agreement among the relevant studies. For example, Vernon
(1971), Stano (1976), Kamerschen (1968), Round (1976), and McEachern
(1976a) simply used total assets in the  regression runs and did not
specify any correction procedures. Radice (1971) used net assets and
did not specify any correction procedures. Stano (1975) used total as-
sets in two equations, and the inverse log of assets in three others,
and did not specify any correction procedures. Larner (1970) used the
inverse log of assets. He weighted two sets of regression equations by
the square root of assets; the first were estimated without a constraint
on the value of the constant term, the other with the constant term con-
strained to equal zero. In both sets the square root of assets was
entered as an additional independent variable. Hall and Weiss (1967) used
the inverse log of assets as the measure of size. They multipled all
observations by the square root of assets and introduced the square root
of assets as an additional independent variable. They then ran two equa-
tions constrained through the origin, ran other weighted equations that
were not constrained through the origin, and ran unweighted regressions
for certain categories of firm size. Zeitlin (1979) in one set of equa-
tions used the inverse log of assets and did not weight or constrain
the regressions. In a second set of equations he used the inverse log
of assets and ran weighted and unweighted regressions. The weighting
factor was the square root of the logarithm of assets, and in the
weighted regressions the weighting factor was added as an additional
independent variable. These equations were constrained to pass through

the origin.

We leave it to competent statisticians to determine whether such procedures are appropriate for correcting heteroscedasticity in such models. We will note the following, however. Because detection is feasible only when changes in error variance are related to another variable (Wesolowsky, 1976:126), we constructed a number of plots, including the residuals, e, plotted against the fitted values, $Y_i'$, for a number of different equations; and for selected equations the residuals, e, against the values of certain independent variables. Although deduction of a link by study of the pattern of residuals can be dangerous because spurious patterns are notoriously easy to discern if we are looking for patterns, especially if the regression sample is small (Wesolowsky, 1976: 136), an examination of these plots reveal little evidence of heteroscedasticity. Furthermore, our attempts to run a number of alternative regression equations, following the procedures suggested by Shepherd (1972), Larner (1970), and Zeitlin (1979), yielded results that differed in no respects from the unweighted regressions. We may also note that in nearly all the prior studies cited, weighted regressions to correct for alleged heteroscedasticity produced results differing little from the non-corrected regressions (e.g., see McKean & Kania, 1978:332-333). (Nor in any of these studies have convincing arguments been presented which show that the inverse log of assets or the natural logarithm of assets are conceptually or statistically superior to total assets as an independent variable.) And we may note that scant empirical evidence exists on the likely type of heteroscedasticity in economic relationships (Johnston, 1972:217). At least one author claims that "while violations of the assumptions of homoscedasticity and normality do not

seriously distort the level of significance, violation of the independence assumption does" (Kenny, 1979:48). Given such considerations, we assume that heteroscedasticity is not a problem.

We confronted one other annoying problem in the methodological procedures: the payout ratio has two disturbing properties. If earnings are zero or close to zero, the ratio becomes extremely large, and thus an extreme year can dominate the average. Second, it is possible for the average payout ratio to be negative if the earnings are negative. In such instances the following procedure was adopted: where the average dividend payout ratio was negative, the payout ratio was arbitrarily defined to be 1.00 (100%). Since a negative ratio occurs only eleven times out of a possible 457 occurances, the empirical results are not particularly sensitive to the procedure used to remove this anomoly (Beaver et al., 1970:660). Where an analysis of auxiliary output from SPSS regression indicated observations having extremely large residuals, missing values were declared for those companies to keep the "control type" group means representative (see Baruch, 1974). Finally, where insufficient data were available to estimate payout ratios, missing values were declared for those companies. A complete summary is provided in Table 5.

Table 5. Companies for Which Missing and Other Values Were Declared in the Regression of Dividend Payout Ratios on Selected Variables.

| Case No. | Company | Value | Value Assigned | Control Type | BTE |
|---|---|---|---|---|---|
| Ten-Year Sample (1969-1978): Initial N = 89; Final N = 86 | | | | | |
| 4041 | Seagram & Sons | MV | Missing Value | Owner | Very High |
| 4042 | J. P. Stevens | -1.2560 | 1.00 | Owner | Moderate to Low |
| 4047 | Lykes | -0.7793 | 1.00 | Owner | Substantial |
| 4050 | Wheeling-Pittsburgh Steel | -0.1526 | 1.00 | Owner | Substantial |
| 4077 | Occidental Petroleum | -0.0952 | 1.00 | Management | Substantial |
| 4079 | Republic Steel | 2.0610 | Missing Value | Management | Substantial |
| 4087 | Western Electric | MV | Missing Value | Management | Very High |
| 1969-1970 Subfile: Initial N = 121; Final N = 117 | | | | | |
| 1041 | Seagram & Sons | MV | Missing Value | Owner | Very High |
| 1047 | Lykes | -4.4020 | 1.00 | Owner | Substantial |
| 1085 | U.S. Gypsum | 2.2900 | Missing Value | Management | Moderate to Low |
| 1087 | Western Electric | MV | Missing Value | Management | Very High |
| 1090 | AMK | -0.1643 | 1.00 | Finance | Moderate to Low |
| 1096 | Colt Industries | 3.4870 | Missing Value | Finance | Substantial |
| 1109 | Northwest Industries | -1.5220 | 1.00 | Finance | Substantial |

Table 5 (cont'd.).

| Case No. | Company | Value | Value Assigned | Control Type | BTE |
|---|---|---|---|---|---|
| 1973-1974 Subfile: Initial N = 132; Final N = 129 | | | | | |
| 2022 | Genesco | -0.0575 | 1.00 | Owner | Moderate to Low |
| 2041 | Seagram & Sons | MV | Missing Value | Owner | Very High |
| 2081 | Singer | -1.1460 | 1.00 | Management | Substantial |
| 2087 | Western Electric | MV | Missing Value | Management | Very High |
| 2088 | Westinghouse Electric | 1.8350 | Missing Value | Management | Very High |
| 1977-1978 Subfile: Initial N = 115; Final N = 112 | | | | | |
| 3030 | Kaiser Steel | 1.8990 | Missing Value | Owner | Substantial |
| 3041 | Seagram & Sons | MV | Missing Value | Owner | Very High |
| 3047 | Lykes | -0.0047 | 1.00 | Owner | Substantial |
| 3077 | Occidental Petroleum | -1.2940 | 1.00 | Management | Substantial |
| 3087 | Western Electric | MV | Missing Value | Management | Very High |

CHAPTER III

THE EFFECTS OF CORPORATE CONTROL ON PROFIT RATES

AND DIVIDEND PAYOUT RATIOS

## Presentation of Results

The firms in the ten-year sample and in the subfiles were classi-
fied according to barriers to entry and type of control.  The results
of the cross-tabulations for profit rates are given in Tables 6, 7, 8,
and 9.  None of the results supports Palmer's hypothesis that under
high barriers to entry management controlled firms will show lower profit
rates than owner controlled firms.

The multiple regression analysis utilizes variables drawn from
conventional economics and managerial theory.  In the format that follows,
results from Tables 10, 11, 12, and 13 which include the ten-year sample
and the three subfiles having the profit rate as the dependent variable
will be summarized in outline form.  Then, a concluding paragraph will
note which of the hypotheses stated in Chapter II, pages 81 to 84, are
supported and which are not by these results.  A similar procedure will
be followed for results from Tables 17, 18, 19, and 20 which include the
ten-year sample and the subfiles having the dividend payout ratio as the
dependent variable.  In the absence of any particular theoretical justi-
fication to specify the relationship otherwise, regression equations
will be linear (McEachern, 1975:72).  The general form of the unstandard-
ized regression in the ten-year sample with profit rate as the dependent

Table 6. Average Reported Rates of Return by Type of Control and Barriers to Entry, 1969-1978 (Number of Firms in Each Category in Parentheses).

| Barriers to Entry | Type of Control | | | T-Value | D.F. | Two-Tail Probability |
|---|---|---|---|---|---|---|
| | Owner | Management | TOTAL | | | |
| Very High | .1183 (06) | .1183 (10) | .1183 (16) | -.00 | 14 | .999 |
| Substantial | .1120 (32) | .1079 (22) | .1103 (54) | .33 | 52 | .742 |
| Moderate to Low | .1235 (11) | .1210 (07) | .1225 (18) | .14 | 16 | .888 |
| TOTAL | .1153 (49) | .1129 (39) | .1143 (88) | .27 | 86 | .791 |

Table 7. Average Reported Rates of Return by Type of Control and Barriers to Entry, Subfiles (Number of Firms in Each Category in Parentheses).

| Barriers to Entry | Type of Control | | | |
| --- | --- | --- | --- | --- |
| | Owner | Management | Finance | TOTAL |
| **1969-1970 Subfile** | | | | |
| Very High | .0995 (07) | .1263 (06) | .1118 (10) | .1118 (23) |
| Substantial | .1026 (30) | .1095 (26) | .1095 (15) | .1057 (71) |
| Moderate to Low | .1164 (13) | .1025 (07) | .1078 (05) | .1108 (25) |
| TOTAL | .1058 (50) | .1108 (39) | .1078 (30) | .1079 (119) |
| **1973-1974 Subfile** | | | | |
| Very High | .1263 (08) | .1132 (08) | .1278 (11) | .1230 (27) |
| Substantial | .1371 (30) | .1333 (25) | .1372 (25) | .1360 (80) |
| Moderate to Low | .1300 (11) | .1152 (06) | .1132 (07) | .1214 (24) |
| TOTAL | .1337 (49) | .1264 (39) | .1309 (43) | .1306 (131) |

Table 7 (cont'd.).

| Barriers to Entry | Type of Control | | | |
| --- | --- | --- | --- | --- |
| | Owner | Management | Finance | TOTAL |
| **1977-1978 Subfile** | | | | |
| Very High | .1196 (07) | .1423 (09) | .1430 (10) | .1364 (26) |
| Substantial | .1160 (27) | .1336 (22) | .1297 (11) | .1250 (60) |
| Moderate to Low | .1375 (13) | .1164 (07) | .1498 (05) | .1340 (25) |
| TOTAL | .1225 (47) | .1325 (38) | .1386 (26) | .1297 (111) |

Table 8.  Comparison of Means: Average Reported Rates of Return for
Different Types of Control by Barriers to Entry.

| Barriers to Entry | Control Type | T-Value | D.F. | Two-Tail Prob. |
|---|---|---|---|---|
| **1969-1970 Subfile** | | | | |
| Very High | OC Vs MC | -.83 | 11 | .426 |
| | OC Vs FC | -.42 | 15 | .681 |
| | MC Vs FC | .64 | 14 | .530 |
| Substantial | OC Vs MC | -.56 | 54 | .575 |
| | OC Vs FC | -.17 | 43 | .864 |
| | MC Vs FC | .29 | 39 | .776 |
| Moderate to Low | OC Vs MC | .57 | 18 | .573 |
| | OC Vs FC | .31 | 16 | .764 |
| | MC Vs FC | -.19 | 10 | .851 |
| **1973-1974 Subfile** | | | | |
| Very High | OC Vs MC | .50 | 14 | .628 |
| | OC Vs FC | -.04 | 17 | .967 |
| | MC Vs FC | -.40 | 17 | .698 |
| Substantial | OC Vs MC | .30 | 53 | .767 |
| | OC Vs FC | -.02 | 53 | .987 |
| | MC Vs FC | -.41 | 48 | .687 |
| Moderate to Low | OC Vs MC | .89 | 15 | .387 |
| | OC Vs FC | 1.18 | 16 | .257 |
| | MC Vs FC | .16 | 11 | .874 |
| **1977-1978 Subfile** | | | | |
| Very High | OC Vs MC | -1.00 | 14 | .335 |
| | OC Vs FC | -.82 | 15 | .426 |
| | MC Vs FC | -.03 | 17 | .975 |
| Substantial | OC Vs MC | -1.38 | 47 | .173 |
| | OC Vs FC | -.73 | 36 | .469 |
| | MC Vs FC | .24 | 31 | .809 |
| Moderate to Low | OC Vs MC | .93 | 18 | .367 |
| | OC Vs FC | -.57 | 16 | .577 |
| | MC Vs FC | -.94 | 10 | .367 |

Table 9.  Comparison of Means:  Average Reported Rates of Return for Different Types of Control by Subfiles.

| Subfile | Control Type | T-Value | D.F. | Two-Tail Probability |
|---------|-------------|---------|------|---------------------|
| 1969-1970 | OC Vs MC | -.49 | 87 | .624 |
| | OC Vs FC | -.18 | 78 | .861 |
| | MC Vs FC | .28 | 67 | .783 |
| 1973-1974 | OC Vs MC | .76 | 86 | .448 |
| | OC Vs FC | .27 | 90 | .790 |
| | MC Vs FC | -.44 | 80 | .664 |
| 1977-1978 | OC Vs MC | -1.02 | 83 | .312 |
| | OC Vs FC | -1.31 | 71 | .194 |
| | MC Vs FC | -.52 | 62 | .606 |

variable is as follows:

$$PR = A + b_1 G_i + b_2 R_i + b_3 A_i + b_4 MC + b_5 H + b_6 S + e$$

where,

   PR = average annual profit rate

   G = average annual growth rate

   R = risk, as measured by the equity-asset ratio

   A = ten-year average total assets measured in $000

   MC = management control (dummy variable)

   H = very high monopoly power (dummy variable)

   S = substantial monopoly power (dummy variable)

The dummy variables have been introduced as follows: MC = 1 if firm i

is management controlled. When MC = 0, the firm is owner controlled.

As for barriers to entry,

$$H \begin{cases} = 1 \text{ if firm i is characterized by very high monopoly power} \\ = 0 \text{ otherwise} \end{cases}$$

$$S \begin{cases} = 1 \text{ if firm i is characterized by substantial monopoly power} \\ = 0 \text{ otherwise} \end{cases}$$

When both H and S are zero, the firm is characterized by moderate to

low monopoly power.

   A number of alternative equations were run, including (i) substi-

tuting the inverse log of assets for total assets; (ii) substituting

the natural logarithm of assets for total assets; (iii) adding manage-

ment control-very high BTE interaction and managment control-substantial

BTE interaction variables, and re-running three equations: total assets,

inverse log of assets, and natural logarithm of assets; and (iv) adding

a management control-size interaction variable to the equation stated

above. Generally, the use of interaction terms produced problems of multicollinearity. Additionally, other equations were run suppressing alternative categories of the dummy variables to facilitate clear comparisons.

In the equation stated above, differences in the level of the profit rate between the MC and OC firms are estimated by $b_4$; differences in the level of the profit rate between firms characterized by very high barriers to entry or monopoly power and those characterized by moderate to low monopoly power are estimated by $b_5$; and differences in the level of the profit rate between firms characterized by substantial monopoly power and those characterized by moderate to low monopoly power are estimated by $b_6$. As we have noted earlier, the signs of all the regression coefficients, with the possible exception of $b_5$, may be positive or negative depending upon one's theoretical inclinations. Hence, two-tailed t-tests are used here to test the significance of each regression coefficient.

The results for Table 10 (Equation 1) are outlined as follows: The relationship between the ten-year average annual growth rate and the profit rate is highly significant statistically (at the .000 level) and positive. The relationship between the equity-asset ratio and the profit rate is statistically significant (at the .033 level) and positive. Firms characterized by substantial monopoly power had significantly lower profit rates than did firms characterized by moderate to low monopoly power (at the .046 level). Firms characterized by very high monopoly power had lower profit rates than those characterized by moderate to low monopoly power, but the relationship was <u>not</u>

Table 10. Regression of Profit Rates on Selected Variables for 88 Industrial Firms in the United States, 1969-1978.

Equation 1

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .3587 | .0901 | .4306 | 3.9817 | .000 |
| Risk | .0846 | .0391 | .2105 | 2.1646 | .033 |
| Management Control | -.0047 | .0084 | -.0557 | -.5587 | .578 |
| Very High BTE | -.6125E-04 | .0134 | -.0006 | -.0046 | .996 |
| Substantial Bte | -.0216 | .0107 | -.2524 | -2.0256 | .046 |
| Assets | .1355E-06 | .1109E-05 | .0131 | .1222 | .903 |
| Constant | .0442 | .0230 | | 1.9207 | .058 |
| R Square | .2528 | | | | |
| Adjusted R Square | .1974 | | | | |
| Standard Error of Estimate | .0375 | | | | |
| F/Significance | 4.5671 | | | | .000 |

Table 10 (cont'd.).

Equation 2

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .3587 | .0901 | .4306 | 3.9817 | .000 |
| Risk | .0846 | .0391 | .2105 | 2.1646 | .033 |
| Owner Control | .0047 | .0084 | .0557 | .5587 | .578 |
| Very High BTE | .0215 | .0113 | .1994 | 1.8980 | .061 |
| Moderate to Low BTE | .0216 | .0107 | .2091 | 2.0256 | .046 |
| Assets | .1355E-06 | .1109E-05 | .0131 | .1222 | .903 |
| Constant | .0179 | .0224 | | .8015 | .425 |
| R Square | .2528 | | | | |
| Adjusted R Square | .1974 | | | | |
| Standard Error of Estimate | .0375 | | | | |
| F/Significance | 4.5671 | | | | .000 |

Table 10 (cont'd.).

Equation 3

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .3613 | .0909 | .4338 | 3.9770 | .000 |
| Risk | .0847 | .0393 | .2105 | 2.1539 | .034 |
| Management Control | -.0071 | .0107 | -.0847 | -.6638 | .509 |
| Very High BTE | .0006 | .0136 | .0059 | .0470 | .963 |
| Substantial BTE | -.0214 | .0107 | -.2503 | -1.9958 | .049 |
| Management Control-Size Interaction | .9327E-06 | .2539E-06 | .0899 | .3673 | .714 |
| Assets | -.6204E-06 | .2341E-05 | -.0601 | -.2651 | .792 |
| Constant | .0453 | .0233 | | 1.9419 | .056 |
| R Square | .2540 | | | | |
| Adjusted R Square | .1888 | | | | |
| Standard Error of Estimate | .0377 | | | | |
| F/Significance | 3.8921 | | | | .001 |

statistically significant.  Management controlled firms had lower profit rates than did owner controlled firms, but the relationship was not statistically significant.  No relationship was found between size, as measured by total assets in thousands of dollars, and profit rates. Equation 1 in Table 10 was significant at the .000 level and "explains" 25.3 percent of the variation in profit rates.  The most important variables in explaining the variation are the growth rate in sales, the equity-asset ratio, and barriers to entry.  Equation 3 in Table 10, which includes the management control-size interaction variable, did not produce new information except that the interaction variable was not statistically significant.

We might find it helpful to compare firms characterized by very high monopoly power with those characterized by substantial monopoly power.  To do this, a set of moderate to low barriers to entry dummy variables (L) was substituted for the set of substantial barriers to entry dummy variables (S) in Equation 1.  Then the coefficient of H will permit a direct and clear comparison between the H and S groups. The results are presented in Table 10, Equation 2.  The group of firms characterized by very high monopoly power have a significantly higher profit rate than do firms characterized by substantial monopoly power (at the .061 level).  The group of firms characterized by moderate to low monopoly power also have a significantly higher profit rate than do firms characterized by substantial monopoly power (at the .046 level).  Essentially, firms characterized by substantial monopoly power have much lower profit rates than those characterized by very high or low monopoly power, but the latter do not differ appreciably from each other.

The general form of the unstandardized regression in all three subfiles with profit rate as the dependent variable is as follows:

$$PR = A + b_1 G_i + b_2 R_i + b_3 A_i + b_4 MC + b_5 FC + b_6 H + b_7 S + e$$

where,

PR = two-year average annual profit rate

G = growth rate in sales

R = risk, as measured by the equity-asset ratio

A = two-year average total assets measured in $000

MC = management control (dummy variable)

FC = finance control (dummy variable)

H = very high monopoly power (dummy variable)

S = substantial monopoly power (dummy variable)

The dummy variables have been introduced as follows:

$$MC \begin{cases} = 1 \text{ if firm i is management controlled} \\ = 0 \text{ otherwise} \end{cases}$$

$$FC \begin{cases} = 1 \text{ if firm i is finance controlled} \\ = 0 \text{ otherwise} \end{cases}$$

When both MC and FC are zero, the firm is owner controlled.

$$H \begin{cases} = 1 \text{ if firm i is characterized by very high monopoly power} \\ = 0 \text{ otherwise} \end{cases}$$

$$S \begin{cases} = 1 \text{ if firm i is characterized by substantial monopoly power} \\ = 0 \text{ otherwise} \end{cases}$$

When both H and S are zero, the firm is characterized by moderate to low monopoly power.

Differences in the profit rate between management controlled and owner controlled firms are estimated by $b_4$; differences in the profit rate between finance controlled and owner controlled firms are

estimated by $b_5$; differences in the profit rate between firms character-
ized by very high monopoly power and those characterized by moderate to
low monopoly power are estimated by $b_6$; and differences in the profit
rate between firms characterized by substantial monopoly power and those
characterized by moderate to low monopoly power are estimated by $b_7$.
As before, two-tailed t-tests are used to test the significance of each
of the regression coefficients.

The results for the 1969-1970 subfile (Table 11, Equation 1) are
summarized as follows. The relationship between the growth rate and
the profit rate is statistically significant (at the .002 level) and
positive. No other variable in the equation was statistically signifi-
cant, although we may note the direction of the relationships. For
example, compared to owner controlled firms, management controlled
firms had higher profit rates, while finance controlled firms had
lower profit rates. Compared to firms characterized by moderate to
low monopoly power, firms with very high monopoly power had higher
profit rates, while firms characterized by substantial monopoly power
had lower profit rates. The relationship between the equity-asset
ratio and the profit rate was positive, while for assets it was nega-
tive. The equation as a whole is significant at the .079 level, but
the $R^2$ is extremely low. The equation explains just 10.6 percent of
the variation in the profit rate, and that is accounted for mainly by
the growth rate.

We might find it helpful to suppress alternative categories of the
dummy variables. To do this, a set of owner control dummy variables
was substituted for the management control dummy variables, and a set
of moderate to low BTE dummy variables was substituted for the set of

Table 11. Regression of Profit rates on Selected Variables for 119 Industrial Firms in the United States, 1969-1970.

Equation 1

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weght | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .1232 | .0385 | .2937 | 3.2006 | .002 |
| Risk | .0474 | .0375 | .1152 | 1.2642 | .209 |
| Management Control | .0011 | .0102 | .0109 | .1075 | .915 |
| Finance Control | -.0035 | .0110 | -.0320 | -.3162 | .752 |
| Very High BTE | .0077 | .0140 | .0645 | .5482 | .585 |
| Substantial BTE | -.0037 | .0110 | -.0386 | -.3374 | .736 |
| Assets | -.9427E-06 | .1948E-05 | -.0463 | -.4839 | .629 |
| Constant | .0809 | .0222 | | 3.6432 | .000 |
| R Square | .1060 | | | | |
| Adjusted R Square | .0496 | | | | |
| Standard Error of Estimate | .0461 | | | | |
| F/Significance | 1.8798 | | | | .079 |

Table 11 (cont'd.).

Equation 2

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .1232 | .0385 | .2937 | 3.2006 | .002 |
| Risk | .0474 | .0375 | .1152 | 1.2642 | .209 |
| Owner Control | -.0011 | .0102 | -.0115 | -.1075 | .915 |
| Finance Control | -.0046 | .0116 | -.0422 | -.3923 | .696 |
| Very High BTE | .0114 | .0114 | .0956 | .9969 | .321 |
| Moderate to Low BTE | .0037 | .0110 | .0320 | .3374 | .736 |
| Assets | -.9427E-06 | .1948E-05 | -.0463 | -.4839 | .629 |
| Constant | .0783 | .0218 | | 3.5938 | .000 |
| R Square | .1060 | | | | |
| Adjusted R Square | .0496 | | | | |
| Standard Error of Estimate | .0461 | | | | |
| F/Significance | 1.8798 | | | | .079 |

substantial BTE dummy variables. The results are presented in Table 11, Equation 2. They indicate that firms characterized by very high monopoly power do not have significantly higher profit rates than those characterized by substantial monopoly power, and that management controlled firms do not have significantly higher profit rates than finance controlled firms.

The results for the 1973-1974 subfile (Table 12, Equation 1) are summarized as follows. The relationship between the growth rate and the profit rate is statistically significant (at the .013 level) and positive. The relationship between the equity-asset ratio and the profit rate is highly significant statistically (at the .000 level) and positive. No other variable in Equation 1 was statistically significant, although we may note the direction of the relationships. Compared to owner controlled firms, management controlled firms had lower profit rates, whereas finance controlled firms had higher profit rates. Compared to firms characterized by low monopoly power, firms characterized by very high and by substantial monopoly power had higher profit rates. The relationship between total assets, measured in thousands of dollars, and the profit rate was positive. The equation as a whole was significant at the .000 level and the $R^2$ indicated that the explained variation in profit rates was 20.1 percent. The variables which made an appreciable contribution to the explained variation in profit rates were growth rates and the equity-asset ratio.

Suppressing alternative categories of the dummy variables in Equation 2 (Table 2) shows that finance controlled firms do not have significantly higher profit rates than management controlled firms.

Table 12. Regression of Profit Rates on Selected Variables for 131 Industrial Firms in the United States, 1973–1974.

Equation 1

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .0471 | .0187 | .2358 | 2.5171 | .013 |
| Risk | .1467 | .0351 | .3420 | 4.1800 | .000 |
| Management Control | -.0089 | .0096 | -.0866 | -.9294 | .354 |
| Finance Control | .0049 | .0092 | .0491 | .5331 | .595 |
| Very High BTE | .0063 | .0125 | .0542 | .5014 | .617 |
| Substantial BTE | .0088 | .0105 | .0920 | .8440 | .400 |
| Assets | .9311E-06 | .1250E-05 | .0691 | .7450 | .458 |
| Constant | .0398 | .0207 | | 1.9247 | .057 |
| R Square | .2009 | | | | |
| Adjusted R Square | .1554 | | | | |
| Standard Error of Estimate | .0432 | | | | |
| F/Significance | 4.4181 | | | | .000 |

Table 12 (cont'd.).

Equation 2

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .0471 | .0187 | .2358 | 2.5171 | .013 |
| Risk | .1467 | .0351 | .3420 | 4.1800 | .000 |
| Owner Control | .0089 | .0096 | .0916 | .9254 | .354 |
| Finance Control | .0138 | .0099 | .1381 | 1.3860 | .168 |
| Very High BTE | -.0026 | .0102 | -.0222 | -.2512 | .802 |
| Moderate to Low BTE | -.0088 | .0105 | -.0730 | -.8440 | .400 |
| Assets | .9311E-06 | .1250E-05 | .0691 | .7450 | .458 |
| Constant | .0398 | .0199 | | 2.0029 | .047 |
| R Square | .2009 | | | | |
| Adjusted R Square | .1554 | | | | |
| Standard Error of Estimate | .0432 | | | | |
| F/Significance | 4.4181 | | | | .000 |

Furthermore, firms characterized by moderate to low monopoly power
had the lowest profit rates, followed by those firms characterized by
very high monopoly power. Firms characterized by substantial monopoly
power had the highest profit rates among the three categories; however,
none of these results were statistically significant.

The notable result of the 1977-1978 subfile (Table 13, Equations
1 and 2) is that the equations as a whole have little value, bearing
in mind the fact that with a moderately large number of variables we
may well expect some apparently significant individual coefficients
to occur (Geary & Leser, 1968:20). The test that $R^2$ is different from
zero is exactly the same as testing the hypothesis that one or more
regression coefficients are different from zero as against the hypothesis
that they are all zero. Since we conclude that $R^2$ is zero we must also
conclude that all regression coefficients are zero. Any further tests
of significance will be of dubious value (Cramer, 1972:26, 28).

As a whole, we can conclude the following: One of the primary
contributors to the explained variation in profit rates is the growth
rate in sales of the corporation. This holds true in the ten-year
sample and in the subfiles. Such a finding is consistent with both
neoclassical and Marxist economists who argue that growth is not
simply a managerial goal but rather is an objective determinant of
high profits. It is not consistent with the managerial hypothesis that
growth takes priority over profits as a managerial goal because it
both minimizes risk and maximizes firm size. If the latter were true,
quantitative analysis would have revealed no association between the
average annual rate of growth in sales and return.

The other major contributor to high profits was the equity-asset

Table 13. Regression of Profit Rates on Selected Variables for 111 Industrial Firms in the United States, 1977-1978.

Equation 1

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .0994 | .0549 | .1723 | 1.8097 | .073 |
| Risk | .0544 | .0406 | .1280 | 1.3384 | .184 |
| Management Control | .0077 | .0105 | .0777 | .7359 | .463 |
| Finance Control | .0140 | .0120 | .1255 | 1.1686 | .245 |
| Very High BTE | -.0052 | .0136 | -.0466 | -.3818 | .703 |
| Substantial BTE | -.0121 | .0114 | -.1279 | -1.0647 | .289 |
| Assets | .1222E-05 | .7843E-06 | .1531 | 1.5578 | .122 |
| Constant | .0875 | .0231 | | 3.7784 | .000 |
| R Square | .0919 | | | | |
| Adjusted R Square | .0301 | | | | |
| Standard Error of Estimate | .0467 | | | | |
| F/Significance | 1.4883 | | | | .180 |

Table 13 (cont'd.).

## Equation 2

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Growth | .0994 | .0549 | .1723 | 1.8097 | .073 |
| Risk | .0544 | .0406 | .1280 | 1.3384 | .184 |
| Owner Control | -.0077 | .0105 | -.0809 | -.7359 | .463 |
| Finance Control | .0063 | .0121 | .0562 | .5187 | .605 |
| Very High BTE | .0069 | .0112 | .0621 | .6165 | .539 |
| Moderate to Low BTE | .0121 | .0114 | .1072 | 1.0647 | .289 |
| Assets | .1222E-05 | .7843E-06 | .1531 | 1.5578 | .122 |
| Constant | .0831 | .0224 | | 3.7120 | .000 |
| R Square | .0919 | | | | |
| Adjusted R Square | .0301 | | | | |
| Standard Error of Estimate | .0467 | | | | |
| F/Significance | 1.4883 | | | | .180 |

ratio. The variable was statistically significant in the ten-year
sample and in the 1973-1974 subfile. The sign of the regression coef-
ficient for the equity-asset ratio was positive in the other two sub-
files. This suggests that the less risky firms are also the most
profitable—a finding consistent with the Kolko-Weinstein thesis which
argues that corporate predictability, stability, and security figure
prominately in corporate decision making among the largest firms. The
finding contradicts an assumption of neoclassical economics, namely,
that since large amounts of leverage imply high risks, a negative
relationship between the equity-asset ratio and the profit rate should
be found.

Only in the ten-year sample can anything conclusive be said
about barriers to entry. In that sample, firms characterized by sub-
stantial monopoly power had lower profit rates than any other monopoly
power category. In general, the results are too ambiguous to support
or deny the cardinal hypothesis of oligopoly theory: that high barriers
to entry are expected to be associated with high profit rates.

Control type appears to have no effect on profit rates, nor does
the interaction of control type and barriers to entry (see Tables 6 and
8). Management controlled, owner controlled, and finance controlled
firms all appear to be about equally profitable. The managerial hy-
pothesis that management controlled firms will exhibit lower profit
rates than owner controlled firms, particularly under conditions of
high barriers to entry, thus receives no support. This finding does
support the Monthly Review group and the bank control theorists as
represented by Fitch and Oppenheimer who argue that management
controlled, owner controlled, and finance controlled firms should be

equally profitable as they all seek the highest practicable profits as the one unassailable measure of corporate performance.

Size as measured by assets also had little effect on profit rates. This finding is consistent with a number of studies in which the size variable has proven statistically insignificant (Zeitlin's comments summarized on p. 110 are instructive). It is not consistent with Hall and Weiss' (1967) hypothesis that size as measured by assets should be positively associated with profit rates.

The equations as a whole "explain" little of the variation in profit rates, suggesting that critical variables are missing. We believe these variables to be the "rate of exploitation" and "foreign investment." These findings as a whole do not support the inferences of managerial theory, nor are they entirely consistent with classical economics. They do support certain inferences drawn in Baran and Sweezy's <u>Monopoly Capital</u>. We will return to this matter in Chapter IV.

The firms in the ten-year sample and in the subfiles were also compared on dividend payout ratios by means of cross-tabulations and t-tests. None of the results, as presented in Tables 14, 15, or 16, support Fitch and Oppenheimer's claim that finance controlled firms pay significantly higher dividends compared to management controlled and owner controlled firms. Nor do the results support the commonly held belief that management controlled firms will seek to withhold earnings to a greater extent than other categories of firms.

Multiple regression equations were also run to determine if other variables considered here have an effect on the payout ratio. The

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Table 14. Average Reported Dividend Payout Ratios by Type of Control, 1969-1978 (Number of Firms in Each Category in Parentheses).

Type of Control

| Owner | Management | TOTAL | T-Value | D.F. | Two-Tail Probability |
|---|---|---|---|---|---|
| .4679 | .5237 | .4919 | -1.18 | 84 | .243 |
| (49) | (37) | (86) | | | |

Table 15.  Average Reported Dividend Payout Ratios by Type of Control
and Subfile (Number of Firms in Each Category in Parentheses).

|  | Type of Control | | |
|---|---|---|---|
| Owner | Management | Finance | TOTAL |
| **1969-1970 Subfile** | | | |
| .5459 | .6363 | .5253 | .5690 |
| (49) | (37) | (31) | (117) |
| **1973-1974 Subfile** | | | |
| .3455 | .4853 | .4230 | .4115 |
| (49) | (37) | (43) | (129) |
| **1977-1978 Subfile** | | | |
| .3277 | .3999 | .3675 | .3615 |
| (48) | (38) | (26) | (112) |

Table 16. Comparison of Means: Average Reported Dividend Payout Ratios for Different Types of Control by Subfiles.

| Subfile | Control Type | T-Value | D.F. | Two-Tail Probability |
|---|---|---|---|---|
| 1969-1970 | OC Vs MC | -1.28 | 84 | .205 |
| | OC Vs FC | .27 | 78 | .791 |
| | MC Vs FC | 1.51 | 66 | .136 |
| 1973-1974 | OC Vs MC | -2.70 | 84 | .008 |
| | OC Vs FC | -1.40 | 90 | .165 |
| | MC Vs FC | 1.14 | 78 | .257 |
| 1977-1978 | OC Vs MC | -1.91 | 84 | .060 |
| | OC Vs FC | -.87 | 72 | .389 |
| | MC Vs FC | .73 | 62 | .467 |

general form of the unstandardized regression equation for the ten-
year sample, 1969-1978, with the dividend payout ratio as the dependent
variable is as follows:

$$PR = A + b_1P_i + b_2G_i + b_3R_i + b_4A_i + b_5MC + b_6H + b_7S + e$$

where,

   PR = average annual payout ratio

   P = average annual profit rate

   G = average annual growth rate

   R = risk, as measured by the equity-asset ratio

   A = ten-year average of total assets measured in $000

   MC = management control (dummy variable)

   H = very high monopoly power (dummy variable)

   S = substantial monopoly power (dummy variable)

Control type has been introduced as follows: Mc = 1 if firm i is

management controlled.  When MC = 0, the firm is owner controlled.

Monopoly power of the firm has been introduced as follows:

$$H \begin{cases} = 1 \text{ if firm i is characterized by very high monopoly power} \\ = 0 \text{ otherwise} \end{cases}$$

$$S \begin{cases} = 1 \text{ if firm i is characterized by substantial monopoly power} \\ = 0 \text{ otherwise} \end{cases}$$

When both H and S are zero, the firm is characterized by moderate to

low monopoly power.

   Differences in the level of the payout ratio between the MC and

OC groups are estimated by $b_5$; differences in the level of the payout

ratio between the H and L groups are estimated by $b_6$; and differences

in the level of the payout ratio between the S and L groups are

estimated by $b_7$.  The L group includes those firms characterized by

moderate to low monopoly power.  We have not specified the signs of
the regression coefficients as being positive or negative, hence two-
tailed t-tests are appropriate here.

The results for Table 17, Equation 1, are presented as follows.
The relationship between the profit rate and the dividend payout ratio
is statistically significant (at the .08 level) and negative.  The
relationship between the equity-asset ratio and the dividend payout
ratio is statistically significant (at the .06 level) and positive.
Firms characterized by very high monopoly power have a significantly
lower payout ratio (at the .078 level) than firms with moderate to
low monopoly power.  Firms characterized by substantial monopoly
power have a significantly lower dividend payout ratio (at the .002
level) than do firms with moderate to low monopoly power.  No statis-
tically significant differences were found between management controlled
and owner controlled firms, although the regression coefficient for the
management control dummy variable was positive, which is of theor-
etical interest as we will discuss below.  The regression coefficients
for the growth and size variables were positive, but not statistically
significant.  The overall equation is statistically significant (at
the .014 level), but the regression accounts for only 19.6 percent of
the total variation in the payout ratio, attributable primarily to
barriers to entry, profit rates, and the equity-asset ratio.

We might find it helpful to compare the very high barriers to
entry group with the substantial barriers to entry group.  To do this,
a set of moderate to low barriers to entry dummy variables (L) was
substituted for the set of substantial barriers to entry dummy
variables.  Then the coefficient of the H dummy variable will represent

Table 17. Regression of Dividend Payout Ratios on Selected Variables for 86 Industrial Firms in the United States, 1969-1978.

Equation 1

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Profit | -.9079 | .5113 | -.2141 | -1.7759 | .080 |
| Growth | .2624 | .5368 | .0626 | .4888 | .626 |
| Risk | .4266 | .2243 | .2041 | 1.9022 | .061 |
| Management Control | .0477 | .0464 | .1086 | 1.0270 | .308 |
| Very High BTE | -.1352 | .0757 | -.2298 | -1.7873 | .078 |
| Substantial BTE | -.1865 | .0580 | -.4175 | -3.2163 | .002 |
| Assets | .9661E-05 | .6043E-05 | .1813 | 1.5988 | .114 |
| Constant | .4388 | .1227 | | 3.5776 | .001 |
| R Square | .1958 | | | | |
| Adjusted R Square | .1237 | | | | |
| Standard Error of Estimate | .2046 | | | | |
| F/Significance | 2.7135 | | | | .014 |

Table 17 (cont'd.).

Equation 2

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Profit | -.9079 | .5113 | -.2141 | -1.7759 | .080 |
| Growth | .2624 | .5368 | .0626 | .4888 | .626 |
| Risk | .4266 | .2243 | .2041 | 1.9022 | .061 |
| Owner Control | -.0477 | .0464 | -.1086 | -1.0270 | .308 |
| Very High BTE | .0513 | .0664 | .0872 | .7723 | .442 |
| Moderate to Low BTE | .1865 | .0580 | .3562 | 3.2163 | .002 |
| Assets | .9661E-05 | .6043E-05 | .1813 | 1.5988 | .114 |
| Constant | .3000 | .1207 | .1207 | 2.4843 | .015 |
| R Square | .1958 | | | | |
| Adjusted R Square | .1237 | | | | |
| Standard Error of Estimate | .2046 | | | | |
| F/Significance | 2.7135 | | | | .014 |

the difference between the H and S monopoly power groups. The results, as presented in Table 17, Equation 2, show no statistically significant differences between the very high monopoly power and the substantial monopoly power groups, although the regression coefficient for the very high monopoly power group of firms is positive.

The general form of the unstandardized regression equation with the payout ratio as the dependent variable in all three subfiles is as follows:

$$PR = A + b_1P_i + b_2G_i + b_3R_i + b_4A_i + b_5FC + b_6MC + b_7H + b_8S + e$$

where,

PR = two-year average dividend payout ratio

P = two-year average profit rate

G = growth rate in sales

R = risk, as measured by the equity-asset ratio

A = two-year average total assets measured in \$000

FC = finance control (dummy variable)

MC = management control (dummy variable)

H = very high monopoly power (dummy variable)

S = substantial monopoly power (dummy variable)

The dummy variables have been introduced as follows:

FC $\begin{cases} = 1 \text{ if firm } i \text{ is finance controlled} \\ = 0 \text{ otherwise} \end{cases}$

MC $\begin{cases} = 1 \text{ if firm } i \text{ is management controlled} \\ = 0 \text{ otherwise} \end{cases}$

When both FC and MC are zero, the firm is owner controlled.

$$H \begin{cases} = 1 \text{ if firm i is characterized by very high monopoly power} \\ = 0 \text{ otherwise} \end{cases}$$

$$S \begin{cases} = 1 \text{ if firm i is characterized by substantial monopoly power} \\ = 0 \text{ otherwise} \end{cases}$$

When both H and S are zero, the firm is characterized by moderate to low monopoly power.

Differences in the level of the payout ratio between the FC and OC groups are estimated by $b_5$; differences in the level of the payout ratio between the MC and OC groups are estimated by $b_6$; differences in the level of the payout ratio between the very high and moderate to low barriers to entry groups are estimated by $b_7$; and differences in the level of the payout ratio between the substantial and moderate to low barriers to entry groups are estimated by $b_8$. Again, we have not specified the signs of the regression coefficients as being positive or negative, hence two-tailed t-tests are appropriate here to test the sign and significance of each coefficient.

The results of the 1969-1970 subfile (Table 18, Equation 1) are summarized as follows. The relationship between the profit rate and the dividend payout ratio is statistically significant (at the .000 level) and negative. Firms characterized by substantial monopoly power have a significantly lower payout ratio (at the .038 level) than do firms characterized by moderate to low monopoly power. No other regression coefficients were statistically significant, although we should note the signs of the coefficients: the regression coefficient for the growth rate was negative; the regression coefficient for the equity-asset ratio was positive; and the regression coefficient for the size variable was positive. Furthermore, finance controlled firms

Table 18. Regression of Dividend Payout Ratios on Selected Variables for 117 Industrial Firms in the United States, 1969-1970.

