

**FOREIGN
LONG-TERM INVESTMENTS
IN THE UNITED STATES
1937-39**

**U. S. DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE**

U. S. DEPARTMENT OF COMMERCE
Jesse H. Jones, *Secretary*
BUREAU OF FOREIGN AND DOMESTIC COMMERCE
James W. Young, *Director*

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FOREIGN
LONG-TERM INVESTMENTS
IN THE UNITED STATES
1937-39

BY
PAUL D. DICKENS
ECONOMIC ANALYST
FINANCE DIVISION



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FOREWORD

This bulletin is the second comprehensive report on foreign-owned assets in the United States prepared in the Finance Division of this Bureau. The original analysis of foreign holdings in the United States was based largely on statistical data reported for the end of 1934 and was published in 1937 under the title, *Foreign Investments in the United States*.

Developments both at home and abroad during the past 5 years have directed attention to many problems in the appraisal of which this publication has served a wide and useful purpose. The same developments have been of considerable influence in determining the volume of international capital movements since 1935, the net result of which has been a marked change in the international creditor-debtor position of the United States. The purpose of the present report is to trace the changes in foreign holdings of United States securities and other long-term investments during this period and to appraise the factors which have been primarily instrumental in determining the present character and value of foreign-owned assets in this country.

The primary data on which the present analysis is based relate to the middle of 1937. Long-term foreign investments in this country as of that date are estimated at \$7,007,000,000, as compared with \$4,943,000,000 at the end of 1934. On the basis of data available at the end of 1939 it is estimated that corresponding holdings at the close of that year aggregated \$6,247,000,000. The growth after 1934 in the foreign interest in United States securities and other long-term holdings centered largely in a continuous increase in the acquisition by foreigners of the common stocks of our industrial and other corporations. Investors of certain countries have continued the net purchase of our securities since the outbreak of the European war, but the steady net liquidation by the belligerent powers, particularly by England, since war became imminent about the middle of 1939, has exceeded such purchases virtually month after month, and the trend of total foreign holdings has been downward since that time.

Common stocks constituted 30 percent of the total foreign long-term stake in the United States at the end of 1934. By the end of 1938 they represented about 42 percent of the total, but since foreign liquidation has centered chiefly in this type of security the foreign holdings of common shares, estimated at \$2,493,000,000 at the end of 1939, are now declining in importance in the total foreign-owned portfolio. The interpretation of these trends is necessarily conditioned by the fact that the value of common stocks in the statistics of foreign investments in the United States is shown on a market-value basis, with the result that reported values do not always accurately reflect the actual net purchases or net sales of our domestic stocks on foreign account.

The present report was prepared by Paul D. Dickens, of the Finance Division, with the assistance of Milton Abelson and other members of that Division. Mr. Abelson made the statistical computations and prepared the text of chapter III, as well as the supplementary appendix. The study was made under the general direction of Amos E. Taylor, Chief of the Division.

JAMES W. YOUNG, *Director,*
Bureau of Foreign and Domestic Commerce.

SEPTEMBER 1940.

FOREIGN LONG-TERM INVESTMENTS IN THE UNITED STATES—1937-39

INTRODUCTION ¹

The need for information regarding foreign investments in the United States and the income therefrom has been greatly emphasized by the events of the last 5 or 6 years. Unsettled economic and political conditions throughout the world, particularly in Europe, synchronized at times with rising business prospects in the United States, induced during these years a tremendous movement of foreign capital to the United States. Until the early part of 1939 this inflow of capital for deposit in United States banks and for investment in corporate stocks and bonds was largely for the account of foreign individuals and corporations. During the spring and summer of 1939 foreign governments and central banks began to build up balances on a large scale in this country.

The inflow of these foreign funds, and the accompanying gold imports, presented serious problems of adjustment in the United States. The adjustment of our money market to a continuous gold inflow was contingent upon the existence of a mechanism of control sufficiently flexible to deal with the ebb and flow of capital movements of irregular volume as well as of varying causes. The outbreak of hostilities in September 1939 added new elements of uncertainty which could in no way be expected to mitigate the urgency of constant internal adjustment.

In 1914, security liquidation, which was getting under way as war appeared increasingly imminent, became so pronounced after the outbreak of hostilities that the stock exchanges were closed and money markets were thrown into virtual chaos. Although such a degree of liquidation did not materialize in September 1939, there was overhanging the securities market the knowledge that probably the expenditures in the United States for war materials by the Governments of the United Kingdom and other belligerents would be financed in considerable part by the sale of United States stocks and bonds from the portfolios of investors in the respective countries. If the war should last very long, countries not directly involved might also be forced to call upon their resources in the United States, since the disruption of world economic relations might leave them in a weakened condition.

The same conditions which caused the inflow of foreign funds contributed in part to a reduction in United States investments in foreign countries. The respective trends toward larger foreign investment in this country and smaller United States holdings abroad caused many to anticipate this country's early shift from a

¹ This bulletin is the second on this subject prepared in the Finance Division. The first study, *Foreign Investments in the United States*, based on an analysis of foreign holdings at the end of 1934, was published in 1937.

net creditor to a net debtor, just as it shifted from net debtor to net creditor between 1914 and 1919.

As stated in the Finance Division's earlier study, Foreign Investments in the United States ²—

The shift of the United States from a debtor to a creditor country during the World War directed particular attention to the effect which a shift from net interest and dividend payments to net interest and dividend receipts tends to have on the net movements of merchandise and service transactions. Since certain adjustments must necessarily be made more gradually than others, the actual results of the international balance could be dissociated all the less from questions of commercial and financial policy. The shifts from debtor to creditor was consummated in a short period of time, largely as a result of (1) the heavy repatriation by this country of American railroad and other securities held abroad, (2) a growing rate of private lending abroad, and (3) loans made by the United States to foreign governments.

The anticipated shift from net creditor to net debtor during 1939–40 has not occurred. In fact, the use of dollar balances by European belligerents for purchases of war materials in this country is certain to strengthen the net creditor position of the United States. As indicated in table 1, the net creditor position of the United States was reduced from \$7,908,000,000 at the end of 1934 to \$1,903,000,000 at the end of 1939. The changes of most significance are (1) the reduction of United States investments abroad through the repatriation of United States holdings of foreign dollar bonds, and (2) the increase in foreign investments in the United States through the movement of foreign short-term balances into deposit accounts in American banks and the larger total value of foreign holdings of United States securities.

The United Kingdom and Canada, the two countries with the largest total of investments in the United States, will probably continue to draw upon these investments for war purposes. Inasmuch as the principal changes in the net international investment position of the United States have been in the assets of lowest income yield, the influence on the net interest and dividend receipts of this country has been slight.³ The problems of adjustment from the standpoint of the balance of international payments have been only those connected with capital and gold imports.

TABLE 1.—United States International Investments, End of 1934, 1937, and 1939

[In millions of dollars]

Item	End of 1934 ¹	End of 1937	End of 1939
United States investments in foreign countries:			
Long-term.....	12,296	11,074	10,770
Short-term.....	1,234	721	595
Total.....	13,530	11,795	11,365
Foreign investments in the United States:			
Long-term.....	4,943	6,112	6,247
Short-term.....	679	1,920	3,215
Total.....	5,622	8,032	9,462
Net creditor position of the United States.....	7,908	3,763	1,903

¹ Revised.

² Op. cit. p. 3.

³ See annual bulletins, The Balance of International Payments of the United States, for details on this subject.

CHAPTER I

ORGANIZATION AND SCOPE OF STUDY

This survey is limited to the study of long-term foreign investments in the United States. In other words, it covers investments in plants and properties ("direct" investments), holdings of common and preferred stocks, the ownership of bonds, and holdings of miscellaneous investments.

Short-term investments, such as bank deposits, the ownership of securities and notes with a maturity of less than 1 year, and holdings of acceptances, require no special inquiry, since data on such dollar assets are collected currently by the Federal Reserve Banks and reported by the Treasury Department.⁴

The detailed and basic estimates in this bulletin, except those regarding the foreign holdings of corporate bonds, relate to the middle of 1937. Year-end estimates for the years 1937, 1938, and 1939 were made on the basis of sample data assembled in the Finance Division and the statistics of transactions in domestic securities as published by the Treasury Department. The selection of 1937 as the base year was determined largely by the fact that 1937 was the first full year for which sufficiently complete data were available.⁵ Available data regarding interest paid to foreigners on their holdings of corporate bonds in recent years indicate that there was no great change in the total, even though there may have been substantial shifts among the various issues and the countries in which they were held.

This chapter is devoted to a statement of basic definitions and the classification of long-term investments. Chapter II contains the summary estimates, by types of investment and by principal countries, for the years 1934, 1937, 1938, and 1939. The discussion deals with the trends in those investments and the factors bringing those trends about. The relative importance of investments in common and preferred stocks, as well as the range of the fluctuations in those investments, makes a more detailed analysis, such as that given in chapter III, highly desirable. The succeeding chapters are limited to the presentation of the basic estimates as of the middle of 1937, with such comparisons with the 1934 estimates as were considered feasible and pertinent. Chapter IV brings all the various types of investments and income together by countries, whereas chapters V, VI, and VII are confined to the statistics and discussion of the major types of investment and income, namely, foreign holdings of common and preferred stocks, direct investments, and miscellaneous investments.

DEFINITIONS

For the purposes of this survey, the term "foreign investor" means nonresident alien individuals, partnerships, and corporations.⁶ This definition excludes the investments of United States citizens residing

⁴ Published each month in the Bulletin of the Treasury Department.

⁵ See appendix A, I, for a description of the source material and the methods followed in its compilation.

⁶ These were subject to the withholding tax levied. See, also, appendix A, p. 48.

abroad ⁷ which were included in the previous study by the Finance Division. The investments of this latter group, although fairly large in absolute value, are undoubtedly very small in relation to the investments estimated herein.

The geographic data regarding income and investments are based, in practically all cases, on the address to which the income is remitted by the remitting agency in the United States, that is, by the agency withholding the tax.

When the corporation paying the dividend or other income withholds the tax, the investment is considered a "direct holding." When a bank, broker, or other agent in the United States withholds the tax on dividends or other income received by it on behalf of a foreigner, the investment is considered to be a "nominee holding." Foreign investments held in the names of foreign nominees are not distinguishable in most cases and are carried either as direct or nominee holdings, depending on the character of the withholding agent.

CLASSIFICATION OF FOREIGN INVESTMENTS

The data on foreign investments in the United States are compiled and analyzed throughout this bulletin under the following categories: (a) direct investments, (b) common stocks, (c) preferred stocks, (d) bonds, and (e) miscellaneous investments.

Direct investments.—Direct investments include all foreign investments in those United States corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in foreign countries, or corporations or enterprises in the management of which such person or group of persons has an important voice. The estimates of these investments cover all foreign holdings of common and preferred stocks, bonds, notes, and advances of companies classified, in accordance with the definition, as direct investment companies. These investments have been evaluated on a book value basis,⁸ that is, according to balance-sheet values.

Common and preferred stocks.—Foreign investments in common and preferred stocks include all foreign holdings of such stocks, except those of companies classed as direct investments and those held in trust funds and estates. Such investments do not involve control of corporations because the proportion of the stock held abroad is not sufficient for that purpose. The common stock is carried in the estimates at market value and the preferred stock at par or stated value. Foreign holdings of investment trust shares or certificates are carried at the capitalized value of the income.

Bonds.—Investments in bonds include all foreign holdings of such securities, except those of companies classed as direct investments and those held in trust funds and estates. These holdings are valued on a par value basis.

Miscellaneous investments.—These investments cover trust funds established on behalf of foreign beneficiaries, estates with foreign legatees, real-estate mortgages, unincorporated real estate, oil and gas royalties, and miscellaneous property interests. The value used in this category is the capitalized income.⁹

⁷ The investments of United States citizens domiciled abroad were included in the 1934 estimates, since they involved the remittance of income to foreign countries. Furthermore, their inclusion in the 1934 study simplified the task of corporations and banks in preparing the basic data, since a foreign address was sufficient reason for classifying the investment as foreign.

⁸ See appendix A for a statement of the balance-sheet items included in these estimates.

⁹ Capitalized on the basis of an estimated yield of 3.7 percent.

CHAPTER II

RECENT TRENDS IN FOREIGN LONG-TERM INVESTMENTS

POLITICAL AND ECONOMIC FACTORS

The movement of foreign capital to the United States since 1934 has been influenced by a combination of factors. At times purely economic influences, here or abroad, determined the rate of inflow. Financial and budgetary difficulties, especially in France and the other gold-bloc countries during 1935 and 1936, provided the real impetus at various times during the 5-year period. Periodically, political events accelerated the movement. Ominous political developments late in 1935, when Italy invaded Ethiopia, and in September 1938, when a general European war seemed imminent, as well as the fears generated by the actual outbreak of war in September 1939, produced unprecedented flights of capital from Europe to the United States.

Although the rush of foreign capital to the United States under the impelling force of dramatic political events abroad tended in large part to be immediately reflected in a sharp rise in foreign-owned dollar balances, a steady net acquisition of United States securities by foreign investors featured this country's international creditor-debtor position during most of the period under review. The virtual certainty by the middle of 1939 that war was close at hand directed the attention of the belligerents to the need for conserving dollar assets. Periodic net liquidation, particularly by England, inaugurated a shift in international security transactions the result of which was soon to become a net decline in total foreign long-term holdings in the United States.

The reported statistics of transactions in domestic securities¹⁰ definitely reveal the influence of the political and economic factors. One of the first large periods of buying occurred in May and June 1935, at the time of the Cabinet crisis in France, which culminated in the resignation of the Flandin Ministry. Late in July, the suspension of the legal reserve requirements in Italy and the political crisis in the Netherlands corresponded with another burst of foreign-buying orders. Net foreign purchases of United States securities about the time of the Italian invasion of Ethiopia (October 1935) and during the subsequent political crises were larger than previously. The first two events were, of course, closely related to the economic difficulties with which those countries and the world at large were beset, whereas the latter were chiefly political.

In 1936 foreigners bought United States securities on balance during practically the entire year. There was a brief spurt in June, preceding the payment of the soldiers' bonus, which may have been associated with the rise of business anticipated by the event. A buying wave of considerable volume, extending over about 6 weeks,

¹⁰ Bulletin of the Treasury Department.

followed the announcement of the Tripartite Agreement between the United States, the United Kingdom, and France, in October. That event appears to have stimulated investments of idle funds in all of the principal stock markets of the world.

