

1959

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Recommended Citation

M. Minnette Massey and Frank D. Emerson, *Remuneration of Officers and Directors of Listed California, Florida, Ohio, and Virginia Corporations*, 12 *U. Fla. L. Rev.* 156 (1959).

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REMUNERATION OF OFFICERS AND DIRECTORS OF LISTED CALIFORNIA, FLORIDA, OHIO, AND VIRGINIA CORPORATIONS*

FRANK D. EMERSON and M. MINNETTE MASSEY**

Although the remuneration of corporate presidents and board chairmen of the nation's largest business corporations bears some relation to the magnitude of their tasks, "deviations" were "many and erratic" in 1950, according to a recently published survey of executive compensation.¹ For the most part the 428 companies covered were corporations with assets of more than \$75,000,000, selected chiefly because of their large assets size² and without reference to their state of incorporation.

Economic findings of many and erratic deviations suggest that executive remuneration frequently may not be fair or reasonable; these findings therefore have implications for corporation law. As a matter

*This article was initially prepared as a paper for a course in "Law and Economics" given in the Summer Program for Law Teachers at New York University School of Law by Prof. Emanuel Stein and Associate Dean Miguel A. de Capriles. The writers are indebted to Mildred Lee McDaniel of The Florida Bar for valuable assistance in connection with this article and the survey upon which it is based.

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¹NEWCOMER, *THE BIG BUSINESS EXECUTIVE* 130 (1955). Professor Newcomer found, however, that the tendency to provide higher remuneration in corporations with assets in excess of 500 millions is not as marked as might be expected when the remuneration paid by several corporations with 75 to 100 millions in assets is considered. *Id.* at 128.

Professor Newcomer's book also contains a large amount of sociological data concerning the big business executive. For other recent books pertaining to the big business executive, see MILLS, *THE POWER ELITE* (1956); SELEKMAN AND SELEKMAN, *POWER AND MORALITY IN A BUSINESS SOCIETY* (1956); WARNER AND ABEGGLEN, *THE BIG BUSINESS LEADERS IN AMERICA* (1955); WHYTE, *THE ORGANIZATION MAN* (1956).

²NEWCOMER, *THE BIG BUSINESS EXECUTIVE* 11 and n.15 (1955). Only a "scattering" of companies with assets of less than 75 millions, eight in all among the total of 428, were included; most of the eight had assets in excess of 50 million.

of law, it has been generally considered outside the proper judicial function to inquire into the business policy question of the fairness or reasonableness of the compensation fixed by the board of directors.³ A showing of fraud, bad faith, oppression or waste of corporate assets is required to call for court interference with managerial discretion.⁴ If, however, under present judicial attitudes there are substantial indications of a recurring disposition to pay business executives unfair or unreasonable remuneration, either the courts should alter their existing doctrines or the legislatures should provide modification by statutory enactments.

For purposes of initial consideration, especially of the economic implications, a survey like the earlier one, with principal attention to the nation's largest corporations, undoubtedly has the greatest significance. The circumstance that corporations are chartered locally and governed generally by the laws of the state of incorporation suggests, however, that further economic probing, particularly if undertaken with a view to the legal aspects of executive compensation, should be directed to groups of corporations chartered in selected states. In choosing states for inclusion in an additional survey it seems advisable to broaden the basis of the available remuneration data. Inasmuch as almost one third of the more than 1,000 business corporations listed on the New York Stock Exchange are incorporated in Delaware and nearly one seventh in New York,⁵ the prior study may reflect to a large extent remuneration practices in Delaware and even in New York corporations as well. For these and other reasons the present survey is directed to 174 California, Florida, Ohio, and Virginia corporations with securities traded on the New York and American stock exchanges, grouped by states of incorporation as follows: California 36, Florida 8, Ohio 94, and Virginia 36. Data were sought as to remuneration paid in 1950, the same year covered in the prior survey, and also in 1956, so as to provide both comparative and more recent information.

While the text of this article has a single theme, the 1956 remuneration data, the footnotes perform the dual function of summarizing the comparable 1950 data and documenting and projecting

³BALLENTINE, *CORPORATIONS* §76, at 193 (1946). The principal legal work on executive compensation is WASHINGTON and ROTHCHILD, *COMPENSATING THE CORPORATE EXECUTIVE* (1951).

⁴BALLENTINE, *CORPORATIONS* §76, at 193 (1946).

⁵CORPORATION SERVICE COMPANY, *1956 DIGEST OF THE DELAWARE CORPORATION LAW* 1 (1956).

the 1956 material. The analysis considers, on a state by state basis, the aggregate remuneration of all directors and officers of each corporation as a group. In examining officers' and directors' aggregate remuneration, the present survey covers an area not included in the prior study, which was confined to the individual compensation of presidents and board directors. The 1950 and 1956 corporate data for each state are presented separately, and are tabulated for each year with reference to the assets size of the corporations and their net income. In correlating remuneration and net income as well as total assets, the present study also seeks a comparison not undertaken by the prior survey. Following the information provided on aggregate remuneration is a similar presentation of data regarding the individual remuneration of principal officers. The purpose of the survey is to ascertain whether there are substantial deviations between the relative amounts of officers' and directors' remuneration and assets they administer or the net income realized from operations.

AGGREGATE REMUNERATION

The data as to aggregate remuneration were taken chiefly from the various corporations' 1951 and 1957 proxy statements. Included is all direct remuneration, whether salary, bonus, commissions, fees, or other, paid to directors or officers.⁶ Not included, however, is any indirect remuneration received through participation in executive stock option plans, pension or retirement plans, or deferred compensation plans.⁷ Although the interests in or recompense from these indirect remuneration plans may be very substantial, measurement of their aggregate or individual monetary values presents difficult computation problems usually soluble only hypothetically. This is a consequence of the circumstances that often, at any one point in time, not all of the optioned stock has been resold or even taken down or that payments to incumbents of pension, retirement, or deferred compensation funds have not been completed or even commenced.⁸

⁶SEC Reg. X-14, 17 C.F.R. §240.14a, Sched. 14A, Item 7(a)(2) (Supp. 1956), governing the solicitation of proxies, requires that specified proxy statements indicate the direct remuneration paid to "all directors and officers of the issuer as a group, without naming them."

⁷Expense accounts payments are not required to be included in proxy statements covered by the SEC proxy regulation. A proposal to require expense account disclosures was rejected by the SEC in 1952. See SEC Exchange Act Release No. 4775, p. 2 (Dec. 11, 1952).

⁸Presumably because of the difficulties inherent in computing indirect re-

Inasmuch as the direct remuneration received by directors is ordinarily comparatively nominal, it is likely that virtually all of the aggregate remuneration tabulated was paid to corporate officers.⁹

California Corporations

There are thirty-six California corporations whose securities are traded on the New York or the American stock exchange or both. Twenty-one are listed on the New York and eighteen on the American; three of these companies have securities traded on both exchanges. All but six of those listed on the New York Stock Exchange may be classed broadly as industrials, and five of the six are utilities and one a railroad. All but three of those listed on the American Stock Exchange may be similarly classed as industrials. The exceptions are Pacific Gas and Electric Co., Pacific Lighting Corp., and San Diego Gas and Electric Co., the three California companies having securities, although of different issues, listed on both exchanges.¹⁰ All but four of the thirty-six California corporations listed on both exchanges are included in the 1956 aggregate remuneration information. As a result the tabulations made possible are nearly ninety per cent complete.¹¹

muneration, SEC Reg. X-14, 17 C.F.R. §240.14a, Sched. 14A, Item 7(d) (Supp. 1956) calls only for information with respect to the granting or exercise of stock options, and therefore does not provide data as to the actual amount of indirect remuneration received upon the resale of optioned stock. Item 7(b) applies only to the "amount set aside or accrued during issuer's last fiscal year" and the "estimated annual benefit upon retirement" to be paid under pension or retirement plans; it does not provide data as to aggregate indirect remuneration estimated to be receivable under such plans.