Equation 1

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Profit | -1.7963 | .4756 | -.3413 | -3.7773 | .000 |
| Growth | -.2839 | .2624 | -.0984 | -1.0822 | .282 |
| Risk | .2022 | .2498 | .0726 | .8094 | .420 |
| Finance Control | -.0434 | .0735 | -.0596 | -.5910 | .556 |
| Management Control | .1108 | .0683 | .1601 | 1.6227 | .108 |
| Very High BTE | -.0396 | .0955 | -.0480 | -.4145 | .679 |
| Substantial BTE | -.1533 | .0731 | -.2326 | -2.0958 | .038 |
| Assets | .1140E-04 | .1282E-04 | .0821 | .8892 | .376 |
| Constant | .7209 | .1500 | .0821 | 4.8061 | .000 |
| R Square | .1878 | | | | |
| Adjusted R Square | .1276 | | | | |
| Standard Error of Estimate | .3019 | | | | |
| F/Significance | 3.1212 | | | | .003 |

Table 18 (cont'd.).

Equation 2

| Independent Variables | Unstandardized Regression Coeficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Profit | -1.7963 | .4756 | -.3413 | -3.7773 | .000 |
| Growth | -.2839 | .2624 | -.0984 | -1.0822 | .282 |
| Risk | .2022 | .2498 | .0726 | .8094 | .420 |
| Finance Control | -.1542 | .0783 | -.2115 | -1.9697 | .051 |
| Owner Control | -.1108 | .0683 | -.1698 | -1.6227 | .108 |
| Very High BTE | .1137 | .0790 | .1380 | 1.4397 | .153 |
| Moderate to Low BTE | .1533 | .0731 | .1923 | 2.0958 | .038 |
| Assets | .1140 E-04 | .1282E-04 | .0821 | .8892 | .376 |
| Constant | .6784 | .1469 | | 4.6167 | .000 |
| R Square | .1878 | | | | |
| Adjusted R Square | .1276 | | | | |
| Standard Error of Estimate | .3019 | | | | |
| F/Significance | 3.1212 | | | | .003 |

had a lower dividend payout ratio than owner controlled firms, while management controlled firms had a higher payout ratio than owner controlled firms. And, firms characterized by very high monopoly power had a lower payout ratio than firms with low monopoly power. Again, none of these relationships were statistically significant. The overall equation is significant at the .003 level, but only explains 18.8 percent of the variation in dividend payout ratios. Profit rates and barriers to entry appear to be the critical variables in accounting for the variation.

We might find it helpful to suppress alternative categories of the dummy variables. To do this, a set of owner control dummy variables was substituted for the management control dummy variables, and a set of moderate to low barriers to entry dummy variables was substituted for the set of substantial barriers to entry dummy variables. We discover (in Table 18, Equation 2) that finance controlled firms have a significantly lower payout ratio (at the .051 level) than do management controlled firms. And, we discover that firms characterized by very high monopoly power do not have payout ratios significantly different from firms characterized by substantial monopoly power. Essentially, firms with substantial monopoly power have the lowest payout ratios, followed by firms with very high and moderate to low monopoly power, respectively.

The results for the 1973-1974 subfile (Table 19, Equation 1) are presented as follows. The relationship between the growth rate and the payout ratio is statistically significant (at the .001 level) and negative. The relationship between the equity-asset ratio and the dividend payout ratio is statistically significant (at the .056

Table 19. Regression of Dividend Payout Ratios on Selected Variables for 129 Industrial Firms in the United States, 1973-1974.

|  | Equation 1 | | | | |
| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
| --- | --- | --- | --- | --- | --- |
| Profit | .0744 | .4486 | .0146 | .1659 | .869 |
| Growth | -.3473 | .0993 | -.3245 | -3.4959 | .001 |
| Risk | .3774 | .1959 | .1634 | 1.9263 | .056 |
| Finance Control | .0998 | .0478 | .1860 | 2.0881 | .039 |
| Management Control | .1267 | .0500 | .2265 | 2.5314 | .013 |
| Very High BTE | -.2481 | .0667 | -.3817 | -3.7225 | .000 |
| Substantial BTE | -.1679 | .0541 | -.3221 | -3.1039 | .002 |
| Assets | .1869E-04 | .6480E-05 | .2582 | 2.8849 | .005 |
| Constant | .3476 | .1062 |  | 3.2730 | .001 |
| R Square | .2726 |  |  |  |  |
| Adjusted R Square | .2241 |  |  |  |  |
| Standard Error of Estimate | .2237 |  |  |  |  |
| F/Significance | 5.6203 |  |  |  | .000 |

Table 19 (cont'd.).

Equation 2

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Profit | .0744 | .4486 | .0146 | .1659 | .869 |
| Growth | -.3473 | .0993 | -.3245 | -3.4959 | .001 |
| Risk | .3774 | .1959 | .1634 | 1.9263 | .056 |
| Finance Control | -.0269 | .0524 | -.0500 | -.5125 | .609 |
| Owner Control | -.1267 | .0500 | -.2431 | -2.5314 | .013 |
| Very High BTE | -.0802 | .0550 | -.1234 | -1.4590 | .147 |
| Moderate to Low BTE | .1679 | .0541 | .2624 | 3.1039 | .002 |
| Assets | .1869E-04 | .6479E-05 | .2582 | 2.8849 | .005 |
| Constant | .3064 | .1040 | | 2.9472 | .004 |
| R Square | .2726 | | | | |
| Adjusted R Square | .2241 | | | | |
| Standard Error of Estimate | .2237 | | | | |
| F/Significance | 5.6203 | | | | .000 |

level) and positive. The relationship between size, as measured by total assets in thousands of dollars, and the payout ratio is statistically significant (at the .005 level) and positive. Finance controlled firms had a significantly higher dividend payout ratio (at the .039 level) than did owner controlled firms. And management controlled firms also had a significantly higher payout ratio (at the .013 level) than did owner controlled firms. Firms characterized by very high monopoly power had a significantly lower payout ratio (at the .000 level) than did firms characterized by moderate to low monopoly power. And, firms characterized by substantial monopoly power had a significantly lower payout ratio (at the .002 level) than firms characterized by moderate to low monopoly power. No relationship was discovered between the profit rate and the payout ratio, although the regression coefficient was positive. The overall regression equation explains a more impressive 27.3 percent of the variation in the payout ratio and is significant at the .000 level. In this sample the critical variables accounting for the variation in the payout ratio appear to be the growth rate in sales, the equity-asset ratio, control type, and barriers to entry.

Suppressing alternative categories of the dummy variables, as evidenced in Table 19, Equation 2, reveals the following: finance controlled firms had a lower payout ratio than did management controlled firms, but the relationship was not statistically significant. And, firms characterized by very high monopoly power had lower payout ratios than did firms characterized by substantial monopoly power, but the relationship was not statistically significant.

The results for the 1977-1978 subfile (Table 20, Equation 1) are summarized as follows. The relationship between growth rates and the payout ratio is statistically significant (at the .021 level) and negative. The relationship between the equity-asset ratio and the dividend payout ratio is statistically significant (at the .015 level) and positive. The relationship between size, as measured by total assets in thousands of dollars, and the dividend payout ratio is statistically significant (at the .096 level) and positive. Management controlled firms had a significantly higher payout ratio (at the .090 level) than did owner controlled firms. Finance controlled firms also had a higher payout ratio than did owner controlled firms; however, the relationship was not statistically significant. Firms characterized by very high monopoly power and by substantial monopoly power had lower payout ratios than did firms characterized by moderate to low monopoly power; however, the relationships were not statistically significant. Profit rates again failed to show any relationship to payout ratios; the regression coefficient was positive. The overall equation is significant at the .020 level and explains a rather low 15.8 percent of the variation in the payout ratio. Again, the most important variables in accounting for the variation in payout ratios are growth rate in sales, the equity-asset ratio, total assets, and control type.

Suppressing alternative categories of the dummy variables in Table 20, Equation 2, shows that the payout ratio between finance controlled and management controlled firms did not differ. Firms characterized by very high monopoly power had somewhat lower payout ratios than did firms characterized by substantial monopoly power; however, the results

Table 20. Regression of Dividend Payout Ratios on Selected Variables for 112 Industrial Firms in the United States, 1977-1978.

Equation 1

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Profit | .0664 | .1586 | .0410 | .4185 | .676 |
| Growth | -.4868 | .2072 | -.2186 | -2.3498 | .021 |
| Risk | .3778 | .1528 | .2381 | 2.4726 | .015 |
| Finance Control | .0683 | .0450 | .1582 | 1.5166 | .132 |
| Management Control | .0671 | .0391 | .1743 | 1.7133 | .090 |
| Very High BTE | -.0548 | .0519 | -.1234 | -1.0553 | .294 |
| Substantial BTE | -.0055 | .0419 | -.0151 | -.1322 | .895 |
| Assets | .4933E-05 | .2941E-05 | .1597 | 1.6775 | .096 |
| Constant | .1913 | .0818 | | 2.3386 | .021 |
| R Square | .1575 | | | | |
| Adjusted R Square | .0921 | | | | |
| Standard Error of Estimate | .1744 | | | | |
| F/Significance | 2.4073 | | | | .020 |

Table 20 (cont'd.).

Equation 2

| Independent Variables | Unstandardized Regression Coefficient | Standard Error | Beta Weight | T-Value | Level of Significance |
|---|---|---|---|---|---|
| Profit | .0664 | .1586 | .0410 | .4185 | .676 |
| Growth | -.4868 | .2072 | -.2186 | -2.3498 | .021 |
| Risk | .3778 | .1528 | .2381 | 2.4726 | .015 |
| Finance Control | .0012 | .0453 | .0027 | .0261 | .979 |
| Owner Control | -.0671 | .0391 | -.1822 | -1.7133 | .090 |
| Very High BTE | -.0492 | .0432 | -.1109 | -1.1399 | .257 |
| Moderate to Low BTE | .0055 | .0419 | .0128 | .1322 | .895 |
| Assets | .4933E-05 | .2941E-05 | .1597 | 1.6775 | .096 |
| Constant | .2528 | .0803 | | 3.1461 | .002 |
| R Square | .1575 | | | | |
| Adjusted R Square | .0921 | | | | |
| Standard Error of Estimate | .1744 | | | | |
| F/Significance | 2.4073 | | | | .020 |

were not statistically significant.

On the whole, we can conclude the following from our analyses of the dividend payout ratio: In the ten-year sample and in the 1969-1970 subfile, a fairly strong and negative relationship was found between the profit rate and the dividend payout ratio. The sign of the regression coefficient was positive but statistically insignificant in the 1973-1974 and 1977-1978 subfiles. Furthermore, in the subfiles a clear and negative relationship between growth rates and the payout ratio was observed. However, the relationship disappeared in the ten-year sample. Although we did not develop explicit hypotheses regarding such relationships, the findings provide weak support for certain "common sense" assumptions made in Baran and Sweezy's Monopoly Capital regarding stockholder demands for certain dividend payout levels. This matter is commented on in the next chapter.

A strong, positive relationship was discovered between the equity-asset ratio and the dividend payout ratio. This was statistically significant in the ten-year sample and in the 1973-1974 and 1977-1978 subfiles. The sign of the regression coefficient for the equity-asset ratio was also positive in the 1969-1970 subfile. Such a finding strongly supports a hypothesis in accounting theory stating that managements of large corporations perdeive a significant association between low payout policies and risk-taking behavior; it does not support Fitch and Oppenheimer's claim that firms with low equity-asset ratios will pay out high dividends regardless of such a perception.

Although the statistical significance varied from sample to sample, overall, firms characterized as having moderate to low monopoly power have a much higher dividend payout ratio than do the other two

categories.  We do not have a firmly developed theoretical foundation
by which to account for this finding.  Other evidence suggests that
the larger the firm the higher the payout ratio, as Fitch and Oppen-
heimer predicted.  Contrary to their expectations, however, finance
controlled firms do not have a dividend payout ratio exceeding manage-
ment controlled firms.  In fact, management controlled firms tend to
have the largest ratios, while owner controlled firms tend to have the
smallest ratios.  The conclusiveness of the evidence is debatable,
but it appears financial institutions are not restricting dividend
payments in firms without substantial debt, nor are they encouraging
abnormally high dividends.  Thus, Fitch and Oppenheimer's hypothesis
that finance controlled firms will reflect the interests of bank
capitalists and hence will pay out significantly higher dividends than
the other two categories of firms is not supported at all.  In contrast,
the Monthly Review group's hypothesis that finance controlled firms
should evidence payout ratios that are no higher than and possibly
lower than management controlled and owner controlled firms is supported.
However, the hypothesis expressed by all three groups--the managerial
revolution theorists, the Monthly Review group, and the bank control
theorists as represented by Fitch and Oppenheimer--that management
controlled firms will evidence payout ratios which do not exceed owner
controlled firms is not supported.  Chapter IV will attempt to explain
why this finding should not be unexpected.

CHAPTER IV

DISCUSSION

## The Empirical Argument Against Managerial Theory

In 1929 Berle and Means claimed that the "managerial revolution" was in process. In 1966 Larner (1966:787) concluded that it was nearly complete, at least for the 200 largest nonfinancial corporations. This belief has been echoed in countless economics articles and increasingly in sociology articles. Despite considerable evidence to the contrary, as recently as 1978 sociologists still argued that the managerial thesis provides an accurate description of the general evolution of the corporate elite structure, and that most large corporations are autonomous in the sense that they are controlled internally by management rather than externally by families or financial institutions (cf. Allen, 1976:886; Allen, 1978:612-613). However, to imply or suggest that the process toward the separation of ownership and control is all but complete is to engage in abstracted empiricism of the worst sort. As we have been able to demonstrate, of the 200 largest industrial corporations in the United States, ranked by assets at year-end 1968, only 39 can be clearly identified as being under management control for the entire ten-year period, 1969 to 1978 (cf. Miliband, 1969:29-30).

The disappearance of family controlled corporations is neither so rapid nor so complete as the managerial theorists have argued.

Furthermore, the phenomenon of stock dispersion is partly compensated for by the appearance of new control groups (Chevalier, 1969:167). We will mention two examples here. Starting from scratch in 1960 Henry Singleton built Teledyne to Fortune 500 proportions in just six years. Teledyne's original product base was high-technology electronic systems, but Singleton rapidly expanded into other areas with a series of disparate acquisitions to the point where Teledyne is now a collection of 130 companies in which no single Teledyne product or service accounts for more than three percent of the company's total business. Because Teledyne bought back two-thirds of itself from the public in the mid-1970s, reducing its outstanding shares to 11.4 million from 37 million in 1976, Singleton's holdings increased to the point where he could single-handedly control the company. Singleton, in turn, began cash purchases of other companies' stock through Teledyne's insurance subsidiaries to the point where, in 1977, Teledyne owned as a percent of common shares outstanding 21.7 percent of Brockway Glass, 5.3 percent of Colt Industries, 28.5 percent of Curtiss-Wright, 8.0 percent of Eltra, 19.5% of Walter Kidde, 22.2 percent of Litton Industries, 18.3 percent of National Can, 19.8 percent of Reichold Chemicals, and 5.5 percent of Rexnord. Singleton, a Texan who obtained a doctor of science degree from M.I.T., has since claimed that his holdings are for investment purposes only, but even Fortune Magazine expressed scepticism about the claim, noting that if the stock purchases were strictly for investment, they would have been much more diversified than they actually are.[10]

Another of the new control groups is headed by Victor Posner. As Forbes notes, Posner made his beginning selling houses to blacks

in Baltimore's ghettos in the early 1950s but not selling the land
under the houses. The ground rents did much to make him a multimillion-
aire in Miami Beach instead of a struggling real estate broker in Balti-
more. In the ensuing years Posner won control of Sharon Steel, plus
seven other smaller companies. Through these companies he has also ac-
quired potentially threatening blocks of stock in such non-Posner com-
panies as Foremost-McKesson, National Can and Burnup & Sims. In 1971
the U.S. Securities and Exchange Commission attempted to serve Posner
with a lawsuit for using Sharon Steel pension money to buy shares
in and debentures of five other Posner companies. Posner and his as-
sociates accepted the protest resignations of Sharon Steel pension fund
trustees Chemical Bank and Mellon Bank, and appointed themselves trus-
tees instead. Shortly thereafter, Posner and several associates were
forever enjoined by the S.E.C. from being fiduciaries of the employees'
pension funds of any of the many Posner-controlled companies.[11]

To the managerialist's response that these are atypical examples,
we also note the following. In 1976 Forbes listed what it believed
to be the 100 largest privately owned nonfinancial companies in the
United States; all had annual sales of $200 million or better. Had
Forbes listed all private companies grossing $100 million or more a
year, the list would have contained over 350 names. Had Forbes in-
cluded insurance companies, commercial banks, investment banks, ad-
vertising, and accounting firms and co-ops, the list would have been
much longer still. These companies tend to go public only when a
lack of suitable succession, or a need for outside capital, become
problems. On account of the latter reason, most private companies
listed by Forbes operate in industries that are not capital intensive

(Minard, 1976:38, 40). Examples of extremely large, privately owned companies include Cargill ($10,800), Continental Grain ($5,000+), Bechtel Group ($3,080), Koch Industries ($3,000), United Parcel Service ($1,600), and New England Petroleum ($1,100). The figures in parentheses are the firms' estimated 1976 sales--in millions of dollars. The fact that these companies do not make public their financial statements does not mean that they do not exist.

Another fallacy in the managerialist perspective is the conceptualization of control itself. Much of the managerial literature assumes that once a company falls under management control, it remains under management control. The managerial literature also assumes that if a firm changes control type, it is most likely to move from owner control to management control, and that in any case, control type itself tends to be highly stable (cf. Radice, 1971; Palmer, 1973; Holl, 1975). As the stockholder appendix notes, these assumptions are simply false. The fact that a firm is under management control is no guarantee that it will remain under management control. In 1969 Airco, American Home Products, Boise Cascade, Cerro (now Marmon Group), GATX, Goodyear Tire & Rubber, International Minerals & Chemical, Liggett Group, Martin Marietta, Squibb, and Trans Union were ostensibly management controlled firms. Available evidence raises doubts about their control status today. For example, Liggett Group is now owned by Grand Metropolitan Ltd., based in London, England. Grand Metropolitan appears to be controlled by a British entrepreneur. Boise Cascade now appears to be controlled by the Sarofim family. Morgan Guaranty Trust has become by far the largest stockholder in Squibb, and so forth. Further, the fact that nearly 20 percent of the ten-year sample changed control

status in ten years (and that percentage would no doubt increase with
the availability of better evidence on the category of firms classified
as "indeterminate") simply means that control must be understood as a
"fluid" phenomenon, not a "static" one.

In point of fact, the theory of management control rests on in-
sufficient information and probably does not correspond to reality.
As Chevalier notes, the separation of ownership and control is not
absolute. From the moment we admit the concentration of stockholdings,
we must concede the existence of stockholders seeking a controlling
position (Chevalier, 1969:174). This in turn probably generates con-
flict among various factions of the capitalist class as they seek con-
trol of the most profitable or strategically important corporations.
Evidence the notorious case of the battle for Kennecott Copper, summar-
ized in the stockholder appendix. In sum, contrary to what many think,
family control is still widespread among the largest corporations in
the United States. Not only is this control exercised through signifi-
cant stock ownership and outside representation on the board of direc-
tors, but also in a number of cases through considerable family repre-
sentation in the upper echelons of corporate management. Burch (1972)
argued that this was true in 1969. We argue that this fact is equally
true for 1978.

In 1974 Zeitlin posed an interesting question: do managers in
management controlled corporations constitute a separate and cohesive
stratum with identifiable interests, ideas, and policies which are
opposed to those of the still existing capitalist families? From the
view of the managerial class as free from the direct pressures of the

owners of property which it controls, _it is_ but a short step to the claim that these managers constitute a distinct economic and social grouping with interests, ideas, and policies fundamentally different from and even antagonistic to the interests of the family capitalists (Miliband, 1969:31). Hence, for managerial theory to be important, management controlled firms must perform differently than family or even finance controlled firms would (Kamerschen & Paul, 1971:26). Unless management controlled firms behaved differently in some significant sense than do owner controlled firms, the phrase "management control" is merely a new label denoting a change in the form "of the dominant business enterprise from the small proprietorship to the large corporation, but no change in the _substance_ of the enterprise itself in terms of goals and behavior" (Larner, 1970:25).

However, our results do not support managerial revolution theory. Management control has no measurable effect on the rate of return of large corporations. Nor can we find any discernable impact on the rate of return which is attributable to the interaction effect of monopoly power and management control. (The question of dividend payout ratios is discussed in a later section of this chapter.) Recent empirical work based on more thorough definitions of control than that common in econometric studies have come to similar conclusions (for example, see Zeitlin, 1979; James & Soref, 1981). Particularly, the James and Soref study discovered that profit performance most affects the probability that the chief executive officer will be fired, and that type of control has little effect. Profit performance appears to be an effective constraint on the behavior of both management controlled and owner controlled firms (James & Soref, 1981:1, 16).

Apparently, the criteria which govern economic development in advanced

capitalist societies have not been decisively altered by the dispersion

of stock ownership and the separation of ownership from administration

(James & Soref, 1981:16).  Whether under management control or owner

control, or even under finance control, the conduct of the large corpor-

ation may be largely determined by market structure.  As predicted by

neoclassical and Marxian economics, our results show that growth rate

in sales "explains" profit rates better than any other variable, although

specification errors are present in the multiple regression equations.

Particularly, the most critical variables--the rate of exploitation and

some measure of foreign investment--are missing for reasons explained

earlier.  Zeitlin shows that it is precisely the rate of exploitation

itself that has by far the strongest direct effect on the rate of return

(Zeitlin, 1979:55).  His is the only study we know of that has entered

this variable in empirical analysis.  The multiple regression equations

as a whole in our study have also provided empirical support for the

Kolko-Weinstein thesis that corporate predictability and security

are prerequisites for high profitability, on the average, among the

largest industrial corporations in the United States.  This is evidenced

by the somewhat unexpected positive, and highly significant, relation-

ship between the equity-asset ratio and the profit rate.  In sum, the

results of our work imply that the profit motive is not a motive at all,

but an irreducible necessity for corporate survival; it is not a

psychological state but a social condition (Zeitlin, 1974:1097; cf.

Miliband, 1969:47; Albin & Alcaly, 1976:264-265; Thonet & Poensgen,

1979:23, for similar statements).

If managers are prevented from acting against the interests of

owners regardless of divergent motivations between these two groups, then theories of class structure or economic development based on managerial motivations are seriously compromised. To the extent that our empirical results are valid, structural positions and their assoc- iated imperatives have a logical causal priority over the motivations of the individuals who are selected to fill those positions (James & Soref, 1981:3). Consequently, to speak of upper level managers as occupying contradictory class locations becomes an ex post facto rationalizstion for managerial theory, since political and ideological criteria--the "satisficing" arguments of Herbert Simon for example-- apparently have had little if any effect on the practical activity of managers. This is not to disparage the theoretical work of Erik Olin Wright, but only to question its applicability to the highest level managers in the corporate elite structure. Rather, we find little reason to doubt Baran and Sweezy's claim that managers are integrated into a "harmonious" interest group at the apex of the economic pyramid.

This is increasingly true to the extent that non-owning professional managers themselves acquire considerable stock. Although the percen- tage of a firm's shares which its management owns may be quite small, the absolute value of those shares may be quite high and may well induce shareholder-oriented behavior (Nyman & Silberston, 1978:93). The belief that stock bonuses and options strengthen management's identi- fication with the firm is at least as plausible as the opposite theory that the resulting interest is too small to matter (Petersen, 1965:18). This form of executive compensation, together with opportunities for profitable insider trading, may be an important element linking together the motivations of managers and owners. Moreover, as James and Soref

showed, management security is threatened when managers fail to operate their companies as profitably as possible. The threat of proxy fights, tender offers, takeovers and mergers, coupled with the emergence of large fiduciary stockholders, all tend to make management responsive to owner interests (Albin & Alcaly, 1976:263; Sorensen, 1974:145).

## The Empirical Argument Against Fitch and Oppenheimer's Theory of Bank Control

Do financial institutions exercise their voting rights over stock in nonfinancial corporations in such a way as to influence the direction of the corporations? Although our research design is admittedly crude, we nevertheless conclude that Fitch and Oppenheimer are incorrect in claiming that banks and other financial institutions use their stockholdings to force unusually high dividend payout ratios so as to advance their own short-term profits. Management controlled, owner controlled, and finance controlled firms do not differ significantly in average annual dividend payout ratios, although management controlled and finance controlled firms have somewhat higher payout ratios on the whole than do owner controlled firms. We have not been able to show that financial institutions with holdings in excess of four to five percent have anything other than an investment interest in the company (cf. Burch, 1979:466). (Since the empirical findings on profit rates are consistent with Fitch and Oppenheimer and the Monthly Review group, and do not allow us to differentiate between the two perspectives, we will not discuss the question here.)

Not only can we find no strong empirical evidence for Fitch and

Oppenheimer's claims, the theory of bank control itself poses certain problems. To wit: If companies are extremely large, have extensive interlocks with financial institutions, and have "large" blocks of stock held by financial institutions, Fitch and Oppenheimer assume that they are under bank control. From this they infer that bank control will be exercised in such a way as to force high dividend payout rates. That is an invalid conclusion so long as size is included as a criterion for bank control, for by Fitch and Oppenheimer's own admission the largest corporations are also the most heavily indebted. A common practice among financial institutions is to restrict dividend payments in those companies in which financial institutions hold considerable debt. Fitch and Oppenheimer (1970b:82) have even presented a table to that effect. We controlled for this problem by excluding all debt-controlled firms, and including only those firms with extensive stock-holdings held by banks and other financial institutions on the assumption they would use such stockholdings to force high payout ratios.

The documentary evidence we present in the stockholder appendix suggests that overt interlocking between financial institutions and large corporations appears mostly in cases of long-term debt (although Pennings, 1980, has demonstrated that this doesn't hold true for short-term debt). Only rarely do financial institutions with large stock-holdings in industrial companies interlock with those companies. As a consequence, we are forced to rely on one criterion--stockholdings--to demonstrate the inferences of Fitch and Oppenheimer's theory of bank control, yet we have already shown that this procedure is inadequate for the task. Furthermore, where interlocks between financial institutions and industrial companies do occur, we still don't know

whether they are a rational means toward an end (control) or an end

in themselves.  The latter would imply that interlocks are intended

to meet socio-emotional, expressive, or symbolic needs, or to promote

upper class cohesion, "self-consciousness," and consensus on social

issues (cf. Pennings, 1980; Mace, 1971; Songuist & Koenig, 1975).

Where financial institutions have actively intervened in the affairs

of companies, they have done so rather discretely.  For example, for

the past several years Lockheed has been "visited" by a bank committee

on a regular basis yet none of its members serve on the board of

directors or appear in the upper management of Lockheed.  What all this

suggests is that the criteria for bank control are complex and subtle--

certainly more than size, interlocks, and stockholdings--and that only

a case by case approach will convince sceptics that bank control of

large industrial corporations actually exists.

Another complicating factor for the theory of bank control involves

the assumption that companies are more or less restricted to the ser-

vices of a major investment banking firm, and that this in turn is re-

spected by other banking firms.  In fact, it was for this reason that

top management in Mace's series of interviews thought that representa-

tives of investment firms should not serve as directors of nonfinancial

companies (Mace, 1971:150, 152).  However, recent empirical evidence

suggests that the investment banking world is becoming more competitive.

According to a recent article in Fortune, in the "new competitive

environment" the experience of an investment banker being dropped by a

client is becoming increasingly common.  And even when investment

bankers are not dropped, they are increasingly apt to find that their

corporate clients want more than one investment banker, that is, they

want to have more than one firm manage the offering.  If the co-
managers are reasonably equal in prestige, they usually split the
management fee equally (Robertson, 1973:119).  Robertson notes that
since the beginning of 1970, 69 of the top 100 industrial corporations
in the United States have gone to the public markets for funds.  "Twenty
of them have changed their investment-banking arrangements in this
period.  Five switched away from the firms that had managed their of-
ferings in the 1960s, nine added co-managers, and six dropped co-
managers.  Shifts by smaller companies were probably even more common"
(Robertson, 1973:119).

If this indicates a genuine trend, not only does it argue against
Fitch and Oppenheimer's theory of bank control, it also raises questions
of the extent to which finance capital is an integrated capital.  Ap-
parently, only Poulantzas to date has explicitly recognized that trends
toward the convergence of industrial capital and bank capital into
finance capital are also accompanied by counter trends.  This raises the
possibility that the U.S. capitalist class experiences much more inter-
nal conflict than the Monthly Review group has been willing to recog-
nize.

The difficulties in Fitch and Oppenheimer's analysis arise from
faulty logic, sloppy conceptualization, and an over-reliance on anecdo-
tal case studies.  This is not to claim that the issues they raise are
irrelevant, however.  Considerable evidence exists to show that the
financial community coordinates the transfer of resources from region
to region and country to country, with tremendous impact on socio-
economic policy; and that its power has made it increasingly immune to
domestic regulation and international controls.  For example, by 1977,

banks, insurance companies, and investment advisors managed most of the $500 billion in pension fund assets in the U.S. The workers covered by a company or government pension plan have little control over how their money is invested. As a result, financial managers routinely funnel pension fund money outside of the region where workers live and into corporations with practices that are contrary to worker interests. Notably, a recent Corporate Data Exchange study shows that 142 pension plans hold up to eight percent of the stock of Bethlehem Steel and Ford Motor, both documented violators of occupational health and safety regulations (CDE, 1980c:10, 12).

Second, large corporations such as Mobil Oil often use available cash not to reinvest in their own operations but to acquire profitable, conservatively run companies with a depressed market price for their financially strong stocks, balance sheets, and market positions. This has not been accomplished without the aid of the major banks who have advanced billions of dollars in lines of credit, and without the aid of the federal courts who have overturned several state statutes written to slow takeover bids of resisting corporations. Often the result is regional unemployment and economic stagnation. Notably, a major fear in the recent attempt by Mobil to take over Findlay's Marathon Oil was the probable transfer of bank accounts, legal work, insurance, advertising, and accounting services out of Findlay, Ohio, as staff are fired. For Findlay, the result would have been job losses, plant closings, property abandonment, and loss of community leadership.[12]

Third, one reason why the U.S. steel industry lacks capital to finance modernization and expansion in the face of greater competition from foreign steelmakers is that U.S. banks found higher profits from

lending to steel companies in Japan and Brazil than to U.S. firms. CDE links this practice to the forced closing of steelworks by Youngstown Sheet and Tube and U.S. Steel, resulting in permanent layoffs of workers and the further decline of an entire region's industrial base (CDE, 1980c:7). What we suggest, then, is that Fitch and Oppenheimer are correct in arguing that industrial capital and bank capital may have fundamentally opposed interests in the United States, but that the authors (i) are incorrect in their conceptualization of the form this contradiction takes, and (ii) have not offered an appropriate methodology to study it. Further research should probably adopt as a paradigm and methodology that which underlies James O'Connor's The Fiscal Crisis of the State, and then pursue the effects that the activities of bank capital--operating under certain structural imperatives--have on industrial capital in the United States. Such research would not ignore contradictions within industrial capital itself or the social, political, and economic consequences of disinvestment.

### The Empirical Argument for Baran and Sweezy's Monopoly Capital

Although we have expressed doubts about the cohesiveness of finance capital, and about whether it can ever be demonstrated empirically, we nevertheless conclude that the sum of empirical evidence in this study is consistent with the arguments set forth in Baran and Sweezy's Monopoly Capital. Particularly, and contrary to the managerial theorists, growth is not an objective in itself but is rather the basis for high profits. Contrary to neoclassical economic theory, a positive, not negative, relationship was discovered between the

equity-asset ratio and profit rates. We suggest that this finding is
quite consistent with a tradition of scholarship from Gabriel Kolko
and James Weinstein to Baran and Sweezy, which emphasizes that corporate
predictability and security, of which the equity-asset ratio is cer-
tainly a component, is a precursor of high average profits.

Contrary to the managerial theorists, control type has no effect
on profit rates--a finding consistent with arguments that the structur-
al dynamics of capitalism, not psychological motivations, account for
differences in profit rates. On this basis we could argue that the
nonpropertied managers at the highest levels are practically identical
with the extant capitalist families. At the highest levels managers
would be the immediate supports of a family-based system of property
and would not constitute a faction of this class distinct from owners.
As stressed by G. William Domhoff, managers and family capitalists are
likely to be placed within the same field of reference because they
have attended the same prep schools and universities, participate in
the same social clubs and policy formation groups, inter-marry, and
extensively interlock. Furthermore, the dissociation between the
relationships of ownership and control would not mean that the latter,
when exercised by managers, has become separated from the place of
capital. The structure of the relations of production determines the
places occupied and the functions carried out by managers, who thus
could never be anything more than the occupants of these places. The
managers who allocate the means of production to this or that use,
who direct the labor process, and who fulfill the functions of capital
occupy the place of capital and thus would belong to the capitalist
class even if they do not hold formal legal ownership (Poulantzas,

1975:180). This is why Marx could speak of the formation of stock companies as "the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-dissolving contradiction" (Marx, 1976:438). This is also why Baran and Sweezy (1968:35, 37) could argue that managers and "the very rich" are in fact integrated into a harmonious interest group at the apex of the economic pyramid.

The discovery of a negative relationship between profit rates and the dividend payout ratio, and between growth rates and the dividend payout ratio in the subfiles, must be construed as evidence in favor of Monopoly Capital, for Baran and Sweezy argue that stockholders in general are just as likely to favor capital gains in growing, profitable companies as they are high dividends.

Contrary to the expectations of Fitch and Oppenheimer, a positive relationship between the equity-asset ratio and the dividend payout ratio was discovered. The companies deepest in debt have had their dividend payments restricted by the major financial institutions (as a simple reading of financial statements presented in Moody's Manuals will show) whereas the financially healthiest companies have sought a moderate, steady payout ratio to insure the support of stockholders. This is precisely what Beaver et al. (1970) and Baran and Sweezy (1966: 36) have argued. Apparently, the latter set of companies do not want to give the impression that they are taking unnecessary risks as evidenced by a widely fluctuating payout ratio from year to year. Baran and Sweezy have also argued that where we can clearly distinguish between owner and management controlled firms, the latter should have somewhat higher payout ratios. We in fact evidence this, although the

results are somewhat erratic from sample to sample. Furthermore, the fact that finance controlled firms have payout ratios comparable to, but not higher than, management controlled firms suggests that financial institutions indeed seek dividend income for their trust accounts, but not to the extent to endanger profitability for industrial capital as a whole or to drive corporations deep in debt to increase their loan business.

The higher payout ratios among management controlled firms could be accounted for by the market for corporate control, which is concerned with the relationship between the market value of a company's common stock and the value of the assets to which it relates. If the former is divided by the latter, we obtain the valuation ratio which provides an index showing how rewarding it would be for an outside interest to purchase control of the company. Other things being equal, the lower the ratio the more profitable the purchase (Holl, 1977:260; Hindley, 1970:187). An outsider who buys shares at the depressed level could experience capital gains after imposing corporate reforms (McEachern, 1975:36). Management controlled firms may be thwarting takeovers by keeping the dividend payout ratio high, which increases the price of the company's stock. This in turn increases the valuation ratio and the cost of the takeover to the raider firm or party (Holl, 1977:261). The extent to which management can divert resources from owners and operate their firms with a rather large discrepancy between potential value and actual value before an attempt to purchase control outright becomes probable is a matter of extensive debate (Hindley, 1970:209; Holl, 1977:264-266; McEachern, 1975:38-39; cf. Holl, 1980; Lawriwsky, 1980). Hindley argues that

> the contention that the separation of ownership and control
> will result in managerial actions which differ substantially
> from those of owner-managers is . . . based either upon the
> empirical judgment that transaction costs in the market in
> corporate control are very high relative to the potential value
> of a controlling interest or that potential purchasers will
> require a rate of return which is substantially higher than
> the market rate (Hindley, 1970:187).

The high payout ratios of managerially controlled firms suggest that managers believe both judgments to be false.

The lower payout ratios among family controlled firms could alternately be explained by the fact that if dominant stockholders are more wealthy, their higher tax brackets will make retained earnings more attractive to dividends. Further, the fear of loss of control may encourage dominant stockholders to prefer retained earnings over new issues of debt as a source of growth (McEachern, 1975:94). Hence, we note something of a paradox: to insure control, owners pay low dividends, whereas to insure security against a takeover managers pay notably higher dividends. (Perhaps this also helps account for why firms characterized by moderate to low monopoly power pay out significantly higher dividends than do firms characterized by substantial or very high monopoly power. The costs of acquiring labor-intensive firms may be cheaper than those of capital-intensive firms, and high payout ratios contribute to significantly higher stock prices.)

## Directions for Future Research

In sum, the empirical evidence suggests that Baran and Sweezy have won the debate as posed in this dissertation. However, with the availability of more extensive stockholder data to be published by the Corporate Data Exchange, the sampling procedure and the method of

classification of firms by control type can be improved, particularly
by recognizing that the objective forms of corporate control change
constantly as they interact with each other. Any additional work should
be extended to the 500 largest rather than the 200 largest industrial
firms and where possible should include privately owned firms such as
Cargill, if annual financial statements can be obtained. The work should
include extensive case studies of proxy battles and tender offers to
establish less arbitrary guidelines for determining the minimum percen-
tage of stock and other conditions necessary to "control" a corporation.
It should introduce into the multiple regression equations measures of
foreign investment, certain concepts derived from Volume III of Marx's
Capital (such as the rate of exploitation), and other variables to
account for differences in profit performance and dividend payout rates
among companies classified under different types of control. Among
the latter variables would be a measure of the extent to which the fin-
ancial performance of a company is dependent on defense contracting or
other state activities.

In the same context, such research should design and set forth a
strategy by which bank control of large firms can be convincingly doc-
umented, if indeed bank control is widespread. What must be documented
is whether banks do in fact arrange reciprocity agreements between
clients, manuever firms into policies requiring large-scale borrowing,
specialize research and development on a firm-by-firm basis, regulate
the rate of capital accumulation in different industries, allocate
capital across regions or countries, and force dependent corporations
to occasionally act against their immediate sel-interests for longer-
term purposes. What also must be documented is whether finance

controlled firms are more, or less, likely to acquire subsidiaries and undergo mergers than family controlled or management controlled firms. Furthermore, the importance of these questions must be defended. For example, as Kotz (1978; 1979) notes, if the hypothesis that banks encourage mergers by companies they control is valid, then the growth of bank control may be a contributing factor to the rise in aggregate concentration in the U.S. in the post-World War II period.

Pursuing the corporate control debate can be defended in two senses. On the one hand, it makes possible an empirical resolution of the debate between the managerialists, Marxists, and bank control theorists by correcting the conceptual problems and specification errors in the major studies on the effects of corporate control on profit and dividend payout rates and other performance variables. It shows whether firms controlled by professional managers, by families, or by financial institutions display different behavioral characteristics and, if so, what they are (see Nyman & Silberston, 1978:74). In the case of this dissertation, for the 200 largest U.S. industrial corporations the findings tend to invalidate the essential assumptions, propositions, and inferences of managerial theory and of Fitch and Oppenheimer's theory of bank control (although they do not allow us to convincingly document the finance capital thesis). This is important because as "pseudo-facts," such theories serve to deflect attention from critical aspects of the social structure, determinant social relations, and basic social processes (Zeitlin, 1974).

Pursuing the corporate control debate thus contributes to the attempt to construct a dialectical theory which dissolves the "festishistic forms necessarily produced by the capitalist mode of production"

(Lukacs, 1971:13), elucidates the sources of conflict and change within the capitalist system in general and the capitalist class in particular, and conceptualizes the direction in which the class structures of the advanced capitalist societies are developing (Balbus, 1971:38; cf. Whitt, 1980:58). It provides a basis for determining the capacity, or not, for the development of unified policies and for organized action on the part of the capitalist class. And it provides insight into the evolution of finance capitalism as understood by V. I. Lenin. Because finance capital is far more centralized and "socialized" than its predecessors, it is partially able to transcend market forces in order to shape economic activity to conscious social purposes (Kotz, 1978: 146; Fitch & Oppenheimer, 1970c:75-77). As sociologists, we must discover what these purposes are. For a concentration of economic power via trust departments, merger activity, interlocking, and other mechanisms implies a concentration of political power (Kotz, 1978:140). In the international arena major banks illustrate this by the considerable power they wield over the economic and social policies of Third World countries, particularly by providing or denying credit for development projects, as in the case of Allende's Chile; by making credit contingent on austerity measures similar to those which the International Monetary Fund imposes, resulting in price increases on essential goods, curtailment of the right to strike, and slashes in public projects; and by favoring investments by multinational corporations rather than local businesses (CDE, 1980c:44). Needless to say, these policies affect the types of social and economic changes that are likely and possible.

On the other hand, knowledge of corporate ownership and control is essential to understanding how corporate decision making and planning

are carried out and in whose interests. By identifying key individuals, and by focusing on the basic control and decision making power of the large corporations, on the means by which that power is exercised, and the ends toward which it is directed, we may be able to show how the capitalist class defines the basic form and content of regional, national, and international policies and communicates such interests to the state. Such knowledge may provide us with a basis for determining how the nature of control of large corporations and financial institutions is related to problems of capital formation, economic stagnation, industrial redlining, regional unemployment, mounting production for socially wasteful and destructive purposes, and Third World policy, including massive loans from U.S. banks to provide economic stability to South Africa's apartheid system. Since the rate of return on investments is a much more vital consideration for corporations than the investment's moral or social consequences, knowledge of corporate ownership can be used to help legitimize the notion of popular control over investment priorities and serve to put capital on the defensive. It can be used to build a working class constituency to force corporations to have more than a superficial commitment to democratic ideals. Such a constituency can pressure key stockholders such as churches, universities, and pension fund trustees to propose alternative policies or divest from companies engaged in practices contrary to working class interests.