Without evidence of advancing business in the United States, particularly as reflected in rising security prices, the large net foreign purchases of American stocks and bonds in 1936 and early 1937 probably would not have taken place. Nevertheless, the recession in the summer and fall of 1937 did not result in net sales for any extended period, and small net purchases by foreigners were general from the middle of May to the end of the year. The first half of 1938 was not marked by any significant trend, but the Czecho-Slovak crisis, preceding the Munich settlement in September, caused large net sales. The succeeding months in 1938 were characterized by renewed foreign buying. As the political situation in Europe became more ominous in 1939, foreign transactions generally resulted in net sales—Belgian, Netherlands, Scandinavian, and Swiss purchases being exceeded by British and Canadian sales. This situation prevailed both before and after the outbreak of the war in September 1939.

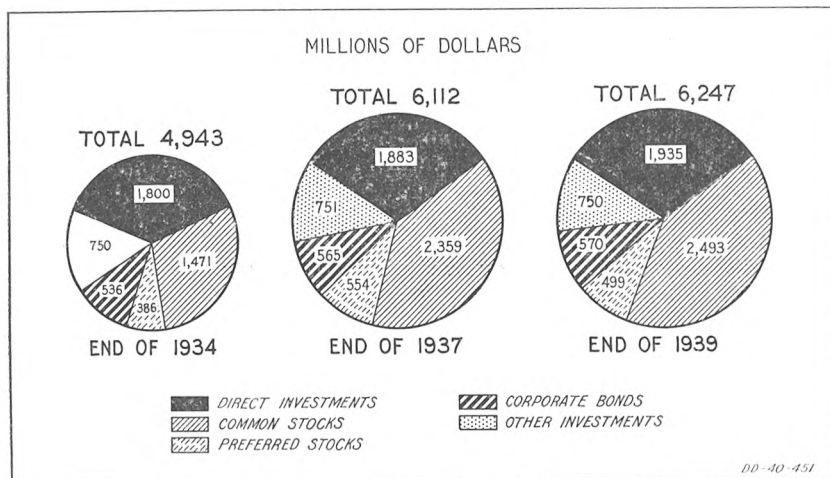


Figure 1.—Foreign long-term investments in the United States, by types of investment, 1934, 1937, and 1939.

Foreign long-term investments in the United States at the end of 1939 were estimated at \$6,247,000,000, or \$1,304,000,000 higher than at the end of 1934 (table 2). The principal factor in that increase was the net inflow of \$1,099,000,000 from foreign countries into the domestic securities market.¹¹ This inflow of foreign long-term capital was inspired partly by the desire of foreigners, particularly Europeans, to get their assets into a place of safety, away from the economic and political uncertainties with which most of the world was beset. Of considerable importance in increasing the long-term investments was the 34-percent rise in the market prices of United States stocks during these 5 years, as shown by the Standard Statistics index of 420 stocks.

¹¹ The short-term dollar assets of foreign countries at the end of 1939 were reported at \$3,215,000,000 or \$2,536,000,000 above the 1934 figure.

TRENDS BY TYPES OF INVESTMENTS

Foreign holdings of common stocks increased in value from \$1,471,000,000 at the end of 1934 to \$2,359,000,000 at the end of 1937. A further substantial increase in 1938, as a result of net foreign purchases and a rise in average prices, was partly offset by a decline in 1939 which left the total estimated value of the investments at \$2,493,000,000 at the end of that year. An indeterminate factor of some importance during both 1938 and 1939 was the shifting of securities registration from foreign to domestic addresses by European refugees. The par value of preferred stock held by foreigners increased from \$386,000,000 at the end of 1934 to \$554,000,000 at the end of 1937, after which it fell, as a result of net sales in 1938 and 1939, to \$499,000,000 at the end of the latter year. (See fig. 1.)

During the period from 1935 to 1938, inclusive, foreigners were net purchasers of United States securities. Only rarely, as in February and March 1935, April and October 1937, February, March, July, and August 1938, were foreigners, as a whole, sellers. In short, throughout good and bad business conditions the securities of this country looked attractive to investors abroad. The net transactions reached considerable volume, in absolute values, on several occasions, and it was sometimes stated by observers that foreigners were determining the course of the securities market in the United States. The influence of foreign purchases and sales was made the subject of some study by the Federal Reserve Bank of New York in 1939. The conclusions reached were as follows:¹²

The most striking fact * * * is the relatively small percentage of foreign operations to total operations during the last 3 years, although in thin markets or in particular stocks, concentrated buying or selling might, of course, be an important influence. *At no time did the monthly volume of net foreign purchases or sales amount to as much as 4 percent of the total volume.*

TABLE 2.—Foreign Investments in the United States, by Principal Types, 1934, 1937, 1938, and 1939

[In millions of dollars—year-end data]

Types of investment	1934 ¹	1937	1938	1939
Long-term investments:				
Direct investments (stated value)	1,800	1,883	1,895	1,935
Common stocks ² (market value)	1,471	2,359	2,715	2,493
Preferred stocks ³ (par value)	386	554	530	499
Bonds (par value)	536	565	580	570
Miscellaneous investments (capitalized income)	4 750	4 751	4 750	4 750
Total long-term	4,943	5 6,112	6,470	6,247
Short-term investments	679	1,920	2,193	3,215
Grand total	5,622	8,032	8,663	9,462

¹ The 1934 estimates of long-term investments (Foreign Investments in the United States, Government Printing Office 1937), except Other Investments, have been revised on the basis of data uncovered in the course of this study.

² Including investment in investment trust shares estimated at \$10,000,000 in 1934, and \$6,000,000 in each of the years 1937, 1938, and 1939.

³ The market value of the preferred stock was as follows: 1934, \$235,000,000; 1937, \$348,000,000; 1938, \$372,000,000; and 1939, \$352,000,000.

⁴ Including the estimated holdings of United States national, State, and municipal government bonds (\$50,000,000 in 1934 and \$100,000,000 in each of the years, 1937, 1938, and 1939).

⁵ Note that this is a year-end estimate, whereas those in table 10 are as of the middle of 1937.

¹² Twenty-fifth Annual Report of the Federal Reserve Bank of New York, for the year ended December 31, 1939, p. 35.

Direct investments increased from \$1,800,000,000 at the end of 1934 to \$1,935,000,000 at the end of 1937. The reinvestment of earnings was the chief factor in this rise, available data indicating that the rise from this source averaged about \$15,000,000 a year. New investments were fairly unimportant. The volume of capital invested in enterprises in the United States by European refugees since 1934 cannot be estimated with any accuracy, but, even had it been possible to determine its amount, such items would have been classified as the domestic investments of resident aliens, not as investments of foreigners, since the income from such investments would not be remitted abroad nor credited to a foreign account.¹³

No comprehensive survey of foreign investments in United States corporate bonds has been made since 1933. Changes that have been made in the estimates since 1933 have been based on the knowledge that relatively little change has occurred in the total interest paid to foreigners during the years following that time.¹⁴

The estimates of miscellaneous investments were based on original data regarding income paid to foreigners in 1937, capitalized at an average yield of 3.7 percent. That estimate was continued in 1938 and 1939, including an arbitrary estimate of foreign holdings of Government bonds of \$100,000,000.

TRENDS BY COUNTRIES AND AREAS

Between 1934 and 1937 the long-term investments of foreign countries in the United States increased considerably. The United Kingdom, Switzerland, Netherlands, and France were the principal sources of new capital invested in this country. These countries, with their relative freedom of access to the world's financial markets, were seriously affected by the flights of capital after 1934. At first the massive movements of funds were connected chiefly with fiscal and monetary disturbances, but later the imminence of war and the actual outbreak of hostilities became the motivating force. Germany and Italy through exchange measures and internal controls not only prevented new investments but requisitioned and sold the foreign assets of their subjects.

Canadian investments in the United States, as shown in table 3, increased only slightly, whereas those of the United Kingdom, Switzerland, Netherlands, and France rose substantially. Canada's capital resources during the years 1935 to 1939 have been devoted more largely to the redemption of Dominion issues held abroad than to the purchase of United States securities.¹⁵

In retrospect, it is observed that the investments of countries that entered the European War in 1939 decreased in value between 1937 and 1939, whereas those of other countries increased in value. Investors in the United Kingdom and Canada, operating, after the outbreak of the war, under licenses, liquidated some of their holdings.¹⁶

¹³ It is recognized that such investments may later, if the refugee moves out of the United States, be classified as a foreign investment or, if sold, cause an outflow of capital.

¹⁴ The Treasury Department is publishing the statistics of foreign purchases and sales of domestic securities, starting with the first week of 1940, broken down as to stocks and bonds.

¹⁵ The Canadian Balance of International Payments, a Study of Methods and Results, pp. 121 and 130 Ottawa, 1939, and Sales and Purchases of Securities Between Canada and Other Countries, vol. 5, No. 12, Ottawa, 1940.

¹⁶ See appendix table XI.

The influence of these sales was partly overcome, however, by the effect on the remaining portfolio of securities of the rise in market prices which occurred after the German invasion of Poland, on September 1, 1939, and the declaration of war against Germany by England and France, on September 3. Germany and Italy continued the liquidation of their holdings of marketable securities in this country, but it should be noted that these had at no time acquired a high degree of importance.

After war had been declared the neutral European countries had an even greater incentive to transfer their assets to the United States. This tendency was reflected in the rise of Swiss, Netherland, Belgian, and "other European" holdings. The holdings by Latin America and the rest of the world likewise increased. The increase in Latin American holdings may, in part, have been the result of European purchases through Latin American intermediaries.

Assuming that the direct investments and miscellaneous investments of the principal countries (see table 10) showed little change between 1937 and 1939, it appears that the United Kingdom had, at the end of 1939, common and preferred stocks and bonds (marketable assets) totaling \$1,180,000,000.

Canadian-held stocks and bonds amounted to \$520,000,000 and other British Empire holdings probably added another \$40,000,000. Accordingly, the marketable long-term assets of the British Empire at that date aggregated \$1,740,000,000. Similar French assets amounted to \$215,000,000. These investments constituted a potential reserve of fairly liquid dollar purchasing power.¹⁷

Direct investments and "other" investments are less readily marketable but still are valuable potential sources of purchasing power. For the British Empire as a whole, direct investments amounted in 1937 to \$1,300,000,000 (table 10), and it is probable that these were equally valuable at the end of 1939. The other investments, principally trust funds and estates, include many millions of dollars worth of marketable securities but are surrounded by restrictive legal provisions. For the Empire as a whole they amounted in 1937 to \$425,000,000. The French direct and miscellaneous investments amounted to \$57,000,000 and \$64,000,000, respectively.

The long-term investments of Germany and Italy in 1939 were relatively small, including about \$22,000,000 of marketable securities, \$67,000,000 of direct, and \$51,000,000 of miscellaneous investments.

Countries of Europe, other than the United Kingdom, France, Germany, and Italy, had long-term investments in the United States at the end of 1939 amounting to \$1,950,000,000. The marketable securities held by Belgium and Netherlands aggregated about \$765,000,000, and direct investments, whose special character was such as to be fairly liquid, amounted to \$250,000,000 more, and miscellaneous investments were estimated at \$123,000,000. Common and preferred stocks and bonds held in Switzerland and other European countries totaled \$720,000,000, and direct and miscellaneous investments were estimated at \$190,000,000.

¹⁷ The short-term United States assets of the principal foreign countries as of the end of 1939 are shown in appendix C, table XX. The short-term assets are the most liquid of all investments; all capital takes this form before it is finally expended.

10 FOREIGN LONG-TERM INVESTMENTS IN THE UNITED STATES

TABLE 3.—Foreign Long-Term Investments in the United States, by Principal Countries and Areas, 1934, 1937, 1938, and 1939

[In millions of dollars—year-end data]

Country or area	1934 ¹	1937	1938 ²	1939 ²
Canada	1, 075	1, 085	1, 190	1, 060
Europe:				
Belgium	105	132	142	152
France	255	352	340	336
Germany	125	125	115	100
Italy	40	45	45	40
Netherlands	685	823	875	888
Switzerland	380	635	705	746
United Kingdom	1, 935	2, 388	2, 500	2, 348
Other Europe	105	140	155	165
Total, Europe	3, 630	4, 640	4, 877	4, 775
Latin America	75	110	115	120
Rest of world	163	177	188	192
Estimated investment in Government bonds	(³)	⁴ 100	⁴ 100	⁴ 100
Grand total	4, 943	6, 112	6, 470	6, 247

¹ The 1934 estimates of long-term investments in the United States, as published in 1937 in Foreign Investments in the United States, have been revised on the basis of data obtained in the present study.

² These by-country estimates have been raised and lowered roughly on the basis of the capital movement data (Treasury Department) and the Standard Statistics index of security prices and arbitrarily reduced to agree with the total estimate reached on the basis of data received in the Finance Division regarding shares held abroad and income paid to foreigners (see also chapter IV).

³ In the 1934 study the foreign holdings of government bonds were, roughly, divided by countries on the basis of the proportion of each country's known investment to the total.

⁴ It is believed that a large part of the foreign holdings of government bonds belong to French investors.

Those holdings were primarily the property of individuals at the end of 1939, accumulated in the United States in part as a kind of insurance against loss of capital due to war. That part which had arisen in the ordinary course of business served somewhat the same purpose under the conditions then prevailing. To a large extent, government funds of those countries held in the United States took the form of deposits in New York banks.¹⁸

EFFECT OF THE EUROPEAN WAR—TO END OF 1939

England, France, and Canada, because of their military unpreparedness, realized early that in the event of war their foreign investments would be of vital importance to their cause in that, through the control and orderly liquidation of those investments, they would be enabled to draw upon the industrial resources of the United States to help equip themselves for war.

Accordingly, just before or shortly after the declaration of war the various parts of the British and French Empires adopted measures intended to prevent the export of capital, to limit out-payments on current transactions, and to obtain control over the foreign exchange resources of their citizens. The United Kingdom, under the Defense (Finance) Regulations, 1939, of August 25, 1939,¹⁹ and by an order issued August 30, 1939, prohibited, except with permission, dealings in certain securities in respect of which the principal, interest, or dividends are payable in the currency of various countries, including the United States. It also required owners of such securities to

¹⁸ See appendix C, table XX. Central bank funds in New York are identified separately in the Federal Reserve Bulletin, April 1940, p. 355.

¹⁹ Summarized by the Finance Division, in European Financial Notes, vol. 1 (N. S.) No. 18, September 24, 1939, pp. 278-80.

register them with the Bank of England. The Regulations further provided that the Treasury might, by an order, transfer to itself any securities held by residents at a price specified in the order, which price should not be less than the market value of the securities on the date on which the order was made.²⁰

Canada, by an order dated September 16, 1939, required all residents to declare all foreign securities in their possession to the Foreign Exchange Control Board. The order further stipulated that such securities could be imported or exported only by permit and that the Board might require that they be surrendered at a specified price. Other British Dominions and Colonies issued similar orders.