⁹The term *officer*, while not defined in the proxy regulation, is defined in SEC Rule 3b-2 (formerly Rule X-3b-2) to mean "a president, vice president, treasurer, secretary, comptroller, and any other person who performs for an issuer, whether incorporated or unincorporated, functions corresponding to those performed by the foregoing officers." See also *Colby v. Klune*, 178 F.2d 872 (2d Cir. 1949).

¹⁰The figures for the number of listings of California corporations, as in the instances of the Florida, Ohio, and Virginia listings to follow, are as of Dec. 31, 1956.

¹¹Aggregate remuneration for 1950 was obtained for 22, or 61%, of the 36 California corporations dealt in on the New York and American stock exchanges as of Dec. 31, 1956. While 14 of the 36 companies were therefore not included in the 1950 tabulations, viewed in terms of both the 22 companies and 61% coverage, the 1950 aggregate remuneration figures are sufficiently extensive to have significance.

The high-low range of 1956 aggregate remuneration extended from \$1,386,323 reported for the Caterpillar Tractor Co. to the Natomas Co. low of \$49,556.¹²

1956 AGGREGATE REMUNERATION					
RANK	REMUNERATION		CORPORATION	RANK	
	Amount	Rank		Assets	Income
High	\$1,386,323	1	Caterpillar Tractor Co.	6	4
Third Quartile	551,356	8	So. Calif. Edison Co.	3	6
	477,554	9	Northrop Aircraft Corp	12	10
Median	272,934	16	Budget Finance Plan	19	24
	272,641	17	Ryan Aeronautical Co.	15	21
First Quartile	198,647	24	San Diego Gas & Elec. Co.	8	9
	191,610	25	Menasco Mfg. Co.	26	23
Low	49,556	32	Natomas Co.	16	22

Increases in aggregate remuneration over the 1950 figures are present, as would be expected; and they appear at almost all levels. The more than 100% rise at the Caterpillar Tractor Co. is, however, particularly striking.

The 1956 assets, as well as the aggregate remuneration, for the California companies rose generally over 1950. The assets high was the more than 2,087.05 millions of Pacific Telephone & Telegraph Co., and the assets low was the 4.78 millions reported for Oceanic Oil Co.¹³ The median assets companies were Natomas Co., with 34.28 millions, and Gladding, McBean & Co., with 31.88 millions.

Increases in the net income range for 1956 were also present at all but the lowest level. Especially noticeable was the nearly 100% increase of Pacific Telephone & Telegraph Co. net income to 90.55

The principal reasons for the nonavailability of remuneration information concerning the 14 companies were that certain of them were not listed until after 1950 and that four others do not solicit proxies. The nonsolicitors are Le Tourneau (R.G.), Inc., Solar Aircraft Co., Superior Oil Co. of Calif. and Universal Consolidated Oil Co.

¹²The 1950 high-low range of aggregate remuneration for the California corporations extended from the \$691,727 recorded for the Caterpillar Tractor Co. to the Natomas Co. figure of \$40,130. The 1950 median aggregate remuneration companies were Kern County Land Co., \$209,404, and Pacific Lighting Corp., \$178,103.

¹³The 1950 assets high-low range was from 1,440.16 millions, reported for the Pacific Telephone and Telegraph Co., to 2.04 millions, attributed to the Oceanic Oil Co. The 1950 median asset companies were Grayson-Robinson Stores, Inc., 25.25 millions, and Gladding, McBean and Co., 20.13 millions.

millions, establishing the 1956 high. The low of \$40,000 was set by Southern California Petroleum Corp.¹⁴ The median income company was Marchant Calculators, Inc., with 1.92 millions.

Although the primary function served by the above table is to summarize the 1956 aggregate remuneration position of thirty-two California companies, an examination of the remuneration and assets ranks columns discloses deviations in aggregate remuneration and total assets. None of the companies listed in the table has the same remuneration as assets rank; and, while the remuneration columns list the companies on a declining scale, there are several instances of reversals in direction in the assets rank column.

As a further preliminary to correlating aggregate remuneration to total assets and net income, consideration may be given to the net income ranks of the thirty-two companies. Again, apart from affording data as to the 1956 range of remuneration, comparison of the preceding table's remuneration column with the income rank column reveals deviations of remuneration from net income. None of the companies listed appears in the same remuneration and income rank; there are also further instances of reversals in the income rank column.

Against the background of information charted in the above table covering the remuneration, total assets, and net income ranks of the thirty-two California companies and their initial indications of remuneration deviations from both total assets and net income, identification of the frequency of deviation in remuneration from assets may be noted by arranging the companies in a series based on their assets size, and making provision for an additional column setting forth the respective aggregate remuneration reported by each company. If the assets and remuneration figures are then each assigned an ordinal rank, commencing with the highest figures and ending with the lowest, the remuneration rank and the assets rank of each company may be compared.

Location of the ordinal remuneration and assets positions of the companies covered provides initially a basis for determining the frequency of deviation. A difference in the ordinal ranks of a particular company shows that it does not occupy the same comparative position

¹⁴High for 1950 was the 46 millions earned by the Pacific Telephone and Telegraph Co., while the lowest net income among 21 of the 22 companies was the \$90,000 reported by the Southern California Petroleum Corp. One of the California corporations, Northrop Aircraft Corp., showed a net loss of \$44,974 for 1950. The 1950 median income company was Marchant Calculators, Inc., with 2.17 millions.

with respect to remuneration that it holds from the standpoint of assets. Approached on this basis, an analysis of their remuneration and assets ranks reveals that in 1956 none of the thirty-two California companies had identical remuneration and assets positions. When the companies' net incomes are similarly ranked and compared with their aggregate remuneration position, it is found that only three of them stand in the same rank.¹⁵ It is therefore clear that comparison of the 1956 aggregate remuneration and total assets of the California companies confirms the findings in the prior study of many deviations between remuneration and assets. It is equally apparent that there were also many deviations among the companies in remuneration and net income.

The assigning of ordinal ranks based on remuneration, assets, and net income is useful as a device for determining the extent of the various deviations. By noting the numerical differences between the several companies' remuneration ranks and their assets ranks or their net income ranks, the extent of the deviations may be measured and the instances of substantial deviations in remuneration over assets and over income may be observed. For the purpose of summarizing the data bearing upon the extent of the deviations, any occasion on which the remuneration rank exceeded either the assets rank or the net income rank by five or more was treated as a *larger deviation*. An indication of the extent of the larger 1956 deviations in remuneration standing over assets and income is portrayed by the following table:¹⁶

1956 LARGER DEVIATIONS OVER ASSETS AND INCOME RANKS

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$693,272	5	128.82	10	(9.16)	32	Rheem Mfg. Co.
638,701	6	77.29	11	4.80	11	Garret Corp.
387,274	11	18.74	23	1.92	16	Marchant Calculators, Inc.
353,819	13	11.47	27	.55	25	Douglas Oil Co. of Calif.
320,391	15	14.57	25	.49	26	Grayson-Robinson Stores, Inc.

¹⁵When each of the 22 companies for which 1950 information was obtained is arranged in its respective remuneration, assets and net income ranks, only three of them are found at the same remuneration as assets level. Only one is located in the net income rank corresponding to its remuneration position.