Conversely, such a constituency must construct an effective political role in the federal government. Due to competition and the apparent absence of an inner group of the capitalist class to articulate general class interests very forcefully (see Useem, 1978, for empirical evidence), the state takes on responsibility for managing crises. With

no direct class-originated policy guidelines, the state itself is forced to devise decision rules that reproduce capital accumulation and distill a class interest out of short-term, narrow, conflicting interests (cf. Habermas, 1975:103). In this context working class groups through various political mechanisms can make a noticeable difference as to what policies are pursued by the state by recognizing that although the state is a factor of cohesion of a social formation, it is also the structure in which the contradictions of the various levels of the formation are reproduced (Poulantzas, 1978:45); it is the object, product, and determinant of class struggle.

However, to propose an effective political role in the federal government by working class organizations requires an understanding of the historical evolution of the structure and functions of the capitalist state; the institutionalized mode of operation from which the production and implementation of policies emerge; how state administrative structures determine what potential issues are, how they are defined, and what solutions are proposed; and the structural, ideological, social, and value constraints on long-term policy formation, program design, and implementation (cf. O'Connor, 1973; Offe, 1972, 1974; Poulantzas, 1975, 1978; Habermas, 1975; Muller & Neususs, 1975; Bridges, 1974; Schroyer, 1975; Esping-Andersen et al., 1976; Bell, 1978). Certainly, these factors also have significant but largely unexamined effects on the rate of capital accumulation in large corporations, on the integration/differentiation of the capitalist class, and ultimately on the ability of the capitalist class to carry out comprehensive planning of the production process.

In sum, research into corporate ownership and control is critical

if our objective is to change policy by working within the system
(cf. Metcalf & Reinemer, 1971:38-40; Metcalf, 1971:22141).  This is
not altogether impossible, for Brown (1973:102) reminds us that the
capitalist class does not constitute a stable, objective category
but rather corresponds "to an identity that is mutable and conjunctural,
continually being redefined through the actual historical course of
social practice."

FOOTNOTES

FOOTNOTES

[1]Chapters two and three in McEachern (1975) provide a good over-
view of the alternative theories of the firm in economics that are
based on the managerial perspective, and an extensive review and cri-
tique of the empirical work completed up to 1975 on corporate owner-
ship and control.

[2]The question of what "control" means is discussed at length in
the section entitled "Operationalizing Control."

[3]Sweezy did not make clear who he meant by "superiors" in his
article "The Illusion of the Managerial Revolution," reprinted in
The Present as History.

[4]A comparison/contrast of how all the authors noted in this study
treated the classification of firms by control type can be constructed
from the following sources: Berle and Means (1969:108-109); Larner
(1966:779); Chevalier (1969:164-165); Monsen, Chiu and Cooley (1968:
438); Monsen (1969b:47); Larner (1970:11); Hindley (1970:217); Radice
(1971:551); Vernon (1971:617-618); Elliott (1972:1310); Palmer (1972:
57); Burch (1972:34-35); Palmer (1973:294); Sorensen (1974:146);
McEachern (1975:72); Stano (1976:678); Ware (1976a:83); Smith (1976:
712); Kania and McKean (1976:281); Pedersen and Tabb (1976:58-59);
McEachern (1976a:274-275, fn. 12); Holl (1977:267-268); Kamin and
Ronen (1978:184); McKean and Kania (1978:331); McEachern (1978a:262);
Kotz (1978:75-79); Thonet and Poensgen (1979:25); Salamon and Smith
(1979:322); Conn (1980:432); Glassman and Rhodes (1980:263); and
Allen (1981:1118).

[5]We should note here that the tender offer has often replaced the
proxy fight. At least in the 1960s, helped by the low cost of money
and a rising stock market, the "dissident throwing a challenge at
management could simply arrange for a line of credit from a bank, make
an offer for a large block of stock, and then wait to see how many
people accept the offer." The high cost of money and the declining
stock market in late 1969 and 1970 brought an end to this (Gerd
Wilcke, "A New Round of Proxy Battles," New York Times, April 11,
1971:2C).

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[6]Soon to be published by the Corporate Data Exchange is a directory listing the major stockholders in the 500 largest U.S. corporations by investment authority and voting rights, probably for First Quarter 1980. The availability of this directory would make possible (i) a reliability check on the list of management controlled firms, (ii) a reliability check on the list of family controlled firms, (iii) major revisions in the list of firms now classified as "indeterminate" due to insufficient data, and (iv) a greatly enlarged sample for the ten-year period under study.

[7]The use of the Fortune Directory of the 200 largest U.S. industrial corporations as the sample for studies of corporate control entails an inherent bias since privately owned corporations are excluded from the directory unless they publish annual financial statements (see Nyman & Silberston, 1978:80; Zeitlin, 1974:1085; Burch, 1972:11-17). This under-estimates the extent of family control. And, as Zeitlin notes, any adequate generalization about the ability of families to maintain control through ownership, indeed private ownership, of the largest firms would have to take account of such previously ignored privately-owned firms (Zeitlin, 1974:1085). However, no official list of the largest corporations ranked by assets, sales, or profits exists, and most authors have relied on the Fortune Directory as their primary source.

[8]The appropriate time horizon over which to apply the research design is controversial (see Albin & Alcaly, 1976:267), for example, short-run sales maximization may be explainable in terms of long-run profit maximization. The choice of the ten-year period in this study is based on "knowing" the type of control to some extent in the 200 largest firms in 1969 (given the prior work by Burch, 1972, and Kotz, 1978), and on the availability of appropriate data sources to trace control through 1978.

[9]Note, however, that while we may be able to show statistical relationships between control type and corporate behavior, these are not necessarily causal relationships. As Blalock writes, causal inferences belong on the theoretical level, whereas actual research can only establish covariations and temporal sequences. As a result, we can never actually demonstrate causal laws empirically (Blalock, 1964: 172; cf. Nyman & Silberston, 1978:83). The direction of statistical relationships are also problematic. For example, are firms more profitable because they are owner controlled or are they owner controlled because they are more profitable? (See McEachern, 1975:48; Zeitlin, 1974:1096, fn. 14, for some of the conditions under which the latter could occur.) Thus, the use of multiple regression analysis does not resolve the problem of causation (time-order). It merely shows at one point in time how corporations classified under different types of control differ on selected variables. Unfortunately, the nature of the data available probably precludes a genuine causal study (see Zeitlin, 1974:1096, fn. 14).

[10]<u>Business Week</u>, November 22, 1976:133, 139; <u>Fortune</u>, January 16, 1978:71.

[11]<u>Forbes</u>, October 29, 1979:34, 36. <u>Forbes</u> (October 29, 1979:36) commented on Posner's activities in this manner: "It is putting it mildly to say that the Victor Posners of this world are no credit to the capitalist system, but it would be too easy to leave the matter at that. The real question Americans should ask themselves is: Why is the system so richly rewarding speculators and takeover artists and discouraging long-term investors? For example: Why should dividends be almost tax-free to corporations but fully taxed to individuals? Shouldn't individual investors have the same protection against double taxation that corporations have? What has happened to our economy or society or both, that stock certificates have become better, much less risky investments than building new factories and creating more jobs? Why are our best and biggest banks financing speculation? Is profitability the only criterion for granting a loan? Let's put it this way: Maybe Victor Posner is a symptom, not a disease. If for no other reason than that, he's worth paying attention to."

[12]From a column entitled "Corporate Mergers Hurt Our Cities" by Neal R. Pierce, in the <u>Minneapolis Tribune</u>, December 27, 1981. Pierce included in his column this poignant example of disinvestment, originally told to the U.S. House Small Business Antitrust Committee by Hopedale, Mass., Town Administrator Bernard Stock: "Draper Looms, which had employed 2,400 of the town's 4,000 residents, used to contribute 30 percent of the town's property taxes. Founded in the 19th century, it had built the town hall, high school, country club, airport, railroad, sewage plant, power facility and even donated land for the town cemetery. But in 1967, Rockwell International acquired Draper Looms. Stock told how the executive staff was moved to Pittsburgh. 'We no longer had someone in the town of Hopedale who could make a decision on company-town related problems.' Research, development and maintenance staffs were cut to the bone. The building began to deteriorate. Some $30 million to 40 million of Draper Looms' corporate savings were transferred to the parent company. Managers were rotated through the plant. The factory was gradually closed down, its workers discharged. The town lost hundreds of thousands of dollars in property taxes."

APPENDIX A


FORTUNE'S 200 LARGEST U.S. INDUSTRIAL CORPORATIONS

RANKED BY ASSETS AT YEAR-END 1968

APPENDIX A


FORTUNE'S 200 LARGEST U.S. INDUSTRIAL CORPORATIONS

RANKED BY ASSETS AT YEAR-END 1968


Table 21.  Fortune's 200 Largest U.S. Industrial Corporations Ranked by
           Assets at Year-End 1968.

Company

1. Standard Oil, N.J. (now Exxon)
2. General Motors
3. Ford Motor
4. Texaco
5. Gulf Oil
6. Mobil Oil
7. IBM
8. U.S. Steel
9. General Telephone & Electronics
10. Standard Oil of California
11. General Electric
12. Standard Oil (Indiana)
13. Chrysler
14. Shell Oil
15. International Telephone & Telegraph
16. Tenneco
17. Du Pont (E. I.) de Nemours
18. Union Carbide
19. Bethlehem Steel
20. Phillips Petroleum
21. Western Electric
22. LTV
23. Eastman Kodak
24. Continental Oil
25. Atlantic Richfield
26. Goodyear Tire & Rubber
27. RCA
28. Sun Oil
29. Dow Chemical
30. Union Oil of California
31. Westinghouse Electric
32. Aluminum Company of America
33. The Boeing Company
34. Gulf & Western Industries
35. International Harvester
36. Monsanto
37. Firestone Tire & Rubber
38. Cities Service
39. Sinclair Oil
40. Avco
41. Occidental Petroleum
42. Getty Oil
43. International Paper
44. Anaconda
45. W. R. Grace
46. Reynolds Metals
47. Celanese
48. Armco Steel
49. Proctor & Gamble
50. Republic Steel
51. Kennecott Copper
52. American Tobacco (now American Brands)
53. Catepillar Tractor
54. Allied Chemical
55. Singer

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Table 21 (cont'd.).

Company

| | |
|---|---|
| 56. Deere | 93. Crown Zellerbach |
| 57. Kaiser Aluminum & Chemical | 94. Lockheed Aircraft |
| 58. North American Rockwell (now Rockwell International) | 95. Xerox |
| | 96. Bendix |
| 59. National Steel | 97. St. Regis Paper |
| 60. United Aircraft (now United Technologies) | 98. Textron |
| | 99. TRW |
| 61. American Can | 100. Corn Products (now CPC International) |
| 62. McDonnell-Douglas | |
| 63. Northwest Industries | 101. General Dynamics |
| 64. Georgia-Pacific | 102. Control Data |
| 65. Glen Alden | 103. General Tire & Rubber |
| 66. Signal Companies | 104. Coca-Cola |
| 67. Litton Industries | 105. Hercules |
| 68. R. J. Reynolds | 106. National Distillers & Chemical |
| 69. Burlington Industries | 107. Kimberly-Clark |
| 70. Inland Steel | 108. Philip Morris |
| 71. Minnesota Mining & Manufacturing | 109. American Metal Climax (now AMAX) |
| 72. Owens-Illinois | 110. Borg-Warner |
| 73. Marathon Oil | 111. Standard Oil of Ohio |
| 74. U.S. Plywood-Champion Papers (now Champion International) | 112. Burroughs |
| | 113. American Smelting & Refining (now Asarco) |
| 75. Uniroyal | |
| 76. National Cash Register (now NCR) | 114. Scott Paper |
| | 115. Ashland Oil & Refining |
| 77. Sperry Rand | 116. Pfizer (Charles) |
| 78. PPG Industries | 117. Swift & Company (now Esmark) |
| 79. Continental Can (now Continental Group) | 118. Seagram (Joseph E.) & Sons |
| | 119. Norton Simon |
| 80. Weyerhaeuser | 120. Mead |
| 81. General Foods | 121. Allis-Chalmers |
| 82. B. F. Goodrich | 122. American Home Products |
| 83. Boise Cascade | 123. General American Transportation (now GATX) |
| 84. Youngstown Sheet & Tube (now Lykes) | |
| | 124. Phelps Dodge |
| 85. Borden | 125. Stevens (J. P.) |
| 86. Olin Mathieson Chemical | 126. Martin Marietta |
| 87. Honeywell | 127. Diamond Shamrock |
| 88. American Cyanamid | 128. Kerr-McGee |
| 89. FMC | 129. United Merchants & Manufacturers |
| 90. American Standard | 130. Ralston Purina |
| 91. National Dairy Products (now Kraft) | 131. Kaiser Industries |
| | 132. Eaton, Yale & Towne (now Eaton) |
| 92. International Utilities (now IU International) | 133. White Consolidated Industries |
| | 134. Ingersoll-Rand |

Table 21 (cont'd.).

Company

| | |
|---|---|
| 135. National Lead (now NL Industries) | 168. Fruehauf |
| 136. Teledyne | 169. Del Monte |
| 137. International Minerals & Chemical | 170. White Motor |
| | 171. Union Camp |
| 138. Studebaker-Worthington | 172. Johns-Manville |
| 139. Wheeling-Pittsburgh Steel | 173. Pepsico |
| 140. Colt Industries | 174. National Biscuit (now Nabisco) |
| 141. Ogden | 175. Amerada Petroleum |
| 142. Kaiser Steel | 176. SCM |
| 143. Consolidated Foods | 177. Squibb Beech-Nut |
| 144. Armour | 178. Raytheon |
| 145. Campbell Soup | 179. Corning Glass Works |
| 146. Ethyl | 180. American Machinery & Foundry (now AMF) |
| 147. Dresser Industries | |
| 148. Standard Brands | 181. Eli Lilly |
| 149. GAF | 182. Carnation |
| 150. U.S. Gypsum | 183. Union Tank Car (now Trans Union) |
| 151. Rexall Drug & Chemical (now Dart Industries) | |
| | 184. Genesco |
| 152. Heinz (H. J.) | 185. Armstrong Cork |
| 153. Colgate-Palmolive | 186. Texas Instruments |
| 154. Cerro (now Marmon Group) | 187. Stauffer Chemical |
| 155. Anheuser-Bush | 188. Johnson & Johnson |
| 156. Warner-Lambert | 189. West Virginia Pulp & Paper (now Westvaco) |
| 157. Bristol-Myers | |
| 158. Texas Gulf Sulpher (now Texasgulf) | 190. Pullman |
| | 191. Whirlpool |
| 159. Babcock & Wilcox | 192. Brunswick |
| 160. Time | 193. Jim Walter |
| 161. Ligget & Myers (now Liggett Group) | 194. Coastal States Gas Producing |
| | 195. Gillette |
| 162. General Mills | 196. U.S. Industries |
| 163. Combustion Engineering | 197. Northrop |
| 164. Air Reduction (now Airco) | 198. Revere Copper & Brass |
| 165. Motorola | 199. National Gypsum |
| 166. Hess Oil & Chemical | 200. Rohm & Haas |
| 167. Merck | |

APPENDIX B


FORTUNE'S 200 LARGEST U.S. INDUSTRIAL CORPORATIONS

RANKED BY ASSETS AT YEAR-END 1968,

LISTED IN ALPHABETICAL ORDER

APPENDIX B

FORTUNE'S 200 LARGEST U.S. INDUSTRIAL CORPORATIONS

RANKED BY ASSETS AT YEAR-END 1968,

LISTED IN ALPHABETICAL ORDER

Table 22. Fortune's 200 Largest U.S. Industrial Corporations Ranked by Assets at Year-End 1968, Listed in Alphabetical Order.

Company

1. Air Reduction (now Airco)
2. Allied Chemical
3. Allis-Chalmers
4. Aluminum Company of America
5. Amerada Petroleum
6. American Can
7. American Cyanamid
8. American Home Products
9. American Machinery & Foundries (now AMF)
10. American Metal Climax (now AMAX)
11. American Smelting & Refining (now Asarco)
12. American Standard
13. American Tobacco (now American Brands)
14. Anaconda
15. Anheuser-Busch
16. Armco Steel
17. Armour
18. Armstrong Cork
19. Ashland Oil & Refining
20. Atlantic Richfield
21. Avco
22. Babcock & Wilcox
23. Bendix

24. Bethlehem Steel
25. B. F. Goodrich
26. Boeing Company
27. Borg-Warner
28. Boise Cascade
29. Borden
30. Bristol-Myers
31. Brunswick
32. Burlington Industries
33. Burroughs
34. Campbell Soup
35. Carnation
36. Catepillar Tractor
37. Celanese
38. Cerro (now Marmon Corp.)
39. Chrysler
40. Cities Service
41. Coastal States Gas Producing
42. Coca-Cola
43. Colgate-Polmolive
44. Colt Industries
45. Combustion Engineering
46. Consolidated Foods
47. Continental Can (now Continental Group)
48. Continental Oil
49. Control Data

Table 22 (cont'd.).

Company

50. Corn Products (now CPC International)
51. Corning Glass Works
52. Crown Zellerbach
53. Deere
54. Del Monte
55. Diamond Shamrock
56. Dow Chemical
57. Dresser Industries
58. Eastman Kodak
59. Eaton, Yale & Towne (now Eaton)
60. E. I. Du Pont de Nemours
61. Eli Lilly
62. Ethyl
63. Firestone Tire & Rubber
64. FMC
65. Ford Motor
66. Fruehauf
67. GAF
68. General American Transportation (now GATX)
69. General Dynamics
70. General Electric
71. General Foods
72. General Mills
73. General Motors
74. General Telephone & Electronics
75. General Tire & Rubber
76. Genesco
77. Georgia-Pacific
78. Getty Oil
79. Gillette
80. Glen Alden
81. Goodyear Tire & Rubber
82. Gulf & Western Industries
83. Gulf Oil
84. Hercules
85. Hess Oil & Chemical
86. H. J. Heinz
87. Honeywell
88. IBM
89. Ingersoll-Rand
90. Inland Steel
91. International Harvester
92. International Minerals & Chemical
93. International Paper
94. International Telephone & Telegraph
95. International Utilities (now IU International)
96. Jim Walter
97. Johns-Manville
98. Johnson & Johnson
99. J. P. Stevens
100. Kaiser Aluminum & Chemical
101. Kaiser Industries
102. Kaiser Steel
103. Kennecott Copper
104. Kerr-McGee
105. Kimberly-Clark
106. Liggett & Myers (now Liggett Group)
107. Litton Industries
108. Lockheed Aircraft
109. LTV
110. Marathon Oil
111. Martin Marietta
112. McDonnell-Douglas
113. Mead
114. Merck
115. Minnesota Mining & Manufacturing
116. Mobil Oil
117. Monsanto
118. Motorola
119. National Biscuit (now Nabisco)
120. National Cash REgister (now NCR)
121. National Dairy Products (now Kraft)
122. National Distillers & Chemical
123. National Gypsum
124. National Lead (now NL Industries)
125. National Steel
126. North American Rockwell (now Rockwell International)
127. Northrop
128. Northwest Industries

Table 22 (cont'd.).

Company

| | |
|---|---|
| 129. Norton Simon | 166. Stauffer Chemical |
| 130. Occidental Petroleum | 167. Studebaker-Worthington |
| 131. Ogden | 168. Sun Oil |
| 132. Olin Mathieson Chemical (now Olin) | 169. Swift & Company (now Esmark) |
| 133. Owens-Illinois | 170. Teledyne |
| 134. Pepsico | 171. Tenneco |
| 135. Pfizer (Charles) | 172. Texaco |
| 136. Phelps Dodge | 173. Texas Gulf Sulpher (now Texasgulf) |
| 137. Philip Morris | 174. Texas Instruments |
| 138. Phillips Petroleum | 175. Textron |
| 139. PPG Industries | 176. Time |
| 140. Proctor & Gamble | 177. TRW |
| 141. Pullman | 178. Union Camp |
| 142. Radio Corporation of America (now RCA) | 179. Union Carbide |
| 143. Ralston Purina | 180. Union Oil of California |
| 144. Raytheon | 181. Union Tank Car (now Trans Union) |
| 145. Republic Steel | 182. Uniroyal |
| 146. Revere Copper & Brass | 183. United Aircraft (now United Technologies) |
| 147. Reynolds Metals | 184. United Merchants & Manufacturers |
| 148. Rexall Drug & Chemical (now Dart Industries) | 185. U.S. Gypsum |
| 149. R. J. Reynolds | 186. U.S. Industries |
| 150. Rohm & Haas | 187. U.S. Plywood-Champion Papers (now Champion International) |
| 151. St. Regis Paper | 188. U.S. Steel |
| 152. SCM | 189. Warner-Lambert |
| 153. Scott Paper | 190. West Virginia Pulp & Paper (now Westvaco) |
| 154. Seagram (Joseph E.) & Sons | 191. Western Electric |
| 155. Shell Oil | 192. Westinghouse Electric |
| 156. Signal Companies | 193. Weyerhaeuser |
| 157. Sinclair Oil | 194. Wheeling-Pittsburgh Steel |
| 158. Singer | 195. Whirlpool |
| 159. Sperry Rand | 196. White Consolidated Industries |
| 160. Squibb Beech-Nut | 197. White Motor |
| 161. Standard Brands | 198. W. R. Grace |
| 162. Standard Oil of California | 199. Xerox |
| 163. Standard Oil (Indiana) | 200. Youngstown Sheet & Tube (now Lykes) |
| 164. Standard Oil, N.J. (now Exxon) | |
| 165. Standard Oil of Ohio | |

APPENDIX C


STOCKHOLDER DATA SUMMARIZED, BY TEN-YEAR

SAMPLE AND BY SUBFILES

APPENDIX C


STOCKHOLDER DATA SUMMARIZED, BY TEN-YEAR

SAMPLE AND BY SUBFILES


Table 23.  Classification of the 200 Largest U.S. Industrial Corpor-
           ations Ranked by Assets at Year-End 1968 by Type of
           Control, 1969-1978.

Companies Omitted from the Analysis for Reasons Given Below

1. Amerada Petroleum:   Merged with Hess Oil & Chemical to form Amerada
                        Hess in June 1969.  Amerada Hess is included in
                        the sample.

2. Anaconda Copper:     Merged with Atlantic Richfield in January 1977.
                        Atlantic Richfield is included in the sample.

3. Babcock & Wilcox:    Merged with J. Ray McDermott & Co. in March 1978.
                        J. Ray McDermott is not included in the sample.

4. Del Monte:           Merged with R. J. Reynolds in September 1978.
                        R. J. Reynolds is included in the sample.

5. Glen Alden:          Merged with Rapid-American in November 1972.
                        Rapid-American is not included in the sample.

6. Kaiser Industries:   Liquidated in 1978.

7. Sinclair Oil:        Merged with Atlantic Richfield in March 1969.
                        Atlantic Richfield is included in the sample.

8. United Merchants
   & Manufacturers:     In bankruptcy proceedings in 1978.

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Allied Chemical

In 1964 the Solvay family of Belgium held approximately 8.2% of Allied Chemical's total stock through Solvay & Cie, the family-owned Brussels, Belgium, chemical company. In 1978 Solvay & Cie held between 8% and 9.6% of the total stock, although that year the Belgium family indicated an intention to sell their shares, apparently to Textron, which acquired a 3.8% interest that same year. In 1979 Solvay & Cie's holdings had been reduced to 5% of Allied Chemical, while Textron's holdings had increased to 5%. Jacques E. Solvay, managing director of Solvay & Cie, has had a seat on the board of directors of Allied Chemical throughout the 1970s. Other family members on the board of directors include Washington Post Company chairperson Mrs. K. M. Graham, daughter of Eugene Meyer, one of the founders of Allied Chemical, and Charles W. Nichols, Jr., a grandson of another of the company's founders.

(Sources: Burch, 1972:41; New York Times, October 26, 1973:67; Forbes, November 15, 1977:159; Kotz, 1978:174; Forbes, January 23, 1978:27; Moody's Industrial Manual, 1978; Forbes, April 2, 1979:74; Business Week, April 16, 1979:32; Standard Corporation Descriptions, April 1980:7881.)

## Aluminum Company of America

The exact nature of the Mellon family holdings in Alcoa is difficult to determine, but this appears to be a case of pyramiding. The Mellon family interests have at least 22.61% of the total votes in Mellon National Corp. (as of 1980 Paul Mellon alone owned 13.2% of the common stock of Mellon National Corp.), which is the parent of Mellon Bank NA. Mellon Bank NA has held at least 20% of the voting stock of Alcoa throughout the 1970s. The board of directors of Alcoa has been dominated by Mellon interests. For example, in 1969 board members included John A. Mayer, chairman of the board of Mellon Bank NA; Richard K. Mellon, president of T. Mellon & Sons; and George W. Wyckoff, vice president of T. Mellon & Sons. In 1978 board members included Mayer; Nathan W. Pearson, financial advisor for the Paul Mellon family investments; and Joseph A. Katarincic, attorney for five Mellon family directors.

(Sources: U.S. Congress, 1968:106; Burch, 1972:41; New York Times, May 7, 1976:3D; New York Times, September 17, 1976:3D; Kotz, 1978:159; U.S. Congress, 1978:155; Standard Corporation Descriptions, May 1980: 7905.)

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Amerada Hess

Throughout the 1970s Leon Hess has owned at least 15% of Amerada Hess outright and has controlled another 7% through family holdings and trusts. Leon Hess is chairman and chief executive officer, and other family members hold key managerial positions. For example, Hess has a son who is a director of the company; Hess's father-in-law, David Wilentz, also sits on the board; a nephew, Nathan K. Trynin, is senior vice-president for international exploration and production; and Hess's father was titular head of the company until only a few years before his death at the age of 94 in 1965.

(Sources: Moody's Industrial Manual, 1968; Burch, 1972:55; New York Times, October 19, 1975:14C; Forbes, August 1, 1977:53; Kotz, 1978:169; Forbes, October 2, 1978:73; Business Week, July 16, 1979: 67, 70; CDE, 1980b:31.)

## Anheuser-Busch

In 1968 the Anheuser and Busch families owned over 40% of the stock of Anheuser-Busch. In 1979 the Busch family still controlled some 25% of the company's stock, of which 14.3% was owned or controlled by August A. Busch, Jr. He apparently is the largest single stockholder in the company. The Busch family has dominated the upper echelons of management. For example, in 1969 August A. Busch, Jr., was chairman, president, and a director; and August A. Busch III was a vice-president and director. In 1978 August A. Busch III was chairman, president, chief executive officer, and a director; and August A. Busch, Jr., was on the board of directors.

(Sources: Burch, 1972:53; Forbes, June 1, 1974:22; Moody's Industrial Manual, 1978; Fortune, January 15, 1979:92; Standard Corporation Descriptions, July 1979:8803.)

## Avco

In 1969 three Harringtons held 9% of the voting stock of Avco. In 1979 the Harrington family and associates had voting authority over 4.45% of the total stock, and the Hodgkins family had voting authority over another 2.17% of the total stock. The largest stockholder in Avco in 1979 was J. P. Morgan & Co. with investment authority over 7.10% of the total stock; however, it had voting rights over approximately 2%. The Harringtons have dominated the board of directors throughout the 1970s. For example, in 1969 three Harringtons were on the board, and one was vice-chairman of the board. In 1973 three directors from Worcester, the family's home base, joined the board, giving the family from all appearances nine friendly votes on the eighteen-man board.

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Avco (cont'd.)

That year George L. Hogeman—the head of the family's old company,
Paul Revere Corp.—became Avco's president and chief executive officer.
In 1978 Hogeman was still president and a director, and Francis A.
Harrington was on the board of directors.
    (Sources: Forbes, April 1, 1974:24; 1976 NYSE Listing Statement
C-2039D; 1977 NYSE Listing Statement C-2885; Kotz, 1978:167; CDE,
1980a:46.)

## Campbell Soup

    From the time of Campbell Soup's first public stock offering in
1954 until 1974 the Dorrance family controlled at least 51% of the
total stock.  Between 1974 and 1979 trustees under the will of Dr.
John T. Dorrance controlled between 31% and 52% of the total stock,
depending on the source consulted.  Throughout the 1970s John T.
Dorrance, Jr., has been chairman and a director.  Furthermore, Mrs.
Stuart H. Ingersoll, sister of John T. Dorrance, Jr., and one of four
trustees of the Dorrance Trust, has also been active in the company.
Forbes has referred to the Dorrances as "a Main Line Philadelphia
family" and has noted that few if any important decisions are made at
Campbell Soup without the approval of John T. Dorrance, Jr.
    (Sources: Burch, 1972:46; Forbes, March 1, 1974:47; Standard &
Poor's Stock Market Encyclopedia, 1977; Moody's Industrial Manual,
1978; Forbes, June 11, 1979:101-102; Standard Corporation Descriptions,
January 1980:3941.)

## Carnation

    Throughout the 1970s between 44.43% and 50% of the stock of
Carnation was owned by the E. A. Stuart Company.  The business of E. A.
Stuart Company is the holding of investments.  In 1973 members of the
family of the late E. H. Stuart owned 9.71% of the common stock out-
standing of E. A. Stuart Company.  Family members (together with
H. E. Olson, chairman of the board and chief executive officer of
Carnation, and S. A. Halgren, senior vice-president of Carnation)
served as advisors to the trustee or as trustees of various trusts which
accounted for another 84% of the common stock outstanding of E. A.
Stuart Company.  In 1973 the aforementioned family members, H. E.
Olson, and S. A. Halgren additionally owned 2.09% of the common stock
outstanding of Carnation, and the aforementioned trusts owned 3.86%.
In 1969 Elbridge H. Stuart was chairman and a director of Carnation;
Dwight L. Stuart was a senior vice-president and director; and R. F.
Stuart (son of Elbridge H. Stuart) was an assistant vice-president and

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Carnation (cont'd.)

director. In 1978 Dwight L. Stuart was president and a director; and
R. F. Stuart was a vice-president and director.

(Sources: Burch, 1972:50; 1974 ASE Listing Statement 10861;
Forbes, January 15, 1974:47; Moody's Industrial Manual, 1978.)

## Coastal States Gas

Throughout the 1970s the founder of Coastal States Gas, Oscar
S. Wyatt, Jr., has owned between 9.53% and 15% of the total stock.
Wyatt has been chairman and a director of the company since he founded
it in 1955. Business Week has noted that Wyatt "runs the company
with an iron hand."

(Sources: Moody's Industrial Manual, 1968; 1972 NYSE Listing
Statement B-2505; CDE, 1977:160; Fortune, January 30, 1978:16;
Forbes, August 21, 1978:33; Standard Corporation Descriptions, July
1979:4629; CDE, 1980b:54; Fortune, January 14, 1980:15; Business Week,
April 7, 1980:102.)

## Coca-Cola

In 1969 two Woodruff Foundations held 27.9% of the voting stock
of Coca-Cola International Corporation, which in turn held 20.9% of
the voting stock of Coca-Cola. In late 1976 the Woodruff family in-
terests controlled the Emily & Ernest Woodruff Fund, Inc., and Piedmont
Securities Co. which had 15.82% and 14.45%, respectively, of the stock
in Coca-Cola International, which in turn controlled 15.9% of the votes
in Coca-Cola Co. Data available for March 1978 and March 1980 show
little variation in these figures. The other major stockholder in
Coca-Cola Co. is the Trust Company of Georgia with 9.42% of the total
votes as of late 1976. That same year the Trust Company of Georgia
controlled 5.54% of the votes in the parent Coca-Cola International,
and the Trust Company of Georgia Associates controlled another 5%.
The Woodruff family has had at least two representatives on the board
of directors of Coca-Cola Co. throughout the 1970s, and has chaired
the important finance committee. Additionally, the Trust Company of
Georgia had two representatives on the board of directors of Coca-
Cola Co. in the late 1970s.

(Sources: Burch, 1972:43; Kotz, 1978:169; U.S. Congress, 1978:
71-72, 252; Moody's Industrial Manual, 1978; Standard Corporation
Descriptions, July 1980:3263.)

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Consolidated Foods

Nathan Cummings founded Consolidated Foods and has owned or controlled between 3.6% and 6% of the company's total stock throughout the 1970s, depending on the source consulted. Up until 1969 Nathan Cummings held a number of positions, including board chairman, honorary chairman, chief executive officer, and chairman of the executive committee. From 1969 to at least 1978 he and Tilden Cummings occupied positions on the board of directors. In 1969, in a disagreement on "basic corporate policy," Nathan Cummings forced the ouster of then chief executive officer W. Howlett. Somewhat later he "unceremoniously" fired Howlett's replacement, former president Buzick. Nathan Cummings has recently shared power with the current chief executive officer, John H. Bryan, Jr., but most business sources agree that Cummings dominates both the board of directors and the affairs of the company. A 1979 Fortune article called Nathan Cummings Consolidated Food's "jealous guardian."

(Sources: New York Times, December 16, 1969:67; New York Times, January 16, 1970:75; Business Week, March 3, 1975:24; Kotz, 1978:178; Fortune, June 4, 1979:101-102.)

### Corning Glass Works

Throughout the 1970s the Houghton family has owned approximately 30% of the total stock of Corning Glass. Company management has been dominated by the Houghton family. For example, in 1969 Amory Houghton, Jr., was chairman and a director; James R. Houghton was a vice-president and director; and Amory Houghton was honorary chairman of the board and a director. In 1978 little had changed except that Arthur A. Houghton, Jr., joined the board of directors. Amory Houghton, Jr., is the fifth generation of his family to head the company. An article in Forbes in 1974 noted the following: "Amo Houghton faces a problem. He would like one of his sons to be the sixth generation of Houghtons to run Corning. The older son, Amory III ('Morey" is a liberal arts student at Harvard), says his father, 'doesn't seem to understand his father's business.' The younger son is still a possible successor, but otherwise the job may go to one of the sons of younger brother James. But one way or another this durable dynasty seems certain to go on."

(Sources: Moody's Industrial Manual, 1968; Burch, 1972:55; Forbes, February 15, 1974:52; Standard & Poor's Stock Market Encyclopedia, 1977; Forbes, July 15, 1977:33; Moody's Industrial Manual, 1978; Standard Corporation Descriptions, April 1980:3601.)

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Deere & Co.

Descendants of Charles H. Deere have held approximately 10% to 12% of the total stock of Deere & Co. throughout the 1970s. Exact holdings are not known. W. A. Hewitt has been chairman and a director throughout the same period. Hewitt married Patricia Deere Wiman, whose father Charles Deere Wiman was a great-grandson of John Deere, the founder of Deere & Co. Hewitt was promoted by the Deere family, and certain sources note that the company has long been dominated by family leadership.

(Sources: Burch, 1972:44; Fortune, August 1976:166, 169, 172; Kotz, 1978:170; Forbes, January 21, 1980:41.)

## Dow Chemical

In the early 1970s seven Dows and their relatives held at least 5.7% of the voting stock; the current holdings of the Dow family are not known. In 1972 four Dows or their relatives were directors, of whom one was president and chief executive officer, another was chairman of the executive committee, and a third was secretary. The secretary, Herbert H. Dow, has continued with the company through 1978. According to a 1977 Fortune article, one of the board members, Herbert D. Doan, is the last of the Dow family to run the company. Furthermore, the company may eventually lose some control to financial institutions, for Dow Chemical has been an aggressive borrower. Its debt now constitutes 47% of its capital, the highest leverage among the major companies in the chemical industry.

(Sources: Burch, 1972:41; Fortune, May 1977:314; Kotz, 1978: 170; Fortune, September 10, 1979:76.)

## Du Pont

Throughout the 1960s and 1970s the Du Pont family has owned approximately 30% of the Christiana Securities Co., which was established in 1917 to carry out provisions of the wills of the Du Pont founders. Christiana Securities has owned 28% to 29% of Du Pont throughout the same period. Christiana Securities holds about 3.5% of Wilmington Trust Co., which in turn holds 56.2% of Christiana Securities common stock in trusts for individuals and institutions. The management links among Christiana Securities, Du Pont, and Wilmington Trust are pervasive. For example, in 1972 five of Christiana Securities' officers and directors were also directors of Du Pont. Six Du Pont directors, including its chairman and president, Charles B. McCoy, were on the board of Wilmington Trust. And three persons--Irenee Du Pont, Jr., George P. Edmonds, and Lammont Du Pont Copeland--served on all three

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Du Pont (cont'd.)

boards. Although only Irenee Du Pont is active in the day-to-day management of the company, members of the Du Pont family dominate the critical finance committee. Irenee Du Pont, great-great grandson of the founder, was to have retired in 1978. The successor, Irving S. Shapiro, was appointed by Irenee Du Pont. In 1979 the third largest stockholder in Du Pont, behind the Du Pont family with 27.31% and Delaware Trust Co. with 2.71%, was Florida National Banks of Florida with 1.69% of the total stock. In 1973 the Du Pont estate had a 24% interest in this holding company, although the trustees voted to dispose of their remaining stock.

(Sources: Business Week, November 18, 1972:23; Fortune, January 1973:72-75; Business Week, December 15, 1973:47 ff.; Fortune, December 1974:170; Kotz, 1978:170; U.S. Congress, 1978:99-100; New York Times, May 31, 1978:2D; CDE, 1980b:67.)

### Eli Lilly & Co.

In 1971 the Lilly family reportedly owned about 25% of the total stock, and the family-controlled Lilly Endowment Inc. another 22.5% of the total stock. In 1980 the Lilly Endowment Inc. owned 18.2% of the common stock, and an undetermined percentage of stock was held by descendants of the founding family in blocks of less than 5%. Although several descendants of the founding family still work for the company, none is in top management. However, the current chief executive officer, Richard D. Wood, is only the second of the company's six chief executive officers to come from outside the Lilly family, and Eli Lilly II is on the board of directors of the Endowment.

(Sources: Burch, 1972:60; Standard & Poor's Stock Market Enclyclopedia, 1977; 1978 NYSE Listing Statement C-4846; Business Week, October 29, 1979:140; Standard Corporation Descriptions, May 1980:7647.)

### Ethyl

From 1965 to 1976 the Gottwald family held at least 15% of the total stock of Ethyl. In 1962 Floyd D. Gottwald, Sr., bought Ethyl from its joint owners: Exxon and General Motors. The Gottwalds have since dominated management. For example, in 1969 Floyd D. Gottwald, Sr., was chairman of the executive committee and a director; Floyd D. Gottwald, Jr., was chairman and a director; and Bruce C. Gottwald was executive vice-president, secretary, and a director. In 1978 Floyd D. Gottwald, Jr., was chairman of the executive committee and a director; Floyd D. Gottwald, Sr., was vice-chairman of the board

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Ethyl (cont'd.)

and a director; and Bruce C. Gottwald was president and a director.
(Sources: New York Times, April 26, 1968:60; Burch, 1972:59; Forbes, January 15, 1973:47; Business Week, May 11, 1974:54; Fortune, August 1976:40; Standard & Poor's Stock Market Encyclopedia, 1977; Kotz, 1978:170; Forbes, May 29, 1978:85.)

### Esmark

Henry Crown Co., controlled by the Crown family, acquired a 3.5% interest in Esmark in October 1968; it has held approximately 4% to 5% of the common stock of Esmark throughout the 1970s. Henry Crown personally votes this holding. Through various trusts and partnerships Lester Crown probably votes another 3% of the stock of Esmark. Lester Crown, son of Henry Crown and executive vice-president of Henry Crown Co., has been a director of Esmark since 1968.
(Sources: Business Week, December 22, 1975:30-31; 1978 NYSE Listing Statement C-4563; Forbes, December 8, 1980:78.)

### Firestone Tire and Rubber

Depending on the sources consulted, throughout the 1970s the Firestone family has owned or controlled between 18% and 25% of Firestone Tire and Rubber's total stock. Up until 1979 Cleveland Trust Company held much of the family's stock in trust and had full voting rights over the stock. However, Cleveland Trust executives contacted family members before making decisions. In 1979 family members split over a proposed merger with Borg-Warner, which posed a problem for Cleveland Trust in terms of how it was supposed to vote. The outcome was not made public, as far as we can determine. However, Business Week in 1980 noted the following: "Ever since the recall of the Radial 500 in 1978, which helped produce a $148.3 million loss, the family has tried to reexert its influence. Leonard K. Firestone, who resigned from the board in 1974, [was expected to resume a directorship in February 1980]. For now, his son, Kimbal C., the only family member on the board, admits that 'the others are frustrated, standing on the sidelines, and unity is difficult to get from them.' The one time they moved off the sidelines, it cost them close to $100 million. Family members urged that Firestone be merged with Borg-Warner Corp. in late 1978, then abruptly decided that they wanted more than the $16 a share Borg-Warner was offering. The family was fooled by Firestone's momentary comeback in earnings in 1979. By October, Firestone stock plunged below $9 a share. Although Mario A. DiFederico, the company's president, actually had little to do with the collapse of the

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Firestone Tire and Rubber (cont'd.)

merger, no one was surprised when he found himself out of a job. Though DiFederico was only one part of the two-man professional management team that ultimately succeeded Raymond C. Firestone two years ago . . ., he was the executive most responsible for the troubled tire operations."

With the return of Leonard K. Firestone, the Firestone family now has two members on the board of directors. In 1969 the family had three: Raymond C. Firestone (who was also chairman), Leonard K. Firestone, and Roger S. Firestone.

(Sources: U.S. Congress, 1968:102; Burch, 1972:40; Forbes, October 1, 1976:81; Standard & Poor's Stock Market Encyclopedia, 1977; Kotz, 1978:167; Fortune, December 31, 1978:44-45; Business Week, March 19, 1979:34; Standard Corporation Descriptions, February 1980:1627; Business Week, February 11, 1980:62-63.)