The French Government did not require the immediate registration of holdings of foreign securities, although it did control purchases and sales by its decree of September 9. The decree of September 17 required the registration by January 5, 1940, of foreign securities held on December 15, 1929 (dated as amended by later decrees).²¹

Under such Government controls, it is obvious that transactions in United States securities reflected the policies of the governments involved, even though those transactions were initiated by individuals. Statistics indicate that the controls were used to prevent liquidation on such a large scale as to cause drastic declines in the market prices of the securities involved. In fact, this and other factors, some of which were possibly of even greater effect, caused security prices to rise rapidly in September 1939. At the end of the year the averages remained about 8 percent above the level of the end of August.

The policies of foreign governments during the first 4 months of the war were reflected in the statistics of security transactions, of short-term capital movements and of gold imported into the United States. The United Kingdom, France, and Canada evidently adopted a policy of conserving their portfolios of dollar securities, and of selling gold from current production and from their reserves to build up balances with which to pay for purchases of materials in this country. Whereas net sales of United States securities during this period amounted to \$117,000,000,²² imports of gold from other countries and other Empire sources, from September to December 1939, inclusive, totaled about \$805,000,000. Notwithstanding these large sources of dollar balances, these three countries drew down their short-term balances by \$248,000,000 during that period. Belgium, Netherlands, and other European countries made net purchases of securities totaling \$40,000,000 and exported, on the other hand, \$125,000,000 of gold to the United States from the beginning of September to the end of 1939, during which time their balances in the banks of this country rose by \$236,000,000.

TRENDS IN INCOME PAYMENTS

Estimated income paid to foreigners from their long-term investments in the United States reached its peak in 1937, at \$284,000,000. The reduction in dividend declarations late in 1937 and in 1938,

²⁰ Selected securities were requisitioned on two occasions during the spring of 1940. Finance Division, European Financial Notes, vol. II (N. S.) No. 6, March 24, 1940, pp. 104-105, and No. 10, May 20, 1940, pp. 164-167.

²¹ Germany and Italy had similar and even more restrictive controls for several years before the opening of the war.

²² Based on the statistics of foreign capital movements, Bulletin of the Treasury Department.

caused by the decline in business activity, brought the total income paid to foreigners down by more than 30 percent, to \$192,000,000 in 1938. Slightly higher dividend payments in 1939 raised the total again to \$207,000,000 (see table 4).

Dividends of companies controlled by foreigners did not follow the same trend as the dividends of domestically owned enterprises. The former declined more sharply in 1938 than the latter and rose more rapidly in 1939 (see table 4). The yield²³ of direct investments ranged from 1.4 percent in 1934 to 4.8 in 1937. In 1938 the yield fell again to 2.4 percent. The average annual yield from foreign investments in common stocks is greatly affected by using values based on changing year-end price levels. Partly for that reason, the yield was high in 1937, averaging 5.5 percent, whereas in 1934 and 1939 the average was 3.4 and 3.8 percent, respectively. The yield of the preferred stock investments averaged around 3 percent.

TABLE 4.—Income Paid to Foreigners from Investments in the United States,¹ by Principal Types, 1934, 1937, 1938, and 1939

[In millions of dollars]

Income from—	1934	1937	1938	1939
Long-term investments:				
Direct investments.....	25	90	45	55
Common stocks.....	49	130	90	95
Preferred stocks.....	11	20	15	15
Bonds.....	20	20	22	22
Other investments.....	20	24	20	20
Total, long-term.....	125	284	192	207
Short-term investments.....	1	4	4	4
Grand total.....	126	288	196	211

¹ After deducting taxes paid in the United States. These payments of income are discussed in some detail each year in The Balance of International Payments of the United States.

The disparity between the respective trends of income from direct investments and from holdings of common and preferred stock is explained largely on the basis of the closeness of the corporations' relations to the public. Corporations in which the public is greatly interested through stock ownership, and whose shares are listed on stock exchanges, usually follow dividend policies directed at evening out the flow of payments. During years when earnings are high, only part of the earnings are paid out as dividends and the remainder is credited to the surplus account. In those years subsidiaries might not declare dividends payable to the parent company at all. In subsequent years, when the earnings of the parent company are low, its payments to the stockholders might be kept at a relatively high level by drawing upon surplus. In such years subsidiaries with accumulations of earnings might declare dividends in order to provide the parent company with the necessary funds.

Bond interest and income from miscellaneous investments did not change materially from year to year during the period under discussion. The yield averaged around 3.7 percent for bonds and was arbitrarily fixed at 3.7 percent for miscellaneous investments.

²³ Income actually paid to foreigners, not the rate of earnings.

CHAPTER III

COMPARATIVE TRENDS IN THE MARKET VALUE OF FOREIGN HOLDINGS OF COMMON AND PREFERRED SHARES, 1934-39²⁴

A survey of a limited number of issues of United States corporate shares for the years 1934 to 1936²⁵ indicated that the rates of increase in investments held directly by foreigners and those held through nominees differed, and that there was a greater tendency for foreign investors to hold their investments through nominees than in their own names. Because of the difficulties inherent in measuring changes

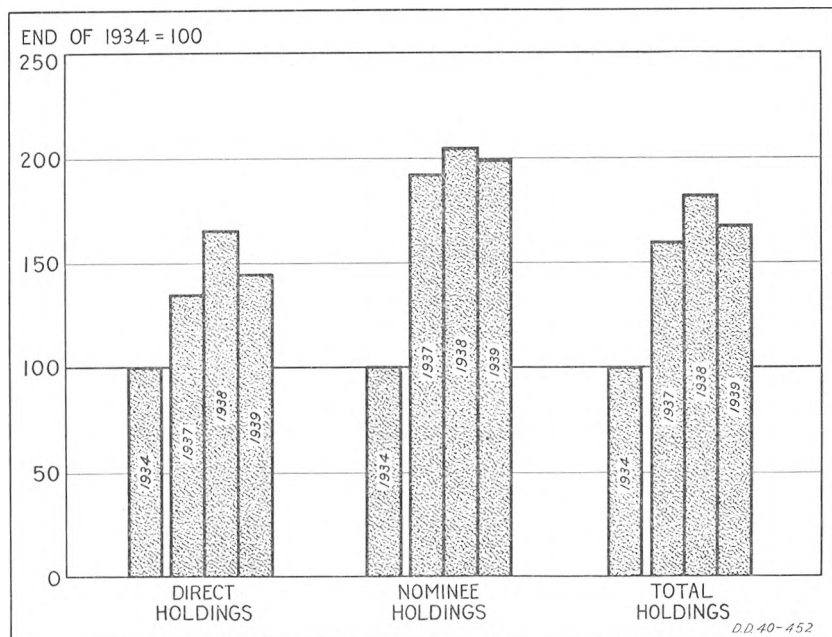


Figure 2.—Comparative trends in market values of foreign direct and nominee investments, 1937, 1938, over 1939.

in the nominee category of foreign investments, there was no attempt to do so in a comprehensive manner between 1934 and 1937. In the absence of estimates of change in nominee holdings, the uneven rates of increase in the two classes of holdings have presented special difficulties in the preparation of annual estimates of foreign investments in the common and preferred shares of United States corporations.

²⁴ Prepared by Milton Abelson, of the Finance Division.

²⁵ Foreign Investments in the United States, chap. VI, op. cit.

Except for the inadequate data collected for the years 1935 and 1936, the estimated changes in total foreign holdings of common and preferred shares were based on the reported changes in direct holdings. It is intended to discuss in this chapter the changes in direct and nominee holdings between 1934 and 1937, and to make such revisions as may be necessary in the 1934 estimates of the value of foreign-share holdings.²⁶

The present comprehensive study of foreign investments in the United States has provided the data necessary for the revision of earlier estimates. For example, in 1934 complete data on foreign direct and nominee holdings were available for 1,866 corporations, for 1937 similar data were available for about 2,500 companies. Furthermore, reports from certain bank and broker nominees which are included in the 1937 study were not available for the 1934 estimates. Experience since the earlier study indicates that the omission estimate for 1934 should be increased.

REVISIONS OF THE ESTIMATES FOR 1934

NOMINEE HOLDINGS

On the basis of a survey of the nominee reports of 44 leading banks and brokerage firms²⁷ reporting foreign holdings of 493 identical issues of common shares and 174 identical issues of preferred shares at the end of 1934 and during 1937, it is estimated that foreign-owned common and preferred shares held by nominees increased by 113.9 and 81.9 percent, respectively, during this period (see tables 5 and 6). The number of shares was then estimated as of the end of 1937, and on the assumption that the proportionate change in the average prices of the direct and nominee share holdings did not differ between 1934 and 1937, the value of the foreign-held common share investment in the nominee category at the end of 1934 is estimated to have been \$606,000,000 (see appendix table IX), and that of preferred shares, \$110,000,000. These figures represent respective increases of \$187,000,000 and \$14,000,000 over the previous estimates of foreign nominee holdings of common and preferred shares for the year-end 1934. With the exception of the Netherlands, the rate of increase in the holdings of common shares by each of the major investing countries exceeded the rate of increase in the holdings of preferred shares.

TABLE 5.—Percentage Increase in Foreign-Held Common Shares Reported by 23 Banks and 21 Brokerage Firms, by Industries and by Countries, 1934-37

[Year-end 1934 to middle of 1937]

Industry	Canada	Great Britain	France	Netherlands	Switzerland	All countries
Manufacturing.....	260.7	5.3	-16.1	175.7	193.2	78.6
Distribution.....	-65.1	75.2	47.3	99.7	284.4	65.8
Transportation.....	26.5	83.4	36.0	204.6	209.6	124.2
Public utilities.....	530.7	96.7	113.9	155.3	310.8	180.0
Petroleum.....	385.6	204.9	12.1	262.7	509.5	233.0
Mining.....	555.0	131.0	.7	18.1	136.7	85.4
Finance.....	82.1	120.3	65.7	322.4	158.0	113.1
Miscellaneous.....	-83.3	161.8	358.8	757.1	940.3	113.3
All groups.....	202.3	53.2	15.2	160.2	244.6	113.9

²⁶ Since January 2, 1935, the Treasury Department has published weekly statistics of long-term capital movements between the United States and foreign countries. Inasmuch as these data relate to current purchases and sales of securities, whereas the data compiled by the Department of Commerce relate to end-of-year values, the former have had limited application in the yearly appraisal of foreign investments in the United States. Nevertheless, an adjustment of the weekly security transaction data of the Treasury Department to a basis comparable with the annual estimates of the Department of Commerce provided several interesting observations. See appendix B, III.

²⁷ See appendix B, I, tables III to VI.

DIRECT HOLDINGS

The estimated value of common shares held directly in the names of beneficial owners residing in foreign countries at the end of 1934 was raised by \$72,000,000, to \$855,000,000, and the estimated preferred holdings were raised by \$7,000,000, to \$125,000,000²⁸ (see table 7). The new estimates are based on the changes in foreign holdings between 1934 and 1937, as indicated by straight indexes of 233 issues of common shares and 93 issues of preferred shares.²⁹ The use of new estimates is a recognition of the weakness of estimates of yearly change based primarily upon chain-indexes of direct holdings, and also of a slight deficiency in the previous estimates for 1934.

Between 1929 and 1934 the annual trend data³⁰ indicated declines of 54 percent and 51 percent, respectively, in the values of foreign direct holdings of common and preferred stocks, although the number of shares in the sample increased by 47 percent and 15 percent during this period. As shown in table 8, the trends in the value of directly held common and preferred shares have been upward since 1934. However, despite the large inflow of foreign capital during this period (see appendix, table XI), low average share prices and the growing preference to hold securities through nominees have served to leave the value of foreign direct holdings well below the level of 1929. It will also be observed that the value of directly held common shares exhibited a greater tendency to recover some of the ground lost since 1929 than did the value of preferred shares. In 1939, the value of both showed the effects of a net liquidation of these securities during the year.

TABLE 6.—Percentage Increase in Foreign-Held Preferred Shares Reported by 23 Banks and 21 Brokerage Firms, by Industries and by Countries

[Year-end 1934 to middle of 1937]

Industry	Canada	Great Britain	France	Netherlands	Switzerland	All countries
Manufacturing.....	2.2	68.7	-27.8	191.8	-166.3	70.6
Distribution.....	-64.0	46.5	284.2	500.1	8.0	27.0
Transportation.....	(1)	263.6	-67.2	305.0	73.8	79.2
Public utilities.....	479.9	17.5	19.8	272.5	193.8	97.8
Petroleum.....	(2)	(1)	620.0	(3)	1,339.0	6,433.1
Mining.....	(1)	57.6	396.4	198.2	63.1	111.2
Finance.....	-81.9	61.2	504.8	74.8	4.3	48.7
Miscellaneous.....	(1)	-41.1	126.5	-35.3	879.6	4.9
All groups.....	6.7	50.8	3.8	226.3	147.8	81.9

¹ No holdings reported for 1934.

² No holdings reported for either 1934 or 1937.

TRENDS DURING THE PERIOD, 1934-39

The value of shares held through nominees, on the other hand, exhibited a marked increase between 1934 and 1937, in contrast with the slower increase in value of the directly held shares. For 1938, the comparative increase in value was slower, while during 1939 the decline, owing to liquidation by the United Kingdom and Canada of securities carried with nominees, was less rapid than in securities held

²⁸ See appendix, table IX.

²⁹ See appendix, table VIII.

³⁰ Op. cit. chapter VI.

directly by foreigners. It is apparent from the data in table 9 and figure 2 that the growth in the value of nominee holdings between 1934 and 1937 was absolute, as well as comparative. In 1934 the value of direct holdings (reported by corporations) exceeded 58 percent and 53 percent, respectively, of the total of foreign-held common and preferred shares. By 1937, the relationship was considerably altered, with 58 percent of the value of preferred shares held in nominee accounts, whereas common shares were held in almost equal value in both types of holdings. The relatively small increase in the value of nominee shares during 1938 caused a decline in the proportionate value of nominee shares during that year, although in the following year the proportion exceeded 50 percent as regards the value of both common and preferred shares (see fig. 3).

It might be well to note one qualification concerning the use of these ratios. It is known that of the shares held abroad large amounts are held through nominees in foreign countries (foreign banks, brokers, and the like). However, because of the inability to measure the value of such holdings, they are included with either the direct or the nominee holdings, depending upon the character of the withholding agent in the United States. Where reference is made in this study to nominee holdings, only the value of those shares held by foreigners through nominees in this country is referred to.