¹⁶The 1950 data revealed three companies with larger deviations of remuneration over both assets and income. Lockheed Aircraft's \$604,166 aggregate remuneration placed it second, while its assets of 104.33 millions ranked eighth and its

In addition to the larger deviations of remuneration over both assets and income in 1956, there were also several instances of remuneration ranks representing a larger deviation over assets, though not over income, ranks. Gladding, McBean & Co.'s 1956 remuneration of \$420,263 was tenth largest; its assets rank was seventeenth, but the position of its 3.35 millions in income was thirteenth. Lockheed Aircraft Corp.'s remuneration of \$1,072,955 was second largest; but its assets of 384.56 millions ranked seventh, while its income of 71.41 millions was third. Caterpillar Tractor Co.'s remuneration payments of \$1,386,323 were the largest; but its assets of 399.66 millions was sixth, and its income of 55.40 millions was fourth. Besides these, two other companies' deviations in remuneration ranks were among the larger as compared to their income, but not their assets, standing. One, Ryan Aeronautical Co., reported remuneration of \$272,641, placing it seventeenth in rank. Its income of 1.25 millions was twenty-first, while its 34.77 millions in assets was fifteenth. Southern California Petroleum Corp.'s \$132,347 in remuneration was twenty-sixth, its income of \$40,000 thirty-first, and its assets of 8.26 millions twenty-eighth.¹⁷

Although identification of the ordinal positions of the various companies makes it possible to locate deviations at all points in a series, measurement of the extent of the deviations representing a higher remuneration than an assets or income rank on the basis of whether they equal or exceed a given difference is not possible with reference to companies holding an assets or income rank equal to or higher than the selected index.¹⁸ Moreover, although absolute ordinal

income of 7.20 millions was ninth. Garrett Corp.'s \$313,322 remuneration was seventh largest, but its 12.89 millions in assets was 15th and its 2.04 millions of income 12th. Northrop Aircraft Corp. paid \$251,070 in remuneration, the ninth largest sum, although its assets of 13.08 millions stood 14th and its loss of \$40,000 ranked it 22nd.

¹⁷In addition to the three 1950 instances of larger deviations of remuneration over both assets and income, independent larger deviations of remuneration over assets or income were noted. While the Caterpillar Tractor Co.'s \$691,727 in aggregate remuneration was the highest among the 22 companies, its 185.77 millions in assets gave it only sixth ranking. However, the company's 29.26 millions in net income placed it third. The Grayson-Robinson Stores, Inc. aggregate remuneration of \$286,122 ranked the company eighth, but its assets of 25.25 millions were only the 14th largest; the company's net income of 1.47 millions was 11th.

¹⁸When, as here, an index of five or more is employed for the purpose of measuring comparatively the extent of deviations in remuneration rank over assets or income rank, it is not possible to determine the scope of deviations among the

differences among larger remuneration companies may be no greater than among smaller ones, the comparative differences in actual remuneration may be relatively or absolutely greater. For these reasons the deviations among the larger companies will be portrayed by means of a table covering the corporations with the five largest 1956 remuneration, assets, and incomes, and indicating the respective ranks of each of the eight companies with regard to each item.

CORPORATIONS WITH FIVE LARGEST 1956 REMUNERATION,
ASSETS, AND INCOME

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$1,386,323	1	399.66	6	55.40	4	Caterpillar Tractor Co.
1,072,955	2	384.56	7	71.41	3	Lockheed Aircraft Corp.
807,927	3	650.70	5	34.24	5	Union Oil Co. of Calif.
777,773	4	1,884.76	2	75.74	2	Pacific Gas & Electric Co.
693,272	5	128.82	10	(9.16)	32	Rheem Mfg. Co.
584,664	7	2,087.05	1	90.55	1	Pacific Tel. & Tel. Co.
551,356	8	1,104.60	3	33.28	6	So. Calif. Edison Co.
223,764	22	668.33	4	22.10	7	Pacific Lighting Crop.

Apart from the various further indications of additional deviations and the larger deviations already noted, the table covering the larger companies is notable in several particulars. First, the remuneration rank of the four regulated utilities was in each instance lower than their assets and income ranks. Second, although the utilities had a higher assets ranks than the four industrials, three of the industrials paid more remuneration. Moreover, two of the four utilities also had higher net income than any of the four industrials.¹⁹ This suggests that a by-product of rate regulation may be an indirect limitation on officers' and directors' remuneration. Not answered by the tabulations is the question as to the actual basis for the substantial deviation in remuneration of the three largest industrials over the two largest utilities and the remuneration deviations of eighteen other industrials over Pacific Lighting Corp., the smallest of the four utilities.

companies having the five largest amounts of assets or income. If a company is among the five largest as to assets or income, its remuneration rank among the same group of companies cannot exceed by five or more its assets or income position.

¹⁹Substantially the same relationship existed in 1950 between the California

Florida Corporations

Seven Florida corporations, as of December 31, 1956, were listed on the New York Stock Exchange; another was later admitted to unlisted trading privileges on the American Stock Exchange, with the result that eight Florida corporations are dealt in on the two exchanges. Three of the New York Stock Exchange companies may be broadly classified as industrials, and the remaining four are utilities. The sole Florida corporation whose securities are dealt in on the American Stock Exchange is likewise a utility.

The eight Florida corporations clearly constitute a small group. Analysis of them is nevertheless interesting, principally for two reasons. First, each of the corporations may be tabulated directly, there being no need for resort to statistical tools in view of the small number of corporations involved. Second, it is possible to compare the results of analysis of a small group of corporations with the results gleaned from the substantially larger California and Virginia groups and the far larger Ohio group.

Aggregate remuneration for 1956 was obtained for seven of the eight Florida corporations. Information for one was not available because of its being admitted only to unlisted trading privileges.²⁰ The remuneration, assets, and income of each of the seven companies, with their respective ranks, are set forth in the following table:²¹

1956 REMUNERATION, ASSETS, AND INCOME

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$1,251,876	1	72.52	6	10.42	3	Winn-Dixie Stores, Inc.
617,514	2	47.07	7	4.30	5	National Airlines, Inc.
461,827	3	405.59	2	17.13	1	Florida P. & L. Corp.
391,112	4	590.05	1	16.82	2	Middle South Utilities, Inc.
285,000	5	90.61	5	1.33	7	Minute Maid Corp.
253,588	6	195.90	3	8.24	4	Florida Power Corp.
149,959	7	97.59	4	2.86	6	Peninsular Tel. Co.

utilities and industrials.

²⁰Minute Maid Corp. was not listed on the New York Stock Exchange until after 1950. Tampa Electric Co. was admitted only to unlisted trading privileges on the American Stock Exchange in both 1950 and 1956.

²¹The high-low range of 1950 aggregate remuneration paid by the Florida corporations was from \$400,489 paid by Winn-Dixie Stores, Inc. to \$95,285 paid

While there were in 1956, as in 1950, deviations among the non-utilities and to a lesser extent among the utilities, the deviations between the utilities and the nonutilities are, as in the case of California corporations, especially noticeable. Except for the lower income position of the Peninsular Telephone Co., the Florida utilities not only had by far the most assets but they also had substantially larger net incomes. Nevertheless the remuneration paid by utilities was much lower than nonutilities.

Ohio Corporations

There are ninety-four Ohio corporations whose securities are traded on the New York or the American stock exchange or both. Sixty-four are listed on the New York and thirty-three on the American; three companies have securities, though of different issues, traded on both exchanges. All but fifteen of those listed on the New York exchange may be broadly classified as industrials. Of the fifteen, six are utilities and nine are railroads. All but two of the American Stock Exchange corporations chartered in Ohio may similarly be classed as industrials, the two exceptions being utilities.