### Ford Motor

In 1969 Henry Ford II was chairman, and Benson Ford and William Clay Ford were vice-presidents of Ford Motor. All three were directors and, with the exception of Benson Ford, have held these positions throughout the 1970s. In a 1978 New York Times aticle Reginald Stuart details family involvement in control of the company, noting that founder Henry Ford's daughter-in-law Eleanor Clay Ford was the only woman family member to have exerted any significant influence over the firm's management. Stuart argues that the death of Mrs. Ford in 1976 and the July 1978 death of her son Benson Ford has left control of the firm to her other children, Henry Ford II, William Clay Ford, and Josephine Ford. Some observers believe that Josephine, at that time age 55, who has displayed only passive interest in the company, will be compelled to assume a greater role. Business Week believes that it is unlikely there will again be a Ford, or anyone else, running Ford Motor with the unchallenged power of Henry Ford II. But his grandfather did assure family control of the company by splitting the stock into two classes. Class B Ford Motor common stock can be owned only by family members and the stock has 40% of the total votes. William Clay Ford's family holds the largest single block of Class B stock and 12% of the total vote. A sister and her family have 10% of the stockholder vote, while Henry Ford II and his family have 7%. The three families together influence trusts with an additional 5.7% of the vote. Benson Ford, Jr., has 2.6% of the stockholder vote and is contesting his father's will which denies him control of an additional 1.6%.

(Sources: Burch, 1972:37; Kotz, 1978:171; U.S. Congress, 1978: 119-120; Fortune, August 14, 1978:13; New York Times, September 11, 1978:81; Business Week, April 30, 1979:72; Standard Corporation

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Ford Motor (cont'd.)

Descriptions, May 1980:1054.)

### General Dynamics

Henry Crown first became General Dynamics' largest stockholder in 1959 when he swapped Material Service Corporation, his family-owned sand and gravel outfit, for a large block of General Dynamics' preferred voting stock. General Dynamics' board, with Crown's approval, hired Roger S. Lewis, a Pan American executive, and gave him a free hand to turn around General Dynamics' staggering losses on its Convair commercial jet. In 1965 Lewis began to edge Crown out of control by exercising the redemption clause in Crown's shares of preferred: Crown could take $104 million in cash or close to $95 million worth of General Dynamics common stock. Crown took the cash, netting a nice profit, but he never forgave Lewis for pushing him out. In partnership with Nathan Cummings, Crown began quietly buying blocks of General Dynamics common stock in 1968. By May 1970 the pair emerged in control with 18% of the total stock; a year later Lewis was out of a job. The management of General Dynamics is dominated by Crown associates. For example, in 1972 the executive committee was headed by Henry Crown and included three new directors: Nathan Cummings, founder of Consolidated Foods and long-time Crown associate; Albert E. Jenner, Crown's lawyer; and Robert W. Reneker, chief executive officer of Esmark, which Crown also controls. Henry Crown and Nathan Cummings have dominated the executive committee throughout the 1970s. In the mid-1970s Lester Crown and Milton Falkoff, a vice-president of Henry Crown & Co., also joined the board. The combined holdings of Henry Crown, Lester Crown, and Nathan Cummings now exceed 20% of the total stock of General Dynamics.

(Sources: New York Times, February 26, 1970:51; Burch, 1972:39; Business Week, June 3, 1972:75; Forbes, July 1, 1974:30; Business Week, February 3, 1975:58; U.S. Congress, 1976:26; Business Week, May 3, 1976:86, 88; Standard & Poor's Stock Market Encyclopedia, 1977; Kotz, 1978:168; 1978 NYSE Listing Statement C-4778; CDE, 1980b:81; Standard Corporation Descriptions, May 1980:1116; Forbes, December 8, 1980:77.)

### General Tire and Rubber

In 1965 the O'Neil family held approximately 20% of the total stock of General Tire. Depending on the sources consulted, the family's holdings in 1978 ranged between 7.5% and 9.8%. The O'Neils dominate management. In 1969 Thomas F. O'Neil was chairman and a director; Michael O'Neil was president and a director; and John B. O'Neil was

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### General Tire and Rubber (cont'd.)

chairman of the finance committee and a director. The three brothers (sons of the founder, W. O. O'Neil) held the same positions in 1978. In 1980 Charles Bluhdorn of Gulf & Western Industries acquired just under 10% of General Tire. The O'Neil family has taken moves to prevent a takeover attempt.

(Sources: Burch, 1972:42; Business Week, October 4, 1976:31; CDE, 1977:192; Kotz, 1978:171; Fortune, April 21, 1980:129; Forbes, July 21, 1980:53; Forbes, September 15, 1980:163-164.)

### Genesco

The Jarman family held approximately 5.0% of the total stock of Genesco throughout the 1960s and 1970s. In 1969 W. Maxey Jarman was chairman and a director (he is also the son of one of the founders of the company), and Franklin Jarman was president and a director. In 1977 Franklin Jarman was chairman and a director. However, this does not even hint at the internal conflict which has characterized Genesco throughout the 1970s. For example, in 1972 the business press noted that a struggle was going on between W. Maxey Jarman and his son Franklin for control of the company. The son gained control of the company in 1973 when he was named chief executive officer after a bitter struggle to replace his father. In late 1976 Genesco's board replaced Franklin Jarman as chief executive officer, allowing him to remain only as chairman. William M. Blackie, an officer and director for more than 40 years with Genesco was appointed as the company's acting president and chief executive officer. According to a 1977 article in the New York Times, Jarman's ouster as chief executive officer marked the end of more than 50 years of direct control by the Jarman family, ever since the company was founded by Jarman's grandfather, James Franklin Jarman. Responsible for the ouster was a coalition within the ten-man board of directors: two management aides Jarman had elevated to power and four outside directors, three of whom Jarman had personally recruited. Among the dissident directors were Edward F. Blettner, a director of the First National Bank of Chicago; Harold K. Johnson, vice-chairman of Financial General Bancshares, Washington, D.C.; and Harry D. Garber, executive vice-president of the Equitable Life Assurance Society of the U.S. None of the dissident directors were large holders of Genesco stock. However, First National Bank of Chicago is Genesco's lead bank and reportedly extended the company loans of $25 to $30 million prior to 1977, while Equitable Life made a loan of $10 million to Genesco in 1976. In 1977 Franklin M. Jarman resigned as chairman of the board, and the board of directors then altered the company rules to restrict board membership to outsiders,

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Genesco (cont'd.)

except for the chief executive officer. That same year John L. Hanigan, formerly chairman of Brunswick, was elected as the new chairman, president, and chief executive officer of Genesco. Also, in 1977 Jack Massey bought 6% of Genesco's common stock, which is now the largest single block of stock in the company. Massey is a Nashville financier who has indicated that he has no intention of taking control of Genesco or becoming closely involved in it.

(Sources: Burch, 1972:47; New York Times, May 8, 1972:55; New York Times, December 5, 1972:1; New York Times, February 28, 1973:53; New York Times, April 30, 1973:46; Business Week, May 18, 1974:88 ff.; Fortune, July 1975:109; 1976 NYSE Listing Statement C-1534D; New York Times, January 3, 1977:33-34; New York Times, January 4, 1977:37, 41; Business Week, January 24, 1977:67-68; Fortune, February 1977:28, 32; Business Week, April 11, 1977:29; New York Times, April 12, 1977:56; New York Times, May 3, 1977:67; Forbes, January 23, 1978:51.)

### Getty Oil

Forbes has called Getty Oil a family company "that happens to have some outside stockholders." Throughout the 1970s the Getty family through various trusts and estates has controlled between 58% and 60% of the total stock. The second largest stockholder in Getty Oil, the Kirby family and the Kirby-family-controlled Alleghany Corp., had 1.60% of the total stock in 1979. In 1969 J. Paul Getty was president and a director, and George F. Getty II was executive vice-president and a director. George F. Getty II, one of J. Paul Getty's sons, died sometime before March 1974. Two other Getty sons left the oil business "years ago." J. Paul Getty died in June 1976. Executive vice-president Harold E. Berg became president upon J. P. Getty's death and Gordon P. Getty took his place on the board.

(Sources: Forbes, March 1, 1974:30, 36; New York Times, July 10, 1976:33; Business Week, July 26, 1976:54; Kotz, 1978:171; Moody's Industrial Manual, 1978; Forbes, October 29, 1979:132; Standard Corporation Descriptions, November 1979:2000; CDE, 1980b:86.)

### W. R. Grace & Co.

The Grace and Phipps families have held at least 6% of the total stock of W. R. Grace throughout the 1960s and 1970s. Throughout the 1970s J. Peter Grace has been president and a director; and John H. Phipps has been a director. Michael G. Phipps was a director in the early 1970s. J. Peter Grace took over the business from his father, and in Fortune's words has had an unusual influence on the company in

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## W. R. Grace & Co. (cont'd.)

both degree and duration. Started 118 years ago to export guano from South America, the company had in 1945 become a "squabbling nest" of proud and monied families. Each faction had its own ideas about how the business should be run, but J. Peter Grace and his father, then company president, prevailed. W. R. Grace's largest stockholder is now West Germany's Friedrich Flick group, the largest family-owned company in West Germany. Twenty seven percent of W. R. Grace is held by Friedrich Flick Industrieverwaltung KGaA, which began acquiring shares in January 1976. The stock of this industrial holding company is in turn held by the Flick family's holding company. Of the family holding company, Friedrich Karl Flick has 17.3% of the stock in his own name. The rest of the shares are in the hands of three family foundations that he controls; he and his two daughters are the sole beneficiaries. Although up to 1978 J. Peter Grace was clearly running W. R. Grace, the intentions of the Flicks are unclear. F. K. Flick worked in the elder J. Peter Grace's bank in the 1950s as a trainee and has maintained a friendship with the younger J. Peter Grace through the years. Flick holds three of Grace's 34 board seats and has made no effort so far to be actively involved in management. However, J. Peter Grace has been cautious in his statements regarding whether a Flick representative will succeed him when he retires.

(Sources: Burch, 1972:44; Forbes, September 1, 1972:26; Kotz, 1978:168; 1978 NYSE Listing Statement C-4929; Fortune, May 8, 1978: 117, 133; Business Week, November 13, 1978:141, 144; Fortune, February 26, 1979:87; Standard Corporation Descriptions, May 1980:1471; Forbes, October 13, 1980:191.)

## Gulf & Western Industries

Throughout the 1970s Charles G. Bluhdorn has owned directly or indirectly 5.8% to 6.3% of the total stock of Gulf & Western. John H. Duncan and David N. Judelson, both close associates of Bluhdorn, account for at least 1.5% of the total stock. Levien Associates, a partnership of which Francis S. Levien was managing director, accounts for another 1.7% of the total stock. And, Roth family trusts account for 1.49% of the total stock. In 1968 reality developer P. J. Levin bought 4% of the company's stock and Bluhdorn recommended that he be elected a director. His current holdings are not known. Bluhdorn, Duncan, Levin, Levien, and a member of the Roth family have all been represented in management or on the board of directors throughout the 1970s. Particularly, Bluhdorn has been chairman of the board and Duncan has been chairman of the executive

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Gulf & Western Industries (cont'd.)

committee.

In 1979 the third largest stockholder in Gulf & Western was Gulf & Western Industries, Inc., with voting authority over 2.31% of the total stock. Who votes these shares is not known, but it is probable Bluhdorn is involved. That same year American Financial Corp. made public the fact that it had bought between 8.3% and 8.67% of Gulf & Western's stock. Carl Lindner and his family own 45% of the oustanding stock of American Financial Corp. Whether Lindner attempts to get involved in Gulf & Western's management is yet to be determined.

(Sources: New York Times, April 30, 1968:61; 1976 NYSE Listing Statement C-2076; 1977 Gulf & Western Annual Report; 1977 Gulf & Western Proxy Statement; Fortune, January 1977:127, 138; SEC Official Summary of Security Transactions & Holdings, Vol. 43, No. 3, 1977: 105; Kotz, 1978:168; 1978 Gulf & Western Annual Report; New York Times, July 3, 1979:1; New York Times, December 12, 1979:4; CDE, 1980a: 118; Standard Corporation Descriptions, February 1980:1668.)

### Gulf Oil

Estimates of the Mellon family holdings in Gulf Oil vary widely because ownership is spread among individuals, estates, trusts, and Mellon-family-controlled financial institutions. The most conservative estimate is that the Mellon family currently votes somewhat more than 18% of Gulf Oil's stock directly, and controls another 2% through Mellon National Corp. The Mellon family has at least 22% of the voting rights in Mellon National Corp. The Mellon family's holdings in Gulf Oil may actually be closer to 27%, however. Furthermore, in 1972 the Mellon family owned 20% of First Boston Corp., which has been Gulf Oil's long-time underwriter. In 1969 at least four directors on the board of Gulf were associated with Mellon family interests; in 1977 at least five directors on the board were associated with Mellon family interests. One of the directors, James Mellon Walton, is a great-grandson of William Larimer Mellon, Gulf's founder. A 1977 article in Business Week noted that the "conservative" Mellon family has been blamed for interfering with the management of the company, blocking commitments of capital, and slowing down decision-making.

(Sources: U.S. Congress, 1968:96; Burch, 1972:37; Forbes, November 1, 1972:25; New York Times, December 6, 1972:63, 65; New York Times, February 13, 1974:53; Forbes, May 15, 1976:97; New York Times, September 17, 1976:3D; CDE, 1977:195; Standard & Poor's Stock Market Encyclopedia, 1977; Business Week, January 31, 1977:78; Kotz, 1978:

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Gulf Oil (cont'd.)

159; U.S. Congress, 1978:133-134, 253; CDE, 1980b:89.)

## H. J. Heinz

In 1965 H. J. Heinz owned 7.8% of the total stock and had the right to vote another 28.7%. In late 1976 Mellon Bank NA owned of record or through nominees 20% of the common stock of H. J. Heinz. As long as he is director, H. J. Heinz II has the right to vote 16% of the stock held by Mellon Bank. Other sources state he owns or controls closer to 18.9% of the common stock of H. J. Heinz, a figure that probably aggregates his own holdings and those of Mellon Bank. H. J. Heinz II has been chairman and a director throughout the 1970s. Also on the board has been Vira I. Heinz, widow of the late Clifford S. Heinz and a "larger shareholder" in the company. She is also a trustee of the Howard Heinz Endowment.

(Sources: Burch, 1972:49; Standard & Poor's Stock Market Encyclopedia, 1977; Kotz, 1978:171; Standard Corporation Descriptions, February 1980:1598.)

## Johnson & Johnson

The Johnson family has controlled as much as 35% of the total stock of Johnson & Johnson throughout the 1970s. Recent figures indicate that the Robert Wood Johnson Foundation alone controls between 14.6% and 16% of the total stock. In 1969 J. S. Johnson was a vice-president and director. In 1977 D. D. Johnson was president and a member of the executive committee of Johnson & Johnson Baby Products Co., and he was on the board of directors of Johnson & Johnson. In 1978 the company appointed three outside directors, for the first time in the company's history.

(Sources: Moody's Industrial Manual, 1969; Burch, 1972:53; Forbes, June 1, 1972:24; New York Times, April 27, 1973:49; Fortune, May 1973:82; Standard & Poor's Stock Market Encyclopedia, 1977; 1978 NYSE Listing Statement C-4089; New York Times, March 19, 1978: 7C.)

## Kaiser Aluminum & Chemical

Although estimates vary, throughout the 1970s Kaiser Industries held 38% of the outstanding stock of Kaiser Aluminum, 56% of Kaiser Steel, and 37% of Kaiser Cement. Just before the liquidation of Kaiser Industries in 1977, Edgar F. Kaiser, Sr., owned 3.5% and controlled another 3.3% that belonged to his first wife who died in 1974.

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Kaiser Aluminum & Chemical (cont'd.)

Another 32% was owned by the Henry J. Kaiser Family Foundation, whose
nine trustees include Edgar F. Kaiser, Sr., and his three sons.  The
Foundation's stock was bequeathed by Henry Kaiser, his first wife, and
Edgar's younger brother Henry, Jr.  Upon completion of the liquida-
tion of Kaiser Industries, the Kaiser family and foundation were to
have gotten 21% of Kaiser Steel, 14% of Kaiser Aluminum, and 14% of
Kaiser Cement.  Edgar F. Kaiser, Sr., son of Henry Kaiser and one of
his closest associates in the building of his empire, has been chair-
man and a director of both Kaiser Industries and Kaiser Aluminum through-
out the 1970s.  In 1977 he was also chairman and a director of Kaiser
Steel.  That same year Edgar F. Kaiser, Jr., was vice-president and
a director of Kaiser Industries and a director of Kaiser Steel.  In
August 1979 he was named chief executive officer of Kaiser Steel.
Furthermore, Cornell Maier, president of Kaiser Aluminum, was named
to that position by Edgar F. Kaiser, Sr.
  (Sources: Burch, 1972:49; Fortune, December 1973:40; Fortune,
March 1975:129; Fortune, February 1977:159; Kotz, 1978:171-172;
New York Times, June 22, 1978:2D; New York Times, November 26, 1978:
1C, 7C; Standard Corporation Descriptions, November 1979:1851;
Fortune, November 19, 1979:16.)

### Kaiser Steel

See Kaiser Aluminum & Chemical entry.

### Kerr-McGee

In 1969 Dean A. McGee held 4.1% of the voting stock and Kerr
family members held 3.2%.  In 1979 Dean A. McGee held 3.28% of the
total stock, and Kerr family members held another 2.82%.  In 1969
Dean A. McGee was chairman and a director; and Robert S. Kerr and
T. M. Kerr were directors.  In 1977 Dean A. McGee was still chairman
and a director; and Breeme M. Kerr and Robert S. Kerr, Jr., were
directors.
  (Sources: Burch, 1972:62; Kotz, 1978:172; CDE, 1980b:98.)

### Lykes

From 1969 to 1978 Lykes Corp. was the parent of Youngstown
Sheet & Tube.  Throughout the 1970s the Lykes family has owned at least
30% of Lyke's common stock, although no single Lykes apparently owns
more than 3% of the stock.  In the mid- to late-1970s Charles P.
Lykes and Joseph T. Lykes, Jr., who are on the board of directors,

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Lykes (cont'd.)

together voted about 6% directly and an unknown percentage indirectly; and Chester H. Ferguson, who is also on the board of directors, voted between 5.25% and 7.7% of the common stock directly. Chester H. Ferguson is chairman and chief executive officer of Florida's First National Bank in Palm Beach. He presides over the holdings of the Lykes family which Fortune estimates at $400 million. He is married to Louise Lykes, daughter of one of the seven Lykes brothers. Ferguson is also chairman and chief executive officer of Lykes Brothers, Inc., a privately held holding company, and he is vice-chairman of Lykes Corp., which through a prosperous subsidiary, Lykes Financial, owns 57% of First National Bank in Palm Beach.

In 1978 Lykes' wholly-owned subsidiary Youngstown Sheet & Tube merged with Jones & Laughlin. The stock of Youngstown Sheet & Tube is currently 51% owned by Jones & Laughlin Industries and 49% owned by Jones & Laughlin Steel, which in turn are both controlled by LTV.

(Sources: 1976 NYSE Listing Statement C-1809D; CDE, 1977:210; 1978 NYSE Listing Statement C-4798; Fortune, February 13, 1978:15-16; Fortune, July 17, 1978:51; Moody's Industrial Manual, 1979.)

### McDonnell-Douglas

Throughout the 1970s the McDonnell family has held between 19% and 20.5% of the total stock. In 1969 James S. McDonnell, Jr., was chairman and a director; Donald W. Douglas, Jr., and Sanford N. McDonnell were vice-presidents and directors; and William A. McDonnell, brother of the chairman of the board, was a director. In 1977 James S. McDonnell, Jr., was still chairman and a director; Sanford N. McDonnell was president and a director; James Smith McDonnell III and John Finney McDonnell were vice-presidents and directors; Donald W. Douglas was honorary chairman of the board and a director; and Donald W. Douglas, Jr., was a director. John Finney and James III are sons of James S. McDonnell, Jr.; and Sanford N. is a nephew of James S. McDonnell, Jr. In August 1980 Sanford N. McDonnell became chairman upon the death of James S. McDonnell, Jr., and in October 1980 John F. McDonnell became the company's president. According to a 1979 Fortune article, the McDonnells, with 20% of the stock under their control, run the corporation, not the Douglases.

(Sources: Standard & Poor's Stock Market Encyclopedia, 1977; Kotz, 1978:172; Forbes, July 24, 1978:28; Business Week, October 23, 1978:90-91; Fortune, December 17, 1979:60; Standard Corporation Descriptions, August 1980:7328; Business Week, December 1, 1980:81.)

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Minnesota Mining & Manufacturing (3M)

In 1969 William L. McKnight held 8% of the voting stock and was honorary chairman and a member of the executive and finance committees; R. Ordway held 7.9% of the voting stock and was a director. As of late 1976 some 10% of the common stock of 3M was held closely, most likely by the McKnight and Ordway families. Since 1976 the estate of William L. McKnight has sold one-third of its holdings in 3M, reducing its percentage to approximately 3%. Representatives of the estate said the purpose of the offering was to generate cash for paying federal and state estate taxes and to diversify holdings. The only easily recognizable family member in 3M's management in 1978 was John J. Ordway, Jr., who was a director.

(Sources: Burch, 1972:42; New York Times, November 7, 1974:72; Standard & Poor's Stock Market Encyclopedia, 1977; Kotz, 1978:174; New York Times, July 28, 1978:12D.)

### Motorola

The Robert W. Galvin family and associates have held between 15% and 17.9% of the total stock of Motorola throughout the 1970s. As of February 1980 Robert W. Galvin and his wife alone owned 9.5% of the total common stock. Robert W. Galvin is the son of Motorola founder Paul V. Galvin and has been chairman and a director throughout the period of this study.

(Sources: Moody's Industrial Manual, 1968; Burch, 1972:51; Standard & Poor's Stock Market Encyclopedia, 1977; 1978 NYSE Listing Statement C-4874; Forbes, October 1, 1979:121; Standard Corporation Descriptions, August 1980:7314.)

### Ogden

Throughout the 1970s the Allen family has controlled approximately 15% of the common stock of Ogden. Much of this stock is held by the investment bank Allen & Co., which is the principal underwriter for Ogden. Charles Allen, Jr., general partner in Allen & Co., and F. William Harder, executive associate of Allen & Co., have been on the board of directors of Ogden throughout the period of this study.

(Sources: Burch, 1972:50; Forbes, May 1, 1975:16-17; CDE, 1977: 243; Kotz, 1978:160; Forbes, May 14, 1979:154, 159; Standard Corporation Descriptions, May 1980:7799.)

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Olin

Throughout the 1970s the Olin family has controlled at least 10% of the total stock of Olin. In 1974 John M. Olin alone, a son of the company's founder, honorary chairman of the board, and a director, was the company's largest stockholder with 10% of the total outstanding. In 1978 Fortune wrote that "few decisions are made at Olin without the approval of the tough eighty-five-year-old patriarch . . . ." An undisclosed percentage of stock is also held by the family of Spencer T. Olin.

(Sources: Burch, 1972:44; Business Week, August 10, 1974:60; Kotz, 1978:169; Fortune, June 5, 1978:121; Standard Corporation Descriptions, May 1980:7876.)

## PPG Industries

Throughout the 1970s the Pitcairn family, through their personal holding company, the Pitcairn Company, has owned between 15% and 26% of the total stock of PPG Industries. On the board of PPG in 1969 were James F. Jung, president of Pitcairn Company, and Jack W. Robbins, vice-president and general counsel of Pitcairn Company. However, neither were present on the board in 1978.

(Sources: Burch, 1972:43; Kotz, 1978:173; Standard Corporation Descriptions, June 1980:2459.)

## Ralston Purina

In the mid-1960s the Danforth family had 22% of the total stock of Ralston Purina. In 1970 NLT Corp. agreed to buy three million common shares from the Danforth Foundation; NLT is a holding company whose major property is National Life and Accident Insurance Co. The purchase gave NLT slightly more than 10% of Ralston Purina as of 1971 and comprised about half of the Danforth Foundation holding in Ralston Purina. Most of the payment for the stock was made through the issuance of an interest-bearing note by NLT to the Danforth Foundation, and by the delivery to the Danforth Foundation of 253,000 shares of NLT stock. The shares of Ralston Purina owned by NLT were not used to gain control, but were sold at various times from September 1972 through January 1979. The Danforth Foundation and other Danforth family interests currently own or control between 7.5% and 11% of the common stock of Ralston Purina. Three Danforths were directors in 1969, of whom one was chairman of the executive and finance committees, and another was executive vice-president. In 1977 Donald Danforth, Jr., and William H. Danforth were directors.

(Sources: New York Times, December 12, 1970:45; Burch, 1972:43;

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Ralston Purina (cont'd.)

Standard & Poor's Stock Market Encyclopedia, 1977; Kotz, 1978:173;
Moody's Bank & Finance Manual, 1979; Standard Corporation Descriptions,
March 1980:2971.)

### Reynolds Metals

Throughout the 1970s the Reynolds family has owned approximately
15% of the total stock and has dominated management. In 1969 Richard
S. Reynolds, Jr., was chairman and a director; David P. Reynolds,
William G. Reynolds, and J. Louis Reynolds were executive vice-
presidents and directors; and Jim D. Reynolds was a vice-president.
In 1977 David P. Reynolds was chairman and a director; Richard S.
Reynolds, Jr., was chairman of the executive committee and a director;
J. Louis Reynolds and William G. Reynolds were executive vice-presidents
and directors; and William Gray Reynolds, Jr., was treasurer. Richard,
Jr., Louis, William, and David are brothers who, until executive vice-
president George Walters was appointed in 1973, constituted the sole
members of the powerful executive committee. When Richard, Sr., died
in 1955, control of the company was vested in a group of trusts set
up for the benefit of his wife and four sons, but voting control of
the trusts was vested solely in Richard, Jr., a move that effectively
prevented his brothers from ever successfully challenging his position
as top man in the company. The sons of William G. Reynolds appear to
be the next generation to run Reynolds Metals. David P. Reynolds never
had any sons and his three daughters are not being considered as suc-
cessors. Louis Reynolds' son stepped into an airplane propeller in
1966 and was killed. Richard Reynolds' son died of a brain tumor in
1971. However, his older son is an executive of Robertshaw Controls
in which Reynolds has a 27% interest.
   (Sources: Business Week, January 6, 1973:53; Forbes, January 15,
1974:25-26; New York Times, March 26, 1976:55; Standard & Poor's Stock
Market Encyclopedia, 1977; Forbes, January 15, 1977:41; Kotz, 1978:
173; Standard Corporation Descriptions, June 1980:2776.)

### Rohm & Haas

Throughout the 1970s the Haas family and associates have owned
between 47.2% and 52% of the total stock of Rohm & Haas. In 1969 John
C. Haas was vice-chairman, executive vice-president, and a director;
and F. Otto Haas was president, chairman of the executive committee,
and a director. In 1977 John C. Haas was chairman and a director; and
F. Otto Haas was vice-chairman and a director. John C. Haas was to have
retired in 1978. Other unidentified family members or associates are

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Rohm & Haas (cont'd.)

also present in the company, for Forbes noted in 1979 that the board is 48% controlled by the Haas family.

(Sources: Moody's Industrial Manual, 1968; Burch, 1972:56; Forbes, April 15, 1974:56; Standard & Poor's Stock Market Encyclopedia, 1977; New York Times, April 6, 1978:13D; Forbes, March 19, 1979:66; Standard Corporation Descriptions, June 1980:2645.)

### Joseph E. Seagram & Sons

Seagram & Sons is a subsidiary of the Seagram Company Ltd., incorporated in Canada. As of July 1977 various Bronfman family trusts owned through holding companies 32.6% of the Seagram Company Ltd. Beneficiaries of these trusts are children and grandchildren of the late Samuel Bronfman and Allen Bronfman. Edgar M. Bronfman and Charles Bronfman, sons of the late Samuel Bronfman, are trustees of several of the trusts and each is beneficiary of one of the trusts. In 1977 Edgar M. Bronfman was chairman of the board and chief executive officer of Seagram Company Ltd., and chairman, chief executive officer, and a director of Seagram & Sons. He was president of Seagram & Sons in 1969. In 1977 Charles R. Bronfman was chairman of the executive committee and a director of the Seagram Company Ltd.

(Sources: Forbes, February 1, 1973:24, 26; Business Week, January 24, 1977:27; Moody's Industrial Manual, 1978.)

### J. P. Stevens

Estimates vary widely as to how much stock the Stevens family controls. In 1971 the Stevens family may have controlled as much as 20% of the total stock, but its current holdings probably do not exceed 4%. In 1969 Robert T. Stevens was president, chairman of the executive committee, and a director; Horace N. Stevens, Jr., was a vice-president and director; John P. Stevens, Jr., was a director; and Whitney Stevens was executive vice-president and a director. Only Whitney Stevens is still with the company (as president and a director). Although J. P. Stevens has been headed for all but ten out of the last 166-plus years by a Stevens, business sources believe the Stevens have now lost control of the company.

(Sources: Burch, 1972:45; Kotz, 1978:184; Fortune, October 22, 1979:23.)

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Sun Company Inc.

In 1967 the Pew family in person and through trusts and founda-
tions controlled between 44% and 56.5% of Sun's total stock.  It
currently controls approximately 32.44% of the total stock.  Glenmede
Trust Co. oversees the family foundations and occupies an office on
the 10th floor of the Sun Oil headquarters building in Philadelphia.
Although Pews abound on a national basis, the direct descendants of
the main branch of the Philadelphia Pews are relatively few in number.
As a matter of fact, J. Howard Pew, his two sisters, and his nephew,
Walter Pew, along with the Pew Memorial Trust, hold the vast bulk of
the fortune.  In 1969 J. Howard Pew was chairman and a director of
Sun Oil; and J. G. Pew and Walter C. Pew were directors.  In 1977 R.
Anderson Pew was secretary and a director; and J. G. Pew and Walter
C. Pew were directors.  R. Anderson Pew is also a board member of
Glenmede Trust, along with five other Pew family members.  The second
largest stockholder as of 1979 in Sun Oil, outside of the Pew family
interests, was another family: B. R. Thompson family and associates
with voting authority over 8.53% of the total stock.

(Sources: New York Times, October 10, 1971:1C, 9C; Burch, 1972:
43; Fortune, October 1974:52; CDE, 1977:297; Forbes, January 15, 1977:
50; Kotz, 1978:173; Fortune, February 27, 1978:42; Business Week,
September 25, 1978:64; Fortune, October 8, 1978:16; Business Week,
October 23, 1978:100-101; CDE, 1980b:166; Standard Corporation Descrip-
tions, June 1980:2492.)

## Teledyne

Henry E. Singleton, founder of Teledyne, has been chairman and
a director throughout the 1970s.  Singleton owns 6% of Teledyne, but
Fortune says he runs the company like a personal fiefdom and makes the
investment decisions personally.  Counting himself, Singleton's board
of directors consists of six people and "could scarcely be cozier."
One of the members is a Teledyne co-founder, two more are former
classmates of Singleton (of which one, George A. Roberts, is also
Teledyne's president), and a fourth is Arthur Rock, a personal friend
of Singleton and a venture capitalist "who bought in at the start."
The only addition to the board since 1966 has been Robert C. Jackson,
former president of Ryan Aircraft.

(Sources: Forbes, May 1, 1976:39; Fortune, January 16, 1978:
66; Fortune, April 10, 1978:14.)

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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## Time Inc.

The Luce family through personal holdings and the Henry Luce Foundation Inc. has controlled approximately 20% of the total stock of Time throughout the 1970s. Henry Luce III have been a vice-president and director throughout the same period. Henry Luce III, who is in charge of corporate planning, and Roy E. Larsen, vice-chairman of the board of Time, are also two of the seven directors of the Henry Luce Foundation.

(Sources: Burch, 1972:51; Standard & Poor's Stock Market Encyclopedia, 1977; 1978 NYSE Listing Statement C-4736; Standard Corporation Descriptions, June 1979:4282.)

## U.S. Industries

The top officers and their associates of U.S. Industries have held 35% of the voting stock throughout the 1970s. However, in 1973 a group of officers, former officers, and stockholders of the company challenged the management of the conglomerate led by I. John Billera, its chairman, president, and chief executive officer. Members of the group included entrepreneurs who sold their companies to USI for stock and stayed around as fairly autonomous divisional managers. The dissidents mounted the fight because they wanted to better utilize the executive talent in the divisions and to improve communications between headquarters and the operating units. They were led by Fred P. Tasner, chairman of USI's Packaging Services Division, who alleged that Billera engaged in personal business dealings to make stock profits that should have gone to stockholders. USI filed suit against Tasner and two of his relatives charging that they engaged in insurance fraud and made illegal stock gifts. Billera fired Tasner, who countered with a proxy fight to unseat Billera and gain control of the board. Tasner failed in his bid, and Billera resigned as president. He has continued as chairman and a director, however.

(Sources: Fortune, February 1973:73; Business Week, January 5, 1974:58; New York Times, January 23, 1974:47; New York Times, June 3, 1974:47; Fortune, July 1974:20; Kotz, 1978:174.)

## Westvaco

In 1962 the Luke family had about 30% of the total stock of Westvaco. The family's current holdings are spread among numerous family members and have not been aggregated in any of the numerous sources consulted. The largest single stockholder as of 1977 appears to be Gene K. Beare, a director of Westvaco, with a 14% holding. The company management has long been dominated by Luke family members,

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Westvaco (cont'd.)

however.  For example, in 1969 David L. Luke III was president and a
director; John A. Luke was a vice-president and director; and David
L. Luke was a director.  In 1977 David L. Luke III was still president
and a director; John A. Luke was an executive vice-president and a
director; and Victor S. Luke was a vice-president.  David L. Luke III
and John A. Luke are brothers.
    (Sources: Burch, 1972:56; 1973 NYSE Listing Statement B-3472;
SEC Official Summary of Security Transactions & Holdings, Vol. 43,
No. 8, 1977:200; SEC Official Summary . . ., Vol. 44, No. 2, 1978:
286; SEC Official Summary . . ., Vol. 44, No. 10, 1978:198.)

### Weyerhaeuser

    As of the middle and late 1960s the Weyerhaeuser and other
founding families owned approximately 40% of the outstanding stock.
Although current holdings are not known, George H. Weyerhaeuser has
been president and a director, and C. Davis Weyerhaeuser has been a
director, throughout the 1970s.  And, according to a 1977 Fortune
article, the original small nucleus of midwestern families still
shares in Weyerhaeuser ownership and provides the company's chief
executives, most of them Weyerhaeusers.  George Weyerhaeuser, great-
grandson of company founder Frederick Weyerhaeuser, has publicly
stated that his may be the last generation of the family in control
of the company.
    (Sources: Burch, 1972:46; Fortune, April 1977:79, 82; Kotz,
1978:184.)

### Wheeling-Pittsburgh Steel

    In 1973 Loews Corp. disclosed that it had acquired approximately
7.2% of Wheeling-Pittsburgh's outstanding common stock.  By 1975
Loews had increased its block to 25.3%.  Forty three percent of the
common stock of Loews Corp. is owned by L. A. Tisch and P. R. Tisch.
In 1979 Pennsylvania Engineering bought 5% of the common stock of
Wheeling-Pittsburgh Steel.  Sixteen percent of Pennsylvania Engineering
is held by the Security Management Corp., which in turn is 100%
owned by renowned corporate raider Victor Posner.  However, a year
later Pennsylvania Engineering sold its 5% block.  Other major stock-
holders in Wheeling-Pittsburgh Steel in recent  years have included
Wedbush, Noble & Cook (a Los Angeles investment house) with a 7%
block and Wheeling-Pittsburgh's own employees with a substantial but
undetermined amount.  Whether the Tisch family has been involved in
Wheeling-Pittsburgh's operation is open to debate, however.  Business

Table 23 (cont'd.).

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Companies Identified as Family Controlled in the Period from 1969-1978

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### Wheeling-Pittsburgh Steel (cont'd.)

Week claimed that Loews Corp. has so little interest in its investment that a senior officer admitted to having scant knowledge of what was going on at the company as late as 1980.

(Sources: New York Times, August 14, 1973:50; 1974 NYSE Listing Statement B-4236; Business Week, February 24, 1975:96; Fortune, June 1975:119; Business Week, November 1, 1976:67-68; Business Week, May 15, 1978:30; New York Times, May 5, 1979:30; New York Times, May 25, 1979:1D, 6D; Forbes, October 29, 1979:35; Standard Corporation Descriptions, June 1980:3173; Standard Corporation Descriptions, August 1980:7378; Business Week, September 22, 1980:103.)

### Youngstown Sheet & Tube

See Lykes Corp. entry above.

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Table 23 (cont'd.).

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### Companies Identified as Management Controlled in the Period from 1969-1978

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### Allis-Chalmers

Kotz (1978:167) claimed that Allis-Chalmers was under partial financial control and partial owner control in 1969 because White Consolidated Industries held 29% of the voting stock, and White Consolidated Industries was partially controlled by Cleveland Trust Co. and by H. T. Mandeville. What Kotz did not report was that White Consolidated Industries bought its block in 1968 from Gulf & Western Industries, at which point Allis-Chalmers filed suit to bar White Consolidated Industries from acquiring additional stock, selling any of the shares already obtained from Gulf & Western, or seeking representation on the board of directors. A Supreme Court decision in 1969 prevented White Consolidated Industries from voting its holdings because of antitrust difficulties. The holdings have since been disposed of. As of 1979 David Scott was Allis-Chalmer's largest single stockholder with approximately 1.68% of the company's stock; managers and directors together held approximately 4.2% of the company's stock.

(Sources: New York Times, November 1, 1968:67; New York Times, December 7, 1968:75; New York Times, December 19, 1968:75; New York Times, August 12, 1969:51; New York Times, September 11, 1969:71; New York Times, August 20, 1970:50; 1974 NYSE Listing Statement B-1988; 1975 NYSE Listing Statement C-773; Kotz, 1978:167; Forbes, May 14, 1979:146, 152.)

### AMF

### American Brands

The largest stockholder in American Brands is Charter New York Corp., which in 1979 had investment authority over 3.66% of the total stock but had no voting rights. The second largest stockholder is First Wisconsin Corp. with investment and voting authority over 0.92% of the total stock. Directors and officers as a group own benficially less than 1% of the total stock outstanding of American Brands.

(Sources: 1979 NYSE Listing Statement C-5107; CDE, 1980a:38.)

### Atlantic Richfield

In 1969 Cities Service held 9.2% of the voting stock but had to vote the stock as the management of Atlantic Richfield directed. Throughout the mid- and late-1970s the largest stockholder in Atlantic Richfield has been Citibank NA with approximately 2.8% to 3.06% of the total votes.

(Sources: CDE, 1977:138; Kotz, 1978:176; U.S. Congress, 1978: 43-45; CDE, 1980b:39.)

Table 23 (cont'd.).

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Companies Identified as Management Controlled in the Period
from 1969-1978

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Bendix

In 1979 the largest stockholder in Bendix was Citicorp. with
investment authority over 17.08% of Bendix's total stock.  However,
the bank cannot vote that holding.  The stock is held in the Bendix
Salaried Employees Savings and Stock Ownership Plan.  The second
largest stockholder was New Jersey Division of Investment with invest-
ment and voting authority over 2% of the total stock.
(Sources: CDE, 1980b:43.)

Bethlehem Steel

In late 1976 the largest stockholder in Bethlehem Steel was Con-
tinental Illinois Bank & Trust Co. with 2.14% of the total votes.
In early 1979 the largest stockholder was J. P. Morgan & Co. with
investment authority over 4.73% of the total stock, but with next to
no voting rights.  The stock is held in the Bethlehem Steel Savings
Plan for Salaried Employees.  Continental Illinois's holdings in 1979
were less than 1%.
(Sources: U.S. Congress, 1978:50-51; CDE, 1980b:44.)

Borden

Catepillar Tractor

In late 1976 the largest stockholder in Catepillar Tractor
was Citibank NA with 2.56% of the total votes.  The second largest
stockholder, Morgan Guaranty Trust Co., had 1.66% of the total votes.
(Sources: U.S. Congress, 1978:55-56.)

Continental Group

Cf. 1979 NYSE Listing Statement C-5725.

Conoco (Continental Oil)

In 1969 Newmount Mining Corp. held 4.1% of the voting stock and
had a representative on the board.  An unidentified investment company
complex held between 5% and 10% of the voting stock of Newmount Mining.
The investment company was probably either Investors Diversified
Services or Massachusetts Investors Trust, both of which had represen-
tatives on the board of Newmount Mining.  Whether Newmount Mining, or
the investment company behind Newmount Mining, ever exercised control
over Conoco is debatable.  Newmount Mining's holdings in 1976 were

Table 23 (cont'd.).

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Companies Identified as Management Controlled in the Period
from 1969-1978

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### Concoco (cont'd.)

reduced to 3.29% of the total votes of Conoco, and in 1979 to less
than 1.32%.

In July 1981 Du Pont succeeded in acquiring Conoco, which ranks
as the largest corporate acquisition in history. The agreement calls
for Du Pont to acquire 100% of Conoco's stock in exchange for Du Pont
common stock and cash. Conoco will operate under its present manage-
ment as a wholly owned subsidiary of Du Pont. This followed takeover
attempts by Seagram & Sons and by Mobil Oil. Du Pont was to borrow
about $3 billion from a group of banks to finance the cash portion of
the deal. Under the share-exchange terms, the Bronfman family of
Canada through Seagram & Sons is to obtain 18% of Du Pont's total
shares after the takeover is completed. Since the Du Pont family
owns over a third of Du Pont, it is doubtful the Bronfman family could
get control of the company. However, some observers speculate that
the Bronfman family will use that holding to try to force Du Pont to
sell Conoco's Consolidation Coal Company to Seagram & Sons.

(Sources: CDE, 1977:167; Fortune, May 1977:230; New York Times,
August 14, 1977:13F; Kotz, 1978:178; U.S. Congress, 1978:88-90;
CDE, 1980b:58; The Minneapolis Star, July 7, 1981:1D, 3D; The Minnea-
polis Tribune, August 9, 1981:1D, 3D.)