TABLE 7.—New Estimates of Market Value of Common and Preferred Shares of United States Corporations Held Directly by Foreigners and Through Nominees, 1934, 1937-39

[Year-end data, in millions of dollars]

Year	Direct holdings		Total, direct holdings	Nominee holdings		Total, nominee holdings	Total, direct and nominee
	Common	Preferred ¹		Common	Preferred ¹		
1934	855	125	980	606	110	716	1,696
1937	1,184	145	1,329	1,169	203	1,372	2,701
1938	1,460	160	1,620	1,249	212	1,461	3,081
1939	1,267	144	1,411	1,220	208	1,428	2,839

¹ The market value of foreign-held preferred shares was approximately 61 percent of par value in 1934, 63 percent in 1937, 70 percent in 1938, and 71 percent in 1939.

During 1938, the rate of increase in the value of foreign investments held through nominees was exceeded by the growth in directly held investments. In view of the trends of the preceding 3 years, a slackening in this growth during 1938 was not expected. However, when the character of nominee accounts is considered, reasons for the change are suggested. In 1934 the bulk of foreign holdings of United States corporate securities were directly held. After 1934, as economic and political conditions abroad grew less satisfactory from year to year, and the probability of war appeared more certain, the bulk of the securities purchased with foreign funds sent to this country was placed in the care of nominees. In doing so, rather than keeping the securities abroad or in their own names in this country, the owners of these investments attempted to insure themselves against confiscation at home. At the same time, they provided an easy means of transferring the ownership of their securities to someone in the United States on a temporary or permanent basis, if conditions should

warrant such action. In this connection, it is known that in many instances agencies in this country have accepted the accounts of foreigners under sealed instructions relative to the actions which are to be taken by these agencies should certain developments eventuate abroad.

The problem of refugee funds was accentuated during 1938, by the invasion of Austria and the prolonged crisis over the Sudeten area of Czecho-Slovakia. It is very probable that during the year refugees or other persons who had previously expatriated their funds to the United States in the form of nominee accounts, upon arriving in this country changed their accounts from foreign to domestic addresses. These investments would no longer be regarded as of foreign ownership, and, together with those nominee accounts with sealed instructions that

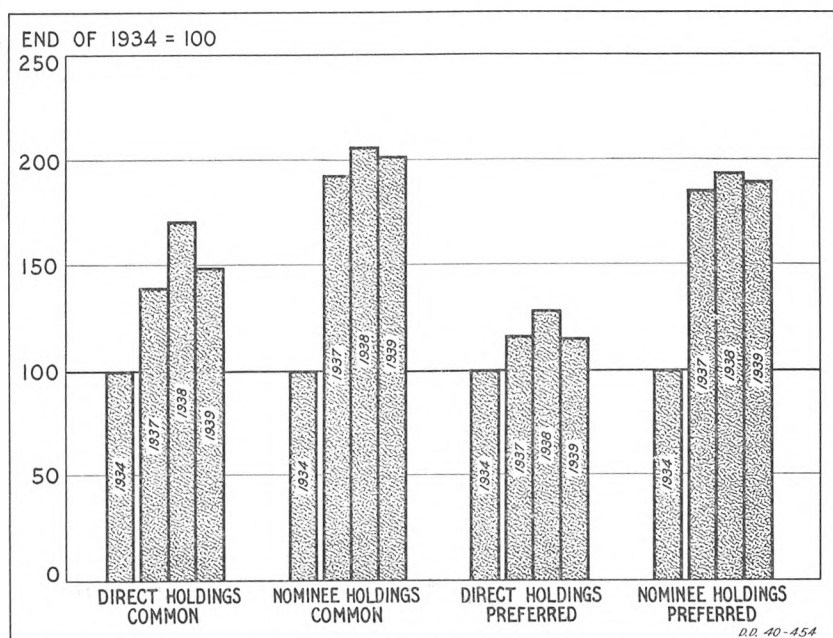


Figure 3.—Comparative trends in market value of foreign direct and nominee holdings of common and preferred shares, 1937, 1938, and 1939.

were closed and reopened under domestic names, were probably the major factors which contributed in bringing about a decline in the proportionate value of nominee-held shares to the total value of foreign-held shares during 1938.

Although the dollar value of nominee shares was \$89,000,000 higher at the close of 1938 than at the close of the preceding year, the increase of 20 percent in the Standard Statistics share price index for the same period indicates a net decline in the value of nominee holdings which was obscured by the increase in the value of these holdings resulting from the rise in the average price of shares. The bulk of the net foreign purchases of domestic securities during the year, although small, appears to have taken the form of direct holdings.

18 FOREIGN LONG-TERM INVESTMENTS IN THE UNITED STATES

TABLE 8.—Comparative Trends in the Market Value of Common and Preferred Shares of United States Corporations Held Directly by Foreigners and Through Nominees, 1934, 1937–39

[Year-end data, 1934=100]¹

Year	Direct		Nominee		Total		Total, direct and nominee	Total	
	Common	Preferred	Common	Preferred	Direct	Nominee		Common	Preferred
1934-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1937-----	138.5	116.1	192.9	184.5	135.6	191.6	159.3	161.1	148.1
1938-----	170.8	127.8	206.1	192.7	165.3	204.0	181.7	185.4	158.3
1939-----	148.2	115.0	201.3	189.1	144.0	199.4	167.4	170.2	149.8

¹ Data converted from base period (1937) to 1934.

During 1939 the character of investments in the United States again underwent a slight change. The value of both nominee and direct holdings declined; a slight decrease in average share prices and a net outflow of capital for the year were causal. However, the value of the investment held by nominees fell by only \$33,000,000, as compared with a drop of \$209,000,000 in the direct holdings. The capital movement data (appendix table XI), indicate a net outflow of long-term investment for the year as a result of the liquidation of British and Canadian investments in this country. Inasmuch as the liquidation is attributable to these countries, the bulk of it probably took the form of direct holdings (see table 12). The net decrease in the value of nominee holdings reflected on the one hand some liquidation of these holdings from the United Kingdom and Canada, and on the other, new investments coming from other countries, mainly the Netherlands and Switzerland, whose owners were anxious to protect their investments from seizure by an unfriendly government which might ultimately claim any assets that might embody the potentialities of useful foreign exchange. The tendency of foreign investors to keep a growing proportion of their investment in this country (see table 9) with agents residing here is readily explained by the desire of the foreign owners of capital to find a safe place in which to deposit their securities, as well as to find refuge for their capital. During 1939 there was a tendency for the value of foreign-held preferred shares to decline less rapidly than did the value of foreign holdings of common shares. This was more evident in the nominee holdings than in the direct holdings.³¹

TABLE 9.—Ratios of Direct and Nominee Holdings to Total Foreign Investments in Common and Preferred Shares of United States Corporations, 1934, 1937–39

Year	Common		Preferred		Total	
	Direct holdings (reported by corporations)	Nominee holdings (reported by banks and brokers)	Direct holdings (reported by corporations)	Nominee holdings (reported by banks and brokers)	Direct holdings (reported by corporations)	Nominee holdings (reported by banks and brokers)
	Percent	Percent	Percent	Percent	Percent	Percent
1934-----	58.5	41.5	53.2	46.8	57.8	42.2
1937-----	50.3	49.7	41.7	58.3	49.2	50.8
1938-----	53.9	46.1	43.0	57.0	52.6	47.4
1939-----	49.1	50.9	40.9	59.1	49.7	50.3

³¹ See table 8, and appendix B, II.

CHAPTER IV

FOREIGN LONG-TERM INVESTMENTS IN THE UNITED STATES, MIDDLE OF 1937³²

The total foreign long-term investment in the United States in 1937 was estimated, at midyear values, at \$7,007,000,000, as shown in table 10. Over 55 percent of these foreign investments were holdings of common and preferred stocks, about 27 percent were direct investments, and the remaining 18 percent were divided between bond holdings and miscellaneous investments. (See fig. 4.)

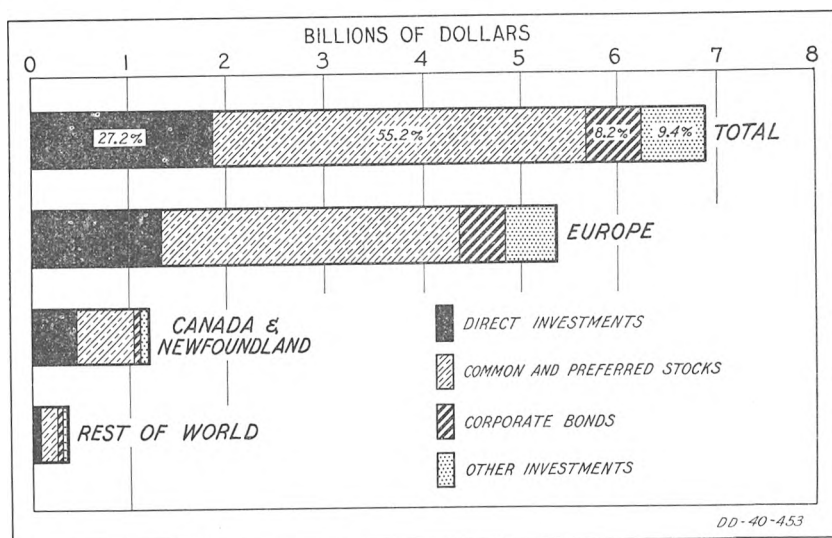


Figure 4.—Foreign long-term investments in the United States, by principal areas and types, middle of 1937.

INVESTMENTS BY COUNTRIES AND AREAS

European investments accounted for over 70 percent of the total in each of the respective categories, and for over 78 percent of the combined total. Canadian investments were 17 percent of the total, with a high degree of concentration in direct investments. All of the other areas of the world, combined, comprised only 5 percent of the total. Among those other areas, Asia had investments equal in value to those of Latin America, Africa, and Oceania, combined.

Canadian investments in the United States, which amounted to \$1,180,000,000, were undoubtedly determined in size as well as in

³² This chapter is devoted (1) to a summary statement of foreign investments in the United States in 1937 and (2) to a short account of the income paid to foreigners from their investments. Subsequent chapters are devoted to the presentation of the details of the main types of investments and to a more technical analysis of the data available regarding each.

character by the factor of proximity. That direct investments comprised so large a proportion, was the result of economic and geographic considerations which made desirable branch railroad lines to focal points in the United States. In general, Canadian investors make little, if any, distinction between United States and Canadian corporate shares. Individual Canadian investors have been associated for years in business and in pleasure with friends in border communities and in the larger centers, such as Boston, Chicago, New York, and Seattle. Also, many of Canada's leading corporations are wholly owned subsidiaries of large British and United States companies.³³

The investments of other foreign countries in the United States appear to have been largely those of old industrialized countries having relatively large accumulations of capital. The United Kingdom, with holdings in 1937 valued at \$2,743,000,000, far exceeded all other countries in the total of its investments. Some of the direct investments by British corporations were originally established in the nineteenth century when the development of the United States was dependent upon some imports of foreign capital. Several of the larger enterprises clearly had their origin in advanced industrial patents and techniques rather than in any shortage of capital in the United States. The high value of British holdings of common and preferred stocks and bonds, estimated at \$1,575,000,000 in 1937, indicated also a surplus of capital seeking employment in a favorable investment market. Part of this total represented the investment of continental Europeans held in the names of British banks and bankers.

The other European countries with large investments, namely, Netherlands, Switzerland, Belgium, France, Germany, and Sweden, all fit into the same general analysis of causes. In other cases, particularly that of Italy and, to some extent, Germany, heavy migration to the United States seems to have been an important factor in the size of total investments, as judged by the relative size of miscellaneous investments. The unusual predominance of holdings of common and preferred stocks and bonds in the Netherland and Swiss totals (\$779,000,000 out of \$970,000,000 and \$655,000,000 out of \$763,000,000—values as of the middle of 1937), suggests that some of their estimated holdings have only their nominal ownership in those countries and that the banks there are apparently the agents of investors residing in neighboring States.

³³ Canadians hold that this has frequently prevented them from investing directly in their own domestic enterprises and has necessitated the purchase of foreign, chiefly United States, securities with their savings.

TABLE 10.—Foreign Long-Term Investments in the United States, by Types and by Countries, Middle of 1937

[In millions of dollars]

Country	Direct investments	Investments in common and preferred shares, etc.	Investments in corporate bonds	Miscellaneous investments ¹	Total ¹
North America:					
Canada.....	463	² 586	53	78	² 1,180
Newfoundland.....		13		2	15
Total.....	463	² 599	53	80	² 1,195
Europe:					
Albania.....		(³)		(³)	(³)
Austria.....	(³) 71	6		3	9
Belgium.....		48	12	11	142
Bulgaria.....		(³) 2			(³) 5
Czecho-Slovakia.....	2	(³) 2		1	(³) 5
Danzig.....	8	5		4	17
Estonia.....		1			1
Finland.....		1		(³)	1
France.....	57	237	50	64	408
Germany.....	55	25	15	29	124
Greece.....	1	3		1	5
Hungary.....		(³)		(³)	(³)
Iceland.....		(³)			(³)
Ireland.....	1	8		5	14
Italy.....	12	8	6	22	48
Latvia.....		(³)			(³)
Lichtenstein.....	8	12			20
Lithuania.....	(³) 3	(³) 10		(³) 1	(³) 14
Luxembourg.....		11		2	13
Monaco.....	(³) 179	564	215	12	970
Netherlands.....	2	6		2	10
Norway.....	(³) 1	1		1	2
Poland.....	(³) 1	1		1	2
Portugal.....	(³)	1		1	2
Rumania.....		(³)		(³)	(³)
Spain.....	1	7	10	3	21
Sweden.....	30	16	2	3	51
Switzerland.....	74	588	67	34	763
Union of Soviet Socialist Republics.....	(³)	(³)		(³)	(³)
United Kingdom.....	833	² 1,482	93	335	² 2,743
Yugoslavia.....		1		(³)	1
Total.....	1,337	² 3,043	470	534	² 5,384
West Indies:					
British West Indies.....	1	19	3	7	30
Cuba.....	5	12	5	4	26
Dominican Republic.....	(³)	(³)			(³)
Haiti.....		(³)		(³)	(³)
Netherlands West Indies.....		2			2
Total.....	6	33	8	11	58
Central America and Mexico:					
British Honduras.....		1		1	2
Costa Rica.....		1			1
Guatemala.....	(³)	1		(³)	1
Honduras.....	(³)	1		(³)	1
Nicaragua.....		(³)			(³)
Panama.....	(³)	3		(³)	3
Panama Canal Zone.....		(³)			(³)
Salvador.....	(³)	2			2
Mexico.....	2	10	2	5	19
Total.....	2	19	2	6	29
South America:					
Argentina.....	1	6		2	9
Bolivia.....	(³)	(³)			(³)
Brazil.....	2	2		1	5
British Guiana.....		(³)			(³)
Chile.....	8	8		2	18
Colombia.....		2			2
Ecuador.....		1			1
French Guiana.....		(³)			(³)
Paraguay.....		(³)			(³)
Peru.....	(³)	2		(³)	2
Surinam.....		1			1

See footnotes at end of table.