The Ohio aggregate remuneration high of \$1,728,150 in 1956 was set, as in 1950, by Procter & Gamble; this was an increase over 1950 of more than fifteen per cent. This was also the high for the four states.²² In summary tabular form the remuneration series is as follows:

1956 AGGREGATE REMUNERATION					
RANK	REMUNERATION		CORPORATION	RANK	
	<i>Amount</i>	<i>Rank</i>		<i>Assets</i>	<i>Income</i>
High	\$1,728,160	1	Procter & Gamble Co.	6	4
Third Quartile	655,924	18	Pure Oil Co.	7	8
	647,523	19	Electric Auto-Lite Co.	23	47
Median	369,857	38	Lamson & Sessions Co.	45	44
	350,958	39	Harshaw Chemical Co.	44	45
First Quartile	220,030	58	Buckeye Pipe Line Co.	34	38
	218,821	59	American Laundry Mach. Co.	39	49
Low	77,127	76	Acme Aluminum Alloys, Inc.	75	70

by Peninsular Telephone Co. The median remuneration payments were \$213,636 by Middle South Utilities, Inc. and \$160,898 by Florida Power Corp.

²²The Ohio high-low range of 1950 aggregate remuneration extended from the Procter & Gamble Co. high of \$1,500,166 to the Acme Aluminum Alloys, Inc. low

By 1956 assets had in most instances increased over 1950. High among the seventy-six companies covered²³ was New York Central Railroad's 2,624.75 millions,²⁴ and low was Manischewitz Company's three millions. The median assets companies were Dayton Rubber Co. with 46.53 millions and American Laundry Machinery Co. at 45.04 millions. The third quartile companies were Thompson Products Co. at 204.92 millions and Columbus & Southern Ohio Electric Co. with 221.96 millions. The first quartile assets companies were Hercules Motors Corp. at 14.9 millions and Master Electric Co. with 14 millions.²⁵

Net income in 1956 was also generally higher than in 1950. Leading the Ohio corporations was Armco Steel Corp.'s 65.59 millions. The low was Hercules Motor Corp. with \$150,000. The median net incomes were 2.95 millions for Buckeye Pipe Line Co. and 2.92 millions for Reliance Electric and Engineering Co. The third quartile net incomes were Champion Paper and Fiber Co.'s 13.10 millions and Thompson Products, Inc.'s 13.01 millions. The first quartile

of \$77,359. The Procter & Gamble Co. figure was also high for the corporations of the four states surveyed. The median payment was U.S. Playing Card Co.'s \$302,055, while the third quartile company was Champion Paper and Fiber Co. with \$545,343; in the first quartile was Aro Equipment Corp. with a payment of \$157,214.

²³Among the reasons for unavailability of information were the facts that 8 of the 94 Ohio corporations were not listed until after 1950, seven were majority-owned subsidiaries of other railroads and in one instance of another utility, and two had been merged with other companies. In addition, three (Sherwin-Williams Company, Thew Shovel Company, and True Temper Corp.) have only unlisted trading privileges on the American Stock Exchange. Seven other Ohio corporations (Aluminum Industries, Inc., Kobacker Stores, Inc., Lunkenheimer Company, Mead Corporation, Nestle-Lemur Company, Shoe Corp. of America and U.S. Shoe Corp.) had in 1950 pursued a policy of not soliciting proxies. The nonsolicitation policy of the former management of Aluminum Industries, Inc. resulted in its ouster in a proxy contest in 1952. See EMERSON and LATCHAM, *SHAREHOLDER DEMOCRACY: A BROADER OUTLOOK FOR CORPORATIONS* 137-38 (1954).

The 1956 Ohio nonsolicitors were Kobacker Stores, Inc., Lukenheimer Company, Nestle-Lemur Company, and Shoe Corp. of America.

²⁴The New York Central Railroad provides an example of multiple incorporation; it is incorporated in several other states besides Ohio.

²⁵High in assets in 1950 among the 63 Ohio companies covered was New York Central Railroad at 2,547.95 millions, while the 1.94 millions in assets of United Aircraft Products, Inc. was low. Median assets amounted to 40.08 millions, reported for Eagle-Picher Co. The third quartile 1950 assets, amounting to 154.03 millions, were held by Dayton Power & Light Co. As the first quartile position was the 9.18 millions in assets of F. E. Myers and Bro. Co.

position was occupied by Mansfield Tire and Rubber Co. and Dobeckmun Co., both of whom had net incomes of 1.37 millions.²⁶

In 1956 only one of the seventy-six Ohio corporations listed on the New York and American stock exchanges and for which data were obtained had the same remuneration rank it held with reference to assets. There were only four that had the same remuneration and income ranks. More important, there were, once again, many among the numerous deviations that were larger when measured in terms of the previously employed index.²⁷ Specifically, there were twenty-two in number:²⁸

1956 LARGER DEVIATIONS OVER ASSETS AND INCOME RANKS

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$1,226,375	4	403.25	10	35.34	9	Owens-Illinois Glass Co.
1,152,837	6	204.92	20	13.01	20	Thompson Products, Inc.
1,018,794	8	113.86	28	13.10	19	Champion Paper & Fibre Co.
878,797	9	237.90	18	10.86	23	General Tire & Rubber Co.
847,025	10	113.67	29	7.18	27	White Motor Co.
726,719	15	28.53	48	5.51	31	Storer Broadcasting Co.
595,796	21	65.27	32	5.90	30	Eagle-Picher Co.
591,792	22	69.87	31	4.58	34	City Products Corp.
550,480	25	36.83	42	4.84	32	Cooper-Bessemer Corp.
497,464	27	46.53	38	2.59	42	Dayton Rubber Co.
451,682	29	40.15	41	2.38	46	Ferro Corp.
383,512	35	24.12	49	1.37	59	Dobeckmun Co.
375,850	37	17.11	52	2.34	48	U. S. Shoe Corp.
369,357	38	30.91	45	2.52	44	Lamson & Sessions Co.
337,545	42	15.85	55	1.81	53	U. S. Playing Card Co.
304,346	44	16.91	53	1.79	54	De Vilbiss Co.
298,806	45	8.70	70	.68	66	Russell (F. C.) Co.
291,653	46	13.17	62	1.60	56	Clark Controller Co.
267,638	51	11.62	64	1.41	57	Jaeger Machine Co.
226,126	56	11.11	66	.69	65	National Rubber Mach. Co.
206,118	61	3.05	76	.21	75	Manischewitz Company
190,124	68	3.77	74	.34	73	United Aircraft Corp.

²⁶The 1950 Ohio net income high was the 47.00 millions earned by the Armco Steel Corp., and the low was the United Aircraft Products, Inc. profits of \$70,000. The median income was 3.91 millions, earned by Clevite Corp. The third quartile net income position was held by Kroger Co. with profits of 13.08 millions, while the first quartile income was 1.19 millions reported by De Vilbiss Co.

²⁷See p. 162 *supra*.