### CPC International

### Dresser Industries

### Eastman Kodak

In late 1976 the largest stockholder in Eastman Kodak was Citi-
bank NA with 1.64% of the total votes.
(Sources: U.S. Congress, 1978:102-103.)

### Eaton

### Exxon

Although the Rockefeller family has been historically associated
with Exxon, in the mid- to late-1970s Rockefeller family interests (in-
cluding the Rockefeller Foundation, Rockefeller Brothers Fund, Rocke-
feller University, and descendants of John D. Rockefeller, Jr.) have
not had more than 1.97% of the total votes. Chase Manhattan Bank has
had approximately 1.7% of the total votes throughout the same period,
but whether the bank is still under Rockefeller control is subject to
debate.

Table 23 (cont'd.).

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Companies Identified as Management Controlled in the Period
from 1969-1978

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## Exxon (cont'd.)

(Sources: Burch, 1972:36; Business Week, July 29, 1972:58;
CDE, 1977:183; New York Times, August 14, 1977:13F; Kotz, 1978:
188; U.S. Congress, 1978:104-105; CDE, 1980b:73.)

## Fruehauf

Cf. Fortune, January 29, 1979:32 ff.

## GAF

In 1963 GAF was 62% owned by the U.S. government and 38% owned
by Interhandel, a Swiss holding company. In 1965 the company was sold
to investors on the open market. By 1968 Jesse Werner, a research
chemist, had become board chairman. In 1970 the family of Paul,
Seymour, Gloria, and the late Morris Milstein waged a bitter proxy
battle to wrest control of GAF from the management of Jesse Werner, by
then the company's president, chairman, and chief executive officer.
Paul Milstein started with a family-owned business launched by his
father Morris: Mastic Tile Corp. of America. He ran the company until
Ruberoid acquired it in 1955. Then he became a member of Ruberoid's
top management and one of its biggest stockholders. In 1967 W. R.
Grace & Co. acquired control of Ruberoid through a tender offer and
quickly resold control to GAF. Werner offered Milstein the post of
personnel director at GAF. Milstein spurned the offer as represent-
ing less than "the dignity and responsibility" of his previous post
as executive vice-president of Ruberoid. The Milstein family acquired
between 6% and 10% of GAF's total stock in the exchanges of Ruberoid
for Mastic and GAF for Ruberoid and used that holding to mount the
proxy fight. The proxy fight for control of GAF ended May 10, 1971,
with an announcement by management that its slate of directors had
been re-elected by a margin of two to one. On August 16, 1972, GAF
announced the signing of a "memorandum of understanding" with the
Milstein family providing for settlement of all litigation between
the two parties. The company was to revamp a restricted stock purchase
plan and to pay upt to $600,000 of the cost of Milstein's litigation.
Shortly thereafter Werner publicly stated that there were no plans to
put any Milsteins in the company's management.

By the late 1970s GAF has acquired two more major stockholders.
The first, Merrill Lynch, Pierce, Fenner & Smith Inc., held 7% of GAF
common stock; however, as a matter of policy Merrill Lynch tenders
95% of its uninstructed vote to corporate management, and it only
receives instructions for 15% to 20% of the stock it holds. The second

Table 23 (cont'd.).

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Companies Identified as Management Controlled in the Period
from 1969-1978

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### GAF (cont'd.)

major stockholder is Henry Singleton who, through Teledyne, has pur-
chased 8% of GAF's outstanding stock.  A number of observers speculate
that Singleton may attempt to take over GAF.
(Sources: Moody's Industrial Manual, 1968; New York Times, March
6, 1971:33; New York Times, March 23, 1971:50; New York Times, May 11,
1971:51; New York Times, June 3, 1971:64; New York Times, December 14,
1971:70; Burch, 1972:67; New York Times, August 18, 1972:43; New York
Times, December 14, 1972:71, 75; Business Week, July 14, 1973:96;
New York Times, July 31, 1977:1C; U.S. Congress, 1978:15; Fortune,
January 16, 1978:66; Business Week, January 22, 1979:68.)

### General Electric

The largest stockholder in General Electric is the General Elec-
tric Savings and Security Program, with investment and voting author-
ity over 3.63% of the total stock as of 1979.
(Sources: Forbes, March 15, 1975:36; Forbes, January 15, 1977:
33; Fortune, August 1977:194; U.S. Congress, 1978:121-122; CDE, 1980b:
83.)

### General Foods

### General Telephone & Electronics

In late 1976 the largest stockholder in GTE was Sahara Coal
Co. of Chicago with 1.84% of the total votes.
(Sources: U.S. Congress, 1978:126-127; 1978 NYSE Listing State-
ment C-5238.)

### Gillette

### International Harvester

The McCormick family has been historically associated with
International Harvester.  As a matter of fact, Brooks McCormick,
president and a director of International Harvester, is a great grand-
nephew of Cyrus MCormick, the inventor of the reaper.  Cyrus McCor-
mick's company became the nucleus of International Harvester.  How-
ever, the McCormick family in 1976 had only 0.46% of the total votes
and articles in the business press have noted that International
Harvester is not a family company.  The largest stockholder in the
company in 1976--First National Bank in Dallas--had only 0.72% of

Table 23 (cont'd.).

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Companies Identified as Management Controlled in the Period
from 1969-1978

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### International Harvester (cont'd.)

the total votes.

(Sources: New York Times, July 20, 1968:36; Burch, 1972:39;
Forbes, June 1, 1972:19; Business Week, March 17, 1975:50-51; Forbes,
April 15, 1977:60; U.S. Congress, 1978:140.)

### Kraft

### Mobil

Bankers Trust Co. is the largest stockholder in Mobil with ap-
proximately 6.5% of the total stock. However, the stock is owned by
employees of Mobil and sources disagree on the extent to which Bankers
Trust can vote the shares. Mobil Oil has no other stockholders with
blocks larger than 2.4%.

(Sources: CDE, 1977:224; U.S. Congress, 1978:161-162; CDE,
1980b:108.)

### National Gypsum

In 1979 Pennsylvania Engineering Corp. bought 5% of the common
stock outstanding of National Gypsum. Pennsylvania Engineering is
15.9% owned by the Security Management Corp., which in turn is 100%
owned by the Victor Posner family. Why Posner purchased the block
has become the object of intense speculation in the business commun-
ity.

(Sources: New York Times, May 3, 1979:8D; New York Times, May
25, 1979:1D; Forbes, October 29, 1979:35.)

### Norton Simon

Norton Simon was formed by a three-way merger of Hunt Foods,
Canada Dry, and McCall in 1968. At that time Norton Simon and rela-
tives held 8.7% of the company's common stock and 7.4% of its pre-
ferred. Norton Simon was a director and a member of the finance
committee and two more Simons were directors. However, in 1969
Norton Simon resigned as director to devote more attention to his
charity work; his son Donald E. Simon resigned from the board that
same year; and his other son Robert Simon who had also been a director
died. Shortly thereafter Norton Simon sold all of his common shares
and most of his preferred. David Mahoney, chief executive officer,
became the undisputed head in August 1969. Norton Simon remains with
the company only as a consultant, and the company's largest stock-
holder is now a profit-sharing plan.

Table 23 (cont'd.).

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Companies Identified as Management Controlled in the Period
from 1969-1978

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## Norton Simon (cont'd.)

(Sources: New York Times, May 17, 1968:67; New York Times, December 2, 1969:77, 88; Forbes, February 15, 1972:26; Fortune, November 1972:98, 101, 156; New York Times, June 16, 1974:1C, 4C-5C; Fortune, May 1976:70; Kotz, 1978:173.)

## Occidental Petroleum

Armand Hammer founded and built Occidental Petroleum, and has been its chairman and a director throughout the 1970s. However, the Hammer family has not held more than 3% of the company's stock since 1969. Currently, the family probably does not control more than 1.4% of the total stock. Occidental Petroleum has no other large stockholders.

(Sources: Kotz, 1978:181; U.S. Congress, 1978:174-175; Forbes, December 11, 1978:46; Fortune, November 19, 1979:71; CDE, 1980b:124.)

## RCA

RCA was founded by the late Brigadier General David Sarnoff, who was chief executive officer until 1968. His son, Robert W. Sarnoff, resigned as chairman and a director of RCA in November 1975. Sarnoff's resignation may have come about because of internal battles and criticism of company management by Martin B. Seretean, who was an RCA executive and its largest shareholder in 1972 with somewhat less than 2% of RCA's outstanding stock. Seretean himself had little leverage on the board of directors, which had seven outsiders on a board of 17 in 1972. He resigned unexpectedly from the board in February 1973 and stated he was not planning to sell his stock or mount a proxy fight. Nevertheless, Seretean's criticism of Sarnoff's decision to take RCA out of the computer business in September 1971, and of Sarnoff's use of RCA Records to promote his wife's recording career far beyond what her talent indicated, probably was the latter's downfall. Sarnoff's departure from the board marked the first time since the company was founded that it did not have a member of the Sarnoff family in its top echelon. His younger brother Thomas, however, is a vice-president of NBC in its West Coast operations; NBC is a subsidiary of RCA. The Sarnoff family holdings in RCA are insignificant, and Seretean's holdings currently do not exceed 1.4%. In late 1976 the largest stockholder in RCA was Capital Research & Management Co. with 2.57% of the total votes.

(Sources: New York Times, January 8, 1970:55; Burch, 1972:39; Fortune, September 1972:125; New York Times, February 9, 1973:44; Fortune, March 1973:34; New York Times, November 6, 1975:1, 70;

Table 23 (cont'd.).

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Companies Identified as Management Controlled in the Period
from 1969-1978

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## RCA (cont'd.)

Business Week, November 24, 1975:76-77; Fortune, December 1975:17;
Fortune, November 1976:40; U.S. Congress, 1978:189-190.)

## Republic Steel

In 1979 the largest stockholder in Republic Steel was Capital
Group Inc. with investment authority over 6.07% of the total stock,
but with voting authority over approximately 2%.
(Sources: CDE, 1980b:150.)

## SCM

Although SCM has been historically associated with the Mead-
Kleinschmidt and Smith families of Syracuse, Forbes notes that SCM
almost defines the company where ownership and management are di-
vorced.  SCM has been such a poor performing company that institutions
own a mere 5.7% of the stock; SCM's outside directors hold only a few
hundred shares each; and SCM's officers on the board hold only 1.6%
of the stock.  In 1979 MacMuller Industries Inc., a private company,
bought about 3% of SCM's stock, and its chairman, N. Norman Muller,
vowed that he would wage a proxy fight to unseat the incumbent manage-
ment at the annual meeting on October 25, 1979, and then liquidate
the company.  Muller denied that his fight against SCM was a vendetta
stemming from pending suits in which he accused SCM of breach of con-
tract for not selling him six of SCM's European photocopier companies.
Although Muller owned only 3% of the stock, and SCM refused to give
Muller's group a stockholders list, he gathered proxies for 31% of the
total outstanding shares.  An official count of ballots in the proxy
battle for control of the company showed that management and its slate
defeated the dissidents by a five to two margin.  In early 1980 Wil-
lard F. Rockwell, the retired chairman of Rockwell International, an-
nounced that he was buying stock of SCM and had intentions of mounting
a new proxy battle to take over SCM.  Rockwell stated that he and his
associates were prepared to buy up to one million shares of SCM stock
because (quoting Rockwell) "after all, about 3 million shares voted
against management last fall.  Add a million more to that and you're
coming pretty close to majority control."  Rockwell's intentions
were to completely reorganize SCM into two new companies and spin
both off to the stockholders.
(Sources: Burch, 1972:171; Business Week, September 17, 1979:114;
Forbes, October 1, 1979:124, 126; New York Times, November 4, 1979:
9C; Fortune, December 3, 1979:47; New York Times, December 6, 1979:
4D; Forbes, May 12, 1980:86, 88; Fortune, September 8, 1980:16.)

Table 23 (cont'd.).

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### Companies Identified as Management Controlled in the Period
### from 1969-1978

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#### Singer

In the mid-1960s Singer was controlled by the S. C. Clark family. By 1968 S. C. Clark had left Singer and apparently much of the family's holdings were sold. Singer may now be under partial financial control. Business Week recently noted that Singer's planning is being conducted under seige conditions and that the company is severely constrained by its (unidentified) bank creditors.

(Sources: Burch, 1972:42; Forbes, May 15, 1976:102 ff.; Kotz, 1978:183; Business Week, March 31, 1980:116.)

#### Texaco

The largest stockholder in Texaco is Manufacturers Hanover Corp., with investment authority over 5.21% of the total stock as of 1979. However, its voting rights have varied considerably from year to year. The Lester Norris family currently has voting rights over 0.83% of the total stock. Lester J. Norris is the husband of Dellora Angell Norris, niece and heiress of the legendary John W. ("Bet A Million") Gates, a late nineteenth century robber baron. In the past Lester Norris has played a role in formulating Texaco's long-term policies, but he no longer manages his wife's fortune.

(Sources: Forbes, April 1, 1972:34, 39; CDE, 1977:299-300; U.S. Congress, 1978:217-218; CDE, 1980b:170.)

#### Union Carbide

In 1976 the largest stockholder in Union Carbide was Morgan Guaranty Trust Co. with 2.46% of the total votes. In 1979 the largest stockholder in the company was Manufacturers Hanover Corp. with investment authority over 2.69% of the total stock and voting rights over approximately 0.67%. A recent article in Fortune discusses Union Carbide's "tendency to grow its own management and so reduce the flow of new ideas into corporate headquarters."

(Sources: U.S. Congress, 1978:230-232; Fortune, September 25, 1978:87; CDE, 1980b:179.)

#### Union Oil of California

In 1976 the largest stockholder in the company was Prudential Insurance Company of America with 2.32% of the total votes; in 1979 Prudential had 1.86% of the total votes. Security Pacific Corp. now manages the Union Oil profit sharing plans which hold 6.37% of Union Oil's total stock. Security Pacific Corp. could have as much as 6%

Table 23 (cont'd.).

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### Companies Identified as Management Controlled in the Period from 1969-1978

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### Union Oil of California (cont'd.)

of the total votes.  Investor David H. Murdock, through his wholly owned Pacific Holding Corp., has recently acquired 1.8% of Union Oil.

(Sources: U.S. Congress, 1978:233-234; Business Week, November 20, 1978:48; Fortune, December 4, 1978:16; CDE, 1980b:182.)

### U.S. Gypsum

### Warner-Lambert

### Western Electric

Western Electric is a subsidiary of American Telephone & Telegraph.  AT & T is management controlled.

### Westinghouse Electric

In 1976 the largest stockholder in Westinghouse Electric was Morgan Guaranty Trust with 1.62% of the total votes.  In 1979 the largest stockholder in the company was Prudential Insurance Company of America with 1.27% of the total votes.

(Sources: U.S. Congress, 1978:248; CDE, 1980b:190.)

### Whirlpool

Throughout the 1970s Sears, Roebuck & Co. has held between 4.7% and 8.4% of Whirlpool's total stock and has had a representative on the board of Whirlpool.  Sears, Roebuck is management controlled.

(Sources: Moody's Industrial Manual, 1968; Moody's Industrial Manual, 1978.)

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Table 23 (cont'd.).

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Companies Identified as Finance Controlled (Debt Only) in the Period
from 1969-1978

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### Chrysler

In 1979 approximately 250 domestic and foreign banks and other institutions were supporting $4.8 billion in credit to Chrysler and its subsidiaries. The bank with the "largest exposure" is Manufacturers Hanover Trust with $40 million loaned to the company, plus $100 million to Chrysler Financial, the subsidiary that finances both dealers and car buyers. Manufacturers Hanover Trust is Chrysler's lead bank and has had representatives on Chrysler's board of directors throughout the 1970s. One of the representatives serves on the executive committee. The officers and directors of Chrysler collectively do not own more than 0.40% of the outstanding common shares. The Chrysler Thrift-Stock Ownership Program, in which the shares of common stock are held of record by a trustee (probably the National Bank of Detroit), accounts for approximately 10% to 12% of the common stock outstanding. The largest single stockholder in Chrysler is the Kirby family with about 0.91% of the total stock.

(Sources: 1977 Chrysler Annual Report; New York Times, May 3, 1977:67; Kotz, 1978:161; U.S. Congress, 1978:67; SEC Official Summary of Security Transactions & Holdings, Vol. 44, No. 12, 1978:36; 1978 NYSE Listing Statement C-4222; Business Week, September 4, 1978: 81; New York Times, December 21, 1978:10D; Business Week, August 20, 1979:106; Fortune, December 3, 1979:19.)

### Cities Service

Cities Service is a moderate to heavy user of long-term debt (ratio of long-term debt to total assets: .266). At least 32% of Cities Service's long-term debt is co-managed by First Boston Corp. Another 14% is co-managed by Kuhn, Loeb & Co. Kuhn, Loeb has had a representative on the finance committee of Cities Service throughout the 1970s. Manufacturers Hanover Trust, which had 6.66% of the total votes in Cities Service in 1976, has had a representative on the board of directors throughout the same period. However, in 1979 the bank had voting authority over less than 0.25%. Currently, the largest stockholder in Cities Service is a company thrift plan accounting for 8.73% of the total stock. The Bank of Oklahoma NA has investment and voting authority over the plan.

(Sources: Forbes, March 15, 1974:60; CDE, 1977:156; Kotz, 1978: 161; 1978 Cities Service Annual Report; Moody's Industrial Manual, 1979; CDE, 1980b:52.)

Table 23 (cont'd.).

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Companies Identified as Finance Controlled (Debt Only) in the Period
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### B. F. Goodrich

Kotz (1978:159) classified B. F. Goodrich as under financial control in 1969 because Northwest Industries held 16.3% of the voting stock, and Northwest Industries was controlled by the First National Bank of Chicago. Northwest Industries tried to take over B. F. Goodrich in 1969 but failed. Shortly thereafter Northwest Industries reduced its holdings to 9.5%. With the exception of Northwest Industries, the stock of B. F. Goodrich is very widely held and in small blocks. Mrs. Anne Goodrich, granddaughter of the founder of the company, is a stockholder. We have classified B. F. Goodrich as under financial control because the company is a moderate to heavy user of long-term debt (ratio of long-term debt to total assets: .21). Goldman Sachs manages 60% of this debt. John L. Weinberg, a partner in Goldman Sachs, has been on the board of directors of B. F. Goodrich throughout the 1970s and currently serves on the executive committee, compensation committee, and committee on directors.

(Sources: New York Times, August 17, 1969:1C; New York Times, October 6, 1972:67; New York Times, October 11, 1972:62; Kotz, 1978: 159; 1978 NYSE Listing Statement C-4309; 1978 B. F. Goodrich Annual Report; Moody's Industrial Manual, 1979.)

### International Telephone & Telegraph

IT & T is a moderate to heavy user of long-term debt (ratio of long-term debt to total assets: .20). Seventeen percent of IT & T's long-term debt is co-managed by Kuhn Loeb and Lazard Freres. Both investment banks have had representatives on the board of IT & T throughout the 1970s. In 1978 Alvin E. Friedman of Kuhn, Loeb was also a member of the executive, audit, compensation, and capital committees; and Felix G. Rohatyn of Lazard Freres was a member of the executive, compensation, and capital committees. In 1976 the largest stockholder in IT & T was Morgan Guaranty Trust Co. with 2.13% of the total votes. In 1979 the largest stockholder was Bankers Trust New York Corp. with investment authority over 2.25% of the total stock and voting rights over 0.26%.

(Sources: Kotz, 1978:163; U.S. Congress, 1978:142-143; 1978 IT & T Annual Report; Moody's Industrial Manual, 1979; CDE, 1980a: 131.)

### Lockheed

The Gross family has been historically associated with Lockheed. In fact, Courtlandt S. Gross was chairman of the finance committee and a director throughout the 1970s. However, the Gross family does not

Table 23 (cont'd.).

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Companies Identified as Finance Controlled (Debt Only) in the Period
from 1969-1978

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### Lockheed (cont'd.)

have any significant stockholdings in Lockheed, nor does the company
have any other large stockholders with the exception of Lord Abbett
& Co. which had 4.67% of the total votes in 1976. Lockheed is a heavy
user of long-term debt (ratio of long-term debt to total assets: .36).
Much of that debt is held by a 24-bank consortium led by the Bank of
America and Bankers Trust Co. Fred J. Leary, Jr., a senior vice-
president of Bankers Trust Co., heads a committee which visits Lock-
heed every two months and he confers regularly with Lockheed manage-
ment by telephone. The Bank of America and Bankers Trust Co. have
played a significant role in overhauling Lockheed's financial struc-
ture and rescuing it from bankruptcy. Lockheed must seek their ap-
proval to sell any part of the company since virtually all Lockheed's
assets are pledged to the federal government and the banks. If Lock-
heed were to sell its defense properties, the banks would be left with
little to back up their loans to the company.

(Sources: Burch, 1972:39; Business Week, January 29, 1972:73;
Business Week, January 5, 1974:63; New York Times, March 10, 1977:
57; New York Times, April 14, 1977:1; Fortune, October 1977:203, 210;
U.S. Congress, 1978:150; Moody's Industrial Manual, 1979; New York
Times, July 24, 1979:3D.)

### LTV

In 1969 James Ling held 9.6% of the voting stock and was chairman
and chief executive officer. In May 1970, with LTV's fortunes sinking
rapidly, a group of local businessmen led by E. Grant Fitts, an Alabama
lawyer turned Dallas entrepreneur, had gained control of LTV's board.
The motives of the "insurgents" were varied but most of them had large
holdings in a $474 million issue of five percent LTV debentures, which
were scheduled to come due in 1988. The debentures had been issued to
finance the purchase of Greatamerica, of which Fitts had been president.
Fitts and other debenture holders were disturbed that Ling might sell
assets to pay bank debts, leaving too little to pay off the debentures
should LTV go under. Fitts and others sought to oust Ling altogether,
but the Bank of America (LTV's lead bank) balked, believing that Ling
knew the company's financial complexities better than anyone else. The
Bank also feared that a Fitts-controlled chief executive would give the
debentures precedence over the bank debt. Fitts offered to make W.
Paul Thayer chairman and chief executive officer, but Thayer would
only agree if Fitts and his allies resigned from the board during the
coming months, which apparently they were willing to do. Thayer won
the support of the Bank of America, Manufacturers Hanover Trust, and

Table 23 (cont'd.).

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Companies Identified as Finance Controlled (Debt Only) in the Period
from 1969-1978

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### LTV (cont'd.)

First National City Bank of New York. Thayer raised cash to pay debts
by selling assets to subsidiaries that had the credit and cash flow to
finance them, and by selling four of the company's seven subsidiaries,
including Braniff International. By agreement with the Justice Depart-
ment, Ling was barred from having a voice or any significant financial
stake in LTV.

LTV is still a heavy user of long-term debt (ratio of long-term
debt to total assets: .41). The Bank of America, Manufacturers Hanover
Trust, and First National City Bank of New York appear to be the three
largest holders. It is doubtful that any major decisions are made at
LTV without their approval.

(Sources: Burch, 1972:56; Fortune, June 1973:134, 136, 138-
139, 224; Kotz, 1978:172; 1978 NYSE Listing Statement C-4798;
Moody's Industrial Manual, 1979.)

### Marathon Oil

Marathon Oil has been historically associated with the Donnell
family of Ohio. However, the last Donnell known to be in the upper
management of the company was former chairman James C. Donnell II, the
founder's grandson, who retired in mid-1975. The Donnell family does
not have any significant stockholdings in Marathon Oil. The largest
stockholder in the company is the Marathon Oil Thrift Plan, which has
between 4.6% and 5.9% of the total stock. The Plan was administered
by the First National Bank of Cleveland in 1975, and the bank had
full voting rights. However, the Plan is now held by National City
Corp., which has investment authority over the stock but practically
no voting rights.

In 1975 Marathon Oil arranged a $300 million financing plan with
a group of sixteen banks headed by Chase Manhattan Bank. The funds
were to serve as a "bridge" between the start of an oil exploration
project and permanent financing through public debt issues. Chase
Manhattan Bank subsequently placed a representative on the board at
Marathon Oil. Furthermore, Marathon Oil is now a moderate to heavy
user of long-term debt (ratio of long-term debt to total assets:
.27), 51% of which is managed or co-managed by First Boston Corp.
First Boston Corp. has a representative on the board at Marathon Oil.

(Sources: Burch, 1972:49; New York Times, July 29, 1975:37;
CDE, 1977:215; Forbes, April 15, 1977:70; Moody's Industrial Manual,
1979; CDE, 1980b:102.)

Table 23 (cont'd.).

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Companies Identified as Finance Controlled (Debt Only) in the Period
from 1969-1978

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### NL Industries

NL Industries is a moderate to heavy user of long-term debt
(ratio of long-term debt to total assets: .25), 44% of which is man-
aged or co-managed by Kuhn Loeb & Co. Kuhn Loeb has had a represen-
tative on the board of directors at NL Industries throughout the
1970s. Recently he has been a member of the nominating committee,
audit committee, and management development and compensation commit-
tee. The company has no major stockholders and the holdings of
the directors are minimal.
(Sources: 1977 NYSE Listing Statement C-2469; 1978 NL Industries
Annual Report; Moody's Industrial Manual, 1979.)

### Owens-Illinois Glass

Owens-Illinois is a moderate to heavy user of long-term debt
(ratio of long-term debt to total assets: .26), 50% of which is co-
managed by Lazard Freres and Goldman Sachs. Lazard Freres has had
a representative on the board of directors of Owens-Illinois through-
out the 1970s. Currently, he is also a member of the audit and com-
pensation committees.
Owens-Illinois has been historically associated with the Levis
family, and Robert H. Levis II has been a director throughout the
1970s. However, the family does not appear to have any large hold-
ings in the company.
(Sources: Burch, 1972:45; 1977 Owens-Illinois Annual Report;
Kotz, 1978:165; Moody's Industrial Manual, 1979.)

### Pfizer

Pfizer is a moderate to heavy user of long-term debt (ratio of
long-term debt to total assets: .20), 77% of which is managed by
Lazard Freres & Co. Felix G. Rohatyn of Lazard Freres joined the
board of Pfizer in 1972 and is a member of the "executive compensa-
tion, management development, and nominating" committee.
(Sources: 1978 Pfizer Annual Report; Moody's Industrial Manual,
1979.)

### St. Regis Paper

St. Regis Paper is a moderate to heavy user of long-term debt
(ratio of long-term debt to total assets: .24), 80% of which is
held privately. Two identifiable holders of the debt include
Metropolitan Life Insurance Co. and White, Weld & Co., Inc.
Metropolitan Life has had a representative on the board of directors

Table 23 (cont'd.).

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Companies Identified as Finance Controlled (Debt Only) in the Period
from 1969-1978

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### St. Regis Paper (cont'd.)

and the executive committee of St. Regis Paper throughout the 1970s.
White, Weld & Co. also has had a representative on the board at St.
Regis throughout the same period; in 1977 he was a member of the
executive, finance, and audit committees.
(Sources: Kotz, 1978:166; Moody's Industrial Manual, 1979.)

### Uniroyal

Uniroyal is a moderate to heavy user of long-term debt (ratio
of long-term debt to total assets: .22), 25% of which is held by
Kuhn Loeb. Throughout the 1970s John M. Schiff, a partner in Kuhn
Loeb, served on the board of directors and the executive committee
at Uniroyal. After the merger of Kuhn Loeb and Lehman Brothers,
Henry Necarsulmer of Lehman Bros Kuhn Loeb Inc. joined the board and
now serves on the executive, audit, finance, and retirement plan
investment committees. The business press has frequently commented
on Uniroyal's heavy debt.
In 1978 Gulf & Western Industries began purchasing Uniroyal
stock. The conglomerate now holds approximately 6.1% of Uniroyal.
(Sources: Forbes, January 15, 1975:47; Kotz, 1978:166;
Forbes, July 24, 1978:29; Standard Corporation Descriptions, June
1979:4245; Moody's Industrial Manual, 1979; 1979 Uniroyal Annual
Report; Business Week, June 11, 1979:76.)

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Table 23 (cont'd.).

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Companies Identified as Finance Controlled (Stock Only) in the Period
from 1969-1978

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### Burlington Industries

In 1967 Morgan Guaranty Trust held 14.5% of the common stock,
over which it had 9.5% sole and 1.3% partial voting rights. In late
1976 Morgan Guaranty Trust held 8.4% of the shares outstanding, over
which it had sole and shared voting authority of at least 5%. Wacho-
via Bank & Trust has held approximately 12% of the voting stock
throughout the 1970s. Horace C. Jones, the company's largest non-
institutional stockholder, won an internal power struggle in 1973
and became the company's third chief executive officer. Jones had
the support of Charles F. Myers, Jr., a high-ranking executive of
Burlington, who in turn had the support of the major institutions,
notably Wachovia Bank & Trust. In 1980 Charles Bluhdorn of Gulf &
Western Industries acquired 7.5% of Burlington's total stock.
    (Sources: U.S. Congress, 1968:106; Forbes, February 1, 1974:
22-23; Kotz, 1978:161; U.S. Congress, 1978:608; SEC Official Summary
of Security Transactions & Holdings, Vol. 45, No. 1, 1979:28;
Standard Corporation Descriptions, April 1980:7896; Forbes, July
21, 1980:53.)

### Pepsico

Throughout the 1970s Morgan Guaranty Trust has had between 7.2%
and 8.64% of the total votes in Pepsico. During the same period the
second largest stockholder in Pepsico, Bankers Trust Co., has had
between 2.3% and 4.4% of the total votes.
    (Sources: U.S. Congress, 1968:125; New York Times, March 20,
1974:63; U.S. Congress, 1976:184; CDE, 1977:258; U.S. Congress, 1978:
180-181; 1978 NYSE Listing Statement C-4196.)

### R. J. Reynolds

Throughout the 1970s Wachovia Bank & Trust has had between 5.23%
and 7.8% of the total votes in R. J. Reynolds, and has had a repre-
sentative on the board of directors. Until 1975 Malcolm P. McLean
and family held nearly 4% of R. J. Reynolds, which McLean acquired
when he sold his Sea-Land Service Inc. to R. J. Reynolds in 1969.
McLean served as a director from 1969 to 1977, when he quit, apparently
because many of his proposals were receiving thumbs-down treatment.
In 1975 McLean sold much of his holdings to underwriters who converted
the "convertible preferred company stock" to common and sold the shares
to the public.
    (Sources: CDE, 1977:268-269; Kotz, 1978:165; U.S. Congress,
1978:191-192; 1979 NYSE Listing Statement C-4995; Business Week,
April 16, 1979:80-81.)

Table 23 (cont'd.).

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Companies Identified as Finance Controlled (Stock Only) in the Period
from 1969-1978

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### Standard Oil of Indiana

Throughout the 1970s First National Bank of Chicago has had between 7.2% and 7.45% of the total votes in Standard Oil of Indiana. No other stockholder in the company throughout the 1970s has had more than 1.5% of the total votes.
(Sources: CDE, 1977:294; Kotz, 1978:165; U.S. Congress, 1978: 213-214; 1979 NYSE Listing Statement C-5822; CDE, 1980b:161.)

### Tenneco

Throughout the 1970s Houston National Bank has had between 5.33% and 5.97% of the total votes in Tenneco. The second largest stockholder in the company appears to be the McIntyre family with somewhat less than 2% of the total votes. Tenneco has a 5.5% interest in the Republic of Texas Corp., which is a bank holding company for Republic National Bank of Dallas and Houston National Bank.
(Sources: CDE, 1977:297; Kotz, 1978:184; U.S. Congress, 1978: 215-216; CDE, 1980b:168.)

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Table 23 (cont'd.).

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## Companies Identified as Finance Controlled (Debt & Stock) in the Period from 1969-1978

### Standard Brands

Standard Brands is a moderate user of long-term debt (ratio of long-term debt to total assets: .19), 58% of which is managed by Lehman Brothers. Andrew G. C. Sage II of Lehman Brothers joined the board of Standard Brands in 1971 and is a member of its executive and compensation committees. In the mid-1970s First National Bank of Chicago had voting authority over nearly 4.5% of Standard Brand's total stock.

(Sources: U.S. Congress, 1974:75, 323; Moody's Industrial Manual, 1979; 1979 Standard Brands Annual Report.)

Table 23 (cont'd.).

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Companies Identified as Partially Finance Controlled (Debt) and
Partially Family Controlled in the Period from 1969-1978

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### White Consolidated Industries

White Consolidate Industries is a moderate to heavy user of
long-term debt (ratio of long-term debt to total assets: .31), the
majority of which is probably held by Jesup & Lamont, Lehman Brothers,
Cleveland Trust Co., and State Street Bank & Trust Co., Boston.  All
have had representatives on the board of directors of White Consolidated
throughout the 1970s.  In 1978 alone, James Leipner of Lehman Brothers
was a member of the audit committee of White Consolidated; Allan K.
Shaw of Cleveland Trust Co. was a member of the executive, audit,
compensation, and nominating committees; and Alfred S. Woodworth of
State Street Bank & Trust was a member of the executive, audit,
compensation, and nominating committees.  H. T. Mandeville holds an
undetermined but large block of stock in White Consolidated, possibly
as large as 8%, has been a director throughout the 1970s, and serves
on the executive, audit, compensation, and nominating committees.

(Sources: Kotz, 1978:169; 1978 White Consolidated Industries
Annual Report; Moody's Industrial Manual, 1979.)

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Table 23 (cont'd.).

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Companies Identified as Foreign Controlled in the Period from 1969-1978

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### Shell Oil

Seventy percent of Shell Oil is owned by Shell Petroleum N.V. In turn, 60% of Shell Petroleum N.V. is owned by Royal Dutch Petroleum Co. and 40% by "Shell" Transport & Trading Co., Ltd. Royal Dutch is based in the Netherlands, while "Shell" Transport is based in the U.K. King William III granted permission to use the preface "Royal" in Royal Dutch's name when the company was founded in 1890. Speculation is rife as to whether Queen Juliana and the royal family currently have an interest in Royal Dutch Petroleum because 34% of the shares are held inside the Netherlands. Americans own approximately 24% of Royal Dutch, accounting for the American on the board of Royal Dutch. However, all the other members are either English or Dutch. According to a 1972 Forbes article, "the management reflects this. It combines the rigidities of both countries: the English reluctance to change, the Dutch caste system." Forbes added parenthetically that one shouldn't apply for a responsible job at Royal Dutch unless he or she "came from the right family and attended the right school." Although most Americans believe that Shell Oil is autonomous, oil industry insiders believe that Royal Dutch "calls the shots" from the Hague. On the board of directors of Shell Oil is Dirk De Bruyne, managing director of Royal Dutch/Shell Group and managing director and director of finance of Royal Dutch Petroleum.

(Sources: Moody's Industrial Manual, 1968; Forbes, November 15, 1972:93; U.S. Congress, 1978:203; Business Week, May 8, 1978: 80-81; CDE, 1980b:153; Standard Corporation Descriptions, June 1980:2837.)

### Standard Oil of Ohio

In 1970 British Petroleum [BP] swapped its Prudhoe Bay oil reserves for 25% of Standard Oil of Ohio's total stock. By 1979 BP had acquired 52.16% of the total stock. Between 1914 and 1975 the British government owned 48% of BP; the British government has recently increased its holding to 68%. Sohio management insists that control of the company's affairs will remain in the U.S. with U.S. executives. BP is currently represented by three of Sohio's sixteen directors and only one of the three sits on a committee. Thus far, BP has had no influence on the important executive committee. However, a former executive of a major U.S. oil company sees BP "eventually flexing its muscle . . . . [T]he fact that BP [owns] 50% of its stock is the controlling factor."

(Sources: Fortune, February 1972:45; Forbes, May 1, 1975:48; Forbes, November 1, 1976:96; Standard & Poor's Stock Market Encyclopedia, 1977; Forbes, March 15, 1977:83; Forbes, November 15, 1977:

Table 23 (cont'd.).

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Companies Identified as Foreign Controlled in the Period from 1969-1978

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### Standard Oil of Ohio (cont'd.)

159; Business Week, April 10, 1978:37; Business Week, May 8, 1978: 80; Fortune, April 23, 1979:16; Standard Corporation Descriptions, June 1980:3897; CDE, 1980b:163.)

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Table 23 (cont'd.).

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Companies Identified as Having Miscellaneous Forms of Control
in the Period from 1969-1978
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Northrop

    In late 1974 Keystone Company of Boston, a regulated investment company, had a 5.01% holding over which it had full voting rights. However, the largest stockholding in the company is an employees' savings plan which held 30% of the common stock in late 1976.  How it is voted, and by whom, is not known.
    (Sources: U.S. Congress, 1976:147; Standard & Poor's Stock Market Encyclopedia, 1977.)

U.S. Steel

    Until 1975 the U.S. Steel Savings Plan for Salaried Employees had approximately 12.5% of the total votes in U.S. Steel.  Although the plan currently holds over 13% of the total stock of U.S. Steel, over which it has investment authority, apparently it no longer has voting authority.
    (Sources: CDE, 1977:324; Kotz, 1978:175; U.S. Congress, 1978: 239-240; CDE, 1980b:187.)

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Table 23 (cont'd.).

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### Companies Identified as Having Changed Control Type in the Period from 1969-1978

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#### Airco

Originally under management control, Airco is now controlled by BOC International Ltd., based in London. After Curtiss-Wright lost its bid to acquire 20% of Airco's common stock in 1973, BOC acquired 34%. In 1977 BOC successfully fought an F.T.C. order requiring BOC to divest itself of its block of stock on antitrust grounds. In 1978 BOC acquired 54% of Airco's stock, and a year later it acquired 100% of the stock and complete control despite attempts by the management of Airco to prevent the takeover and a bid by Martin Marietta Corp. to merge with Airco. Three representatives of BOC now serve as directors of Airco.

(Sources: 1977 NYSE Listing Statement C-3156; New York Times, May 21, 1977:28; Business Week, December 19, 1977:36; Fortune, March 27, 1978:122-123; Business Week, April 17, 1978:44; Forbes, April 2, 1979:74; Fortune, July 16, 1979:16; Forbes, July 7, 1980:92.)

#### American Home Products

Originally under management control, American Home Product's largest stockholders are now financial institutions. For example, in December 1974 Morgan Guaranty Trust apparently had the largest block of stock with a 4.25% holding over which it had full voting rights.

(Sources: U.S. Congress, 1976:191.)

#### Amax

In the mid-1960s the three largest stockholders in Amax were the Hochschild family with approximately 5% of the total stock; the British mining and finance company, Selection Trust Ltd., with approximately 11.5% of the total stock; and Morgan Guaranty Trust with 8.7% of the total stock--6.6% of which it could vote. In 1969 Selection Trust Ltd. had four directors on Amax's board. Harold K. Hochschild was honorary chairman of the board and chairman of the compensation committee; and Walter Hochschild was also honorary chairman of the board and chairman of the executive committee. In 1975 Amax stockholders approved the purchase of a 19.9% interest in Amax by Standard Oil of California. Currently, Standard Oil of California is the largest stockholder with 19.32% of the total stock, followed by Selection Trust Ltd. with 7.5% and the Hochschild family with 3.17%. Standard Oil of California and Lehman Brothers probably have the greatest influence on Amax policy now, for Selection Trust Ltd. has reduced its holdings and the Hochschild family apparently

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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## Amax (cont'd.)

has no direct descendants in upper management. Amax is a moderate to
heavy user of long-term debt (ratio of long-term debt to total assets:
.20), 39% of which is managed by Lehman Brothers. George W. Ball,
general partner in Lehman Brothers, is a member of the finance and
audit committees of Amax.

(Sources: U.S. Congress, 1968:127; Burch, 1972:50; New York Times,
July 23, 1975:57; Forbes, October 1, 1975:51; Standard & Poor's Stock
Market Encyclopedia, 1977; Forbes, June 1977:33; Business Week, June
13, 1977:82; Kotz, 1978:174; 1978 Amax Annual Report; New York Times,
September 7, 1978:150; Moody's Industrial Manual, 1979; Standard
Corporation Descriptions, July 1980:7702; CDE, 1980b:30; Forbes,
February 4, 1980:91.)

## Asarco

Originally under finance control, Asarco is now under management
control. In the late 1960s Morgan Guaranty Trust held 15.5% of the
common stock, over which it had 9.8% sole and 1.8% partial voting
rights. The bank also had a representative on the board of directors.
In the mid-1970s Bendix acquired nearly 20% of Asarco's outstanding
stock while Morgan Guaranty Trust disposed of its holdings. The only
other major stockholder in Asarco at this time was MIM Holdings Ltd.
with a 13.7% interest. MIM Holdings Ltd. is Asarco's Australian
partner. Asarco announced in October 1980 that it would buy back
the stock held by Bendix, most likely to protect its management from
a hostile takeover bid by another company, for Bendix admits that
Asarco was not the only potential buyer. Asarco was in a protected
position when Bendix owned 20% of its stock because Bendix apparently
had little interest in a takeover and its holdings prevented another
hostile bid at a time when Asarco stock was selling at $13 per share.

(Sources: U.S. Congress, 1968:123; Business Week, August 2,
1976:33; Kotz, 1978:159; Moody's Industrial Manual, 1978; New York
Times, April 14, 1978:4D; Business Week, May 1, 1978:40; Standard
Corporation Descriptions, July 1979:8672; Business Week, November
17, 1980:47-48.)

## Armour & Co.

Originally controlled by the Prince family, Armour is now a sub-
sidiary of Greyhound, a management controlled firm. In the late
1960s the Prince family had at least 6% of the stock of Armour.
William Wood Prince was chairman and a director, and the Frederick

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### Armour & Co. (cont'd.)