TABLE 10.—Foreign Long-Term Investments in the United States, by Types and by Countries, Middle of 1937—Continued

Country	Direct investments	Investments in common and preferred shares, etc.	Investments in corporate bonds	Miscellaneous investments	Total
South America—Continued.					
Uruguay		(3)		(3)	(3)
Venezuela		2			2
Total	11	24		5	40
Africa:					
British Africa	(3)	2		1	3
Egypt	(3)	6	1	2	9
Ethiopia		(3)			(3)
French Africa		1		1	2
Liberia		(3)			(3)
Spanish Africa		1		(3)	1
Other Africa		(3)		(2)	(3)
Total		10	1	4	15
Asia:					
Arabia					
British Malaya		1			1
China	5	43	10	(3)	58
French Indochina		(3)			(3)
India	1	6	5	(3)	12
Iran		(3)			(3)
Iraq	(3)	(3)			(3)
Japan	41	4	2	1	48
Netherlands Indies	(3)	1	6		7
Palestine	(3)	3	1	1	5
Philippine Islands	10	12	5	1	28
Thailand (Siam)		(3)			(3)
Syria		(3)		(3)	(3)
Turkey	(3)	(3)		1	1
Total	57	70	29	4	160
Oceania:					
Australia	1	9	2	6	18
New Zealand	2	1		1	4
Total	3	10	2	7	22
Unknown	4				4
Grand total	1, 883	4 3, 808	565	1 651	1 6, 907

¹ This figure is exclusive of \$100,000,000 of estimated foreign holdings of United States national, state, and municipal government bonds. These holdings were estimated in total because of a lack of data for a by-country distribution.

² After deducting \$148,000,000 from Canada and adding \$3,000,000 to Belgium, \$50,000,000 to France, \$20,000,000 to Netherlands, \$30,000,000 to Switzerland, and \$45,000,000 to United Kingdom. That amount represents the estimated investment held by Canadian nominees for non-Canadian owners. No data were available on which to estimate similar holdings in other foreign countries.

³ Investment eliminated in rounding estimates to millions of dollars. For the amounts eliminated, see the chapters dealing with respective types of investment.

⁴ Estimated on the basis of market value for common and par value for preferred stock. To put the preferred stock in this figure on a market value basis, it would be necessary to deduct \$117,000,000 from this total.

The largest investments among the non-European countries, excluding Canada, were held by China, Japan, the Philippine Islands, the British West Indies, and Cuba. The Japanese holdings were principally those of large trading concerns engaged in wholesaling and retailing in this market. The Chinese and Philippine interests were concentrated largely in common and preferred stocks and bonds. The interests of nationals of those countries, domiciled in the United States, are not included in these estimates. Part of the total for the British West Indies may be investments by unidentified personal holding companies established by United States citizens.

INCOME PAID TO FOREIGNERS IN 1937

Total income paid on all foreign investments in the United States in 1937 amounted to \$313,000,000, on which taxes totaling over \$29,000,000 were withheld by the United States Government. The largest item of income was \$166,000,000 from common and preferred stock and the next largest was \$98,000,000 from direct investments. The average rate of income paid was 4.46 percent. Interest on corporate bonds and income from miscellaneous investments comprised the remainder of the total. The highest average rate was 5.18 percent from the direct investments, and dividends paid on common and preferred stocks held by foreigners averaged 4.35 percent of the estimated value. The average yield of the bonds was 3.9 percent. The average yields of foreign-owned stocks and bonds compare rather closely with those of similar types of investments domestically owned.

Income paid to foreign investors during 1937 was distributed, in general, in the proportions found in the value of the various types of investments (see table 11). The United Kingdom, Canada, Netherlands, and Switzerland, in that order, greatly exceeded each of the other countries in total income received. The differences in the yields to these principal investing countries were very small, the range being from 4.4 to 4.7 percent. Among the smaller investing countries where particularly large direct investments could be viewed as profitable, the range of return varied markedly—Germany with an average return of 3.6 percent and Sweden with 9.8 percent. In other words, the fluctuations in return were mostly noticeable in the direct investments.

TABLE 11.—Income Paid to Foreigners from Investments in the United States, by Types and Countries, 1937

[In thousands of dollars—before deducting taxes]

Country	Income from—				Total
	Direct investments	Investments in common and preferred shares, etc.	Investments in corporate bonds	Miscellaneous investments ¹	
North America:					
Canada.....	21,714	26,669	2,100	3,053	53,536
Newfoundland.....	99	702		79	880
Total.....	21,813	27,371	2,100	3,132	54,416
Europe:					
Albania.....		1		1	2
Austria.....	32	240		116	388
Belgium.....	3,271	2,068	500	421	6,260
Bulgaria.....		1			1
Czecho-Slovakia.....	158	78		27	263
Danzig.....		5			5
Denmark.....	189	225		134	548
Estonia.....		11			11
Finland.....		26		8	34
France.....	2,074	9,948	2,050	2,357	16,429
Germany.....	1,788	1,097	550	1,112	4,547
Greece.....	5	143		33	181
Hungary.....		14		8	22
Iceland.....					
Ireland.....	12	386		182	580
Italy.....	371	405	175	806	1,757
Latvia.....		21			21
Liechtenstein.....	128	460			588
Lithuania.....	5	5		5	15
Luxembourg.....	725	394		24	1,143

See footnotes at end of table.

TABLE 11.—Income Paid to Foreigners from Investments in the United States, by Types and by Countries, 1937—Continued

Country	Income from—				
	Direct investments	Investments in common and preferred shares, etc.	Investments in corporate bonds	Miscellaneous investments	Total
Europe—Continued.					
Monaco	9	479		70	558
Netherlands	11,372	21,528	8,550	443	42,893
Norway	47	239		53	339
Poland		76		35	111
Portugal	6	52		44	102
Rumania		7		3	10
Spain	49	243	350	110	752
Sweden	4,172	659	75	113	5,019
Switzerland	7,714	24,583	2,650	1,279	36,226
Union of Soviet Socialist Republics		3		10	13
United Kingdom	37,972	2 66,737	3,600	12,473	2 120,782
Yugoslavia		51		16	67
Total	70,099	2 131,185	18,500	19,883	2 239,667
West Indies:					
British West Indies	3,457	974	15	239	4,685
Cuba	48	593	20	170	831
Dominican Republic	3	15			18
Haiti		9		1	10
Netherlands West Indies	1	67			68
Total	3,509	1,658	35	410	5,612
Central America and Mexico:					
British Honduras		78		19	97
Costa Rica		33			33
Guatemala	4	56		3	63
Honduras	2	47		7	56
Nicaragua		8			8
Panama		120		4	124
Panama Canal Zone		6			6
Salvador	15	64			79
Mexico	76	426	70	190	762
Total	97	838	70	223	1,228
South America:					
Argentina	158	226		49	433
Bolivia	1	15			16
Brazil	20	86		43	149
British Guiana		1			1
Chile	266	346		69	681
Colombia		43			43
Ecuador		20			20
French Guiana		8			8
Paraguay		(3)			(3)
Peru	5	139		13	157
Surinam		15			15
Uruguay		9		3	12
Venezuela	1	63			64
Total	451	971		177	1,599
Africa:					
British Africa	52	97		20	169
Egypt	2	219	40	66	327
Ethiopia					
French Africa		30		27	57
Liberia		6			6
Spanish Africa	16	26		3	45
Other Africa		1		18	19
Total	70	379	40	134	623

See footnotes at end of table.

TABLE 11.—Income Paid to Foreigners from Investments in the United States, by Types and by Countries, 1937—Continued

Country	Income from—				Total
	Direct investments	Investments in common and preferred shares, etc.	Investments in corporate bonds	Miscellaneous investments ¹	
Asia:					
Arabia.....		(³)			(³)
British Malaya.....	2	32			34
China.....	166	2,032	400	23	2,621
French Indochina.....		4			4
India.....	6	186	200	18	410
Iran.....		(³)			(³)
Iraq.....	6	5			11
Japan.....	367	123	75	33	598
Netherlands Indies.....		27	250		277
Palestine.....	6	114	50	25	195
Philippine Islands.....	25	492	200	24	741
Thailand (Siam).....		(³)			(³)
Syria.....		11		3	14
Turkey.....		7		28	35
Total.....	578	3,033	1,175	154	4,940
Oceania:					
Australia.....	60	343	80	227	710
New Zealand.....	4	26		44	74
Other Oceania.....		2			2
Total.....	64	371	80	271	786
Country unknown.....	878				878
Grand total.....	97,559	165,806	22,000	¹ 24,384	¹ 309,749

¹ Exclusive of \$3,000,000 of estimated interest on foreign holdings of United States national, state, and municipal bonds.

² After deducting \$6,400,000 from Canada and adding \$100,000 to Belgium, \$2,300,000 to France, \$800,000 to Netherlands, \$1,300,000 to Switzerland, and \$1,900,000 to United Kingdom. That amount represents the income paid to Canadian nominees for non-Canadian investors in United States corporate stocks.

³ Less than \$500.

CHAPTER V

FOREIGN HOLDINGS OF COMMON AND PREFERRED STOCKS OF UNITED STATES CORPORATIONS, MIDDLE OF 1937

Foreign investments in the common and preferred stocks of United States corporations and in trust shares (investment trust certificates) in 1937 were estimated at \$3,808,000,000 (table 12). Of that total, the holdings of common stocks amounted to \$3,268,000,000; preferred stocks, \$533,000,000; and trust shares, representing an interest in mixed portfolio (chiefly common stocks), amounted to about \$7,000,000.

More than a third of the total foreign investment in common stock and approximately 50 percent of the preferred stock was held in British accounts. Together, the United Kingdom, Canada, Switzerland, and the Netherlands³⁴ comprised 85 percent of the investments in common stocks and 90 percent of those in preferred stocks.

Preferred stocks, ordinarily considered a more conservative medium of investment than common stocks, accounted for about 14 percent of the combined investment in common and preferred stocks. Of the four principal investing countries, the United Kingdom showed the greatest interest in preferred stock. Such investments amounted to 18 percent of the British total compared with only 8 percent of the Netherlands total and 15 and 13 percent, respectively, of the Swiss and Canadian totals. Among the countries with smaller investment totals, Germany and Sweden had over 26 percent of preferred stocks in their portfolios and Belgium and France had over 10 percent each.

DIRECT AND NOMINEE HOLDINGS COMPARED³⁵

The trend, almost world-wide, toward increased nominee holdings after 1934³⁶ is analyzed in connection with the data presented in chapter III. That analysis is supported by a comparison of the data in table 12 with the 1934 data. In 1937 nominee holdings were 49.7 percent of the total foreign investments in common stocks and 58.3 percent of foreign-owned preferred stocks, whereas in 1934 the respective percentages were 41.5 and 46.8.³⁷ Of their investments in common stocks in 1934, France and Switzerland held 71 and 92 percent, respectively, through American nominees. These represented the largest proportion of nominee holdings of common stock of any countries in that year. They declined only moderately between 1935

³⁴ The British, Swiss, and Netherlands totals are likely to include substantial investments held in those countries for other foreign accounts.

³⁵ In this study, nominee data relate to American nominees only, and cover all foreign holdings registered in domestic rather than foreign addresses. Securities registered in this country in the name of a foreign nominee are reported here as direct holdings.

³⁶ See chapter III.

³⁷ Foreign Investments in the United States, *op. cit.*, pp. 52 and 56. In the revision of the 1934 estimates the nominee holdings of common stock were raised from 35 percent to 41.5 percent and of preferred stock from 45 percent to 46.8 percent (chapter III, table 9).

and 1937 to 67 and 90 percent, respectively. Similar holdings by the United Kingdom declined somewhat more—from 53 to 46 percent.

Increases in the proportion of nominee holdings of common stocks to the totals from 1934 to 1937 were found in all other areas. The smallest increase was from 27 percent to 34 percent for the Netherlands, and the largest from 20 to 75 percent for "rest of world."³⁸ China, whose investments constituted a large part of the total for the "rest of world," had 85 percent of its investments in nominee accounts in 1937 (1934 data not available). Other increases of significance applied to Canada, from 11 to 25 percent; "other Europe,"³⁹ from 45 to 69 percent; and Latin America, from 34 to 57 percent. Similar tendencies were noted in the nominee holdings of preferred stocks of the various countries and areas. Growing international tension in various parts of the world, tax and other policies in certain countries which tended toward confiscation of private wealth, sometimes directed in a drastic manner against the person and property of certain groups, caused many investors to seek all possible means of concealing the ownership of securities and other assets.

A distinction, by type or character, between investors with direct holdings and those with nominee holdings could not be drawn on the basis of this analysis. In fact, a scanning of the basic data led to the conclusion that no clear distinction existed. Both institutional and large individual investors held securities in both ways, while the very small accounts had little effect on the averages. The diversification of the foreign accounts was notably broad. Among both the direct and the nominee stock holdings, the French investments were in extremely small units and the British extremely large. The British holdings were centered largely in the portfolios of investment trusts and insurance companies. The Netherlands used their administration offices which issue their own certificates, representing the original shares, to the investors. Because of this the unit holding as registered was very large, whereas the individual Netherlands investment might be small.

INDUSTRIAL DISTRIBUTION⁴⁰

The relative importance of the issues of certain industries in the total foreign investments in the common stocks of United States corporations in 1934 and in 1937, respectively, pointed to the different trends in market prices rather than to changes in the investment habits of foreigners. The value of common-stock investments in manufacturing establishments remained almost constant at about 50 percent in both years, whereas transportation, largely steam railroads, declined from about 9 percent of the market value of foreign holdings of common stock to less than 5 percent. The value of public utilities share holdings declined from 16 to over 9 percent. The opposite trend was shown by investments in petroleum enterprises which rose from 9 to 17 percent of the total, and by holdings of mining stocks which rose from 5 to 10 percent. Other industries showed relatively little change.

³⁸ Africa, Asia, and Oceania.

³⁹ Europe, excluding France, the Netherlands, Switzerland, and United Kingdom.