²⁸In 1950 there were 21 such companies. These companies, with their 1950

The relative positions among the largest Ohio corporations are indicated by the following table of the companies with the ten largest remuneration, assets, and income ranks, encompassing sixteen Ohio corporations:

CORPORATIONS WITH TEN LARGEST 1956 REMUNERATION, ASSETS, AND INCOME

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$1,728,160	1	554.11	6	59.31	4	Procter & Gamble Co.
1,617,416	2	612.82	5	65.59	1	Armco Steel Corp.
1,288,014	3	852.30	2	62.45	2	Goodyear Tire & Rubber Co.
1,226,375	4	403.25	10	35.34	9	Owens-Illinois Glass Co.
1,212,430	5	620.60	4	43.17	5	Youngstown Sheet & Tube Co.
1,152,837	6	204.92	20	13.01	20	Thompson Products, Inc.
1,115,387	7	705.26	3	60.53	3	Firestone Tire & Rubber Co.
1,018,794	8	113.86	28	13.10	19	Champion Paper & Fibre Co.
878,797	9	237.90	18	10.86	23	General Tire & Rubber Co.
847,025	10	113.67	29	7.18	27	White Motor Co.
742,754	14	173.52	22	29.16	10	Libby-Owens-Ford Glass Co.
719,101	17	2,624.75	1	42.76	6	N. Y. Central R. R.
655,924	18	488.31	7	36.55	8	Pure Oil Co.
602,810	20	467.18	8	18.62	14	Cleveland Elec. Illum. Co.
590,906	23	365.77	12	41.21	7	Ohio Oil Co.
389,129	34	447.70	9	23.92	12	Ohio Edison Co.

In Ohio, as in California and Florida, it may be stated in summary that in both 1950 and 1956 there were many and extensive deviations in remuneration over assets and income among the industrials. Especially pronounced, as appears from the preceding table, was the scope of the deviations of the industrials over the regulated utilities; in this connection the data for Cleveland Electric Illuminating Co. and Ohio Edison Co. are pertinent.

aggregate remuneration payments, were Procter & Gamble Co., \$1,500,166; Owens-Illinois Glass Co., \$1,058,650; Thompson Products, Inc., \$839,725; Eaton Mfg. Co., \$804,046; Electric Auto-Lite Co., \$683,496; Clevite Corp., \$564,968; White Motor Co., \$556,850; City Products Co., \$555,575; Glidden Co., \$546,616; Cooper-Bessemer Corp., \$480,662; Dayton Rubber Co., \$435,915; Cincinnati Milling Machine Co., \$401,963; Interchemical Corp., \$365,481; Ferro Corp., \$319,843; U. S. Playing Card Co., \$302,055; Lamson & Sessions Co., \$290,971; Youngstown Steel Door Co., \$260,583; Standard Products Co., \$159,899; Aro Equipment Corp., \$157,214; Monarch Machine Tool Co., \$157,000; and Manischewitz Company, \$155,526.

Virginia Corporations

There are thirty-six Virginia chartered corporations whose securities are dealt in on the two exchanges; twenty-nine are listed on the New York and seven on the American. While the industrials predominate on both exchanges, six of those listed on the New York exchange are railroads and two are utilities. All seven of the American Stock Exchange companies are industrials.

Aggregate remuneration for twenty-seven of the thirty-six Virginia corporations listed on the two exchanges was procured for 1956. Information was not available either from the companies whose securities were admitted to unlisted trading privileges or from those who did not file with the SEC or disseminate proxy statements to shareholders.²⁹

The \$1,067,193 remuneration of Associated Dry Goods Corp. established the 1956 high, while Lanston Industries' \$62,359 was low. A table comparable to those covering the three states previously considered follows:³⁰

RANK	1956 AGGREGATE REMUNERATION		CORPORATION	RANK	
	Amount	Rank		Assets	Income
High	\$1,067,193	1	Associated Dry Goods Corp.	10	9
Third Quartile	522,731	7	Stewart-Warner Co.	14	10
Median	309,023	14	Hupp Corp.	15	21
First Quartile	216,410	21	Telautograph Corp.	25	27
Low	62,359	27	Lanston Industries	26	25

Assets and income, like remuneration, had, of course, increased

²⁹Information for 1950 was obtained as to the aggregate remuneration of 23 of the 36 corporations listed on the two exchanges. The principal reasons indicated for nonavailability of data were again that there was no listing until after 1950, admission only to unlisted trading privileges, and a policy of not soliciting shareholders' proxies or furnishing them proxy statements. The 1950 nonsolicitors were the Dana Corporation, Financial General Corp., and Sweets Co. of America, none of whom solicited proxies in 1956.

³⁰High in aggregate remuneration for 1950 was the Associated Dry Goods Corp. with \$1,181,030, while the low was Telautograph Corp.'s \$47,041. The median aggregate remuneration was Chesapeake Corp. of Virginia's \$263,003. At the third and first quartile, respectively, were the \$506,644 disbursement by Universal Leaf Tobacco Co., Inc. and the \$133,488 payment by Standard Packaging Corp.

generally by 1956. The high and low assets ranks for 1956, as in 1950, were held by Chesapeake & Ohio Railway with 1,040.05 millions and Wood Newspaper Machinery Corp. at 3.91 millions respectively. The median assets, held by Stewart-Warner Co., amounted to 63.50 millions.³¹

Chesapeake & Ohio Railway held the net income high in 1956 with profits of 66.73 millions, while Continental Aviation & Eng. Co. was low at \$7,000. The median income among the twenty-six companies reporting net income was Smith-Douglass Co., Inc., with profits of 1.90 millions.³²

In 1956 only one Virginia corporation had the same remuneration as assets rank, and only five had the same income as remuneration position.³³ The larger deviations³⁴ of remuneration over both assets and income ranks were the following:³⁵

1956 LARGER DEVIATIONS OVER ASSETS AND INCOME RANKS

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$1,067,193	1	109.42	10	6.75	9	Associated Dry Goods Corp.
898,696	3	78.49	11	1.60	15	Continental Motors Corp.
310,179	13	26.70	18	.93	19	American Safety Razor Corp.

The deviations among the largest industrials and between the largest industrials and the largest railroads are indicated in the following table:

³¹In 1950 Chesapeake & Ohio Railway's 862.85 millions in assets were also high, while the Wood Newspaper Machinery Corp.'s 4.02 millions were low. Median assets amounted to 44.47 millions, reported by Newport News Shipbuilding & Dry Dock Co.

³²The 1950 operations resulting in the largest net income were those of the Chesapeake & Ohio Railway, whose profits amounted to 33.94 millions. The lowest among the 23 companies was Telautograph Corp. with net income of \$180,000. The median income was 3.61 millions, recorded by Continental Motors Corp.

³³Among the 23 Virginia corporations encompassed by the 1950 portion of the present survey there were only two holding the same remuneration as assets position. Four occupied the same remuneration and net income ranks.

³⁴See p. 162 *supra*.

³⁵There were five such companies in 1950. With their aggregate remuneration, they were Associated Dry Goods Corp., \$1,181,030; Continental Motors Corp., \$629,724; Universal Leaf Tobacco Co., Inc., \$506,644; Newport News Shipbuilding & Dry Dock Co., \$448,259; and American Safety Razor Corp., \$337,819.

CORPORATIONS WITH FIVE LARGEST 1956 REMUNERATION,
ASSETS, AND INCOME

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$1,067,193	1	109.42	10	6.75	9	Associated Dry Goods Corp.
957,673	2	428.35	4	20.10	3	National Distillers Prod. Corp.
898,696	3	78.49	11	1.60	15	Continental Motors Corp.
680,354	4	281.17	7	12.76	6	Philip Morris, Inc.
662,474	5	1,040.05	1	66.73	1	Chesapeake & Ohio Ry.
474,067	8	811.79	2	38.12	2	Southern Ry.
456,895	9	520.82	3	11.83	7	Atlantic Coast Line R. R.
316,500	12	355.85	5	18.44	4	Seaboard Air Line R. R.
214,068	22	198.21	8	14.28	5	Virginia Ry.