Henry Prince Trusts had a representative on the board.  At that point
both General Host and Greyhound expressed an interest in taking over
Armour.  General Host acquired 57%, and Greyhound acquired 20%, of
the outstanding stock of Armour by 1969.  General Host's attempt was
aborted when the SEC recommended that disciplinary action be taken
against Union Bank and Franklin National Bank for improprieties in
financing General Host, when the Justice Department argued that the
acquisition would violate a 1920 antitrust consent  decree, and when
the Prince family decided to support Greyhound against General Host.
In fact, eleven Armour directors apparently sold their holdings to
Greyhound.  General Host disposed of its holdings by 1973 to pay
bank debts.  In 1970 the ICC approved Greyhound's acquisition plan,
and the company subsequently acquired all of Armour's common stock
and 46.3% of its preferred.  The Prince family members who had been
involved in Armour resigned.
(Sources: Moody's Industrial Manual, 1968; Burch, 1972:39;
New York Times, May 2, 1972:57; New York Times, December 8, 1973:
49, 53; Moody's Industrial Manual, 1978.)

### Boise Cascade

Probably under management control in 1969, the largest stock-
holder in Boise Cascade now is the Sarofim family with 6.2% of the
voting power.
(Sources: Standard Corporation Descriptions, July 1980:7657.)

### Borg-Warner

Borg-Warner has been historically associated with the Ingersoll
family, and once was considered an "autocratically managed family
affair."  Robert S. Ingersoll, who succeeded his father in 1960
as chairman, is credited with the modernization of Borg-Warner.
Although an Ingersoll is vice-president and another is on the board
of directors, the Ingersoll family is not among the top 20 stockhold-
ers in Borg-Warner today.  In 1977 Robert Bosch GmbH of West  Germany
acquired nearly 10% of Borg-Warner.  No other stockholder has more
than 4.4% of the voting power.  Robert Bosch GmbH is solely owned
by three descendants of founder Robert Bosch, along with a non-
profit charitable trust carrying the family name.
(Sources: Burch 1972:45; Fortune, March 1972:22; Business Week,
August 29, 1977:72; Forbes, November 15, 1977:159; Kotz, 1978:
176-177; Business Week, January 30, 1978:94; Forbes, April 2, 1979:
74; CDE, 1980b:45.)

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### Brunswick

Brunswick originally was controlled by the Benswinger family, which
had approximately 40% of the total stock in 1960.  In 1969 Benjamin
E. Benswinger was chairman and a director, and R. F. Benswinger was a
director.  However, the last Benswinger by that name left the com-
pany in 1977 or early 1978.  Brunswick may now be influenced by Charles
Bluhdorn of Gulf & Western Industries, who has acquired a 6.7% inter-
est in Brunswick.
(Sources: Burch, 1972:56; 1978 NYSE Listing Statement C-4219;
1978 NYSE Listing Statement C-4522; Business Week, October 27, 1980:
131.)

### Celanese

Celanese's largest stockholders have been financial institutions
throughout the 1970s, but not the same institutions.  In 1969 Chase
Manhattan Bank held 5.1% of the voting stock and had a representative
on the executive committee.  In late 1973 Prudential Insurance Company
had 4.09% of the shares outstanding, over which it had full voting
rights.  By 1979 Capital Group Inc., through subsidiaries, had acquired
9.7% of the common stock of Celanese.  Whether any of these institu-
tions have ever exercised control over Celanese is not known.
(Sources: U.S. Congress, 1974:254; Kotz, 1978:159; Standard
Corporation Descriptions, April 1979:4881.)

### Colt Industries

In 1969 an unidentified commercial bank had voting authority over
5.1% of the total stock and was the largest stockholder.  In 1974 Colt's
three largest stockholders were investment companies: Delaware Manage-
ment Company with 4.63% of the total stock, Capital Research & Manage-
ment Company with 4.88% of the total stock, and Arnold Bernhard & Co.,
Inc., with 3.95% of the total stock.  However, in 1978 Henry Singleton
through Teledyne purchased 5.3% of Colt's outstanding stock.  By
February 1979 Singleton had 13.5% of the preferred stock and 7.7% of
the common stock, or 8% of the total voting power.
(Sources: U.S. Congress, 1976:151; 1977 NYSE Listing Statement
C-3078; Kotz, 1978:161; Fortune, January 16, 1978:71; Standard Corpora-
tion Descriptions, July 1979:4712; Standard Corporation Descriptions,
July 1980:3346.)

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### Diamond Shamrock

From 1967 to 1970 Mellon National Bank held between 4.8% and 5.2%
of the voting stock, had a representative on the board of directors,
and was the lead bank for the company which was a moderate user of long-
term debt. Mellon National Bank probably has little influence in
Diamond Shamrock today, partly because Mellon National Bank disposed of
its stockholdings, and partly because Diamond Shamrock greatly reduced
its debt. In 1973 Vittorio de Nora acquired what was believed to be
the largest single block of the company's stock: somewhat more than
5%. He was elected director in 1974. De Nora's influence appears
to have been short-lived. He left the board before 1978 and his total
holdings now do not exceed 2.72%. The largest stockholder in Diamond
Shamrock as of 1979 appears to be Capital Group Inc. with investment
authority over 4.57% of the total stock and voting rights over 1.5%.
If so, Diamond Shamrock is probably management controlled.
(Sources: New York Times, April 18, 1974:61; New York Times, April
19, 1974:58; Forbes, November 15, 1977:159; Kotz, 1978:162; 1978
NYSE Listing Statement C-5047; Moody's Industrial Manual, 1979; CDE,
1980b:64.)

### GATX

GATX may have been partially controlled by Kuhn Loeb in 1969.
Kuhn Loeb was the investment banker for the company and had a represen-
tative on the board, although GATX did not raise a substantial amount
of capital through Kuhn Loeb. GATX may have also been partially con-
trolled by First National Bank of Chicago in the early 1970s when that
bank had over 7% of the total votes. However, First National Bank of
Chicago's voting rights have been greatly reduced, and the company has
no other major stockholders. GATX is now probably management con-
trolled.
(Sources: U.S. Congress, 1974:323; CDE, 1977:190; Kotz, 1978:179.)

### General Motors

Under management control in 1969, General Motors may now be par-
tially controlled by the National Bank of Detroit which had 6.21% of the
total votes in late 1976. The second largest stockholder, Morgan
Guaranty Trust Co., had 1.13% of the total votes. Charles T. Fisher
III, president of the National Bank of Detroit, also has a position
on the board of directors at GM. (However, shortly after these data
were published, the National Bank of Detroit stated that the 6.21%
was a computer error and that it actually had no voting rights.)

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### General Motors (cont'd.)

(Sources: U.S. Congress, 1978:123-124.)

### Goodyear Tire & Rubber

Under management control in 1969, Goodyear Tire & Rubber may have
been partially controlled by Morgan Guaranty Trust Co. in the mid-
to late-1970s when it had nearly 6% of the total votes and Goodyear
had no other large stockholders. However, recent data show that Morgan
Guaranty Trust disposed of its holdings in 1978-1979. In the absence
of compelling evidence to the contrary, Morgan Guaranty Trust's in-
terest in Goodyear may have been for investment purposes only.

(Sources: Fortune, May 1977:280 ff.; U.S. Congress, 1978:128;
CDE, 1980b:87.)

### IBM

In 1969 IBM was probably controlled by the Watson family, who had
between 3% and 6% of the total stock. Thomas J. Watson, Jr., was
chairman and a director; and Arthur K. Watson was a vice-president and
director. In 1977 Thomas J. Watson, Jr., was chairman of the executive
committee and a director. However, the Watson family was not among the
59 largest stockholders in IBM in late 1976, and the company had no
large stockholders. Morgan Guaranty Trust was the largest with 2.53%
of the total votes. As such, IBM should now be considered management
controlled, although it may yield influence to Salomon Brothers and
Merril Lynch Pierce Fenner & Smith who handled a one billion dollar
debt offering by IBM in 1979.

(Sources: Burch, 1972:37; U.S. Congress, 1978:137-139; New York
Times, September 26, 1979:11D; New York Times, October 6, 1979:32;
New York Times, October 15, 1979:10D.)

### International Minerals & Chemical

Under management control in 1969, IMC is now at least partially
controlled by Lehman Brothers. IMC became a moderate to heavy user
of long-term debt after 1971 (its long-term debt to total assets
ratio is now .26), 29% of which is co-managed by Lehman Brothers.
The investment bank placed a representative on the board of IMC in
1970, who has since joined the compensation and stock option committee,
and the executive committee.

(Sources: 1979 IMC Annual Report & Form 10-K; Moody's Industrial
Manual, 1979.)

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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## Jim Walter

In 1955 Jim Walter owned 70% of the stock of Jim Walter Corp.
His two partners, James O. Alston and Arnold Saraw (Walter's brother-
in-law) each had 15%. Although the company subsequently went public
and Walter's holdings were reduced to 3.4% by 1969, he probably still
had control of the company at that time because he and his partners
held key management positions. By 1973 Jim Walter may have come under
partial financial control by First National Bank of Chicago, which had
acquired voting authority over 9.21% of the total stock. Because of
the retirement of the partners, because of further reductions in Walter's
holdings (to 2.8% in 1978), because Walter's sons have shown no inter-
est in the company, and because the First National Bank of Chicago's
holdings have probably been substantially reduced, the company should
now be considered under management control.

(Sources: Business Week, June 17, 1972:110; U.S. Congress, 1974:75;
Forbes, May 1, 1974:46; Forbes, July 1, 1975:34-35, 38; U.S. Congress,
1976:116; Kotz, 1978:184; SEC Official Summary of Security Transactions
& Holdings, Vol. 44, No. 10, 1978:195.)

## Kennecott Copper

In the late 1960s the policies of Kennecott Copper were probably
significantly influenced by the Guggenheim family and Morgan Guaranty
Trust Co. At that time Morgan Guaranty Trust held 17.5% of the common
stock, over which it had 10.5% sole and 2.6% partial voting rights.
On the board of directors and on the executive committee of Kennecott
Copper was Walter H. Page, vice-chairman of the board of Morgan Guaranty
Trust. Also on the board of directors was Peter O. Lawson-Johnston, a
partner of Guggenheim Brothers and a trustee for the Guggenheim family's
shares in Kennecott Copper. Page and Lawson-Johnston have been associ-
ated with Kennecott Copper throughout the 1970s.

In 1978 Curtiss-Wright purchased 9.9% of Kennecott Copper's shares.
Approximately 30.5% of Curtiss-Wright was owned by Teledyne, leading
the business press to speculate that T. Roland Berner of Curtiss-
Wright was pressured into the purchase by Henry Singleton of Teledyne.
During 1978 Berner attacked Kennecott chairman Frank Miliken for
"incompetence and mismanagement" and then mounted a proxy fight to
elect directors favorable to a program under which Kennecott would sell
all or some of its assets and make the proceeds available to the share-
holders. Commentators suggested that Curtiss-Wright was asking share-
holders to sacrifice long-range growth and profitability for immediate
cash gains. They argued that if the stock market allows the short-term
to decide allocation of scarce investment capital, well-managed compan-
ies will find it difficult to invest in plant and equipment which will

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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## Kennecott Copper (cont'd.)

in turn hold back growth and productivity. Miliken was threatened by
the proxy fight to the extent that he tried without success to persuade
Kennecott's major lenders to sign a letter in which they would agree
to call in company loans or refuse to grant new loans in the event that
Curtiss-Wright took control of the company. The letter was drafted by
Morgan Stanley, and the banks that refused to sign it were named by
Curtiss-Wright as Chase Manhattan, Citibank, Chemical Bank, Manufac-
turers Hanover Trust, and Bankers Trust. Morgan Stanley in another
letter to shareholders stated that Curtiss-Wright's program was highly
imprudent from a financial point of view. Berner in turn asked Morgan
Guaranty chairman Walter H. Page to "play it fair and honest" in voting
Kennecott shares that the bank controls (the shares are held in trust
for beneficial owners who have never been identified). Page replied
that the bank's trust and investment division would decide how the
shares were to be voted without consultation with him.

The management barely won the proxy battle and retained control of
Kennecott Copper. Among the defense of Miliken's management were Peter
O. Lawson-Johnston, and unidentified U.S. pension fund trustees who
were persuaded to vote for Miliken, partly on account of legal techni-
calities. Under a proposed agreement a new eighteen member board was
to be set up with eleven Kennecott-backed directors, three representa-
tives of Curtiss-Wright, and four independents; this was to be a
two-year truce. Shortly thereafter, Miliken retired, Lawson-Johnston
refused the position of chairman, and Thomas D. Barrow was hired. Bar-
rwo was formerly a senior vice-president and director of Exxon.

After the proxy battle Curtiss-Wright increased its ownership of
Kennecott Copper to the point where in late 1980 the company had over
14%. However, Kennecott Copper countered by purchasing a 32.2% inter-
est in Curtiss-Wright, and then making a bid for the company in order
to acquire Curtiss-Wright's Dorr-Oliver Inc., a maker of process equip-
ment with an emphasis on environmental control systems. The bid re-
sulted in a number of lawsuits and public accusations, including Curtiss-
Wright's claim that Kennecott was interested in acquiring the company
to get Berner and three other directors Curtiss-Wright placed on
Kennecott's board after the 1978 fight out of the way. Berner went
so far as to suggest that Barrow was using the takeover bid to entrench
himself and to cover up "management's ruinous business practices."
Kennecott Copper and Curtiss-Wright ended the feud by signing an agree-
ment which provided that neither would attempt to take over the other
for the next ten years, that they would swap the shares they held of
the other, and that Berner of Curtiss-Wright and two supporters would
resign as directors of the Kennecott board. The entire issue became

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### Kennecott Copper (cont'd.)

academic in 1981 when Kennecott agreed to be acquired by Standard Oil
of Ohio.

(Sources: U.S. Congress, 1968:121; Burch, 1972:48; Kotz, 1978:
160; Fortune, January 16, 1978:66; New York Times, March 14, 1978:
47; Business Week, March 27, 1978:54; Business Week, April 3, 1978:
25; New York Times, April 7, 1978:1D; Fortune, April 10, 1978:14;
Fortune, April 24, 1978:16; New York Times, April 25, 1978:49; New
York Times, May 7, 1978:1D; Fortune, June 5, 1978:126-127, 129; New
York Times, June 9, 1978:27; Business Week, November 6, 1978:65;
New York Times, December 16, 1978:29; Business Week, December 18,
1978:27; New York Times, December 23, 1978:28; Business Week,
January 8, 1979:26; Forbes, April 30, 1979:47; Fortune, May 21, 1979:
20; New York Times, November 7, 1979:4D; Standard Corporation Descrip-
tions, May 1980:1429; Business Week, December 15, 1980:30-31; New
York Times, January 24, 1981:30; New York Times, January 29, 1981:
1D; New York Times, March 13, 1981:1.)

### Kimberly Clark

In the late 1960s Kimberly Clark was probably controlled by the
Kimberly, Schweitzer, and Sensenbrenner families. In 1969 the Schweit-
zers alone held2.7% of the total stock. M. P. Schweitzer was a vice-
president, a member of the executive and finance committees, and a
director. W. R. Schweitzer was a member of the executive committee.
John S. Sensenbrenner was a director; and John R. Kimberly was chair-
man and a director. In 1977 only John R. Kimberly was still with the
company—as retired chairman of the board and a director. The Schweit-
zers and Sensenbrenners have not been present in management since
1975. At that point Prudential Insurance Company was probably the com-
pany's largest stockholder with voting authority over 4.07% of the to-
tal stock. Whether it attempted to exercise any degree of control is
not known. National Detroit Corporation has recently become Kimberly
Clark's largest stockholder with 6.9% of the common shares. To what
extent National Detroit has voting rights is not known.

(Sources: Burch, 1972:48; U.S. Congress, 1974:256; Kotz, 1978:
180; Standard Corporation Descriptions, May 1980:1333.)

### Liggett Group

Liggett Group may have been under management control in the early
1970s. In 1973 Howard A. Newman, chairman and president of Western
Pacific Industries, headed a group that bought 5% of the outstanding

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### Liggett Group (cont'd.)

shares of Liggett Group. The board of Liggett refused his request for
representation in management, despite the fact that the holdings of
the officers and directors of Liggett were insignificant. By 1980
Grand Metropolitan Ltd., a British conglomerate founded by Maxwell
Joseph (who is still its chairman), had purchased 9.5% of Liggett.
Through a tender offer, Grand Metropolitan succeeded in acquring more
than 89% of Liggettt's common stock and approximately 85% of its total
votes. In June 1980 the number of directors of the Liggett Group was
reduced from twelve to seven in a board meeting. Eight non-management
directors tendered their resignations and three directors of Grand
Metropolitan were elected to the board of Liggett, among them Maxwell
Joseph. Joseph was also to serve as chairman of the board of Liggett
Group.

(Sources: Business Week, April 14, 1973:28-29; 1977 NYSE Listing
Statement C-2559; Standard Corporation Descriptions, May 1980:7881;
Business Week, May 19, 1980:37; New York Times, July 1, 1980:4D;
Forbes, July 7, 1980:92.)

### Litton Industries

In 1969 Litton Industries was controlled by C. B. Thornton and
R. L. Ash who held at least 4.7% of the total stock. Thornton was
chairman and Ash was president. Although Thornton and Ash built
Litton Industries, and although Thornton is still chairman, Henry
Singleton now has effective control of Litton with between 22.2% and
28% of the total stock. The stock is held by a subsidiary of Single-
ton's Teledyne Corp. Singleton is a former Litton executive, origin-
ally hired by Thornton. The business press states that Singleton has
not interfered in the running of Litton because he is satisfied with
the current management.

(Sources: Burch, 1972:45; Business Week, December 1, 1973:67;
Standard & Poor's Stock Market Encyclopedia, 1977; Kotz, 1978:
180; Fortune, January 16, 1978:66, 71; Business Week, September
17, 1979:112; Fortune, October 8, 1979:155-156; Standard Corporation
Descriptions, February 1980:8051.)

### Marmon Group (formerly Cerro Corp.)

As Cerro Corp., the company may have been controlled by the Burden
family in the late 1960s. In late 1973 C. Gordon Murphy, president
of Cerro, invited the Pritzker family of Chicago to buy into the
company in order to avoid an unfriendly takeover. The Pritzkers had

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### Marmon Group (cont'd.)

been Cerro's partner in several Florida real estate deals.  The family
began buying stock in early 1974; by mid-1974 the Pritzker family owned
45% of Cerro and subsequently fired Murphy.  In 1975 the Pritzker fam-
ily completed the takeover of Cerro, and Robert A. Pritzker was elected
president despite strong opposition by other stockholders.  In 1976
stockholders approved the merger of Cerro with Pritzkers' privately
held Marmon Group to form Cerro-Marmon Corp.  In 1977 Cerro-Marmon
Corp. was changed to Marmon Group Inc.  Currently, GL Corporation, a
private holding company owned by the Pritzker family, holds 100% of
the outstanding common stock of Marmon Group and has 82% of the voting
rights.  J. A. Pritzker is chairman, and R. A. Pritzker is president
and treasurer, of Marmon Group.  Both are directors.
    (Sources: Burch, 1972:56; Forbes, April 1, 1975:50; Business Week,
May 5, 1975:56-57, 59; Moody's Industrial Manual, 1978.)

### Martin Marietta

    Under management control in 1969, Martin Marietta may have been
under partial finance control in the mid-1970s.  At that time Welling-
ton Management Co. had 4.26% of the total votes, and Lord Abbett &
Company had 3.49%.  The company had no other major stockholders.
    (Sources: U.S. Congress, 1976:35.)

### National Distillers & Chemical

    Panhandle Eastern Pipe Line has held between 10% and 11.7% of the
total stock of National Distillers throughout the 1970s.  However,
Panhandle Eastern Pipe Line has undergone changes in control during
that period.  In 1969 Worth Fund had 5.9% of the voting stock of
Panhandle, and Kotz believed it to be under partial finance control.
However, in 1976 Panhandle had no major stockholders and was probably
management controlled.  As a consequence, National Distillers should
also be considered management controlled.
    (Sources: CDE, 1977:253; Standard & Poor's Stock Market Encyclo-
pedia, 1977; Kotz, 1978:164; 1979 NYSE Listing Statement C-5231;
Forbes, July 7, 1980:44.)

### Phillips Petroleum

    In 1969 First National City Bank held 6.4% of the voting stock
of Phillips Petroleum; however, its current holdings do not exceed
2.32% of the total stock.  First National Bank in Bartlesville

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### Phillips Petroleum (cont'd.)

(Oklahoma) has been the largest stockholder in Phillips Petroleum since
1975, with investment and voting authority over nearly 7% of the total
stock.

(Sources: U.S. Congress, 1968:104; CDE, 1977:260; Kotz, 1978:
165; U.S. Congress, 1978:184-186; CDE, 1980b:139.)

### Revere Copper & Brass Co. Inc.

Asarco has held approximately 33% to 34% of the outstanding shares
of Revere Copper & Brass throughout the 1970s and had two representa-
tives on the board in 1977. Formerly under finance control, Asarco
is now under management control.

(Sources: U.S. Congress, 1968:145; Moody's Industrial Manual, 1968;
Forbes, July 1, 1977:56; Moody's Industrial Manual, 1978.)

### Signal Companies

In the mid-1960s the Mosher family owned at least 39.6% of the
total stock of Signal Companies. However, the family has been beset
by internal feuding. In 1969 the family of Samuel B. Mosher, founder
of the company, filed a $10 million lawsuit seeking return of the
company to Samuel B. Mosher. The Mosher family charged that Signal
Companies, S. B. Mosher's third wife Margaret McGann Mosher, S. B.
Mosher's nephew Forrest Shumway, and three other directors obtained
control of the company at a stockholders' meeting in 1968 through
"fraud, duress, trick and device." The attempt failed and President
Forrest Shumway and chairman William Walkup maintained a strong hold
on Signal throughout the early 1970s. In 1973 CEMP Investment Ltd.,
a Canadian-based holding company for the Bronfman family interests,
acquired approximately 6.5% of Signal's outstanding stock. Shortly
thereafter the shares were sold to the Bahama-based Capitalfin Inter-
national Ltd., an international financial concern made up of major
Italian industrial, banking, and insurance interests. Two of the five
beneficial owners of Capitalfin are controlled by the Agnelli inter-
ests, an Italian industrial family. The Agnelli family also controls
Fiat, and many observers believe that Fiat had planned to get control
of Mack Trucks—Signal's subsidiary. Although Shumway and Walkup
apparently welcomed the Capitalfin investment, the latter sold its
shares to several unidentified mutual funds in December 1976. Signal
Companies could be considered under nominal management control at
that point because the Mosher family, including Shumway, had less than
1% of the total stock. But it could also be considered under partial

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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### Signal Companies (cont'd.)

financial control because the Bank of America had over 10% of the
total votes. No other stockholder had more than 2.75% of the total
votes.

(Sources: New York Times, November 15, 1969:56; Burch, 1972:
47; Business Week, January 5, 1974:28; New York Times, April 24, 1974:
59; New York Times, April 27, 1974:40; CDE, 1977:282; Kotz, 1978:183.)

### Squibb

Under management control in 1969, Squibb may now be partially
controlled by Morgan Guaranty Trust, which acquired 7.54% of the shares
outstanding by late 1976, over which it could vote at least 5%.
A director of Squibb, Eugene F. William, Jr., may also vote as much
as 4% of Squibb's outstanding stock.

(Sources: U.S. Congress, 1978:608; 1979 NYSE Listing Statement
C-5482.)

### Standard Oil of California

Possibly under Rockefeller family control in 1969, the largest
stockholder in Standard Oil of California now is Crocker National
Corp. with approximately 10% of the total stock. The stock is owned
by employees of Standard Oil, but until 1978 Crocker National Corp.
voted it. In 1979, for reasons unknown, the bank's voting rights
were reduced to 1.7%. The Rockefeller family's holdings aggregated
do not exceed 2.11%. As a consequence, Standard Oil of California
should now be considered management controlled.

(Sources: Burch, 1972:38; CDE, 1977:292; Moody's Industrial
Manual, 1978; U.S. Congress, 1978:211-212; CDE, 1980b:159.)

### Studebaker-Worthington

In 1969 Supervised Investors Services of Chicago held 4.4% of the
voting stock and had a representative on the board. By 1978 Henry
Singleton through Teledyne Corp. had acquired 6.2% of Studebaker-
Worthington's stock, although the purchase many have been for invest-
ment purposes. For shortly thereafter, Studebaker-Worthington was
acquired by McGraw-Edison Co.

(Sources: Kotz, 1978:184; 1978 NYSE Listing Statement C-4644;
New York Times, January 7, 1979:4D; Business Week, March 31, 1980:
102.)

Table 23 (cont'd.).

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Companies Identified as Having Changed Control Type in the Period
from 1969-1978

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## Texasgulf

In 1967 Morgan Guaranty Trust Co. held 12.4% of the common stock of Texasgulf over which it had 9.3% sole and 0.9% partial voting rights. Morgan Guaranty Trust also had a representative on the board of Texasgulf. In 1973 the Canada Development Corporation made a bid for effective control of Texasgulf. By 1974 it had acquired 30.5% of Texasgulf's outstanding stock, which was transferred to CDC Nederlands BV, a Dutch subsidiary, for tax purposes. The CDC was founded by the Canadian government in late 1971 and was mandated to "develop promising situations," particularly in natural resources. Although Texasgulf fought the takeover bitterly, CDC persisted, partly because in 1973 Texasgulf generated 68% of its operating income in Canada, and partly because Texasgulf would not appoint Canadians to the top levels of the company's management. On December 6, 1973, Texasgulf disclosed that it had resolved its differences with CDC and that it would appoint four CDC representatives to a new twelve-member board. The percentage roughly corresponds to CDC's 30% holding of Texasgulf stock. In 1974 the Canadian government ownership in CDC was to have been reduced to 10%, with the remainder of the stock to be held by private investors.

(Sources: U.S. Congress, 1968:182; New York Times, July 26, 1973: 53; New York Times, August 5, 1973:3C; Business Week, August 18, 1973: 23; Fortune, September 1973:42; New York Times, December 7, 1973:61; New York Times, January 20, 1974:7C; New York Times, February 23, 1975: 15C; Standard Corporation Descriptions, June 1980:3197.)

## Texas Instruments

Potential control of Texas Instruments has shifted from John E. Jonsson, who long dominated management, to financial institutions. In early 1974 Prudential Insurance Company had 5.35% of the shares outstanding, over which it had full voting rights; Citibank had 5.41% of the stock over which it had full voting rights; and Bankers Trust had 4.7% of the stock over which it had full voting rights. Although Jonsson has been a director throughout the 1970s, he has not been active in management. Whether the above named financial institutions still have their holdings is not known.

(Sources: U.S. Congress, 1968:127; Burch, 1972:55; U.S. Congress, 1974:108, 256, 258; New York Times, March 20, 1974:63.)

Table 23 (cont'd.).

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## Companies Identified as Having Changed Control Type in the Period from 1969-1978

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### Trans Union

Trans Union was incorporated in Delaware in 1968 as a holding company to acquire Union Tank Car. At that point Trans Union was probably under management control. By 1976 the National City Bank of Cleveland had acquired 4.45% of the total votes. The company's second largest stockholder was a profit sharing plan with 2.74% of the total votes, administered by an internal trustee. In 1980 Chicago's Pritzker family announced that it would purchase Trans Union outright for $688 million in cash. The deal may have been arranged internally, for Trans Union chairman Jerome W. Van Gorkom and J. A. Pritzker are "old friends."

(Sources: CDE, 1977:308; 1977 NYSE Listing Statement C-3626; 1978 NYSE Listing Statement C-3984; Moody's Industrial Manual, 1979; Business Week, October 6, 1980:38, 40.)

### TRW

In 1969 nominal control of TRW was probably held by Simon Ramo and D. E. Wooldridge, co-founders of Ramo-Wooldridge Corp. (although Morgan Guaranty Trust held 5.4% of the voting stock). At that time Ramo was vice-chairman and a director, and Wooldridge was a director. In 1977 Ramo still held the same positions, but neither he nor Wooldridge appear to have any significant stockholdings. Since 1969 financial institutions have acquired large blocks of TRW stock. For example, in 1973 First National Bank of Chicago could vote over 7.8% of TRW stock, and Citibank could vote over 6%. Current holdings and voting rights of financial institutions are not known.

(Sources: U.S. Congress, 1974:75, 109, 259, 323; U.S. Congress, 1976:166; Kotz, 1978:166.)

### Union Camp

In 1969 Union Camp was probably controlled by the Camp family. The Camp family may have had as much as 10% to 15% of the total stock and dominated management. For example, Hugh D. Camp was chairman and a director; James L. Camp, Jr., was chairman of the executive committee and a director; and Paul D. Camp, Sr., was a director. For reasons unknown, all three Camps left the company between 1975 and 1976. Detailed stockholder data for Union Camp are not available, but it is doubtful that the company is still controlled by the Camp family.

(Sources: Burch, 1972:61.)

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### American Can

The William H. Moore family has been historically associated with
American Can, and William H. Moore has been a director throughout
the 1970s. However, the company appears to have no stockholders with
more than 5% of the total stock outstanding.
(Sources: Burch, 1972:40; 1979 NYSE Listing Statement C-5712.)

### American Cyanamid

The Duke family had been associated with American Cyanamid until
1968. Although the largest stockholder in the company as of 1979 was
National Detroit Corp. with 5.3% of the company's common stock, the
company may be management controlled, for it has a reputation for being
both ingrown and inept. According to Forbes, the management of
American Cyanamid is top-heavy with "cautious chemists."
(Sources: Burch, 1972:44; Forbes, November 1, 1977:113-114;
Standard Corporation Descriptions, July 1980:7611.)

### American Standard

In 1969 an unidentified commercial bank held between 4.2% and
8.4% of the voting stock. In 1973 Prudential Insurance Company was
apparently the largest stockholder with 4.63%. Current holdings and
voting rights of financial institutions are not known.
(Sources: U.S. Congress, 1974:254; Business Week, September 28,
1974:88; Kotz, 1978:176.)

### Armco Steel

The Verity family has been historically associated with Armco
Steel. In 1969 William C. Verity, Jr., grandson of the company's
founder, George Verity, was president and a director. In 1977 he was
chairman and a director. However, a 1979 article in Fortune stated
that William C. Verity, Jr., owns only 106,755 shares of Armco's
stock. The extent of family holdings is not known.
(Sources: Burch, 1972:41; Business Week, May 14, 1979:38;
Fortune, May 21, 1979:16.)

### Armstrong Cork

Armstrong Cork's major stockholders appear to be financial insti-
tutions. For example, in 1967-1969 Mellon National Bank held 5.9%
of Armstrong Cork's outstanding common stock, over which it had 4.5%

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### Armstrong Cork (cont'd.)

sole and 0.8% partial voting rights. Union National Bank of Pittsburgh
held 5% of the outstanding common stock over which it had 1.3% sole and
3.2% partial voting rights. Additionally, Union National Bank had a
representative on the board of directors at Armstrong Cork. In 1972-
1974 Citibank could vote at least 4.2% of the total stock. Current
holdings and voting rights of financial institutions are not known.
   (Sources: U.S. Congress, 1968:140; U.S. Congress, 1974:110,
259.)

### Ashland Oil

   The Blazer family has been historically associated with Ashland
Oil. In 1969 Rexnord S. Blazer was chairman and a director; and
Paul Blazer, Jr., was a director. The last member of the Blazer fam-
ily--at least recognizable by the Blazer name--left management in
1976; the family has no large stockholdings in the company. In 1974
Continental Bank had voting authority over 5.27% of the total stock
and was probably the company's largest stockholder. In 1979 the com-
pany's largest stockholder was Chemical New York Corp. with investment
and voting authority over 7.26% of the total stock. The second largest
stockholder was S. Pearson & Son Ltd. of England with a 2.24% interest.
   (Sources: U.S. Congress, 1976:355; CDE, 1980b:37.)

### Boeing

   In 1969 Chase Manhattan Bank held 6.5% of the voting stock. No
other stockholder data on Boeing have been discovered.
   (Sources: Kotz, 1978:161.)

### Bristol-Myers

   The Bristol and Gelb families have been represented in management
for the last thirty years. In 1969 William M. Bristol III was a senior
vice-president and director; Richard Gelb was president and a director;
and Bruce S. Gelb was a senior vice-president. In 1978 William M.
Bristol III was still a senior vice-president and a director; Richard
Gelb was chairman and a director; and Bruce S. Gelb was an executive
vice-president. However, no stockholder data on Bristol-Myers have
been discovered. Richard Gelb came to Bristol-Myers in 1959 when it
acquired Clairol, his family's company.
   (Sources: Burch, 1972:60; Forbes, October 13, 1980:96.)

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### Burroughs

In 1969 Bankers Trust Company held 5.9% of the voting stock of
Burroughs. Although current financial institution holdings are not
known, the business press believes the company to be management con-
trolled.

(Sources: Kotz, 1978:161; Business Week, November 12, 1979: 82 ff.)

### Champion International
#### (Formerly U.S. Plywood-Champion Papers)

In 1967 the Thomson-Robertson family had about 20% of the stock
in Champion Papers before it merged with U.S. Plywood. In 1969,
following the merger of the two companies, Dwight J. Thomson, formerly
chairman of the board of Champion Papers, joined the board of Champion
International. He has held this position throughout the 1970s. How-
ever, at the time of the merger the largest stockholder in the company
was Fifth Third Union Trust of Cincinnati with voting authority over
5.2% of the total stock. In 1974 a policy dispute among top manage-
ment resulted in the dismissal of several top executives. Karl Bendet-
sen, at that time chairman of the executive committee, was responsible
for the firing. He apparently was backed by Champion International's
investment banker, Blyth Eastman Dillon, who was disturbed at Champion's
expansion plans and wanted the company to cut its debt, for its debt-
to-equity ratio was over 70% in 1974. Although recent stockholder
data are not available, the investment bank apparently has had the
greatest influence in company management, for Champion's debt-to-
equity ratio was reduced to 36.8% by 1979.

(Sources: Burch, 1972:53; New York Times, September 20, 1974:48;
Forbes, December 1, 1974:32; Forbes, March 5, 1979:64.)

### Colgate-Palmolive

The Colgate and Brandi families have been historically associated
with Colgate-Palmolive. Throughout the 1970s John K. Colgate was a
director and a member of the executive committee; and Frederic H.
Brandi was a director, chairman of the executive committee, and a mem-
ber of the finance and audit committees. Although detailed stock-
holder data are not available, a Fortune article noted that David
Foster, chief executive since 1971, was forced to resign from the
company in 1979. A force behind the ouster was Thomas R. Wilcox,
chairman of the Crocker National Bank. This ouster was only possible
after the "two aging directors"--Colgate and Brandi--died.

(Sources: Burch, 1972:44; 1978 NYSE Listing Statement C-4751;
Fortune, September 24, 1979:92 ff.)

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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## Combustion Engineering

The Santry family has been historically associated with Combustion
Engineering. Arthur J. Santry, Jr., has been president and a director
throughout the 1970s. Before 1963 his uncle ran the company. Santry,
Jr., owns less than 1% of the company's stock, however.
(Sources: Burch, 1972:56; Forbes, June 26, 1978:73.)

## Control Data

Control Data was founded by William C. Norris, who has been chair-
man and a director throughout the 1970s. However, the Norris family
has not held more than 2.41% of the total stock in recent years. In
1969 the largest stockholder in the company was Bankers Trust Company
with voting authority over 6.2% of the total stock. In 1977-1979 the
two largest stockholders were J. P. Morgan & Co. with investment
authority over 4.64% of the total stock, but with voting rights over
0.45%, and FMR Corp. with investment and voting authority over 4.32%
of the total stock.
(Sources: Burch, 1972:172; Kotz, 1978:162; CDE, 1980a:78.)

## Crown Zellerbach

The Zellerbach family has been historically associated with Crown
Zellerbach. In 1969 Harold L. Zellerbach was chairman of the executive
committee and a director; and William J. Zellerbach was a director.
In 1978 William J. Zellerbach was a senior vice-president and a direc-
tor. That year, Harold Zellerbach, grandson of the founder of Crown
Zellerbach, died at the age of 83. The family holdings probably do not
exceed 1% to 2% of the total stock, however. In the late 1960s and
early 1970s Bankers Trust Company may have had substantial influence
in the company. At that time the bank had voting rights over 5.1%
of the common stock, held 23% of the company's long-term debt, which
was a moderate to heavy borrower, and had a representative on the
executive committee.
(Sources: U.S. Congress, 1968:12; Burch, 1972:46; Kotz, 1978:162;
1978 NYSE Listing Statement C-3734; Forbes, October 16, 1978:135;
Forbes, November 13, 1978:185 ff.)

## Dart Industries

Justin W. Dart has been chairman and a director of Dart Indus-
tries (formerly Rexall Drug & Chemical) throughout the 1970s. How-
ever, he owns less than 1.5% of the total stock. In late 1980 Dart

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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## Dart Industries (cont'd.)

Industries and Kraft Inc. entered into a business combination to form
Dart & Kraft Inc.
(Sources: Kotz, 1978:178; Fortune, July 14, 1980:83.)

## FMC

The Crummey and Davies families have been historically associated
with FMC. In 1969 John D. Crummey, Paul L. Davies, and Paul L.
Davies, Jr., were on the board of directors. In 1978 only Paul L.
Davies, Jr., was still with the board. FMC was created by Paul Davies,
who built his father-in-law's orchard sprayer company into a billion-
dollar semi-conglomerate. In 1966, at the age of 66, Paul Davies
resigned from FMC to start a new career with Lehman Brothers. Davies'
hand-picked successor was James M. Hait. Jack M. Pope replaced Hait
as chief executive officer, but retired in 1971. Robert Malott re-
placed him in 1972. At that time Malott was a twenty year FMC veteran
who was personally recruited right out of Harvard Business School by
Paul Davies. Significantly, since 1967 Lehman Brothers has co-managed
some of FMC's bond offerings. However, detailed stockholder data are
not available.
(Sources: Burch, 1972:43; Forbes, May 1, 1973:26; Kotz, 1978:162.)

## General Mills

The Bell family has been historically associated with General
Mills. In 1969 Charles H. Bell was chairman of the executive commit-
tee, chairman of the finance committee, and a director; Ford Bell was
on the board of directors. In 1977 Charles H. Bell was retired chair-
man of the board and a director. The Bell family probably does not
hold more than 1% of the total stock of General Mills, however. The
company's major stockholders appear to be financial institutions.
For example, in September 1973 Prudential Insurance Company held
4.78% of the shares outstanding, over which it had full voting rights.
(Sources: Burch, 1972:48; U.S. Congress, 1974:255; Kotz, 1978:
179.)

## Georgia-Pacific

The Cheatham family has been historically associated with Georgia-
Pacific. The company was founded by the late Owen Cheatham in 1927.
His brother, Julian Cheatham, was an executive vice-president and
director in 1969, and a director in 1978. In 1969 Owen Cheatham had

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### Georgia-Pacific (cont'd.)

been chairman of the executive committee, and he and his brother owned
1.9% of the total stock. Although Georgia-Pacific has no large stock-
holders, top management now controls approximately 5.1% of the total
votes through personal holdings and the Georgia-Pacific Stock Bonus
Trust.
(Sources: Burch, 1972:50; Kotz, 1978:180; Fortune, December 4,
1978:129; 1979 NYSE Listing Statement C-5603.)

### Hercules

In 1969 Chase Manhattan Bank held 5.6% of the voting stock. In
1973 Prudential Insurance Company held another 4.94% of the voting
stock. No other information has been discovered about this company.
(Sources: U.S. Congress, 1974:255; Kotz, 1978:163.)

### Honeywell

Although Bankers Trust Company held 7.5% of the voting stock
in 1967, more likely than not Honeywell has been under management con-
trol throughout the 1970s.
(Sources: Kotz, 1978:163; 1978 NYSE Listing Statement C-3701.)

### Ingersoll-Rand

In 1970 Ingersoll-Rand was controlled by the Grace and Phipps
families, which have kinship ties. John H. Phipps and J. Peter
Grace were directors and controlled at least 4% of the total stock.
Only Phipps was still with the board in 1977. Current family holdings
have not been uncovered.
(Sources: Burch, 1972:54; 1977 NYSE Listing Statement C-3408;
Kotz, 1978:180.)

### Inland Steel

The Block family has been historically associated with Inland
Steel. In 1969 Joseph L. Block was chairman of the executive commit-
tee and a director; Philip D. Block, Jr., was chairman and a director;
and Leigh B. Block was a director. In 1977 Joseph L. Block was hon-
orary chairman and a director; and Philip D. Block, Jr., and Leigh
B. Block were directors. For reasons unknown, no Blocks were present
in the company's management in 1979. The Block family may have had
as much as 4% of the company's stock throughout the 1970s.

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### Inland Steel (cont'd.)

(Sources: Burch, 1972:43; Moody's Industrial Manual, 1979.)

### International Paper

In 1969 Morgan Guaranty Trust Co. held 7.4% of the voting stock.
However, indications are that this company is now management controlled.
International Paper has had a history of inept management, and J.
Stanford Smith, the current chairman, was recruited from General
Electric. According to Fortune, ". . . Smith has roiled the waters
at I.P., long an inbred company, by placing a whole army of outsiders
in high positions."
(Sources: Kotz, 1978:163; Fortune, January 30, 1978:103, 105;
Fortune, February 13, 1978:16.)

### IU International

IU International was possibly controlled by the Butcher family
interests and allies of Philadelphia in the late 1960s. However, it
is doubtful they have more than 1% of the total stock today. The
largest stockholder is the Kirby-family-controlled Alleghany Corp.
with approximately 4% of the total votes as of 1976.
(Sources: Burch, 1972:155; CDE, 1977:201-202.)