⁴⁰ The industrial break-down of the 1937 data is based upon the determinable group of 1,960 corporations concerning which complete data were available. The fact that all of these corporations were paying dividends, whereas the 1934 data were for dividend-paying and nondividend-paying issues, may influence some of the comparisons in this section.

The chain index of direct foreign holdings of common shares ⁴¹ indicated that rail and public utility shares rose more rapidly than manufacturing shares, and almost as fast as the holdings of petroleum and mining shares. Furthermore, the increases in nominee holdings of common stocks between 1934 and 1937 were much greater for transportation, public utility, and petroleum shares and slightly greater for mining shares than for the manufacturing shares (chapter III tables 5 and 6). However, the prices of industrial shares (including petroleum and mining) rose much more rapidly than the public utility shares, whereas the rails experienced but very little rise during those 3 years. ⁴² Thus the price trends seem to have been the determining factor in the proportions of the various industries in the total market value of foreign investments in common stocks.

TABLE 12.—Foreign Investment in United States Common and Preferred Stock and Trust Shares, by Principal Countries or Areas, and by Type of Holdings,¹ Middle of 1937

[In millions of dollars]

Country or area	Common stock (market value)				Preferred stock (par value)				Trust shares	Grand total
	Direct holdings	Nominee holdings	Omission estimate	Total	Direct holdings	Nominee holdings	Omission estimate	Total		
Canada and Newfoundland	429	152	72	653	50	11	32	93	1	² 747
Europe:										
Belgium	8	27	5	40	(³)	3	2	5	-----	45
France	49	100	19	168	2	10	7	19	-----	187
Germany	9	10	3	22	1	1	1	3	-----	25
Netherlands	294	150	55	499	14	14	14	42	3	544
Switzerland	41	378	52	471	2	55	30	87	-----	558
United Kingdom	565	583	130	1,178	72	97	89	258	1	1,437
Other Europe	23	55	8	86	2	5	5	12	1	99
Total, Europe	989	1,203	272	2,464	93	185	148	426	5	2,895
West Indies	15	11	3	29	1	1	2	4	-----	33
Central America and Mexico	7	9	2	18	(³)	1	-----	1	-----	19
South America	5	14	2	21	(³)	1	1	2	-----	23
Africa	2	7	1	10	(³)	(³)	(³)	(³)	(³)	10
Asia	14	43	7	64	(³)	4	2	6	1	71
Oceania	2	6	1	9	(³)	1	(³)	1	-----	10
Grand total	1,463	1,445	360	3,268	144	204	185	⁴ 533	7	3,808

¹ A complete break-down by countries, in thousands of dollars, is given in appendix C, table XII.

² Before deducting \$148,000,000 from Canada, and adding that amount to other countries, representing the estimated investment held by Canadian nominees for non-Canadian investors.

³ Investment eliminated in rounding the estimates.

⁴ On a market value basis this would amount to \$416,000,000.

There were, in 1937, some considerable differences in the proportions of the various groups of industrial shares in the portfolios of important investing countries. For example, about 54 percent of the market value of the United Kingdom portfolio of United States common stocks was in the manufacturing group as compared with 41 percent of the Netherlands portfolio. Again, the Canadian portfolio was about 2.5 percent in the transportation group, and the Netherlands portfolio was 5.8 percent in that group. Switzerland

⁴¹ United States Department of Commerce, Bureau of Foreign and Domestic Commerce, Foreign Investments in the United States, p. 68; and The Balance of International Payments of the United States in 1938, p. 56. The revisions of these chain indexes (chapter III, p. 15) which are not yet complete in all details, may possibly alter these relationships.

⁴² Standard Statistics Company index of 420 stocks.

had a much larger proportion of public utility common stocks (13 percent) than did the other countries.

Data regarding the par value of preferred stocks held by foreigners indicates a shift between 1934 and 1937 from transportation to public utility stocks.⁴³ The index of direct share holdings indicated an opposite trend and that of nominee holdings showed no significant variation in the rates of increase of these two industrial groups.⁴⁴ As was the case with the common-stock investments, the explanation must lie in the trend of prices rather than in any change in investment habits.

TABLE 13.—Income Paid to Foreigners from Investments in Common and Preferred Stocks and Trust Shares, by Principal Countries and Areas, and by Type of Holdings, 1937¹

[In millions of dollars—before deducting taxes]

Country or area	Common stock			Preferred stock			Trust shares	Grand total
	Direct holdings	Nominee holdings	Total	Direct holdings	Nominee holdings	Total		
Canada and Newfoundland..	22	8	30	3	1	4	-----	² 34
Europe:								
Belgium.....	(3)	2	2	(3)	(3)	(3)	(3)	2
France.....	2	5	7	(3)	1	1	(3)	8
Germany.....	(3)	1	1	(3)	(2)	(3)	(3)	1
Netherlands.....	13	7	20	1	1	2	(3)	22
Switzerland.....	2	18	20	(3)	3	3	(3)	23
United Kingdom.....	28	26	54	5	6	11	(3)	65
Other Europe.....	2	1	3	(3)	1	1	(3)	4
Total, Europe.....	47	60	107	6	12	18	(3)	125
Latin America.....	1	2	3	(3)	(3)	(3)	(3)	3
Rest of world.....	1	2	3	(3)	(3)	(3)	(3)	3
Grand total.....	71	72	143	9	13	22	(3)	165

¹ Complete data are given by country in appendix C, table XIII.

² Before deducting \$6,400,000 from Canada, representing the amount of income received by Canadian nominees on behalf of non-Canadian investors.

³ Income eliminated in rounding the figures.

INCOME AND VALUE ANALYSES

Only minor qualitative differences existed between the direct and the nominee holdings in 1937, when the entire foreign portfolios are considered, as will be seen in tables 13 and 14. Common-stock dividends per share and per \$100 market value and the average value per share of the nominee holdings of both common and preferred stocks exceeded somewhat those of the direct holdings. The nominee portfolio of preferred stock, however, yielded slightly less per share and per \$100 market value and per \$100 par value than the direct portfolio.

Qualitative differences between nominee and direct holdings in the portfolios of the principal countries were also very small (table 14). Only in the portfolio of the United Kingdom was the market value per share of the nominee holdings higher than that of the direct holdings.

Very substantial differences in dividend rates and average market values appear when foreign holdings are analyzed by stock exchanges

⁴³ See appendix C, tables XV to XVIII for the 1937 data; for data relating to 1934, see Foreign Investments in the United States, p. 53.

⁴⁴ See footnote 40, p. 27, and chapter III, table 6.

(tables 15 and 16). The average dividend rates per share of foreign holdings of New York Stock Exchange common and preferred stocks were higher than the average rates applicable to the total foreign holdings. The over-the-counter issues showed the lowest average rates. New York Stock Exchange issues again had the highest average market value per share and the over-the-counter issues the lowest. Stock Exchange issues had lower than average dividends per \$100 market value in both the common and the preferred categories, indicating that foreigners were willing to pay a higher price for the type of securities listed on that Exchange and for the advantages of such listing.

TABLE 14.—Foreign Investments in Common and Preferred Stocks of 1,960¹ United States Corporations, Classified as to Average Price and Average Income, 1937

Item	Common			Preferred		
	Direct	Nominee	Total	Direct	Nominee	Total
Average market value per share.....	\$39.27	\$43.32	\$41.01	\$66.88	\$69.80	\$68.26
Average income per share.....	1.92	2.15	2.01	4.60	4.59	4.60
Average income per \$100 market value....	4.89	4.95	4.92	6.88	6.58	6.74
Average market value per \$1 of income....	20.45	20.19	20.34	14.54	15.19	14.85
Average income per \$100 par value.....	-----	-----	-----	6.56	6.23	6.40
Average market value per \$100 par value..	-----	-----	-----	95.38	94.64	95.02

¹ The "determinable" group (appendix A, p. 48). Averages are based on income before deducting taxes withheld at the source.

ANALYSIS BY STOCK EXCHANGES

COMMON STOCKS

The extent to which the very rapid increase in foreign holdings of United States common and preferred stocks was induced by political instability abroad, was reflected in the rise from 1934 to 1937 in the degree to which foreign holdings were concentrated in New York Stock Exchange issues.⁴⁵ In the former year, New York Stock Exchange issues comprised 78 percent of the total value of foreign holdings of common stocks. The fact that in 1937 about 88 percent of the foreign investment in the dividend-paying shares of the 1,960 corporations was in New York Stock Exchange issues (table 15) justifies the assumption that a significant increase in foreign holdings took place between 1934 and 1937. This conclusion was reached notwithstanding the fact that the data for the 2 years are not strictly comparable.

The foreign investments in United States common stocks since 1934 have had, to a significant extent, an unstable character. First, the investors were frequently in a hurry to move the funds to the United States during political crises abroad and, secondly, the investments were in excess of that proportion of their assets which foreigners would normally carry in this country. Under such circumstances, liquidity was an important characteristic and one best satisfied, except for short-term assets, by issues listed on the Stock Exchange.

⁴⁵ Shown particularly in nominee holdings (appendix B).

TABLE 15.—Foreign Investments in the Common Stocks of 1,960 United States Corporations, by Stock Exchanges, Showing Dividends Per Share, Average Prices, and Ratios to Total Outstanding Shares, 1937

Item	New York stock ex- change	New York curb ex- change	Other stock ex- changes	Over-the- counter securities	Total
Shares outstanding:	<i>Thousands of shares</i>	<i>Thousands of shares</i>	<i>Thousands of shares</i>	<i>Thousands of shares</i>	<i>Thousands of shares</i>
Non-dividend-paying shares.....	75, 819	42, 268	7, 386	24, 484	149, 957
Dividend-paying shares, some foreign holdings.....	769, 259	152, 200	79, 432	211, 509	1, 212, 400
Dividend-paying shares, no foreign holdings.....	834	3, 565	669	7, 569	12, 637
Total dividend-paying shares.....	770, 093	155, 765	80, 101	219, 078	1, 235, 037
Foreign-held dividend-paying shares:					
Direct holdings.....	21, 812	2, 258	407	5, 156	29, 633
Nominee holdings.....	15, 952	1, 341	119	683	18, 095
Total.....	37, 764	3, 599	526	5, 839	47, 728
Percent foreign of total dividend-paying shares ¹	<i>Percent</i> 4. 904	<i>Percent</i> 2. 311	<i>Percent</i> 0. 657	<i>Percent</i> 2. 665	<i>Percent</i> 3. 864
Market value of foreign-held dividend-pay- ing shares:	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>
Direct holdings.....	990, 660	98, 036	13, 469	61, 568	1, 163, 733
Nominee holdings.....	727, 410	32, 196	3, 076	21, 087	783, 769
Total.....	1, 718, 070	130, 232	16, 545	82, 655	1, 947, 502
Average market value per share of foreign holdings.....	45. 49	36. 19	31. 45	14. 16	41. 01
Dividends paid to foreigners: ²					
Direct holdings.....	47, 572	5, 502	867	2, 965	56, 906
Nominee holdings.....	36, 426	1, 464	191	737	38, 818
Total.....	83, 998	6, 966	1, 058	3, 702	95, 724
Dividends per share on foreign holdings.....	2. 22	1. 94	2. 01	0. 63	2. 01
Dividends per \$100 market value.....	4. 89	5. 35	6. 39	4. 48	4. 92

¹ Exclusive of the nominee holdings in the paying company unknown group (appendix A, p. 49) which comprised total dividends equal to 62 percent of the nominee dividends shown above.

² Before deducting taxes.

Common stocks traded in on the New York Curb Exchange, the next most important exchange in the United States, comprised 7 percent of the value of foreign investments, over-the-counter issues comprised 4 percent, and minor (local) stock exchanges, 1 percent. Over three-fourths of the investment in over-the-counter issues was in the form of the common stocks of financial institutions, banks and trust companies in New York, and of investment trusts.

Of the Stock Exchange issues, 4.904 percent were held abroad, compared with 2.311 percent for the New York Curb Exchange issues, 0.657 percent for "other" or local stock exchange issues, and 2.665 percent for over-the-counter issues.⁴⁶ These percentages clearly reflect the foreign preference for shares listed on the New York Stock Exchange.

In the finance group, the percentage of foreign-held over-the-counter shares to total dividend-paying over-the-counter shares was 3.5. This compared with 1.3 percent for nonlisted shares of all industries except finance.

⁴⁶ These percentages of foreign-held to total shares are of use only when making comparisons between the different stock exchanges, inasmuch as the data do not cover the entire nominee holdings of these issues. (See footnote 1 to table 15, and appendix A, p. 49.)

Table 15 further shows the higher average market value per share and the higher dividends per share of the New York Stock Exchange issues. The over-the-counter issues were very low in both average price and dividends because of the influence of investment trust common stocks.

PREFERRED STOCKS

New York Stock Exchange issues comprised 72 percent, both of the par and of the market value of the foreign holdings of dividend-paying United States preferred stocks in 1937 (table 16). Foreign preference for Stock Exchange issues was further revealed by the percentage of foreign holdings to the total, 4.629 percent for such issues compared with 3.463 percent for all dividend paying preferred issues of the 1,960 corporations. (See footnote 46.) The over-the-counter preferred issues were not as highly concentrated in the finance group as was the case among the common stocks, whereas, on the other hand, public utility and manufacturing preferred stocks comprised a larger proportion of the over-the-counter issues. The market and par values per share of preferred stocks held by foreigners and listed on the New York Stock Exchange were higher than those of the issues listed on other exchanges or traded over-the-counter, indicating the high rating of the Stock Exchange issues.

TABLE 16.—Foreign Investments in the Preferred Stocks of 1,960 United States Corporations, by Stock Exchanges, Showing Dividends Per Share, Average Prices, and Ratios to Total Outstanding Shares, 1937

Item	New York Stock Exchange	New York Curb Exchange	Other stock exchanges	Over-the- counter securities	Total
	<i>Thousands of shares</i>	<i>Thousands of shares</i>	<i>Thousands of shares</i>	<i>Thousands of shares</i>	<i>Thousands of shares</i>
Shares outstanding:					
Non-dividend-paying shares.....	2,905	1,049	97	1,220	5,271
Dividend-paying shares: Some foreign holdings.....	43,542	15,239	9,037	17,139	84,957
Dividend-paying shares: No foreign holdings.....	549	200	712	3,916	5,377
Total, dividend-paying shares.....	44,091	15,439	9,749	21,055	90,334
Foreign-held dividend-paying shares:					
Direct holdings.....	1,041	263	60	295	1,659
Nominee holdings.....	1,000	245	44	181	1,470
Total.....	2,041	508	104	476	3,129
Percent foreign of total ¹	<i>Percent</i> 4.629	<i>Percent</i> 3.290	<i>Percent</i> 1.056	<i>Percent</i> 2.260	<i>Percent</i> 3.463
Par value of foreign-held dividend-paying shares:	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>
Direct holdings.....	85,258	17,662	3,144	10,279	116,343
Nominee holdings.....	76,580	19,101	2,868	9,870	108,419
Total.....	161,838	36,763	6,012	20,149	224,762
Average par value per share of foreign holdings.....	79.29	72.37	58.28	42.33	71.85

See footnotes at end of table.