Apart from the deviations reflected in the above table among the largest industrials, the positions of the railroads are notable, particularly in view of the absence of utilities from the Virginia chartered largest corporations. Although the assets and income of the railroads in most instances exceeded the largest industrials in both 1950 and 1956, the remuneration paid by the industrials was larger for the most part in both years. Inasmuch as railroads, like utilities, operate in a regulated industry, there is a further suggestion in the Virginia data that a by-product of rate regulation is an indirect limitation on officers' and directors' remuneration. The 1950 and 1956 positions of the railroads incorporated in Ohio confirm this observation.

INDIVIDUAL REMUNERATION

The information on individual, like that on aggregate, remuneration was taken from 1951 and 1957 proxy statements.³⁶ In each instance it represents the largest amount of direct remuneration paid to any individual officer or director, except that it does not include any highest paid officer or director who in 1956 was not paid in excess of \$30,000 or in 1950 in excess of \$25,000.³⁷ Almost invariably

³⁶See SEC Reg. X-14, 17 C.F.R. §240.14a, Sched. 14A, Item 7(a)(1) (Supp. 1956).

³⁷Prior to its amendment in January 1954 the \$30,000 minimum provision of Item 7(a)(1) was \$25,000. See SEC Securities Exchange Act Release No. 4979 (Jan. 6, 1954).

the recipient was either the corporate president or the board chairman.

California Corporations

The highest individual remuneration paid to any officer or director for 1956 was procured as to twenty-eight persons representing as many corporations. Twenty were presidents and seven were board chairmen, while one was not identified otherwise than as a director. Of the thirty-two companies for whom aggregate remuneration data were obtained, four did not pay any individual officer or director in excess of \$30,000.

The highest paid individual in 1956 was the president of Beckman Instruments, Inc., to whom \$213,595 was credited. The sum may be compared with the second largest individual payment of \$155,000 to the Caterpillar Tractor Co. chairman, and the seventh largest payment of \$95,400 by Pacific Telephone & Telegraph Co. to its chairman. Low was the \$35,555 paid to the Southern California Petroleum Corp. president.³⁸

1956 HIGHEST INDIVIDUAL REMUNERATION

RANGE	REMUNERATION		CORPORATION	RANK	
	<i>Amount</i>	<i>Rank</i>		<i>Assets</i>	<i>Income</i>
High	\$213,593	1	Beckman Instruments, Inc.	21	17
Third Quartile	126,363	7	Pacific Tel. & Tel. Co.	1	1
	98,484	8	Hoffman Electronics Corp.	23	18
Median	83,507	14	Garrett Corp.	11	11
	81,009	15	Budget Finance Plan	18	23
First Quartile	55,617	21	Thriftmart, Inc.	19	20
	52,756	22	Menasco Mfg. Co.	25	22
Low	35,550	28	So. Calif. Petrol. Corp.	27	27

In terms of both assets and income ranks, the larger among the numerous deviations were as follows:³⁹

³⁸The highest 1950 individual remuneration paid was Grayson-Robinson Stores, Inc., \$118,322, and the low was the \$38,550 disbursed by Gladding, McBean & Co. The median highest individual remuneration payments were the \$70,000 paid by Southern California Edison Co. and the \$60,180 disbursed by Garret Corporation.

³⁹There were three such deviations among the highest individual remunerations paid by the California corporations in 1950. The companies, with their highest individual remuneration payments were Grayson-Robinson Stores, Inc., \$118,322; Lockheed Aircraft Corp., \$112,136; and Marchant Calculators, Inc., \$99,441.

1956 LARGER DEVIATIONS OVER ASSETS AND INCOME RANKS

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$213,593	1	21.85	21	1.74	17	Beckman Instruments, Inc.
127,821	6	18.74	22	1.92	16	Marchant Calculators, Inc.
98,484	8	14.62	23	1.60	18	Hoffman Electronics Corp.
85,464	12	14.57	24	.49	25	Grayson-Robinson Stores, Inc.
66,000	18	11.47	26	.55	24	Douglas Oil Co. of Calif.

Comparison of the preceding table and similar 1950 data with the corresponding California table under the heading "Aggregate Remuneration" and related 1950 information indicates that three of the eight companies whose 1950 and 1956 individual remuneration was among the larger deviations occupied a similar position with respect to their aggregate remuneration.

The deviations in individual remuneration among the largest California corporations are shown in the following table:

CORPORATIONS WITH FIVE LARGEST 1956 INDIVIDUAL
REMUNERATION, ASSETS, AND INCOME

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$213,593	1	21.85	21	1.74	17	Beckman Instruments, Inc.
155,000	2	399.66	6	55.40	4	Caterpillar Tractor Co.
143,893	3	384.56	7	71.41	3	Lockheed Aircraft Corp.
136,465	4	1,884.76	2	75.74	2	Pacific Gas & Elec. Co.
129,355	5	650.70	5	34.24	5	Union Oil Co.
126,363	7	2,087.05	1	90.55	1	Pacific Tel. & Tel. Co.
96,972	9	1,104.60	3	33.28	6	So. Calif. Edison Co.
78,525	16	668.33	4	22.10	7	Pacific Lighting Corp.

One California corporation, Rheem Mfg. Co., reported a net loss of 9.16 millions in 1956. Nevertheless, it paid the tenth largest individual remuneration, \$95,400 each to its board chairman and vice-board chairman, both members of the Rheem family.

In 1956, as in 1950, deviations in individual remuneration persisted among the industrials and between the industrials and the utilities. In this respect there was a common pattern between officers' and directors' aggregate remuneration and the individual remuneration of the highest paid officers and directors.

Florida Corporations

Winn-Dixie Stores, Inc.'s \$150,000 individual remuneration payment headed the 1956 Florida compensation; moreover, \$150,000 each was paid to its board chairman, president, and executive vice-president, all members of the same family. The low among the seven companies surveyed was the \$41,423 received by the Florida Power Corp. president.⁴⁰ The following table represents the 1956 individual remuneration for Florida corporations:

1956 INDIVIDUAL REMUNERATION, ASSETS, AND INCOME

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$150,000	1	72.72	6	10.42	3	Winn-Dixie Stores, Inc.
110,783	2	47.07	7	4.30	5	National Airlines, Inc.
100,436	3	590.05	1	16.82	2	Middle South Utilities, Inc.
82,495	4	405.59	2	17.13	1	Florida P. & L. Corp.
64,950	5	90.61	5	1.33	7	Minute Maid Corp.
63,185	6	97.59	4	2.86	6	Peninsular Tel. Co.
41,423	7	195.90	3	8.24	4	Florida Power Corp.

Although the Florida group is quite small, it nevertheless is of interest because it again indicates without resort to statistical techniques the same pattern disclosed by analysis of the larger groups from the other three states.

Ohio Corporations

In 1956, as in 1950, the highest individual remuneration paid by any Ohio corporation was received by the president of Procter & Gamble Co. He received \$285,000, an increase of more than \$50,000 over 1950. This was the highest individual remuneration paid by any corporation represented in this study. Second highest was the \$265,000 received by the president of Armco Steel Corp., while the Ohio low was \$35,000 for the president of Acme Aluminum Alloys,

⁴⁰Highest among the 1950 individual remunerations of the Florida corporations was the \$81,401 for the president of National Airlines. The low was the \$30,000 paid to the Florida Power Corp. president. The median highest individual remuneration payments were the \$65,695 disbursed by Middle South Utilities, Inc. and \$46,913 by Florida Power & Light Corp.