### Johns-Manville

Although Johns-Manville has no major stockholders (with the
exception of Prudential Insurance Company which held 5.46% of the
shares outstanding in September 1973), a series of articles in the
business press has revealed who has considerable decision-making
power in Johns-Manville. In 1976 W. Richard Goodwin, chief executive
offcer, was fired by the board of directors. His firing apparently
came about because Goodwin had suggested that Morgan Stanley not be
named as the sole manager of an upcoming large offering of common
stock. He proposed that a second investment house be recruited to
co-manage the offering. Morgan Stanley refused, but Smith, Barney,
Harris Upham & Co. agreed, who then co-managed the stock offering
with Goldman Sachs & Co. Goodwin had proposed in effect that Johns-
Manville break one of its oldest financial ties. In 1927 H. E.
Manville had sold a controlling interest in Johns-Manville to J. P.
Morgan & Co., which thereafter served the company's financial needs.
But after the Banking Act of 1933 prohibited commercial banks from
underwriting corporate securities, J. P. Morgan (now the holding

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### Johns-Manville (cont'd.)

company that owns Morgan Guaranty Trust Co.) spun off its investment-
banking activity to form Morgan Stanley & Co. The two companies were,
and are, unaffiliated. But, as a director at Johns-Manville put it,
"they have always had a great deal of affection for each other." Mor-
gan Guaranty kept a representative on the Johns-Manville board (current-
ly John P. Schroeder, vice-chairman of Morgan Guaranty Trust), and Mor-
gan Stanley handled the company's investment-banking needs, including
the stock offering in 1937 and a debenture offering in 1974.

A second reason for Goodwin's firing was that he wanted to in-
crease the number of Johns-Manville directors from twelve to eventually
twenty. Some insiders suggested he intended to "pack the board;"
others thought he tried to make room for new and younger directors
with new ideas and experiences. Having fired Goodwin, the Johns-
Manville directors apparently had no intention of permitting his suc-
cessor to play a starring role. The board left the post of chief
executive officer vacant and approved a proposal to create a six-
member management committee to run Johns-Manville. This group reports
to the directors, and coincidentally its chairman is John Schroeder.
In late 1978 Johns-Manville reported the signing of a $300 million
revolving credit and term loan agreement with a group of banks headed
by Morgan Guaranty Trust.

(Sources: U.S. Congress, 1974:255; Fortune, October 1976:146 ff.;
1979 NYSE Listing Statement C-4948; New York Times, January 3, 1979:
4D.)

### Mead

Mead Corp. is probably controlled by the Mead family. However,
the nature of the Mead family holdings in the company has not been
determined. In 1969 Nelson S. Mead was a vice-president and a direc-
tor; and H. T. Mead was a director. H. T. Mead was also president
of the Mead Investment Company, which holds an undetermined amount of
stock in Mead Corp. The two have held these positions throughout the
1970s. Furthermore, in 1978 H. T. Mead was a member of the corporate
objectives committee, the corporate responsibility committee, the
finance committee, and the nominating committee.

(Sources: Burch, 1972:49; Kotz, 1978:181; 1979 Mead Corp. Annual
Report.)

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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## Merck & Co.

The Merck family has been historically associated with Merck &
Co. The company traces its origins back to 1668 when the Merck family
bought an apothecary in Darmstadt, West Germany. Merck became a
publicly owned U.S. company in 1919. Albert W. Merck has been a direc-
tor throughout the 1970s and is a trustee for certain Merck family
holdings. Detailed stockholder data are not available, however.
(Sources: Burch, 1972:59; Forbes, November 26, 1979:41.)

## Monsanto

The Queeny family has been historically associated with Monsanto.
John F. Queeny and son ran the company for most of its first 42 years.
Son Edgar took over in 1928 and launched the company into industrial
chemicals and plastics. In the early 1970s the company underwent sub-
stantial reorganization under former president Edward J. Bock after
Monsanto went through a long period of economic woes. The company
has not disclosed by Bock resigned in 1972. Apparently, such outside
directors as Dillon Anderson (senior partner in Baker & Botts, a
Houston law firm), Frederick M. Eaton (senior partner of the New York
law firm of Shearman & Sterling), and James S. Rockefeller (former
chairman of the First National City Bank of New York) played a key
role in Bock's ouster. Chase Manhattan Bank may have also been involved,
which had voting authority over 5.7% of the total stock in 1972. Bock's
successor was John W. Hanley, who has ties to another director: Edward
L. Palmer, chairman of the executive committee of Citicorp. The larg-
est stockholder in the company, currently, is the National Bank of
Detroit with 5.3% of the common shares.
(Sources: Burch, 1972:40; Business Week, November 4, 1972:70-
71; Kotz, 1978:174; 1978 NYSE Listing Statement C-5145; Standard
Corporation Descriptions, May 1980:7768.)

## Nabisco

The Moore family has been historically associated with Nabisco.
William H. Moore has been a director of Nabisco throughout the 1970s.
In 1967 Bankers Trust Co. had 5% of the voting stock, over which it
had 3% sole and 2% partial voting rights. At that time William H.
Moore was chairman of the board of Bankers Trust. Current stock-
holdings of the Moore family in Nabisco are not known.
(Sources: U.S. Congress, 1968:121; Burch, 1972:47.)

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### National Cash Register

In 1969 NCR was a moderate to heavy user of long-term debt, 50%
of which was managed by Dillon, Read & Co. Dillon, Read had a repre-
sentative on the executive committee. Although a representative from
Dillon, Read was still with the company in 1977, by then NCR had
substantially reduced its debt burden. The long-term debt to total
assets ratio was only .13.
(Sources: Kotz, 1978:164; Moody's Industrial Manual, 1979;
1979 NYSE Listing Statement C-5445.)

### National Steel

The largest stockholder in National Steel throughout the early
and mid-1970s was the Hanna Mining Company, which currently holds
5.8% of the common stock. Hanna Mining Company may be controlled by
Gilbert W. Humphrey and associates. However, in January 1979 the
largest stockholder in National Steel was Pittsburgh National Corp.
with voting authority over 15.47% of the total stock.
(Sources: Burch, 1972:42; Kotz, 1978:168-169; CDE, 1980b:113;
Standard Corporation Descriptions, May 1980:7839.)

### Northwest Industries

Although First National Bank of Chicago held 5.1% of the voting
stock in 1969 and has had a representative on the board throughout the
1970s, Northwest Industries may be under the control of Ben W. Heine-
man. Heineman apparently runs the company "with a very firm hand"
and is its president and a director. According to Business Week,
the upper management exercises very strong controls over goals,
planning, and capital expenditures. It also controls approximately
5% of the voting power.
(Sources: Fortune, July 1972:21; Business Week, May 26, 1973:
30; Kotz, 1978:160; Standard Corporation Descriptions, May 1980:
7631.)

### Phelps Dodge

The Dodge and other closely linked families have been historically
associated with Phelps Dodge. Cleveland E. Dodge, Jr., has been a
director throughout the 1970s. However, the Dodge family is not among
the 34 largest stockholders in the company. In 1979 the Du Pont
family interests had the largest block with investment authority over
4.28% of the total shares, but with no voting rights. Lord Abbett

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### Phelps Dodge (cont'd.)

& Co. was the second largest stockholder with investment and voting
authority over 3.04% of the total shares.
(Sources: Burch, 1972:52; CDE, 1980b:137.)

### Philip Morris

The Cullman family has been historically associated with Philip
Morris. Throughout the 1970s Joseph E. Cullman III was chairman and
a director; and Hugh Cullman was an executive vice-president and a
director. Hugh Cullman is a first cousin to Joseph F. Cullman III
who retired in 1978. The Cullmans are fourth-generation members of
one of America's most influential dynasties and are connected by
marriage to the Lehman, Loeb, and Bloomingdale families of New York.
However, the Cullman family stockholdings in Philip Morris probably
do not exceed 1% to 2% of the total stock.
(Sources: Burch, 1972:51; 1977 NYSE Listing Statement C-3155;
Kotz, 1978:182; Forbes, July 10, 1978:29; Forbes, November 10, 1980:
183.)

### Proctor & Gamble

Proctor & Gamble's largest stockholder may be a self-administered
fund, which was mentioned by Kotz but not by the Congressional study,
Voting Rights in Major Corporations.
(Sources: Kotz, 1978:175; U.S. Congress, 1978:187.)

### Pullman

The Osborne, Casey, and Mellon families have been historically
associated with Pullman. In 1969 W. Irving Osborne, Jr., was chair-
man, president, and a director; and Sameul B. Casey, Jr., was a direc-
tor. In 1977 Samuel B. Casey, Jr., was president and a director; and
W. Irving Osborne, Jr., was a director. In 1978 a dissident share-
holders' group led by Walter V. Berry, a retired inventor whose com-
pany was sold to Pullman in 1968, and George L. Green, a former execu-
tive vice-president and director of Pullman, mounted a proxy fight for
control of the company with the primary objective of replacing Casey
for alleged mismanagement. Berry, at that time Pullman's largest
individual stockholder with about 1.3% of the total stock, garnered
only 22% of the votes needed to oust Casey. However, six months after
the proxy vote Casey was replaced, following an investigation of
management commissioned by Pullman's outside directors. The group

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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## Pullman (cont'd.)

was headed by Silas Kehn, vice-chairman of Mellon Bank and a Pullman
director since 1972. This is significant because ever since the early
1900s, executives of Mellon Bank and other members of the Pittsburgh
establishment have maintained close management, financial, and personal
ties with Pullman. As a matter of fact, Casey was installed as president
of Pullman in 1970 with support from his stepfather, an ertswhile Mel-
lon vice-chairman who was also a Pullman director. Although the Mellon
interests no longer hold or own any significant amounts of stock in
Pullman, they have passed directorships from generation to generation
and continue to wield enormous influence according to a former direc-
tor. The original Mellon presence on the Pullman board was the result
of the family owning in the early 1900s some 80% of Standard Steel
Car, which was later merged into Pullman's Pullman-Standard Division.

In 1980 J. Ray McDermott through the Houston investment banking
firm Underwoodly, Neuhaus & Co. began buying stock with the intent to
acquire the company. But Pullman, through First Boston Corp., succeeded
in getting an agreement to merge with Wheelabrator-Frye. First Boston
Corp. had assembled a list of 65 possible merger partners and finally
narrowed it to ten serious contenders. Among those, Wheelabrator
emerged as the most popular choice with Pullman's board primarily
because of Chairman Michael D. Dingman's decisiveness in negotiating
terms of an agreement. Dingman also gained an inside track with
Pullman's board because of mutual ties with Mellon Bank. Not only is
Mellon the lead bank for both Pullman and Wheelabrator, but both com-
panies also share at least one director with Mellon. Furthermore, on
Pullman's board were Paul L. Miller of First Boston Corp. and W. H.
Krome George, chairman of the Mellon-family-controlled Alcoa Corp.
Two Mellon family foundations hold a substantial, but non-voting,
interest in First Boston. Bruce J. Wasserstein, a managing director
at First Boston, commented that these "relationships were not critical
but they were helpful in making Wheelabrator comfortable with the
risk."

(Sources: Burch, 1972:49; New York Times, April 28, 1978:7D;
New York Times, November 16, 1978:2D; Business Week, December 4, 1978:
32; Business Week, March 10, 1980:40; Forbes, July 7, 1980:36;
Business Week, September 22, 1980:35; Forbes, September 29, 1980:
43; Business Week, October 13, 1980:47.)

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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## Raytheon

In 1973 Prudential Insurance Company had voting authority over
5.78% of the total stock and was probably the company's largest stock-
holder.  Prudential currently has voting authority over 3.5% of the
total stock.  Raytheon's only other large stockholder is First Nation-
al Bank of Boston with investment authority over 3.9% of the total
stock in 1979 and voting rights over somewhat less than that.  First
National Bank of Boston had one representative on the board in 1969
and two in 1978.
(Sources: U.S. Congress, 1974:256; CDE, 1980b:148.)

## Rockwell International

Rockwell International was founded by Willard Rockwell; it is
currently run by Willard Rockwell, Jr., who is chairman, chairman of
the executive committee, and a director.  Rockwell, Sr., and his
cousin Bruce Rockwell are directors.  Although the Rockwell family
held about 4.5% of the common stock in 1972, it currently holds only
3.3% of the total stock.
(Sources: Burch, 1972:54; Business Week, November 4, 1972:25;
Forbes, January 15, 1974:31-32; Business Week, August 28, 1978:
31; CDE, 1980b:152.)

## Scott Paper

The McCabe family has been historically associated with Scott
Paper.  In 1969 Thomas B. McCabe was chairman of the finance commit-
tee and a director; and Thomas B. McCabe, Jr., was a vice-president
and director.  In 1977 both were directors.  The family's holdings in
Scott Paper probably do not exceed 2.7%, however.
(Sources: Kotz, 1978:183.)

## Sperry Rand

In 1969 Chase Manhattna Bank had 7.7% of the voting stock and
Bankers Trust had 6%.  No current data have been obtained on this
company.
(Sources: Kotz, 1978:165.)

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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## Stauffer Chemical

The Stauffer and De Guigne families have been historically associ-
ated with Stauffer Chemical. Throughout the 1970s Christian De Guigne
has been chairman and a director. Hans Stauffer was chairman of the
executive committee and a director in 1969 but apparently left the
company before 1973. In the mid-1960s the two families had over
20% of the total stock, but their current holdings are not known.
(Sources: Burch, 1972:59; Forbes, September 15, 1976:116.)

## Textron

In 1969 Industrial National Bank of Rhode Island had voting
authority over 5% to 7.7% of the total stock. In 1979 Old Stone Bank
held approximately 14% of the common stock outstanding, but who votes
it is not known.
(Sources: Kotz, 1978:166; SEC Official Summary of Security Trans-
actions & Holdings, Vol. 45, No. 1, 1979:186.)

## United Technologies

In 1967 Chase Manhattan Bank had voting authority over 6% of the
total stock and was the company's largest stockholder. In late 1974
two of the largest stockholders in United Technologies apparently
were Fidelity Management & Research Co. with 4.52% of the total stock
and Massachusetts Financial Services with 3.14% of the total stock.
In 1979 the largest stockholder was J. P. Morgan & Co. with 9.1%
of the common stock and 5.6% of the preferred. The bank probably can
vote these holdings, but when they were acquired has not been deter-
mined.
(Sources: U.S. Congress, 1968:104; U.S. Congress, 1976:61;
1979 NYSE Listing Statement C-5421.)

## White Motor

In 1971 White Motor obtained a $290 million revolving line of
credit from a group of 39 banks headed by First National City Bank of
New York. In 1976 White Motor and its financing subsidiaries signed
a $347.4 million revolving credit pact with 23 of the 39 banks, re-
placing the notes then outstanding. Although insiders of Cleveland's
business establishment ran White Motor from 1971 to late 1976, the
lenders apparently "hold the strings now." (The insiders included
George Dively, then chairman of Cleveland's Harris Corp.; Charles
Spahr, chairman and chief executive officer of Standard Oil of Ohio;

Table 23 (cont'd.).

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Companies for Which Insufficient Data are Available to Make an Accurate
Assessment of Control Type for the Period 1969-1978

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### White Motor (cont'd.)

and H. Stuart Harrison, chairman and chief executive officer of
Cleveland-Cliffs Iron Co.)  Under pressure from Citibank, Spahr and
Harrison tried to get White Motor chairman Semon E. Knudsen to re-
sign.  The two recruited Knudsen in 1971 and resigned from White
Motor in 1976 when Knudsen refused to quit.  Citibank and the syndi-
cate did get White Motor to sell its profitable operations to pay
debts, leaving White Motor with its original core business: assembling
and retailing trucks.

In 1978 Maschinenfabrik Augsburg-Nurnberg of West Germany agreed
to buy 1.2 million authorized but unissued shares of White Motor, giving
the German company a 12.6% interest.  In September 1980 White Motor
filed for reorganization under the Bankruptcy Code's Chapter 11.

(Sources: New York Times, June 19, 1971:39; New York Times,
August 28, 1976:33; Business Week, December 13, 1976:72, 74-75;
Business Week, November 6, 1978:74; 1979 NYSE Listing Statement C-5765;
Business Week, September 22, 1980:34-35.)

### Xerox

Throughout the early 1970s Citibank held between 4% and 5.2%
of the voting stock of Xerox and had a representative on the board.
Its current holdings are not known.

(Sources: U.S. Congress, 1974:108, 258; Kotz, 1978:167; 1979
NYSE Listing Statement C-5615.)

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Table 24. Description of Three Samples of Corporations Classified
Under Potential Financial Control (Stock Only) for 1969-
1970, 1973-1974, and 1977-1978.

Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1969-1970[a]

| | |
|---|---|
| AMK | An unidentified investment company complex had voting authority over 5% to 6% of the total stock. |
| Asarco* | Morgan Guaranty Trust had voting authority over 10.6% of the stock in 1967, 11.6% in 1970, and had a representative on the board. |
| Boeing* | Chase Manhattan Bank had voting authority over 6.5% of the total stock. |
| Burlington Industries* | Morgan Guaranty Trust had voting authority over 10.8% of the total stock in 1967; Wachovia Bank & Trust had voting authority over 11.4% of the total stock in 1968. |
| Burroughs* | Bankers Trust had voting authority over 5.9% of the total stock. |
| Celanese* | Chase Manhattan Bank had voting authority over 5.19% of the total stock and had a representative on the executive committee. |
| Colt Industries* | An unidentified commercial bank had voting authority over 5.1% of the total stock. |
| Control Data* | Bankers Trust Co. had voting authority over 6.2% of the total stock. |
| Delta Airlines | Dreyfus Funds had voting authority over 5.2% of the total stock. |
| Diamond Shamrock* | Mellon National Bank had voting authority over 5.2% of the total stock and had a representative on the board. |
| Federated Department Stores | First National Bank of Chicago had voting authority over 8.7% of the total stock in 1967 and had a representative on the board. |
| Hercules* | Chase Manhattan Bank had voting authority over 5.6% of the total stock. |

Table 24 (cont'd.).

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Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1969-1970

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Honeywell*
: Bankers Trust Co. had voting authority over 7.5% of the total stock in 1967.

IC Industries
: Continental Illinois Bank had voting authority over 5.9% of the total stock and had a representative on the board. Seattle First National Bank, United California Bank, and U.S. Trust each had voting authority over 5.3% of the total stock under a voting trust agreement with Union Pacific RR.

International Paper*
: Morgan Guaranty Trust had voting authority over 7.4% of the total stock.

Kennecott Copper*
: Morgan Guaranty Trust had voting authority over 13.1% of the total stock and had a representative on the executive committee.

Kroger
: Central Trust Co. of Cincinnati had voting authority over 6% of the total stock in 1967.

Monsanto*
: Chase Manhattan Bank had voting authority over 5.7% of the total stock in 1972.

Northwest Airlines
: Chase Manhattan Bank had voting authority over 7.2% of the total stock.

Northwest Industries*
: First National Bank of Chicago had voting authority over 5.1% of the total stock and had a representative on the executive committee.

(J. C.) Penney
: Chase Manhattan Bank had voting authority over 5% to 10% of the total stock.

Pepsico*
: Morgan Guaranty Trust had voting authority over 7.2% of the total stock in 1967.

Phillips Petroleum*
: First National City Bank had voting authority over 6.4% of the total stock.

(R. J.) Reynolds Industries*
: Wachovia Bank & Trust had voting authority over 7.8% of the total stock.

Sperry Rand*
: Chase Manhattan Bank had voting authority over 7.7% of the total stock and Bankers Trust Co. had voting authority over 6%.

Table 24 (cont'd.).

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Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1969-1970

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Standard Oil          First National Bank of Chicago had voting authority
of Indiana*           over 7.2% of the total stock and had a representative
                      on the board.

Textron*              Industrial National Bank of Rhode Island had voting
                      authority over 5% to 7.7% of the total stock.

TRW*                  Morgan Guaranty Trust had voting authority over
                      5.4% of the total stock.

Trans World           Chase Manhattan Bank had voting authority over 7.4%
Airlines              of the total stock.

U.S. Plywood-         Fifth Third Union Trust of Cincinnati had voting
Champion Papers*      authority over 5.2% of the total stock.

United Tech-          Chase Manhattan Bank had voting authority over 6%
nologies*             of the total stock in 1967.

Xerox*                First National City Bank had voting authority over
                      5.2% of the total stock and had a representative
                      on the board.

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[a]From Kotz (1978:159-167). All holdings are for 1969 unless
otherwise noted and constitute the largest block of stock in the
company. Firms included on Fortune's list of the 200 largest U.S.
industrial corporations ranked by assets at year-end 1968 are marked
with an asterisk.

Table 24 (cont'd.).

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Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1973-1974[b]

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ACF Industries

In November 1974 Wellington Management Co. had voting authority over 5.14% of the total stock and Capital Research & Management Co. had voting authority over 3.85%.

Allied Stores

In September 1973 Prudential Insurance Company had voting authority over 6.63% of the total stock.

American
Airlines

In late 1974 the National Bank of Detroit had voting authority over 4.33% of the total stock and had a representative on the board.

American Home
Products*

In December 1974 Morgan Guaranty Trust had voting authority over 4.25% of the total stock.

American
Standard*

In September 1973 Prudential Insurance Company had voting authority over 4.63% of the total stock.

Armstrong
Cork*

In December 1973 Citibank had voting authority over 4.23% of the total stock.

Armstrong
Rubber

In September 1973 Prudential Insurance Company had voting authority over 4.71% of the total stock.

Ashland Oil*

In September 1974 Continental Bank had voting authority over 5.27% of the total stock.

Associated
Dry Goods

In June 1973 First National Bank of Chicago had voting authority over 5.86% of the total stock. In September 1973 Prudential Insurance Company had voting authority over 4.29% of the total stock. In December 1973 Citibank had voting authority over 4.6% of the total stock.

Braniff
International

In late 1974 Dreyfus Corp. had voting authority over 4.71% of the total stock. Capital Research & Management Co. had voting authority over 3.76% of the total stock.

Burlington
Industries*

In the mid-1970s Morgan Guaranty Trust had voting authority over 5% to 8.4% of the total stock.

Celanese*

In September 1973 Prudential Insurance Company had voting authority over 4.09% of the total stock.

Table 24 (cont'd.).

Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1973-1974

| | |
|---|---|
| Chesebrough-Pond's | In September 1973 Prudential Insurance Company had voting authority over 4.22% of the total stock. |
| Colt Industries* | In late 1974 Delaware Management Co. had voting authority over 4.63% of the total stock. Capital Research & Management Co. had voting authority over 4.88% of the total stock. And, Arnold Bernhard & Co. had voting authority over 3.95% of the total stock. |
| Consolidated Freightways | In the mid-1970s Morgan Guaranty Trust had voting authority over 4% to 7% of the total stock. |
| Emhart Corp. | In September 1973 Prudential Insurance Company had voting authority over 7.02% of the total stock. |
| GATX* | In June 1973 First National Bank of Chicago had voting authority over 7.02% of the total stock. |
| Goodyear Tire & Rubber* | In the mid-1970s Morgan Guaranty Trust had voting authority over approximately 6% of the total stock. |
| Harris | In September 1973 Prudential Insurance Company had voting authority over 6.05% of the total stock. |
| Hercules* | In 1973 Prudential Insurance Company had voting authority over 4.94% of the total stock. |
| IC Industries | In the mid-1970s Seattle First National Bank, Western Bancorporation, and U.S. Trust Co. each had 3.75% of the total votes. The stock is beneficially owned by Union Pacific Corp. and must be sold by August 1982 (see 1978 NYSE Listing Statement C-3756). |
| Jim Walter* | In June 1973 First National Bank of Chicago had voting authority over 9.21% of the total stock. |
| Johns-Manville* | In September 1973 Prudential Insurance Company had voting authority over 5.46% of the total stock. |
| Kimberly Clark* | In September 1973 Prudential Insurance Company had voting authority over 4.07% of the total stock. |

Table 24 (cont'd.).

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Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1973-1974

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Martin
Marietta*

In November 1974 Wellington Management Co. had voting
authority over 4.26% of the total stock.

Middle South
Utilities

In June 1973 First National Bank of Chicago had voting
authority over 4.55% of the total stock.  In December
1974 First National Bank of Boston had voting author-
ity over 4.59% of the total stock, and First National
Bank of Detroit had voting authority over 5.58%.

National Can

In September 1973 Prudential Insurance Company of
America had voting authority over 6.13% of the total
stock.

Northwest
Airlines

In November 1974 Investors Diversified Services had
voting authority over 5.6% of the total stock, and
Dreyfus Corp.  had voting authority over 4.88%.

Pepsico*

In December 1974 Morgan Guaranty Trust had voting
authority over 8.18% of the total stock, and Bankers
Trust Co. had voting authority over 4.4%.

Raytheon*

In September 1973 Prudential Insurance Company had
voting authority over 5.78% of the total stock.

(R. J.) Reynolds
Industries*

In the mid-1970s Wachovia Bank & Trust had voting
authority over at least 5% of the total stock.

Schering- Plough

In October 1973 Morgan Guaranty Trust had voting
authority over 4.4% of the total stock.

Signal
Companies*

In the mid-1970s the Bank of America had 11.39% of
the total votes and Capitalfin International Ltd.
had 5.06% of the total votes.

Standard Oil
of California*

In the mid-1970s Crocker National Corp. had voting
authority over 5% to 9% of the total stock.

Standard Oil
of Indiana*

In the mid-1970s First National Bank of Chicago had
8.9% of the total votes.

Tenneco*

In the mid-1970s Houston National Bank had at least
5% of the total votes.

Table 24 (cont'd.).

_____

Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1973-1974

_____

Texas           In September 1973 Prudential Insurance Company had
Instruments*    voting authority over 5.35% of the total stock.  In
                December 1973 Citibank had voting authority over
                5.41% of the total stock.

Trans World     In the mid-1970s United Missouri Bank of Kansas City
Airlines        had 10.79% of the total votes.

TRW*            In June 1973 First National Bank of Chicago had
                voting authority over 7.84% of the total stock.  In
                December 1973 Citibank had voting authority over
                6.06% of the total stock.

United          In late 1974 First National Bank of Boston had vot-
Airlines        ing authority over 4.07% of the total stock.

Western         In late 1974 First National Bank of Chicago had vot-
Airlines        ing authority over 4.46% of the total stock.

Xerox*          In December 1973 Citibank had voting authority over
                4.34% of the total stock.

Zenith Radio    In June 1973 First National Bank of Chicago had
                voting authority over 6.08% of the total stock and
                had a representative on the board.

-----------------------------------------------------------------

[b]From U.S. Congress (1974, 1976, 1978) and CDE (1977).  Companies
are included on this list only if we are reasonably certain they have
no nonfinancial stockholders with votable blocks exceeding 4% of the
common stock outstanding.  Firms included on Fortune's list of the
200 largest U.S. industrial corporations ranked by assets at year-end
1968 are marked with an asterisk.

Table 24 (cont'd.).

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Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1977-1978[c]

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Ashland Oil*

In January 1979 Chemical New York Corp. had voting authority over 7.26% of the total stock.

Burlington
Industries*

In December 1976 Morgan Guaranty Trust had voting authority over 5% to 8.4% of the total stock. In early 1979 Wachovia Bank & Trust held approximately 12% of the total stock, but how it is voted is not known.

Burlington
Northern

In December 1976 Morgan Guaranty Trust had 4.03% of the total votes.

Consolidated
Freightways

In December 1976 Morgan Guaranty Trust had 5.27% of the total votes. Republic of Texas Corp. had 4.09% of the total votes.

Braniff
International

In December 1976 Dreyfus Corp. had 4.7% of the total votes, and Capital Research & Management Co. had 4.12%.

Control Data*

In January 1979 FMR Corp. had voting authority over 4.32% of the total stock.

Eastern Gas &
Fuel Associates

In January 1979 Bankers Trust New York Corp. had voting authority over 5.56% of the total stock, and Bank of New York Inc. had voting authority over 5.08%.

General
Motors*

In December 1976 the National Bank of Detroit had 6.21% of the total votes and had a representative on the board. (National Bank of Detroit has since claimed that the 6.21% was a computer error and that the bank has little if any voting rights.)

Goodyear Tire
& Rubber*

In December 1976 Morgan Guaranty Trust had 5.94% of the total votes.

Homestake
Mining

In January 1979 Bank of New York Co. Inc. had voting authority over 4.13% of the total stock.

IC Industries

In December 1976 Seattle-First National Bank, Western Bancorporation, and U.S. Trust Co. of N.Y. each had 3.8% of the total votes.

Table 24 (cont'd.).

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Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1977-1978

---

| | |
|---|---|
| K-Mart | In December 1976 Morgan Guaranty Trust had 4.63% of the total votes. |
| Kroger | In December 1976 American Financial Corp. had 6.13% of the total votes. |
| Mapco | In January 1979 Prudential Insurance Company had voting authority over 4.81% of the total stock, and Chase Manhattan Corp. had voting authority over 4.04%. |
| Middle South Utilities | In December 1976 the National Bank of Detroit had 4.03% of the total votes. |
| National Steel* | In January 1979 Pittsburgh National Corp. had voting authority over 15.47% of the total stock. |
| Pepsico* | In December 1976 Morgan Guaranty Trust had 6.59% of the total votes. |
| (R. J.) Reynolds Industries* | In December 1976 Wachovia Bank & Trust had 5.39% of the total votes. |
| Safeway Stores | In December 1976 Republic of Texas Corp. had 6.41% of the total votes. |
| Southern Railway Co. | In December 1976 Morgan Guaranty Trust had 4.38% of the total votes and had a representative on the board. |
| Squibb* | In December 1976 Morgan Guaranty Trust had voting authority over 5% to 7.4% of the total stock. |
| Standard Oil of California* | In December 1976 Crocker National Corp. had 9.24% of the total votes (but only 0.68% in early 1979). |
| Standard Oil of Indiana* | In January 1979 First Chicago Corp. had investment authority over 8.71% of the total stock and voting rights over 8.61%. |
| Tenneco* | In December 1976 Republic of Texas Corp. had 5.97% of the total votes (but had virtually no voting rights in early 1979). |

Table 24 (cont'd.).

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Companies Classified Under Potential Financial Control (Stock Only)
for the Period 1977-1978

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Trans World
Airlines

In December 1976 United Missouri Bank of Kansas City
had 14.62% of the total votes, followed by Dreyfus
Corp. with 3.57%.

UAL Inc.

In December 1976 Morgan Guaranty Trust had 6.73%
of the total votes.

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[c]From U.S. Congress (1978) and CDE (1980a, 1980b). The holdings
stated here constitute the largest block of stock in the company.
Firms included on Fortune's list of the 200 largest U.S. industrial
corporations ranked by assets at year-end 1968 are marked with an
asterisk.

APPENDIX D


MONOPOLY POWER OF THE FIRM DATA, SUMMARIZED BY TEN-YEAR

SAMPLE AND BY SUBFILES

MONOPOLY POWER OF THE FIRM DATA, SUMMARIZED BY TEN-YEAR

SAMPLE AND BY SUBFILES

Table 25. Monopoly Power of the Firm Data, Summarized by Ten-Year
Sample and by Subfiles.

| Company | Ten-Year Sample, 1969-1978 | | |
|---|---|---|---|
| | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |

Owner Controlled Firms

| Company | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
|---|---|---|---|
| 1. Allied Chemical | 1968, 1974, 1978 | .488 | Substantial |
| 2. Alcoa | 1978 | .500 | Substantial |
| 3. Amerada Hess | 1970, 1974, 1978 | .500 | Substantial |
| 4. Anheuser-Busch | 1978 | .500 | Substantial |
| 5. Avco | 1969, 1978 | .439 | Substantial |
| 6. Coastal States Gas | 1974, 1978 | .500 | Substantial |
| 7. Campbell Soup | 1978 | .375 | Substantial |
| 8. Carnation | 1974, 1978 | .135 | Mod. to Low |
| 9. Coca-Cola | 1978, 1979 | .287 | Mod. to Low |
| 10. Consolidated Foods | 1969, 1974, 1979 | .038 | Mod. to Low |
| 11. Corning Glass | 1974, 1978 | .500 | Substantial |
| 12. Deere & Co. | 1969, 1974, 1978 | .889 | Very High |
| 13. Dow Chemical | 1969, 1974, 1978 | .536 | Substantial |
| 14. Du Pont | 1974, 1978 | .500 | Substantial |
| 15. Eli Lilly | 1974, 1978 | .862 | Very High |
| 16. Esmark | 1974, 1978 | .191 | Mod. to Low |
| 17. Ethyl | 1974 | .495 | Substantial |
| 18. Firestone Tire & Rubber | 1974, 1978 | .480 | Substantial |
| 19. Ford Motor | 1974, 1978 | .963 | Very High |
| 20. General Dynamics | 1969, 1974, 1979 | .893 | Very High |

Table 25 (cont'd.).

|  | Ten-Year Sample, 1969-1978 | | |
|---|---|---|---|
| Company | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
| 21. General Tire & Rubber | 1974, 1979 | .595 | Substantial |
| 22. Genesco | 1969, 1974, 1978 | .000 | Mod. to Low |
| 23. Getty Oil | 1969, 1974, 1978 | .500 | Substantial |
| 24. (W. R.) Grace | 1974, 1978 | .281 | Mod. to Low |
| 25. Gulf & Western Industries | 1969, 1974, 1978 | .373 | Substantial |
| 26. Gulf Oil | 1969, 1974, 1978 | .500 | Substantial |
| 27. (H. J.) Heinz | 1979 | .025 | Mod. to Low |
| 28. Johnson & Johnson | 1974, 1978 | .473 | Substantial |
| 29. Kaiser Aluminum & Chemical | 1974, 1979 | .500 | Substantial |
| 30. Kaiser Steel | 1974, 1978 | .505 | Substantial |
| 31. Kerr-McGee | 1974, 1978 | .510 | Substantial |
| 32. McDonnell-Douglas | 1969, 1974 | 1.000 | Very High |
| 33. 3M | 1969, 1974, 1979 | .343 | Substantial |
| 34. Motorola | 1974, 1978 | .534 | Substantial |
| 35. Ogden | 1978 | .217 | Mod. to Low |
| 36. Olin | 1969, 1974, 1978 | .582 | Substantial |
| 37. PPG Industries | 1969, 1974, 1978 | .604 | Substantial |
| 38. Ralston Purina | 1974, 1978 | .113 | Mod. to Low |
| 39. Reynolds Metals | 1978 | .500 | Substantial |
| 40. Rohm & Haas | 1974, 1979 | .510 | Substantial |
| 41. Seagram & Sons | 1978 | .750 | Very High |
| 42. (J. P.) Stevens | 1974, 1978 | .081 | Mod. to Low |
| 43. Sun Co. Onc. | 1978 | .504 | Substantial |
| 44. Teledyne | 1974, 1979 | .560 | Substantial |
| 45. Time | 1979 | .220 | Mod. to Low |
| 46. U.S. Industries | 1969, 1974, 1978 | .138 | Mod. to Low |
| 47. Youngstown Sheet & Tube (Lykes) | 1971, 1975 | .500 | Substantial |
| 48. Westvaco | 1974, 1978 | .512 | Substantial |
| 49. Weyerhaueser | 1974, 1978 | .498 | Substantial |
| 50. Wheeling-Pittsburgh Steel | 1969, 1974, 1979 | .500 | Substantial |

Management Controlled Firms

|  |  |  |  |
|---|---|---|---|
| 1. Allis-Chalmers | 1969, 1974, 1978 | .689 | Very High |
| 2. AMF | 1974, 1979 | .295 | Mod. to Low |

Table 25 (cont'd.).

| Company | Ten-Year Sample, 1969-1978 | | |
| --- | --- | --- | --- |
| | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
| 3. American Brands | 1969, 1974, 1978 | .781 | Very High |
| 4. Atlantic Richfield | 1974, 1978 | .531 | Substantial |
| 5. Bendix | 1968, 1974, 1979 | .669 | Very High |
| 6. Bethlehem Steel | 1969, 1974, 1978 | .511 | Substantial |
| 7. Borden | 1974, 1978 | .145 | Mod. to Low |
| 8. Catepillar Tractor | 1979 | .500 | Substantial |
| 9. Continental Group | 1969, 1974, 1978 | .519 | Substantial |
| 10. Continental Oil | 1969, 1974, 1978 | .453 | Substantial |
| 11. CPC International | 1974, 1978 | .185 | Mod. to Low |
| 12. Dresser Industries | 1969, 1974, 1978 | .471 | Substantial |
| 13. Eastman Kodak | 1970, 1974, 1978 | .895 | Very High |
| 14. Eaton | 1969, 1974, 1978 | .512 | Substantial |
| 15. Exxon | 1975, 1979 | .500 | Substantial |
| 16. Fruehauf | 1974, 1978 | .500 | Substantial |
| 17. GAF | 1974, 1978 | .412 | Substantial |
| 18. General Electric | 1969, 1974, 1979 | .787 | Very High |
| 19. General Foods | 1974, 1979 | .278 | Mod. to Low |
| 20. GTE | 1974, 1978 | .941 | Very High |
| 21. Gillette | 1969, 1974, 1978 | .547 | Substantial |
| 22. International Harvester | 1969, 1974, 1978 | .711 | Very High |
| 23. Kraft | 1969, 1974, 1978 | .018 | Mod. to Low |
| 24. Mobil Oil | 1979 | .426 | Substantial |
| 25. National Gypsum | 1974, 1978 | .220 | Mod. to Low |
| 26. Norton Simon | 1969, 1974, 1979 | .428 | Substantial |
| 27. Occidental Petroleum | 1973, 1974, 1978 | .438 | Substantial |
| 28. RCA | 1974, 1978 | .450 | Substantial |
| 29. Republic Steel | 1974, 1978 | .500 | Substantial |
| 30. SCM | 1974, 1978 | .464 | Substantial |
| 31. Singer | 1969, 1974, 1978 | .412 | Substantial |
| 32. Texaco | 1969, 1974, 1978 | .500 | Substantial |
| 33. Union Carbide | 1969, 1974, 1978 | .580 | Substantial |
| 34. Union Oil | 1975, 1979 | .513 | Substantial |
| 35. U.S. Gypsum | 1974, 1978 | .247 | Mod. to Low |
| 36. Warner-Lambert | 1970, 1974, 1978 | .708 | Very High |
| 37. Western Electric | 1969, 1974 | 1.000 | Very High |
| 38. Westinghouse Electric | 1969, 1978 | .743 | Very High |
| 39. Whirlpool | 1969, 1974, 1978 | .495 | Substantial |

Table 25 (cont'd.).

| | 1969-1970 Subfile | | |
|---|---|---|---|
| Company | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |

**Owner Controlled Firms**

| | | | | | |
|---|---|---|---|---|---|
| 1. Allied Chemical | 1968 | | | .465 | Substantial |
| 2. Alcoa | | | 1978 | .500 | Substantial |
| 3. Amerada Hess | 1970 | | | .500 | Substantial |
| 4. Anheuser-Busch | | | 1978 | .500 | Substantial |
| 5. Avco | 1969 | | | .572 | Substantial |
| 6. Coastal States Gas | | 1974 | | .500 | Substantial |
| 7. Campbell Soup | | | 1978 | .375 | Substantial |
| 8. Carnation | | 1974 | | .135 | Mod. to Low |
| 9. Coca-Cola | | | 1978 | .310 | Mod. to Low |
| 10. Consolidated Foods | 1969 | | | .000 | Mod. to Low |
| 11. Corning Glass | | 1974 | | .500 | Substantial |
| 12. Deere & Co. | 1969 | | | .890 | Very High |
| 13. Dow Chemical | 1969 | | | .585 | Substantial |
| 14. Du Pont | | 1974 | | .500 | Substantial |
| 15. Eli Lilly | | 1974 | | .935 | Very High |
| 16. Esmark | | 1974 | | .073 | Mod. to Low |
| 17. Ethyl | | 1974 | | .495 | Substantial |
| 18. Firestone Tire & Rubber | | 1974 | | .460 | Substantial |
| 19. Ford Motor | | 1974 | | .955 | Very High |
| 20. General Dynamics | 1969 | | | .930 | Very High |
| 21. General Tire & Rubber | | 1974 | | .680 | Very High |
| 22. Genesco | 1969 | | | .000 | Mod. to Low |
| 23. Getty Oil | 1969 | | | .500 | Substantial |
| 24. (W. R.) Grace | | 1974 | | .255 | Mod. to Low |
| 25. Gulf & Western Industries | 1969 | | | .470 | Substantial |
| 26. Gulf Oil | 1969 | | | .500 | Substantial |
| 27. (H. J.) Heinz | | | 1979 | .025 | Mod. to Low |
| 28. Johnson & Johnson | | 1974 | | .505 | Substantial |
| 29. Kaiser Aluminum & Chemical | | 1974 | | .500 | Substantial |
| 30. Kaiser Steel | | 1974 | | .510 | Substantial |
| 31. Kerr-McGee | | 1974 | | .520 | Substantial |
| 32. McDonnell-Douglas | 1969 | | | 1.000 | Very High |
| 33. 3M | 1969 | | | .250 | Mod. to Low |
| 34. Motorola | | 1974 | | .484 | Substantial |
| 35. Ogden | | | 1978 | .217 | Mod. to Low |

Table 25 (cont'd.).

| Company | 1969-1970 Subfile | | | |
| | Weighted Sum Based on the Following Year(s) | | Weighted Sum | Barriers to Entry |
| --- | --- | --- | --- | --- |
| 36. Olin | 1969 | | .592 | Substantial |
| 37. PPG Industries | 1969 | | .451 | Substantial |
| 38. Ralston Purina | 1974 | | .119 | Mod. to Low |
| 39. Reynolds Metals | | 1978 | .500 | Substantial |
| 40. Rohm & Haas | 1974 | | .520 | Substantial |
| 41. Seagram & Sons | | 1978 | .750 | Very High |
| 42. (J. P.) Stevens | 1974 | | .090 | Mod. to Low |
| 43. Sun Co. Inc. | | 1978 | .504 | Substantial |
| 44. Teledyne | 1974 | | .540 | Substantial |
| 45. Time | | 1979 | .220 | Mod. to Low |
| 46. U.S. Industries | 1969 | | .205 | Mod. to Low |
| 47. Youngstown Sheet & Tube (Lykes) | 1971 | | .500 | Substantial |
| 48. Westvaco | 1974 | | .380 | Substantial |
| 49. Weyerhaeuser | 1974 | | .495 | Substantial |
| 50. Wheeling-Pittsburgh Steel | 1969 | | .500 | Substantial |