TABLE 16.—Foreign Investments in the Preferred Stocks of 1,960 United States Corporations, by Stock Exchanges, Showing Dividends Per Share, Average Prices, and Ratios to Total Outstanding Shares, 1937—Continued

Item	New York Stock Exchange	New York Curb Exchange	Other stock exchanges	Over-the- counter securities	Total
Market value of foreign-held dividend-paying shares:	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>	<i>Thousands of dollars</i>
Direct holdings	81,440	17,594	2,873	9,061	110,968
Nominee holdings	72,137	18,157	2,463	9,847	102,604
Total	153,577	35,751	5,336	18,908	213,572
Average market value per share of foreign holdings	75.25	70.38	51.69	39.72	68.26
Average market value per \$100 par value of foreign holdings	94.89	97.25	88.69	93.84	95.02
Dividends paid to foreigners: ²					
Direct holdings	5,276	1,389	184	783	7,632
Nominee holdings	4,448	1,413	157	735	6,753
Total	9,724	2,802	341	1,518	14,385
Dividends per share on foreign holdings	4.76	5.52	3.30	3.19	4.60
Dividends per \$100 par value of foreign holdings	6.01	7.62	5.66	7.53	6.40
Dividends per \$100 market value of foreign holdings	6.33	7.84	6.39	8.03	6.74

¹ Exclusive of the nominee holdings in the "paying-company-unknown" group (appendix A, p. 49), which comprised dividends equal to 62 percent of the nominee dividends shown above.

² Before deducting taxes.

CHAPTER VI

FOREIGN DIRECT INVESTMENTS IN THE UNITED STATES ⁴⁷

At the end of 1937, foreign companies and individuals domiciled abroad controlled a total of 1,172 companies and branches located in the United States. The total investment interest of the foreign owners of these companies and branches amounted to \$1,882,603,000 (table 17).

Foreign direct investments in the United States include all foreign investments in those United States corporations or enterprises which are controlled by persons or small groups of persons (corporate or natural) domiciled in foreign countries, or corporations or enterprises in the management of which such persons or groups have an important voice.⁴⁸ It is through this type of investment that foreigners most directly influence production and distribution in the United States and for that reason it is discussed separately and in detail.

TABLE 17.—Foreign Direct Investments in the United States, by Principal Countries and Industries, 1937

[In thousands of dollars]

Country	Manu- factur- ing	Distri- bution	Trans- porta- tion	Public utility	Petro- leum	Mining	Fi- nance	Miscel- laneous	Total
Europe:									
United Kingdom	366,547	29,674	30,285	925	92,940	13,146	277,074	22,752	833,343
Netherlands	27,825	5,009	1,032		142,551	325	1,266	514	178,519
Belgium	55,652	3,573	142			112	1,071	630	71,190
Germany	45,805	6,279	2,467		38		147	249	54,985
Switzerland	24,175	12,864	172		2,276		28,045	6,404	73,932
France	24,109	7,411	1,490		10,078		11,629	1,786	56,503
Sweden	24,998	1,433	736				2,569		29,736
Other Europe	11,937	3,446	2,801				13,077	7,895	39,156
Total, Europe	591,058	69,689	39,125	925	247,883	13,583	334,878	40,223	1,337,364
Canada ¹	130,873	11,008	215,624	8,057	34,987	10,199	45,742	6,205	462,695
Latin America	2,205	13,975	5	200	149	55	1,516	292	18,397
Africa, Asia, and Oceania:									
Japan	927	16,531	1,757				21,805	10	41,030
Other	1,869	7,936	44				8,386	1,085	19,320
Total, Africa, Asia, and Oceania	2,796	24,467	1,801				30,191	1,095	60,350
Country unknown	1,737	22	447		431	65	38	1,057	3,797
Grand total	728,669	119,161	257,002	9,182	283,450	23,902	412,365	48,872	1,882,603

¹ Including \$102,000 for Newfoundland (\$2,000 in "mining" and \$100,000 in "miscellaneous").

⁴⁷ The first three tables, and some of the text, in this chapter are taken from a special report prepared for the Temporary National Economic Committee to be published as, "Direct Foreign Investments in the United States."

⁴⁸ The basis of the classification of an investment as "direct" has been the ownership of the common stock of the enterprise. No arbitrary percentage of ownership of the common stock has been adopted because a concentrated holding of 30 percent of the stock may give control of policies as effectively as a more widely distributed holding of 50 or 60 percent.

These investments had no common cause, unless it was a desire to participate more fully in the great American market. Some date their origin before the Civil War, whereas others were only recently started. Some grew to considerable size, as any prosperous, well-managed business may, whereas others were the result of the merger of several units some of which may have been domestically owned. Many of the manufacturing enterprises even now are based on patent control. Frequently patent controls were important in the beginning of the enterprise, but later the reputation for a good product and good service was more vital to it. The United States tariff was undoubtedly a factor in causing some factories to be established to manufacture products in this country that could not be imported and meet the competition of domestically produced goods. Other factors, such as the costs of transportation, or the availability of a raw material, were influential in individual cases.

INDUSTRIAL DISTRIBUTION

Foreign direct investments in United States enterprises in 1937 were distributed over the whole range of business activity in this country (see table 18). Every major industry was represented from manufacturing to agriculture and from retail distribution to railroad systems. The distribution by industries was not even, however, nor did it conform to the relative importance of the various industries in the United States. Controlling investments in United States public-utility enterprises, for example, were the smallest in any group.

Manufacturing, with its wide range of nonstandardized highly competitive products was the field of investment for \$729,000,000, or approximately 40 percent of the total foreign direct investments in the United States. Although the range of products was extremely wide, in some branches entrepreneurs in this country developed advanced techniques and superior products earlier than foreign companies, and the conditions have not been favorable for investments by the latter. Other branches of manufacturing revealed the existence of competitive conditions which induced foreign investments. Under this latter head mention is made particularly of chemical, textile, and beverage manufacturing. Among the branches of manufacturing that were affected least by the entrance of foreign affiliates into this market, were iron and steel, transportation equipment, and rubber.⁴⁹

Just before the United States entered the World War, the domestic chemical industry was dominated by a few large German concerns. The seizure of the United States assets and patents of those concerns, and their sale to domestic interests, served to break that domination. This was an industry, however, in which patents played a prominent role. As a result, foreign investments in the chemical industry, including toilet goods and cosmetics, still amounted to \$220,000,000 at the end of 1937. As large as this investment seems, it was only about 5 or 6 percent of the total capital invested in the United States chemical industry.⁵⁰ Furthermore, the geographic distribution of

⁴⁹ A discussion of the importance of foreign direct investments in the total production in the United States is contained in the special report prepared for the Temporary National Economic Committee, *op. cit.*

⁵⁰ Based roughly on the total assets of chemical companies as reported in Bureau of Internal Revenue, Press Service No. 19-13, showing the assets and liabilities as of December 31, 1937, of corporations submitting balance sheets.

that foreign investment was much wider in 1937 than in 1914, with England, France, Netherlands, and Switzerland, as well as Germany, in important roles.

Textile manufacturing presented yet another picture. Cotton, wool, and silk textile production have not for years, if ever, been dominated by foreign capital. There were, nevertheless, several old companies of more than average size that were controlled abroad, particularly in England and France. Rayon manufacturing concerns, on the other hand, were largely foreign in their origin and control, and in 1937 several of the largest companies were wholly or partially owned by British, Netherlands, and German companies. The textile group as a whole, in which \$217,000,000 of foreign capital was invested, showed about the same degree of foreign control as did the chemical industry.

Approximately 6 percent of the capital invested in the manufacturing of beverages (alcoholic and nonalcoholic) in 1937 was owned abroad. Foreign ownership, however, was confined largely to the manufacture of alcoholic beverages and in that branch comprised a much larger part of the total investments. The latter was, of course, a development of the years after 1933. Almost all of the \$65,000,000 of foreign investments in United States beer and whisky manufacturing companies was held by a few large Canadian companies.

The investment in financial institutions was next in size to the manufacturing industry, although only about 60 percent as large. Of the \$412,000,000 of foreign capital invested in this type of enterprise, the net worth⁵¹ of 134 foreign-owned insurance branches and subsidiaries amounted to \$351,000,000. Seventy percent of the net worth of these insurance investments was in fire and marine insurance branches and companies, and only 4 percent was in life insurance companies, although the admitted assets of life insurance companies was nearly as large as those of the fire and marine companies. The difference was the result of the varying statutory reserve requirements applying to these types of companies.⁵² Three-fourths of the direct investments by foreign insurance companies were British. (See table 18.) No other country comprised as much as 10 percent of the total. Direct investments in banks, trust companies, and investment companies amounted to \$61,000,000.

Foreign direct investments in the petroleum industry, which amounted in 1937 to \$283,000,000, covered the entire range of production, pipe-line transportation, refining, and distribution. Some of these investments had their origin before 1914. Their principal expansion, following the trend of the industry took place after the close of the war. England, Canada, and Netherlands all figured prominently in the total.

⁵¹ The net worth of these branches and affiliates of foreign companies, rather than the total admitted assets or total investments, has been adopted as the correct method of valuing insurance investments, because a large part of the assets of insurance companies are required by law to be deposited against policy liabilities with State insurance commissioners as statutory reserves.

⁵² For more detailed data regarding foreign insurance investments in the United States, see the following publications of the United States Bureau of Foreign and Domestic Commerce: Trade Information Bulletin No. 834, Insurance Transactions in the Balance of International Payments of the United States, 1919-35, by August Maffry, published in 1936; The Balance of International Payments of the United States (published annually), and Foreign Investments in the United States, pp. 38 and 43, published in 1937.

TABLE 18.—Foreign Direct Investments in the United States, by Industries, 1937

[In thousands of dollars]

Industry	Investment	Industry	Investment
Manufacturing:		Manufacturing, continued:	
Automobile parts.....	34,821	Tobacco.....	18,764
Iron and steel.....	6,348	Other manufactures.....	12,500
Non-ferrous metals.....	24,200	Total, manufacturing.....	728,669
Transportation equipment.....	1,790	Distribution.....	119,161
Machinery.....	31,977	Transportation.....	257,002
Heating and electrical equipment.....	11,963	Public utilities.....	9,182
Hardware.....	12,276	Petroleum.....	283,450
Building and construction material.....	15,827	Mining.....	23,902
Paper and wood products.....	18,236	Finance:	
Chemicals.....	220,304	Banking, securities.....	61,103
Rubber.....	2,561	Insurance.....	351,262
Leather.....	2,725	Total, finance.....	412,365
Textiles.....	217,164	Agriculture.....	12,670
Foodstuffs.....	31,938	Miscellaneous.....	36,202
Beverages.....	65,275	Grand total.....	1,882,603

With one exception, the controlling foreign investments in United States railways were held by the two large Canadian systems. These holdings were acquired for the most part during the last half of the last century when the Canadian companies were seeking direct access to Chicago and to the eastern seaboard of the United States. Foreign direct investments in transportation enterprises in 1937 were estimated at \$257,000,000.

Direct investments by foreigners in United States mining and agricultural companies were, up until about 1910, more numerous and valuable than at present. This was particularly true of agriculture.⁵³ During the 1870-80's British capitalists obtained large tracts of land in the South and Middle West, either for exploitation or as speculations. The liquidation of such holdings was very rapid after about 1900 and during the World War, and as a result they were relatively unimportant in 1937. Controlling investments in United States mining enterprises in 1937 were generally of rather recent origin. The pre-war foreign holdings were often sold in small blocks to United States investors so that while foreigners still have large investments in mining enterprises in this country they are no longer controlling interests. The development of American potash resources, which is of fairly recent date, has been financed largely by foreign capital and accounts for a substantial portion of the \$24,000,000 invested in mining enterprises.

Import-export houses, and distributors of foreign specialty articles, such as some Japanese and Philippine goods, comprised the bulk of the foreign direct investments in the distribution industry.

GEOGRAPHIC DISTRIBUTION

More than \$1,300,000,000, or 70 percent, of the foreign direct investments in the United States in 1937 belonged to the United Kingdom and the British Dominions. The bulk of these large investments—\$833,000,000—was made by corporations and individuals in the United

⁵³ There are undoubtedly some large unincorporated farms and urban properties owned by foreigners today that are not included in the 1937 estimates.

Kingdom. Canada, with \$463,000,000, made up most of the remainder (table 19). Manufacturing and insurance were the two industrial groups in which British investments were largely centered. To an important degree both had a long history, some of the latter going as far back as 1804 and the former to 1853. In many cases the only explanation of their continued existence as foreign-controlled enterprises was this historical factor and their profitability. In other cases, important English investments arose out of patent controls, tariff measures, and the demands of competitive marketing.

Canadian direct investments in the United States covered a wide range of activities. They seemed to have been the result of nearness and the similarity of markets and methods. Nearness or contiguity were, of course, the determining factor in the investments in branch railway lines in this country. To a very real degree, nearness can also be said to be a factor in the manufacturing investments, the next most important group, as is evident from the notable extent to which these enterprises were concentrated in Buffalo and Northern New York. Furthermore, the close relations that exist between Canadian and United States businessmen naturally led to their association in various enterprises or industries.