Inc.⁴¹ Sixty-two of the Ohio recipients of the highest remuneration reported by their respective companies were corporate presidents; the remaining twelve were board chairmen.

1956 HIGHEST INDIVIDUAL REMUNERATION

RANGE	REMUNERATION		CORPORATION	RANK	
	Amount	Rank		Assets	Income
High	\$285,000	1	Procter & Gamble Co.	6	4
Third Quartile	115,000	19	Ohio Edison Co.	9	12
Median	75,550	37	Electric Auto-Lite Co.	23	47
	75,350	38	Storer Broadcasting Co.	48	31
First Quartile	56,900	56	Lamson-Sessions Co.	45	44
Low	35,000	74	Acme Aluminum Alloys, Inc.	73	68

Deviations, as in 1950 and as in the case of aggregate remuneration, were numerous. Among the larger deviations of highest individual remuneration standing over both assets and income positions were the following:⁴²

1956 LARGER DEVIATIONS OVER ASSETS AND INCOME RANKS

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
Amount	Rank	Amount	Rank	Amount	Rank	
\$199,906	4	139.28	24	21.78	13	Timkin Roller Bearing Co.
175,000	6	259.51	16	17.07	15	Kroger Co.
166,500	8	204.92	20	13.01	20	Thompson Products, Inc.
147,000	10	237.90	18	10.86	23	General Tire & Rubber Co.
136,919	11	8.70	70	.68	65	Russell (F. C.) Co.
127,548	13	118.73	26	8.14	25	Glidden Co.
125,000	14	29.17	47	4.30	35	National Acme Co.

⁴¹In 1950 the highest paid individual among the officers and directors of 61 Ohio corporations was the president of Procter & Gamble Co., who received \$232,991. His was also by far the highest 1950 remuneration payment by any corporation for which data were obtained. The Ohio low was the \$26,760 paid to the Gabriel Co. president. Fifty of the highest paid individuals were corporate presidents, nine were board chairmen, one was an executive vice president, and another was a vice president.

⁴²In 1950 there were 19 highest individual remunerations paid by Ohio corporations listed on the New York and American stock exchanges. The companies and the individual remuneration paid were Procter & Gamble Co., \$232,991; Timkin Roller Bearing Co., \$170,000; Thompson Products, Inc., \$151,100; Kroger Co., \$125,769; Eaton Mfg. Co., \$125,000; General Tire & Rubber Co., \$122,000; White Motor Co., \$120,000; Midland Steel Products Co., \$120,000; Champion Paper

REMUNERATION		ASSETS		INCOME		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
120,000	15	113.67	29	7.18	27	White Motor Co.
120,000	17	65.27	32	5.90	30	Eagle-Picher Co.
106,341	21	13.17	62	1.60	56	Clark Controller Co.
95,877	27	15.85	55	1.81	53	U. S. Playing Card Co.
93,920	28	50.16	37	3.82	37	Nat'l Mall. & Steel Castings Co.
92,009	30	14.01	59	2.02	52	Master Electric Co.
79,181	35	40.15	41	2.38	46	Ferro Corp.
75,000	41	24.12	49	1.37	59	Dobeckmun Co.
70,500	43	17.11	52	2.34	48	U. S. Shoe Corp.
68,836	44	11.62	64	1.41	57	Jaeger Machine Co.
67,700	45	17.59	51	2.21	51	Ranco, Inc.
65,000	48	8.14	72	.21	74	Aluminum Industries, Inc.

In 1956 the highest individual remuneration payments for the largest Ohio corporations were as follows:

CORPORATIONS WITH TEN LARGEST 1956 INDIVIDUAL REMUNERATION, ASSETS, AND INCOME

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$285,000	1	554.11	6	59.31	4	Procter & Gamble Co.
265,000	2	612.82	5	65.59	1	Armco Steel Corp.
234,218	3	620.60	4	43.17	5	Youngstown Sheet & Tube Co.
199,906	4	139.28	24	21.78	13	Timkin Roller Bearing Co.
187,372	5	852.30	2	62.45	2	Goodyear Tire & Rubber Co.
175,000	6	259.51	16	17.07	15	Kroger Co.
170,000	7	705.26	3	60.53	3	Firestone Tire & Rubber Co.
166,500	8	204.92	20	13.01	20	Thompson Products, Inc.
155,000	9	332.63	14	26.59	11	Standard Oil Co. (Ohio)
147,000	10	237.90	18	10.86	23	General Tire & Rubber Co.
135,000	12	403.25	10	35.34	9	Owens-Illinois Glass Co.
120,000	16	467.18	8	18.62	14	Cleveland Elec. Illum. Co.
115,000	19	447.10	9	23.92	12	Ohio Edison Co.
106,566	20	2,624.75	1	42.76	6	N. Y. Central R. R.
100,527	24	173.52	22	29.16	10	Libby-Owens-Ford Glass Co.
99,912	25	488.31	7	36.55	8	Pure Oil Co.
80,000	32	365.77	12	41.21	7	Ohio Oil Co.

& Fiber Co., \$101,142; Eagle-Picher Co., \$80,000; Cooper-Bessemer Corp., \$77,334; Dayton Rubber Co., \$73,120; Master Electric Co., \$71,490; U. S. Playing Card Co., \$65,092; Standard Products Co., \$58,874; Reliance Electric & Eng. Co., \$58,000; Clark Controller Co., \$56,496; Aro Equipment Corp., \$53,445; Manischewitz Company, \$35,000.

The data reveal for the Ohio corporations in both 1950 and 1956 an especially large number of deviations and, particularly, numerous extensive deviations. Deviations among the industrials, as in the other three states, were marked; and the deviations between industrials, on the one hand, and utilities and railroads, on the other, were pronounced.

Virginia Corporations

Data as to the highest individual remuneration paid in 1956 were obtained for twenty-four companies. Twenty-two of the recipients were corporate presidents; two were board chairmen.⁴³ As in 1950, the highest individual payment was to the president of National Distillers Products Corp., while the low was set by the Southern Materials Co., Inc. payment of \$45,860 to its board chairman.⁴⁴ The range is summarized in the following table:

1956 HIGHEST INDIVIDUAL REMUNERATION

RANGE	REMUNERATION		CORPORATION	RANK	
	Amount	Rank		Assets	Income
High	\$233,502	1	Nat'l Distillers Prod. Corp.	4	3
Third Quartile	104,677	6	N'port News Ship. & Dry Dock	12	12
	102,068	7	Telautograph Corp.	23	24
Median	91,905	12	Cont'l Aviation & Eng. Co.	19	23
	89,214	13	Atlantic Coast Line R. R.	3	7
First Quartile	56,700	18	Virginia Ry.	8	5
	52,167	19	Hupp Corp.	15	20
Low	45,860	24	Southern Materials Co., Inc.	22	18

Only two Virginia corporations had the same remuneration and assets rank; none had the same remuneration position as income.⁴⁵

⁴³Highest individual remuneration for 1950 was tabulated for 19 Virginia corporations. The payments were made to 16 corporate presidents and three board chairmen. Three Virginia corporations did not pay any officer or director direct compensation in excess of \$25,000.

⁴⁴In 1950 the largest individual remuneration, received by the chairman of the board of National Distillers Products, Inc., amounted to \$180,804. Low was the \$36,300 disbursed to the Standard Packaging Corp. president.

⁴⁵In 1950 all but three of the Virginia corporations held different remuneration from assets or income ranks.