Management Controlled Firms

| Company | | | Weighted Sum | Barriers to Entry |
| --- | --- | --- | --- | --- |
| 1. Allis-Chalmers | 1969 | | .610 | Substantial |
| 2. AMF | 1974 | | .195 | Mod. to Low |
| 3. American Brands | 1969 | | .859 | Very High |
| 4. Atlantic Richfield | 1974 | | .500 | Substantial |
| 5. Bendix | 1968 | | .805 | Very High |
| 6. Bethlehem Steel | 1969 | | .533 | Substantial |
| 7. Borden | 1974 | | .135 | Mod. to Low |
| 8. Catepillar tractor | | 1979 | .500 | Substantial |
| 9. Continental Group | 1969 | | .603 | Substantial |
| 10. Continental Oil | 1969 | | .445 | Substantial |
| 11. CPC International | 1974 | | .215 | Mod. to Low |
| 12. Dresser Industries | 1969 | | .465 | Substantial |
| 13. Eastman Kodak | 1970 | | .895 | Very High |
| 14. Eaton | 1969 | | .505 | Substantial |
| 15. Exxon | 1975 | | .500 | Substantial |
| 16. Fruehauf | 1974 | | .500 | Substantial |
| 17. GAF | 1974 | | .495 | Substantial |
| 18. General Electric | 1969 | | .862 | Very High |
| 19. General Foods | 1974 | | .340 | Substantial |
| 20. GTE | 1974 | | 1.000 | Very High |

Table 25 (cont'd.).

| Company | Weighted Sum Based on the Following Year(s) | | | Weighted Sum | Barriers to Entry |
|---|---|---|---|---|---|
| 21. Gillette | 1969 | | | .460 | Substantial |
| 22. International Harvester | 1969 | | | .650 | Substantial |
| 23. Kraft | 1969 | | | .013 | Mod. to Low |
| 24. Mobil Oil | | | 1979 | .426 | Substantial |
| 25. National Gypsum | | 1974 | | .215 | Mod. to Low |
| 26. Norton Simon | 1969 | | | .540 | Substantial |
| 27. Occidental Petroleum | | 1973, 1974 | | .413 | Substantial |
| 28. RCA | | 1974 | | .375 | Substantial |
| 29. Republic Steel | | 1974 | | .500 | Substantial |
| 30. SCM | | 1974 | | .492 | Substantial |
| 31. Singer | 1969 | | | .386 | Substantial |
| 32. Texaco | 1969 | | | .500 | Substantial |
| 33. Union Carbide | 1969 | | | .585 | Substantial |
| 34. Union Oil | | 1975 | | .510 | Substantial |
| 35. U.S. Gypsum | | 1974 | | .303 | Mod. to Low |
| 36. Warner-Lambert | 1970 | | | .643 | Substantial |
| 37. Western Electric | 1969 | | | 1.000 | Very High |
| 38. Westinghouse Electric | 1969 | | | .720 | Very High |
| 39. Whirlpool | 1969 | | | .500 | Substantial |

Finance Controlled Firms

| Company | Weighted Sum Based on the Following Year(s) | | | Weighted Sum | Barriers to Entry |
|---|---|---|---|---|---|
| 1. AMK | 1969 | | | <.333 | Mod. to Low |
| 2. Asarco | | | 1978 | .744 | Very High |
| 3. Boeing | 1969 | | | 1.000 | Very High |
| 4. Burlington Industries | | 1974 | | .105 | Mod. to Low |
| 5. Burroughs | | 1974 | | .863 | Very High |
| 6. Celanese | | 1974 | | .500 | Substantial |
| 7. Colt Industries | | 1974 | | .580 | Substantial |
| 8. Control Data | | | 1978 | .499 | Substantial |
| 9. Delta Airlines | 1969 | | | .935 | Very High |
| 10. Diamond Shamrock | 1969 | | | .500 | Substantial |
| 11. Federated Department Stores | | | 1978 | .000 | Mod. to Low |
| 12. Hercules | 1969 | | | .490 | Substantial |
| 13. Honeywell | 1969 | | | .825 | Very High |

Table 25 (cont'd.).

| Company | 1969-1970 Subfile | | |
| | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
| --- | --- | --- | --- |
| 14. IC Industries | 1969 | .864 | Very High |
| 15. International Paper | 1969 | .500 | Substantial |
| 16. Kennecott Copper | 1978 | .584 | Substantial |
| 17. Kroger | 1974 | .000 | Mod. to Low |
| 18. Monsanto | 1969 | .574 | Substantial |
| 19. Northwest Airlines | 1969 | .750 | Very High |
| 20. Northwest Industries | 1969, 1970 | .515 | Substantial |
| 21. (J. C.) Penney | 1969 | .000 | Mod. to Low |
| 22. Pepsico | 1974 | .380 | Substantial |
| 23. Phillips Petroleum | 1969 | .500 | Substantial |
| 24. (R. J.) Reynolds | 1974 | .727 | Very High |
| 25. Sperry Rand | 1969 | .788 | Very High |
| 26. Standard Oil of Indiana | 1969 | .500 | Substantial |
| 27. Textron | 1969 | .580 | Substantial |
| 28. TRW | 1969 | .615 | Substantial |
| 29. Trans World Air. | 1969 | .850 | Very High |
| 30. United Technologies | 1974 | .905 | Very High |
| 31. U.S. Plywood-Champion Papers | 1969 | .437 | Substantial |
| 32. Xerox | 1978 | .500 | Substantial |

Table 25 (cont'd.).

|  | 1973-1974 Subfile | | |
|---|---|---|---|
| Company | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |

Owner Controlled Firms

| | | | | | |
|---|---|---|---|---|---|
| 1. Allied Chemical | 1974 | | .500 | Substantial |
| 2. Alcoa | | 1978 | .500 | Substantial |
| 3. Amerada Hess | 1974 | | .500 | Substantial |
| 4. Anheuser-Busch | | 1978 | .500 | Substantial |
| 5. Avco | 1969 | 1978 | .439 | Substantial |
| 6. Coastal States Gas | 1974 | | .500 | Substantial |
| 7. Campbell Soup | | 1978 | .375 | Substantial |
| 8. Carnation | 1974 | | .135 | Mod. to Low |
| 9. Coca-Cola | | 1978 | .310 | Mod. to Low |
| 10. Consolidated Foods | 1974 | | .025 | Mod. to Low |
| 11. Corning Glass | 1974 | | .500 | Substantial |
| 12. Deere & Co. | 1974 | | .880 | Very High |
| 13. Dow Chemical | 1974 | | .395 | Substantial |
| 14. Du Pont | 1974 | | .500 | Substantial |
| 15. Eli Lilly | 1974 | | .935 | Very High |
| 16. Esmark | 1974 | | .073 | Mod. to Low |
| 17. Ethyl | 1974 | | .495 | Substantial |
| 18. Firestone Tire & Rubber | 1974 | | .460 | Substantial |
| 19. Ford Motor | 1974 | | .955 | Very High |
| 20. General Dynamics | 1974 | | .775 | Very High |
| 21. General Tire & Rubber | 1974 | | .680 | Very High |
| 22. Genesco | 1974 | | .000 | Mod. to Low |
| 23. Getty Oil | 1974 | | .500 | Substantial |
| 24. (W. R.) Grace | 1974 | | .255 | Mod. to Low |
| 25. Gulf & Western Industries | 1974 | | .355 | Substantial |
| 26. Gulf Oil | 1974 | | .500 | Substantial |
| 27. (H. J.) Heinz | | 1979 | .025 | Mod. to Low |
| 28. Johnson & Johnson | 1974 | | .505 | Substantial |
| 29. Kaiser Aluminum & Chemical | 1974 | | .500 | Substantial |
| 30. Kaiser Steel | 1974 | | .510 | Substantial |
| 31. Kerr-McGee | 1974 | | .520 | Substantial |
| 32. McDonnell-Douglas | 1974 | | 1.000 | Very High |
| 33. 3M | 1974 | | .445 | Substantial |
| 34. Motorola | 1974 | | .484 | Substantial |

Table 25 (cont'd.).

| Company | Weighted Sum Based on the Following Year(s) | | Weighted Sum | Barriers to Entry |
|---|---|---|---|---|
| | **1973-1974 Subfile** | | | |
| 35. Ogden | | 1978 | .217 | Mod. to Low |
| 36. Olin | 1974 | | .500 | Substantial |
| 37. PPG Industries | 1974 | | .680 | Very High |
| 38. Ralston Purina | 1974 | | .119 | Mod. to Low |
| 39. Reynolds Metals | | 1978 | .500 | Substantial |
| 40. Rohm & Haas | 1974 | | .520 | Substantial |
| 41. Seagram & Sons | | 1978 | .750 | Very High |
| 42. (J. P.) Stevens | 1974 | | .090 | Mod. to Low |
| 43. Sun Co. Inc. | | 1978 | .504 | Substantial |
| 44. Teledyne | 1974 | | .540 | Substantial |
| 45. Time | | 1979 | .220 | Mod. to Low |
| 46. U.S. Industries | 1974 | | .060 | Mod. to Low |
| 47. Youngstown Sheet & Tube (Lykes) | 1975 | | .500 | Substantial |
| 48. Westvaco | 1974 | | .380 | Substantial |
| 49. Weyerhaeuser | 1974 | | .495 | Substantial |
| 50. Wheeling-Pittsburgh Steel | 1974 | | .500 | Substantial |

Management Controlled Firms

| Company | Year(s) | | Weighted Sum | Barriers to Entry |
|---|---|---|---|---|
| 1. Allis-Chalmers | 1974 | | .785 | Very High |
| 2. AMF | 1974 | | .195 | Mod. to Low |
| 3. American Brands | 1974 | | .783 | Very High |
| 4. Atlantic Richfield | 1974 | | .500 | Substantial |
| 5. Bendix | 1974 | | .590 | Substantial |
| 6. Bethlehem Steel | 1974 | | .500 | Substantial |
| 7. Borden | 1974 | | .135 | Mod. to Low |
| 8. Catepillar Tractor | | 1979 | .500 | Substantial |
| 9. Continental Group | 1974 | | .455 | Substantial |
| 10. Continental Oil | 1974 | | .465 | Substantial |
| 11. CPC International | 1974 | | .215 | Mod. to Low |
| 12. Dresser Industries | 1974 | | .448 | Substantial |
| 13. Eastman Kodak | 1974 | | .895 | Very High |
| 14. Eaton | 1974 | | .530 | Substantial |
| 15. Exxon | 1975 | | .500 | Substantial |
| 16. Fruehauf | 1974 | | .500 | Substantial |
| 17. GAF | 1974 | | .495 | Substantial |
| 18. General Electric | 1974 | | .793 | Very High |
| 19. General Foods | 1974 | | .340 | Substantial |

Table 25 (cont'd.).

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### 1973-1974 Subfile

| Company | Weighted Sum Based on the Following Year(s) | | Weighted Sum | Barriers to Entry |
|---|---|---|---|---|
| 20. GTE | 1974 | | 1.000 | Very High |
| 21. Gillette | 1974 | | .555 | Substantial |
| 22. International Harvester | 1974 | | .685 | Very High |
| 23. Kraft | 1974 | | .021 | Mod. to Low |
| 24. Mobil Oil | | 1979 | .426 | Substantial |
| 25. National Gypsum | 1974 | | .215 | Mod. to Low |
| 26. Norton Simon | 1974 | | .445 | Substantial |
| 27. Occidental Petroleum | 1974 | | .360 | Substantial |
| 28. RCA | 1974 | | .375 | Substantial |
| 29. Republic Steel | 1974 | | .500 | Substantial |
| 30. SCM | 1974 | | .492 | Substantial |
| 31. Singer | 1974 | | .503 | Substantial |
| 32. Texaco | 1974 | | .500 | Substantial |
| 33. Union Carbide | 1974 | | .610 | Substantial |
| 34. Union Oil | 1975 | | .510 | Substantial |
| 35. U.S. Gypsum | 1974 | | .303 | Mod. to Low |
| 36. Warner-Lambert | 1974 | | .662 | Substantial |
| 37. Western Electric | 1974 | | 1.000 | Very High |
| 38. Westinghouse Electric | 1969 | 1978 | .743 | Very High |
| 39. Whirlpool | 1974 | | .486 | Substantial |

Finance Controlled Firms

| Company | | | | |
|---|---|---|---|---|
| 1. ACF Industries | | 1978 | .405 | Substantial |
| 2. Allied Stores | 1974 | | .000 | Mod. to Low |
| 3. American Airlines | 1974 | | .850 | Very High |
| 4. American Home Products | 1974 | | .703 | Very High |
| 5. American Standard | 1974 | | .345 | Substantial |
| 6. Armstrong Cork | 1974 | | .275 | Mod. to Low |
| 7. Armstrong Rubber | | 1978 | .500 | Substantial |
| 8. Ashland Oil | 1974 | | .441 | Substantial |
| 9. Associated Dry Goods | | 1979 | .025 | Mod. to Low |
| 10. Braniff International | 1974 | | .860 | Very High |
| 11. Burlington Industries | 1974 | | .105 | Mod. to Low |

Table 25 (cont'd.).

|  | 1973-1974 Subfile | | |
|---|---|---|---|
| Company | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
| 12. Celanese | 1974 | .500 | Substantial |
| 13. Chesebrough-Pond's | 1974 | .425 | Substantial |
| 14. Colt Industries | 1974 | .580 | Substantial |
| 15. Consolidated Freightways | 1974 | .200 | Mod. to Low |
| 16. Emhart Corp. | 1974 | .315 | Mod. to Low |
| 17. GATX | 1978 | .286 | Mod. to Low |
| 18. Goodyear Tire & Rubber | 1974 | .500 | Substantial |
| 19. Harris Corp. | 1978 | .685 | Very High |
| 20. Hercules | 1974 | .398 | Substantial |
| 21. IC Industries | 1974 | .849 | Very High |
| 22. Jim Walter | 1974 | .340 | Substantial |
| 23. Johns-Manville | 1974 | .405 | Substantial |
| 24. Kimberly-Clark | 1974 | .578 | Substantial |
| 25. Martin Marietta | 1974 | .675 | Very High |
| 26. Middle South Utilities | 1974 | .463 | Substantial |
| 27. National Can | 1978 | .494 | Substantial |
| 28. Northwest Industries | 1974 | .500 | Substantial |
| 29. Pepsico | 1974 | .380 | Substantial |
| 30. Raytheon | 1974 | .640 | Substantial |
| 31. (R. J.) Reynolds | 1974 | .727 | Very High |
| 32. Schering-Plough | 1974 | .860 | Very High |
| 33. Signal Cos. | 1969          1979 | .621 | Substantial |
| 34. Standard Oil of Ca. | 1974 | .500 | Substantial |
| 35. Standard Oil of In. | 1974 | .500 | Substantial |
| 36. Tenneco | 1974 | .525 | Substantial |
| 37. Texas Instruments | 1976 | .630 | Substantial |
| 38. Trans World Airlines | 1974 | .710 | Very High |
| 39. TRW | 1974 | .438 | Substantial |
| 40. United Airlines | 1974 | .840 | Very High |
| 41. Western Airlines | 1974 | .900 | Very High |
| 42. Xerox | 1978 | .500 | Substantial |
| 43. Zenith Radio | 1978 | .500 | Substantial |

Table 25 (cont'd.).

| Company | 1977-1978 Subfile | | |
| | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
| --- | --- | --- | --- |
| **Owner Controlled Firms** | | | |
| 1. Allied Chemical | 1978 | .500 | Substantial |
| 2. Alcoa | 1978 | .500 | Substantial |
| 3. Amerada Hess | 1978 | .500 | Substantial |
| 4. Anheuser-Busch | 1978 | .500 | Substantial |
| 5. Avco | 1978 | .305 | Mod. to Low |
| 6. Coastal States Gas | 1978 | .500 | Substantial |
| 7. Campbell Soup | 1978 | .375 | Substantial |
| 8. Carnation | 1978 | .134 | Mod. to Low |
| 9. Coca-Cola | 1979 | .263 | Mod. to Low |
| 10. Consolidated Foods | 1979 | .089 | Mod. to Low |
| 11. Corning Glass | 1978 | .500 | Substantial |
| 12. Deere & Co. | 1978 | .897 | Very High |
| 13. Dow Chemical | 1978 | .628 | Substantial |
| 14. Du Pont | 1978 | .500 | Substantial |
| 15. Eli Lilly | 1978 | .788 | Very High |
| 16. Esmark | 1978 | .308 | Mod. to Low |
| 17. Ethyl | 1974 | .495 | Substantial |
| 18. Firestone Tire & Rubber | 1978 | .500 | Substantial |
| 19. Ford Motor | 1978 | .970 | Very High |
| 20. General Dynamics | 1979 | .974 | Very High |
| 21. General Tire & Rubber | 1979 | .510 | Substantial |
| 22. Genesco | 1978 | .000 | Mod. to Low |
| 23. Getty Oil | 1978 | .500 | Substantial |
| 24. (W. R.) Grace | 1978 | .306 | Mod. to Low |
| 25. Gulf & Western Industries | 1978 | .295 | Mod. to Low |
| 26. Gulf Oil | 1978 | .500 | Substantial |
| 27. (H. J.) Heinz | 1979 | .025 | Mod. to Low |
| 28. Johnson & Johnson | 1978 | .441 | Substantial |
| 29. Kaiser Aluminum & Chemical | 1979 | .500 | Substantial |
| 30. Kaiser Steel | 1978 | .500 | Substantial |
| 31. Kerr-McGee | 1978 | .500 | Substantial |
| 32. McDonnell-Douglas | 1974 | 1.000 | Very High |
| 33. 3M | 1979 | .335 | Substantial |
| 34. Motorola | 1978 | .583 | Substantial |

Table 25 (cont'd.).

| Company | 1977-1978 Subfile | | |
|---------|---------------------|---|---|
| | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
| 35. Ogden | 1978 | .217 | Mod. to Low |
| 36. Olin | 1978 | .655 | Substantial |
| 37. PPG Industries | 1978 | .680 | Very High |
| 38. Ralston Purina | 1978 | .107 | Mod. to Low |
| 39. Reynolds Metals | 1978 | .500 | Substantial |
| 40. Rohm & Haas | 1979 | .500 | Substantial |
| 41. Seagram & Sons | 1978 | .750 | Very High |
| 42. (J. P.) Stevens | 1978 | .072 | Mod. to Low |
| 43. Sun Co. Inc. | 1978 | .504 | Substantial |
| 44. Teledyne | 1979 | .580 | Substantial |
| 45. Time | 1979 | .220 | Mod. to Low |
| 46. U.S. Industries | 1978 | .150 | Mod. to Low |
| 47. Youngstown Sheet & Tube (Lykes) | 1975 | .500 | Substantial |
| 48. Westvaco | 1978 | .643 | Substantial |
| 49. Weyerhaeuser | 1978 | .500 | Substantial |
| 50. Wheeling-Pittsburgh Steel | 1979 | .500 | Substantial |
| Management Controlled Firms | | | |
| 1. Allis-Chalmers | 1978 | .673 | Very High |
| 2. AMF | 1979 | .395 | Substantial |
| 3. American Brands | 1978 | .702 | Very High |
| 4. Atlantic Richfield | 1978 | .562 | Substantial |
| 5. Bendix | 1979 | .612 | Substantial |
| 6. Bethlehem Steel | 1978 | .500 | Substantial |
| 7. Borden | 1978 | .154 | Mod. to Low |
| 8. Catepillar Tractor | 1979 | .500 | Substantial |
| 9. Continental Group | 1978 | .500 | Substantial |
| 10. Continental Oil | 1978 | .450 | Substantial |
| 11. CPC International | 1978 | .155 | Mod. to Low |
| 12. Dresser Industries | 1978 | .500 | Substantial |
| 13. Eastman Kodak | 1978 | .895 | Very High |
| 14. Eaton | 1978 | .500 | Substantial |
| 15. Exxon | 1979 | .500 | Substantial |
| 16. Fruehauf | 1978 | .500 | Substantial |
| 17. GAF | 1978 | .328 | Mod. to Low |
| 18. General Electric | 1979 | .705 | Very High |
| 19. General Foods | 1979 | .216 | Mod. to Low |

Table 25 (cont'd.).

| Company | 1977-1978 Subfile | | |
| | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
| --- | --- | --- | --- |
| 20. GTE | 1978 | .882 | Very High |
| 21. Gillette | 1978 | .625 | Substantial |
| 22. International Harvester | 1978 | .797 | Very High |
| 23. Kraft | 1978 | .020 | Mod. to Low |
| 24. Mobil Oil | 1979 | .426 | Substantial |
| 25. National Gypsum | 1978 | .224 | Mod. to Low |
| 26. Norton Simon | 1979 | .298 | Mod. to Low |
| 27. Occidental Petroleum | 1978 | .488 | Substantial |
| 28. RCA | 1978 | .525 | Substantial |
| 29. Republic Steel | 1978 | .500 | Substantial |
| 30. SCM | 1978 | .436 | Substantial |
| 31. Singer | 1978 | .346 | Substantial |
| 32. Texaco | 1978 | .500 | Substantial |
| 33. Union Carbide | 1978 | .545 | Substantial |
| 34. Union Oil | 1979 | .515 | Substantial |
| 35. U.S. Gypsum | 1978 | .191 | Mod. to Low |
| 36. Warner-Lambert | 1978 | .819 | Very High |
| 37. Western Electric | 1974 | 1.000 | Very High |
| 38. Westinghouse Electric | 1978 | .765 | Very High |
| 39. Whirlpool | 1978 | .500 | Substantial |

Finance Controlled Firms

| | | | |
| --- | --- | --- | --- |
| 1. Ashland Oil | 1978 | .450 | Substantial |
| 2. Burlington Industries | 1974 | .105 | Mod. to Low |
| 3. Burlington Northern | 1979 | .943 | Very High |
| 4. Braniff International | 1974 | .860 | Very High |
| 5. Consolidated Freightways | 1978 | .195 | Mod. to Low |
| 6. Control Data | 1978 | .499 | Substantial |
| 7. Eastern Gas & Fuel | 1978 | .405 | Substantial |
| 8. General Motors | 1979 | .667 | Very High |
| 9. Goodyear Tire & Rubber | 1978 | .539 | Substantial |
| 10. Homestake Mining | 1978 | .820 | Very High |

Table 25 (cont'd.).

| Company | 1977-1978 Subfile | | |
| | Weighted Sum Based on the Following Year(s) | Weighted Sum | Barriers to Entry |
|---|---|---|---|
| 11. IC Industries | 1978 | .543 | Substantial |
| 12. K Mart | 1979 | .000 | Mod. to Low |
| 13. Kroger | 1974 | .000 | Mod. to Low |
| 14. Mapco | 1978 | .500 | Substantial |
| 15. Middle South Utilities | 1978 | .949 | Very High |
| 16. National Steel | 1979 | .500 | Substantial |
| 17. Pepsico | 1978 | .363 | Substantial |
| 18. (R. J.) Reynolds Industries | 1979 | .702 | Very High |
| 19. Safeway Stores | 1979 | .000 | Mod. to Low |
| 20. Southern Railway | 1979 | 1.000 | Very High |
| 21. Squibb | 1979 | .810 | Very High |
| 22. Standard Oil of California | 1978 | .500 | Substantial |
| 23. Standard Oil of Indiana | 1978 | .500 | Substantial |
| 24. Tenneco | 1978 | .498 | Substantial |
| 25. Trans World Airlines | 1974 | .710 | Very High |
| 26. UAL Inc. | 1979 | .860 | Very High |

APPENDIX E


CORRELATION MATRICES FOR THE MULTIPLE REGRESSION TABLES

CORRELATION MATRICES FOR THE MULTIPLE REGRESSION TABLES

Table 26. Zero Order Correlation Matrix with Means and Standard Deviations for Table 10, Equations 1 and 3.

| Variable | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit | 1.00 | | | | | | | | .1143 | .0419 |
| Growth | .3788 | 1.00 | | | | | | | .1189 | .0503 |
| Risk | .2676 | .1091 | 1.00 | | | | | | .5005 | .1041 |
| MC (D1) | -.0287 | .0186 | -.0319 | 1.00 | | | | | .4432 | .4996 |
| Very High BTE (D2) | .0461 | -.2035 | -.0370 | .1725 | 1.00 | | | | .1818 | .3879 |
| Substan-tial BTE (D3) | -.1198 | .3095 | -.0341 | -.0908 | -.5941 | 1.00 | | | .6136 | .4897 |
| MC-Size Int. (D4) | .0856 | .2454 | -.0278 | .4943 | .1144 | .0473 | 1.00 | | 1769.6 | 4036.1 |
| Assets | .1165 | .3279 | -.0200 | .2249 | .1351 | .0833 | .8635 | 1.00 | 2976.8 | 4054.3 |

Table 27. Zero Order Correlation Matrix with Means and Standard Deviations for Table 10, Equation 2.

| Variable | Profit | Growth | Risk | D1 | D2 | D3 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|
| Profit | 1.00 | | | | | | | .1143 | .0419 |
| Growth | .3788 | 1.00 | | | | | | .1189 | .0503 |
| Risk | .2676 | .1091 | 1.00 | | | | | .5005 | .1041 |
| OC (D1) | .0287 | -.0186 | .0319 | 1.00 | | | | .5568 | .4996 |
| Very High BTE (D2) | .0461 | -.2035 | -.0370 | -.1725 | 1.00 | | | .1818 | .3879 |
| Mod. to Low BTE (D3) | .1005 | -.1790 | .0765 | .0554 | -.2391 | 1.00 | | .2045 | .4057 |
| Assets | .1165 | .3279 | -.0200 | -.2249 | .1351 | -.2297 | 1.00 | 2976.7 | 4045.3 |

Table 28. Zero Order Correlation Matrix with Means and Standard Deviations for Table 11, Equation 1.

| Variable | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit | 1.00 | | | | | | | | .1079 | .0472 |
| Growth | .2919 | 1.00 | | | | | | | .0438 | .1127 |
| Risk | .1262 | .0749 | 1.00 | | | | | | .5192 | .1148 |
| MC (D1) | .0428 | .1079 | .0587 | 1.00 | | | | | .3277 | .4714 |
| FC (D2) | -.0021 | .0710 | -.0746 | -.4054 | 1.00 | | | | .2521 | .4361 |
| Very High BTE (D3) | .0405 | -.0664 | -.1312 | -.0697 | .2059 | 1.00 | | | .1933 | .3965 |
| Substantial BTE (D4) | -.0588 | .0355 | .0647 | .0997 | -.1144 | -.5953 | 1.00 | | .5966 | .4926 |
| Assets | -.0060 | .0796 | .0682 | .2437 | -.0967 | .1077 | .0962 | 1.00 | 1860.5 | 2318.2 |

Table 29. Zero Order Correlation Matrix with Means and Standard Deviations for Table 11, Equation 2.

| Variable | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit | 1.00 | | | | | | | | .1079 | .0472 |
| Growth | .2919 | 1.00 | | | | | | | .0438 | .1127 |
| Risk | .1262 | .0749 | 1.00 | | | | | | .5192 | .1148 |
| OC (D1) | -.0389 | -.1651 | .0098 | 1.00 | | | | | .4202 | .4957 |
| FC (D2) | -.0021 | .0710 | -.0746 | -.4942 | 1.00 | | | | .2521 | .4361 |
| Very High BTE (D3) | .0405 | -.0664 | -.1312 | -.1149 | .2059 | 1.00 | | | .1933 | .3965 |
| Mod. to Low BTE (D4) | .0315 | .0215 | .0494 | .1043 | -.0619 | -.2524 | 1.00 | | .2101 | .4091 |
| Assets | -.0060 | .0796 | .0682 | -.1467 | -.0967 | .1077 | -.2203 | 1.00 | 1860.5 | 2318.2 |

Table 30. Zero Order Correlation Matrix with Means and Standard Deviations for Table 12, Equation 1.

| Variable | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit | 1.00 | | | | | | | | .1306 | .0471 |
| Growth | .2731 | 1.00 | | | | | | | .2634 | .2355 |
| Risk | .3284 | .0043 | 1.00 | | | | | | .4800 | .1097 |
| MC (D1) | -.0586 | .0431 | .0552 | 1.00 | | | | | .2977 | .4590 |
| FC (D2) | .0044 | -.1117 | -.1401 | -.4551 | 1.00 | | | | .3282 | .4714 |
| Very High BTE (D3) | -.0824 | -.2377 | -.0902 | -.0016 | .0859 | 1.00 | | | .2061 | .4061 |
| Substantial BTE (D4) | .1423 | .3371 | .0110 | .0405 | -.0420 | -.6382 | 1.00 | | .6107 | .4895 |
| Assets | .1489 | .3906 | .0126 | .2563 | .1548 | .0676 | .1044 | 1.00 | 2507.5 | 3489.8 |

Table 31. Zero Order Correlation Matrix with Means and Standard Deviations for Table 12, Equation 2.

| Variable | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | X̄ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit | 1.00 | | | | | | | | .1306 | .0471 |
| Growth | .2731 | 1.00 | | | | | | | .2634 | .2355 |
| Risk | .3284 | .0043 | 1.00 | | | | | | .4800 | .1097 |
| OC (D1) | .0511 | .0676 | .0838 | 1.00 | | | | | .3740 | .4857 |
| FC (D2) | .0044 | -.1117 | -.1401 | -.5404 | 1.00 | | | | .3282 | .4714 |
| Very High BTE (D3) | -.0824 | -.2377 | -.0902 | -.0819 | .0859 | 1.00 | | | .2061 | .4061 |
| Mod. to Low BTE (D4) | -.0932 | -.1763 | .0805 | .0825 | -.0369 | -.2413 | 1.00 | | .1832 | .3883 |
| Assets | .1489 | .3906 | .0126 | -.0920 | -.1548 | .0676 | -.2023 | 1.00 | 2507.5 | 3489.8 |

Table 32. Zero Order Correlation Matrix with Means and Standard Deviations for Table 13, Equation 1.

| Variable | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | X̄ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit | 1.00 | | | | | | | | .1297 | .0474 |
| Growth | .1843 | 1.00 | | | | | | | .1306 | .0822 |
| Risk | .1040 | .0348 | 1.00 | | | | | | .4733 | .1116 |
| MC (D1) | .0430 | .0248 | -.0467 | 1.00 | | | | | .3423 | .4766 |
| FC (D2) | .1049 | .0873 | -.1283 | -.3990 | 1.00 | | | | .2342 | .4254 |
| Very High BTE (D3) | .0791 | .0232 | .0183 | .0044 | .1964 | 1.00 | | | .2342 | .4254 |
| Substantial BTE (D4) | -.1087 | -.0656 | .0078 | .0556 | -.1304 | -.5999 | 1.00 | | .5405 | .5006 |
| Assets | .1311 | -.0822 | -.0548 | .1595 | .0275 | .1151 | .0884 | 1.00 | 4377.8 | 5942.8 |

Table 33. Zero Order Correlation Matrix with Means and Standard Deviations for Table 13, Equation 2.

| Variable | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | X̄ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit | 1.00 | | | | | | | | .1297 | .0474 |
| Growth | .1843 | 1.00 | | | | | | | .1306 | .0822 |
| Risk | .1040 | .0348 | 1.00 | | | | | | .4733 | .1116 |
| OC (D1) | -.1312 | -.0986 | .1548 | 1.00 | | | | | .4234 | .4963 |
| FC (D2) | .1049 | .0873 | -.1283 | -.4740 | 1.00 | | | | .2342 | .4254 |
| Very High BTE (D3) | .0791 | .0232 | .0183 | -.1726 | .1964 | 1.00 | | | .2342 | .4254 |
| Mod. to Low BTE (D4) | .0496 | .0547 | -.0279 | .1054 | -.0436 | -.2982 | 1.00 | | .2252 | .4196 |
| Assets | .1311 | -.0822 | -.0548 | -.1767 | .0275 | .1151 | -.2221 | 1.00 | 4377.8 | 5942.8 |

Table 34. Zero Order Correlation Matrix with Means and Standard Deviations for Table 17, Equation 1.

| Variable | Payout | Profit | Growth | Risk | D1 | D2 | D3 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 1.00 | | | | | | | | .4919 | .2185 |
| Profit | -.1098 | 1.00 | | | | | | | .1125 | .0515 |
| Growth | -.0343 | .4418 | 1.00 | | | | | | .1186 | .0522 |
| Risk | .1593 | .2973 | .1476 | 1.00 | | | | | .4969 | .1046 |
| MC (D1) | .1273 | .0372 | .0442 | -.0499 | 1.00 | | | | .4302 | .4980 |
| Very High BTE (D2) | .0060 | .1033 | -.1483 | -.0628 | .1894 | 1.00 | | | .1628 | .3713 |
| Substantial BTE (D3) | -.2568 | -.0305 | .3162 | -.0091 | -.0870 | -.5588 | 1.00 | | .6163 | .4891 |
| Assets | .1232 | .1266 | .3347 | -.0178 | .2274 | .1442 | .0956 | 1.00 | 2958.1 | 4100.4 |

Table 35. Zero Order Correlation Matrix with Means and Standard Deviations for Table 17, Equation 2.

| Variable | Payout | Profit | Growth | Risk | D1 | D2 | D3 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 1.00 | | | | | | | | .4919 | .2185 |
| Profit | -.1098 | 1.00 | | | | | | | .1125 | .0515 |
| Growth | -.0343 | .4418 | 1.00 | | | | | | .1186 | .0522 |
| Risk | .1593 | .2973 | .1476 | 1.00 | | | | | .4969 | .1046 |
| OC (D1) | -.1273 | -.0372 | -.0442 | .0499 | 1.00 | | | | .5698 | .4980 |
| Very High BTE (D2) | .0060 | .1033 | -.1483 | -.0628 | -.1894 | 1.00 | | | .1628 | .3713 |
| Mod. to Low BTE (D3) | .2956 | -.0562 | -.2386 | .0666 | .0665 | -.2348 | 1.00 | | .2209 | .4173 |
| Assets | .1232 | .1266 | .3347 | -.0178 | -.2274 | .1442 | -.2404 | 1.00 | 2958.1 | 4100.4 |

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Table 36.  Zero Order Correlation Matrix with Means and Standard Deviations for Table 18, Equation 1.

| Variable | Payout | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | X̄ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 1.00 | | | | | | | | | .5690 | .3232 |
| Profit | -.3137 | 1.00 | | | | | | | | .1044 | .0614 |
| Growth | -.1511 | .1830 | 1.00 | | | | | | | .0447 | .1121 |
| Risk | .0171 | .1169 | .0661 | 1.00 | | | | | | .5149 | .1160 |
| FC (D1) | -.0815 | -.1273 | .1015 | -.0656 | 1.00 | | | | | .2650 | .4432 |
| MC (D2) | .1421 | .0853 | .0882 | .0275 | -.4083 | 1.00 | | | | .3162 | .4670 |
| Very High BTE (D3) | .0601 | .0116 | -.0978 | -.2037 | .2563 | -.0921 | 1.00 | | | .1880 | .3924 |
| Substantial BTE (D4) | -.1382 | -.0660 | .0556 | .1419 | -.1512 | .1335 | -.5979 | 1.00 | | .6068 | .4906 |
| Assets | .0944 | .0130 | .0623 | .0704 | -.0993 | .2455 | .0997 | .0973 | 1.00 | 1864.9 | 2327.7 |

Table 37. Zero Order Correlation Matrix with Means and Standard Deviations for Table 18, Equation 2.

| Variable | Payout | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | X̄ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 1.00 | | | | | | | | | .5690 | .3232 |
| Profit | -.3137 | 1.00 | | | | | | | | .1044 | .0614 |
| Growth | -.1511 | .1830 | 1.00 | | | | | | | .0447 | .1121 |
| Risk | .0171 | .1169 | .0661 | 1.00 | | | | | | .5149 | .1160 |
| FC (D1) | -.0815 | -.1273 | .1015 | -.0656 | 1.00 | | | | | .2650 | .4432 |
| OC (D2) | -.0610 | .0335 | -.1739 | .0328 | -.5097 | 1.00 | | | | .4188 | .4955 |
| Very High BTE (D3) | .0601 | .0116 | -.0978 | -.2037 | .2563 | -.1425 | 1.00 | | | .1880 | .3924 |
| Mod. to Low BTE (D4) | .1090 | .0686 | .0274 | .0255 | -.0652 | .1265 | -.2445 | 1.00 | | .2051 | .4055 |
| Assets | .0944 | .0130 | .0623 | .0704 | -.0993 | -.1426 | .0997 | -.2142 | 1.00 | 1864.9 | 2327.7 |

Table 38. Zero Order Correlation Matrix with Means and Standard Deviations for Table 19, Equation 1.

| Variable | Payout | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 1.00 | | | | | | | | | .4115 | .2539 |
| Profit | -.0252 | 1.00 | | | | | | | | .1305 | .0498 |
| Growth | -.2480 | .2801 | 1.00 | | | | | | | .2651 | .2372 |
| Risk | .1822 | .3341 | .0166 | 1.00 | | | | | | .4790 | .1099 |
| FC (D1) | .0324 | .0060 | -.1173 | -.1348 | 1.00 | | | | | .3333 | .4732 |
| MC (D2) | .1852 | -.0162 | .0641 | .0489 | -.4484 | 1.00 | | | | .2868 | .4540 |
| Very High BTE (D3) | -.1039 | -.0028 | -.2094 | -.1000 | .1268 | -.0389 | 1.00 | | | .1860 | .3907 |
| Substantial BTE (D4) | -.1537 | .1403 | .3321 | .0232 | -.0565 | .0726 | -.6109 | 1.00 | | .6202 | .4872 |
| Assets | .0991 | .1673 | .4030 | .0100 | -.1473 | .2467 | .0571 | .1212 | 1.00 | 2465.8 | 3507.3 |

Table 39. Zero Order Correlation Matrix with Means and Standard Deviations for Table 19, Equation 2.

| Variable | Payout | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | X̄ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 1.00 | | | | | | | | | .4115 | .2539 |
| Profit | -.0252 | 1.00 | | | | | | | | .1305 | .0498 |
| Growth | -.2480 | .2801 | 1.00 | | | | | | | .2651 | .2372 |
| Risk | .1822 | .3341 | .0166 | 1.00 | | | | | | .4790 | .1099 |
| FC (D1) | .0324 | .0060 | -.1173 | -.1348 | 1.00 | | | | | .3333 | .4732 |
| OC (D2) | -.2040 | .0093 | .0542 | .0853 | -.5534 | 1.00 | | | | .3798 | .4872 |
| Very High BTE (D3) | -.1039 | -.0028 | -.2094 | -.1000 | .1268 | -.0869 | 1.00 | | | .1860 | .3907 |
| Mod. to Low BTE (D4) | .2909 | -.1695 | -.2017 | .0701 | -.0555 | .1012 | -.2344 | 1.00 | | .1938 | .3968 |
| Assets | .0991 | .1673 | .4030 | .0100 | -.1473 | -.0867 | .0571 | -.2051 | 1.00 | 2465.8 | 3507.3 |

Table 40. Zero Order Correlation Matrix with Means and Standard Deviations for Table 20, Equation 1.

| Variable | Payout | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | X̄ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 1.00 | | | | | | | | | .3581 | .1830 |
| Profit | .1001 | 1.00 | | | | | | | | .1192 | .1131 |
| Growth | -.1922 | .1748 | 1.00 | | | | | | | .1299 | .0822 |
| Risk | .2048 | .2900 | .0689 | 1.00 | | | | | | .4685 | .1153 |
| FC (D1) | .0285 | .0951 | .0920 | -.1001 | 1.00 | | | | | .2321 | .4241 |
| MC (D2) | .1256 | .0501 | .0271 | -.0328 | -.3940 | 1.00 | | | | .3393 | .4756 |
| Very High BTE (D3) | -.0598 | .0945 | .0406 | .0200 | .2282 | -.0066 | 1.00 | | | .2143 | .4122 |
| Substantial BTE (D4) | .0838 | .0254 | -.0621 | .0331 | -.1443 | .0745 | -.5815 | 1.00 | | .5536 | .4994 |
| Assets | .1886 | .1032 | -.0777 | -.0350 | .0312 | .1603 | .1256 | .0907 | 1.00 | 4337.1 | 5923.6 |

Table 41. Zero Order Correlation Matrix with Means and Standard Deviations for Table 20, Equation 2.

| Variable | Payout | Profit | Growth | Risk | D1 | D2 | D3 | D4 | Assets | $\bar{X}$ | S.D. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 1.00 | | | | | | | | | .3581 | .1830 |
| Profit | .1001 | 1.00 | | | | | | | | .1192 | .1131 |
| Growth | -.1922 | .1748 | 1.00 | | | | | | | .1299 | .0822 |
| Risk | .2048 | .2900 | .0689 | 1.00 | | | | | | .4685 | .1153 |
| FC (D1) | .0285 | .0951 | .0920 | -.1001 | 1.00 | | | | | .2321 | .4241 |
| OC (D2) | -.1445 | -.1291 | -.1045 | .1168 | -.4762 | 1.00 | | | | .4286 | .4971 |
| Very High BTE (D3) | -.0598 | .0945 | .0406 | .0200 | .2282 | -.1884 | | | | .2143 | .4122 |
| Mod. to Low BTE (D4) | -.0405 | -.1217 | .0337 | -.0584 | -.0519 | .1221 | -.2872 | 1.00 | | .2321 | .4241 |
| Assets | .1886 | .1032 | -.0777 | -.0350 | .0312 | -.1800 | .1256 | -.2288 | 1.00 | 4337.1 | 5923.6 |

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