Among the larger deviations of remuneration over both assets and income standing were the following:⁴⁶

1956 LARGER DEVIATIONS OVER ASSETS AND INCOME RANKS

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$169,885	2	63.50	14	6.63	10	Stewart-Warner Co.
120,000	4	109.42	10	6.75	9	Associated Dry Goods Corp.
104,677	6	71.44	12	3.39	12	Newport News Ship. & Dry Dock
102,063	7	10.99	23	(.76)	24	Telautograph Corp.
91,905	12	17.78	20	.007	23	Cont'l Aviation & Eng. Co.

As in the instance of the 1950 information concerning highest individual remuneration and the data pertaining to aggregate remuneration, there were, in addition to the deviations among the industrials, recurring substantial deviations between the industrials and the railroads. Among the Virginia corporations the status of the railroads continued to be similar to the position of the utilities in the other three states. Again, the Virginia chartered railroads paralleled the standing of the railroads incorporated in Ohio. The deviations among the largest Virginia corporations and the pattern indicated by the railroads are indicated by the following table:

CORPORATIONS WITH FIVE LARGEST 1956 INDIVIDUAL REMUNERATION, ASSETS, AND INCOME

REMUNERATION		ASSETS (MILLIONS)		INCOME (MILLIONS)		CORPORATION
<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	<i>Amount</i>	<i>Rank</i>	
\$233,502	1	428.35	4	20.10	3	Nat'l Distillers Products Corp.
169,885	2	63.50	14	6.63	10	Stewart-Warner Co.
159,140	3	1,040.50	1	66.73	1	Ches. & Ohio Ry.
120,000	4	109.42	10	6.75	9	Associated Dry Goods Corp.
105,400	5	811.79	2	38.12	2	Southern Ry.
101,134	8	355.85	5	18.44	4	Seaboard Air Line R. R.
89,214	13	520.82	3	11.83	7	Atlantic Coast Line R. R.
56,700	18	198.21	8	14.28	5	Virginia Ry.

⁴⁶There were four such deviations among the highest individual remunerations paid by the Virginia corporations in 1950. The companies and their highest individual remuneration payments were Associated Dry Goods Corp., \$145,000; Newport News Shipbuilding & Dry Dock Co., \$112,345; Chesapeake Corp. of Virginia, \$110,709; and Universal Leaf Tobacco Co., Inc., \$76,312.

CONCLUSION

The findings of the present study of listed California, Florida, Ohio, and Virginia corporations confirm the conclusions of the prior survey of the nation's largest corporations that deviations in 1950 among the remuneration of corporate presidents and board chairmen were "many and erratic."⁴⁷ The present study further shows that a substantial number of the 1950 deviations in the individual remuneration of corporate presidents and board chairmen were extensive in scope. In addition, the study shows that the same conditions obtained in 1950 for the four states as to the aggregate remuneration of officers and directors as a group. Moreover, it reveals further that in 1950 the many and extensive deviations in officers' and directors' aggregate remuneration and in the remuneration of the highest paid officers and directors were present at almost all assets and income levels. All of these various conditions existed in 1956. A further conclusion, adverted to from time to time in presenting the results of the study, is that besides the many and extensive deviations among the industrials, there were particularly pronounced deviations in both 1950 and 1956 between the industrials and the regulated utilities and railroads as to both the aggregate and individual remuneration of officers and directors.

The present survey has been confined to a correlation of individual and aggregate direct remuneration, as disclosed in proxy statements, and total assets and net income, as set forth in the companies' balance sheets and income statements. Although financial statements have limitations, they are nevertheless the accepted means of accounting for the administration of business assets and the results of business operations. Although more or less traditionally there have been in some instances high assets or in others low income industries, these phenomena were considerably neutralized here by employing the technique of not tabulating a deviation as among the larger deviations⁴⁸ unless there was a larger deviation of remuneration rank over both assets and income ranks.

It is not intended to indicate that the factors here surveyed — assets administered and income produced — are the only ones that bear upon officers' and directors' remuneration. Among other of the more tangible factors not touched on here but often mentioned as pertinent

⁴⁷See note 1 *supra*.

⁴⁸See p. 162 *supra*.

are (1) the competitive situation or stability of the business, (2) the specific industry in which an industrial operated, (3) the extent of the officers' and directors' stock control, and (4) the impact of the progressive individual income tax. For purposes of this article only brief comment in reverse order concerning these matters can be offered, for they are without the scope of the data tabulated.

While the progressive income tax tends generally to discourage large remuneration, in special instances it may have the result of encouraging larger remuneration in order to net increased compensation. In either event, however, the tax is uniform as to rate at any particular income level. Stock control, actual or working, may indicate a tactical position lending a degree of believed immunity that leads to larger compensation, but it does not establish the existence of the legal standard of the fairness or reasonableness of the remuneration paid. Indeed, it may even suggest a fiduciary duty on the part of the controlling officer or director that is also inconsistent with his large remuneration. Asserted differences among industrials based on the particular product produced, even if assumed to have had a rational basis, are probably narrowing considerably, at least as to officers and directors, as the professionalization of business administration increases. Finally, whatever may be the degree of competition or stability in a particular business, such competition as there may be for officers' or directors' positions rarely results in their removal. Typically they continue to hold office year after year, except for occasional ousters as a consequence of a proxy contest or a palace revolt.

These and other matters nevertheless continue to be factors in determining officers' and directors' remuneration. A question, however, remains as to whether economically, legally, or otherwise they justify the many and extensive deviations pointed up by the present survey. Even if they are thought to suggest justification, a question still remains as to whether they substantially explain the full extent of the deviations in remuneration.⁴⁹ It seems clear from the data developed that, in a great many instances, if officers' and directors'

⁴⁹*E.g.*, it may be argued that officers and directors of industrial concerns, among other things, work harder, must be more aggressive, and are subject to more rigorous inter-firm competition than officers and directors of either utilities or railroads. However, does this adequately account for the full extent of the vast differences in the amounts of remuneration paid by the regulated utilities or railroads and the sum disbursed by the industrials under present judicial doctrine?

remuneration has a fair and reasonable basis, it rests upon factors other than the amount of assets administered and the income produced. It is submitted that this conclusion alone suggests that the courts should abandon their present position of aloofness, based essentially on the assumption of fairness and reasonableness,⁵⁰ and permit examination into the conditions relied upon by corporate boards in reaching the conclusion that the remuneration of officers and directors is fair and reasonable.⁵¹

⁵⁰See BALLENTINE, CORPORATIONS §76, at 193 (1946). See also generally WASHINGTON and ROTHSCHILD, COMPENSATING THE CORPORATE EXECUTIVE (1951).

⁵¹There is ample precedent for changing or modifying common law doctrine. As Mr. Justice Cardozo has pointed out: "There should be greater readiness to abandon an untenable position when the rule to be discarded may not reasonably be supposed to have determined the conduct of the litigants, and particularly when in its origin it was the product of institutions or conditions which have gained a new significance or development with the progress of the years. In such circumstances, the words of Wheeler, J., in *Dwy v. Connecticut Co.*, 89 Conn. 74, 99, express the tone and temper in which problems should be met: '. . . It is thus great writers upon the common law have discovered the source and method of its growth, and in its growth found its health and life. It is not and it should not be stationary. Change of this character should not be left to the legislature.' If judges have woefully misinterpreted the *mores* of their day, or if the *mores* of their day are no longer those of ours, they ought not to tie, in helpless submission, the hands of their successors." CARDOZO, *The Nature of the Judicial Process*, in SELECTED WRITINGS OF BENJAMIN NATHAN CARDOZO 171-72 (Hall ed. 1947).