TABLE 19.—Foreign Direct Investments in the United States, by Countries, 1937

[In thousands of dollars]

Country	Total investment	Country	Total investment
North America:		South America:	
Canada.....	462, 593	Argentina.....	987
Newfoundland.....	102	Bolivia.....	14
Total.....	462, 695	Brazil.....	1, 674
Europe:		Chile.....	7, 777
Austria.....	155	Peru.....	21
Belgium.....	71, 190	Total.....	10, 473
Czecho-Slovakia.....	1, 467	West Indies:	
Denmark.....	8, 138	British West Indies.....	914
France.....	56, 503	Cuba.....	4, 986
Germany.....	54, 985	Dominican Republic.....	75
Greece.....	765	Total.....	5, 975
Ireland.....	1, 107	Africa:	
Italy.....	12, 476	British Africa.....	255
Lichtenstein.....	8, 257	Egypt.....	3
Lithuania.....	35	Total.....	258
Luxembourg.....	2, 757	Asia:	
Madeira.....	147	British India.....	1, 260
Monaco.....	67	China.....	4, 803
Netherlands.....	178, 519	Hong Kong.....	436
Norway.....	2, 318	Iraq.....	106
Poland.....	26	Japan.....	41, 030
Portugal.....	2	Netherlands Indies.....	44
Spain.....	1, 419	Palestine.....	1
Sweden.....	29, 736	Philippine Islands.....	9, 803
Switzerland.....	73, 932	Turkey.....	4
Union of Soviet Socialist Republics.....	20	Total.....	57, 487
United Kingdom.....	833, 343	Oceania:	
Total.....	1, 337, 364	Australia.....	741
Mexico and Central America:		New Zealand.....	1, 864
Mexico.....	1, 751	Total.....	2, 605
El Salvador.....	1	Unknown.....	3, 797
Guatemala.....	60	Grand total.....	1, 882, 603
Honduras.....	12		
Panama.....	125		
Total.....	1, 949		

European countries, other than the United Kingdom, likewise had large direct investments in the United States in 1937. Netherlands, with \$178,000,000 followed Canada in size. Switzerland, Belgium, France, and Germany were next in that order of importance. Although petroleum comprised the bulk of the investment of the Netherlands, manufacturing was a large part of the total of each of the countries listed above. (See table 17.) Chemical, textile, and mechanical branches of manufacturing were most prominently represented.

Direct investments by other foreign countries were scattered and were relatively unimportant, with the exception of the Japanese interests. The latter totaled \$41,000,000, in which insurance and distribution enterprises were the only ones of significance.

CONCENTRATION OF ASSETS AND INVESTMENT

A special analysis was made of data relating to 651 foreign-controlled United States companies, excluding insurance companies, in order to determine the technical investment and financial characteristics. The foreign investment in these companies amounted to \$1,347,000,000, or 88 percent of the total foreign direct investments in the United States, excluding the investments in insurance companies. These 651 companies had total assets, at the end of 1937, of \$2,586,000,000. Among these, 37 concerns, or 5.6 percent, had assets in excess of \$10,000,000—their total assets comprising about 64 percent of the assets of the entire group.⁵⁴

This degree of concentration followed quite closely the pattern of United States industry in general. The manufacturing, transportation, petroleum, finance, and trading industries were represented in the group of larger companies. At least one was the result of a merger near the turn of the last century, others resulted from the rapid growth of industries, such as the production of rayon yarn, where patent control was important, whereas still others had grown to unusual size, just as other domestic units in the same industry had done during the same period.

The total capitalization of the 651 companies amounted to \$1,911,000,000 and the total common stock to \$893,000,000. Sixty-three percent of the capitalization⁵⁵ and 81 percent of the common stock of those companies was owned in foreign countries. In other words, control was held through the ownership of the common stock, whereas United States capital was associated in the enterprises to a greater degree through the ownership of preferred stocks and bonds than of common stock. The total foreign investment in the 37 companies having assets of over \$10,000,000 amounted to \$985,000,000 or 73 percent of the investment in the 651 companies and 64 percent of the total foreign direct investments in the United States, excluding the insurance companies.

⁵⁴ Almost all of the larger foreign-controlled units were affiliated with foreign corporations which were in their own countries considered among the larger organizations.

⁵⁵ Capitalization included common and preferred stock, surplus or deficit, and bonds, but excluded advances and intercompany accounts and other current liabilities.

40 FOREIGN LONG-TERM INVESTMENTS IN THE UNITED STATES

TABLE 20.—Financial Structure of Foreign Direct Investments¹ in the United States, by Industrial Groups and by Geographic Areas, End of 1937

[In millions of dollars]

Industry and geographic area	Common stock	Surplus account	Preferred stock	Bonds and notes	Advances and inter-company accounts	Total
Industrial groups:						
Manufacturing.....	346	202	57	32	50	687
Distribution.....	41	11	12	3	20	87
Transportation.....	73	² 54	44	91	67	221
Public utilities.....	3	1	1	1	—	6
Petroleum.....	217	35	15	4	—	271
Mining.....	5	4	1	1	—	11
Finance.....	19	12	1	1	—	33
Agriculture.....	1	² 1	—	3	4	7
Miscellaneous.....	18	3	1	2	—	24
Total.....	723	213	132	138	141	1,347
Geographic areas:						
United Kingdom.....	289	118	30	14	53	504
Canada.....	130	7	61	116	71	385
All other areas.....	304	88	41	8	17	458
Total.....	723	213	132	138	141	1,347

¹ Investments in 651 companies equivalent to 88 percent of the total foreign direct investments in the United States are included in this table.² Net deficit.

The financial structure of foreign-owned companies in the United States in 1937 differed greatly from that of United States corporations generally. Over 53 percent of the foreign interest took the form of common stock. An additional 16 percent was surplus, and preferred stocks, bonds, and advances and intercompany accounts each comprised close to 10 percent (table 20). On the average, corporate structures in the United States in 1937, were about as follows: Common, 25 percent; surplus, 15 percent; preferred stocks, 6 percent; bonds, notes, and mortgages, 20 percent; and accounts payable and other liabilities, 34 percent.⁵⁶

Such a financial structure cannot be considered unusual in a group of companies such as these, that is, companies that are controlled by other companies rather than by individuals. It is not greatly different from the financial structure of United States direct investments in foreign countries. The distribution in the latter case in 1936 was: Common stock, 47.1 percent; surplus, 13.6 percent; preferred stock, 7.0 percent; bonds, 18.2 percent; and advances and intercompany accounts, 14.1 percent.⁵⁷ The principal differences between this distribution and that relating to foreign direct investments in the United States may be explained very largely by the industrial character of the two sets of data. The chief explanation is that public utility and transportation enterprises, which were a larger part of direct investments in foreign countries than of direct investments in the United States, are normally financed to a greater extent by bonds, preferred stocks, and advances than are other industries.

⁵⁶ Based on data compiled by the Bureau of Internal Revenue from the reports of corporations submitting balance sheets.⁵⁷ Department of Commerce, Economic Series No. 1, American Direct Investments in Foreign Countries, 1936, pp. 22-24.

INCOME ANALYSIS

The income paid to foreigners in 1937 from their direct investments in the United States amounted to \$97,559,000, as shown in table 21, an average rate of 5.2 percent. The amount actually received by the foreign owners was considerably less, because such payments of income were subject to a tax to be withheld at the source which averaged about 9 percent of the income.⁵⁸ Almost \$90,000,000 of the total was in the form of dividends. Royalties for the use of patents, paid by subsidiary and affiliated United States enterprises largely to the foreign parent companies or affiliated interests amounted to \$3,373,000. Royalties of this kind were more common in cases of partial foreign ownership of the common stock of the company than in cases of complete ownership.

An analysis of the 1937 income returns of 155 companies, covering 58 percent of the total foreign direct investments in the United States, indicated that 85 percent of the net earnings, after payment of all charges and preferred dividends, were paid out as common dividends. On that basis the earnings reinvested in the United States amounted to approximately \$15,000,000, and the average rate of earnings was 5.6 percent.

TABLE 21.—Income Paid to Foreigners¹ from Direct Investments in the United States, 1937

[In thousands of dollars]

Country	Divi- dends	Interest	Royalties	Miscella- neous income	Total income
North America:					
Canada.....	19,732	1,815	25	142	21,714
Newfoundland.....	99				99
Total.....	19,831	1,815	25	142	21,813
Europe:					
Austria.....	22	10			32
Belgium.....	3,255	16			3,271
Czecho-Slovakia.....	155	3			158
Denmark.....	153	34		2	189
France.....	1,938	108	16	12	2,074
Germany.....	1,021	50	714	3	1,788
Greece.....	5				5
Ireland.....	8	4			12
Italy.....	191	24	153	3	371
Lichtenstein.....	118	10			128
Lithuania.....	5				5
Luxembourg.....	720	5			725
Monaco.....	9				9
Netherlands.....	10,902	151	319		11,372
Norway.....	14	2	31		47
Portugal.....	6				6
Spain.....	30	12		7	49
Sweden.....	3,273	16	869	14	4,172
Switzerland.....	7,175	183	297	59	7,714
United Kingdom.....	36,608	1,007	148	209	37,972
Total.....	65,608	1,635	2,547	309	70,099
Latin America (West Indies):					
Cuba.....	47	1			48
Dominican Republic.....	3				3
British West Indies.....	2,668	1	785	3	3,457
Other West Indies.....	1				1
Total.....	2,719	2	785	3	3,509

¹ Before deducting the tax withheld at source.⁵⁸ See appendix A, footnote 1.

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TABLE 21.—Income Paid to Foreigners from Direct Investments in the United States, 1937—Continued

Country	Divi- dends	Interest	Royalties	Miscella- neous income	Total income
Central America and Mexico:					
Guatemala		4			4
Honduras	2				2
Salvador	15				15
Mexico	73	3			76
Total	90	7			97
South America:					
Argentina	147	11			158
Bolivia	1				1
Brazil	20				20
Chile	259	7			266
Peru	2	3			5
Venezuela	1				1
Total	430	21			451
Africa:					
British Africa	49	3			52
Egypt	2				2
Spanish Africa	16				16
Total	67	3			70
Asia:					
British Malaya	2				2
China	163	3			166
India and Ceylon	1	5			6
Iraq	6				6
Japan	350			17	367
Palestine	6				6
Philippine Islands	25				25
Total	553	8		17	578
Oceania:					
Australia	46		12	2	60
New Zealand			4		4
Total	46		16	2	64
Country unknown	327	550		1	878
Grand total	89, 671	4, 041	3, 373	474	97, 559

CHAPTER VII

MISCELLANEOUS FOREIGN INVESTMENTS IN THE UNITED STATES, INCLUDING CORPORATE BONDS

The "miscellaneous" foreign investments in the United States comprise several types of investment—trust funds and estates in process of settlement, interest-bearing obligations not elsewhere specified, real estate, real-estate mortgages, oil and gas royalties, and annuities.

The principal type of investment is that of trust funds and estates, which involved an estimated investment of \$492,000,000 in the middle of 1937. In tables 22 and 23, the countries from which immigration was heavy, and to which wealthy United States citizens went most frequently to live, are in general shown to be those with the largest investments in this category. The United Kingdom, for instance, accounted for 59 percent of the total in 1937. France, Canada, Germany, and Italy followed in order of importance.

Investments in miscellaneous interest-bearing obligations are next in size, followed by real estate and mortgages. In 1937, real estate involved an estimated investment of about \$16,000,000, real-estate mortgages of \$44,000,000, and other interest-bearing obligations (exclusive of bonds), \$72,000,000. It is probable that the latter group includes some mortgages, which, because they were not identified as such in the tax returns could not be so classified. The largest investments in these categories were those of the United Kingdom, Canada, and Switzerland.

The foreign investments in bonds, as shown in table 10, covers only the holdings of United States corporate bonds. Adequate data regarding foreign holdings of United States Government issues, national, State, or municipal were not available. Such investments in 1934, exclusive of those that were included in the portfolios of the affiliates and branches of foreign insurance companies and in trust funds and estates, were estimated at \$50,000,000.

Between 1934 and 1937 conditions in certain foreign countries encouraged the investment of capital in United States securities. Furthermore, judged by the increase in the holdings of short-term United States Government issues by foreign banks, conditions in the United States and abroad were conducive to the purchase of national Government issues.⁵⁹ Accordingly, although the 1934 estimate was admittedly rough, it is doubled as of 1937 and \$100,000,000 is added to the miscellaneous investments without attempting to distribute it by countries.

The income paid to foreigners in 1937 on miscellaneous investments, exclusive of holdings of Government issues, is shown in table 23. Miscellaneous income from the United States, such as patent and publishing royalties and wages, is shown in appendix C, table XXI.

⁵⁹ On January 2, 1935, short-term United States Government obligations held for foreign account amounted to \$769,000; on June 30, 1937, such holdings amounted to \$100,887,000, and on December 29, 1937, they amounted to \$89,315,000; on December 28, 1938, to \$36,000, and on December 27, 1939, to \$9,543,000. Treasury Department, Statistics of Capital Movements Between the United States and Foreign Countries, Reports No. 1, 4, and 6.

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TABLE 22.—Miscellaneous Foreign Investments in the United States, by Types and Countries, Middle of 1937

[In thousands of dollars]

Country	Trusts and estates	Miscellaneous interest-bearing obligations	Real estate and mortgages	Oil and gas royalties	Annuities	Total
North America:						
Canada.....	28,323	24,138	12,528	11,540	1,863	78,392
Newfoundland.....	810	1,296			27	2,133
Total.....	29,133	25,434	12,528	11,540	1,890	80,525
Europe:						
Albania.....	27					27
Austria.....	2,673	108	81		270	3,132
Belgium.....	10,125	567	675	6		11,373
Czecho-Slovakia.....	216	243	243		27	729
Denmark.....	3,213		216	12	162	3,603
Finland.....	216					216
France.....	54,810	5,535	2,538	456	135	63,474
Germany.....	22,896	1,755	2,025	2,146	459	29,281
Greece.....	648	108	135			891
Hungary.....	216			5		221
Ireland.....	4,104	162	594	2	54	4,916
Italy.....	15,822	972	4,563	14	378	21,749
Lithuania.....	135					135
Luxembourg.....			648	8		656
Monaco.....	1,674	27	81		108	1,890
Netherlands.....	10,908	351	648	30	27	11,964
Norway.....	756	540	81	29	27	1,433
Poland.....	729	27	135		54	945
Portugal.....	1,134	54				1,188
Rumania.....	81					81
Spain.....	1,755	54	1,161			2,970
Sweden.....	2,592	162	189		216	3,159
Switzerland.....	14,904	11,583	6,831	901		34,219
Union of Soviet Socialist Republics.....	81				189	270
United Kingdom.....	291,222	21,654	16,362	4,022	2,106	335,366
Yugoslavia.....	162	216	27		27	432
Total.....	441,099	44,118	37,233	7,631	4,239	534,320
West Indies:						
Cuba.....	324	35	3,402	14	540	4,315
Haiti.....			27			27
British West Indies.....	6,183	54	189		27	6,453
Total.....	6,507	89	3,618	14	567	10,795
Central America and Mexico:						
British Honduras.....	513					513
Guatemala.....			81			81
Honduras.....		108	81			189
Panama.....	81	27				108
Mexico.....	3,429	135	432	793	54	4,843
Total.....	4,023	270	504	793	54	5,734
South America:						
Argentina.....	378		945			1,323
Brazil.....	729	243	189			1,161
Chile.....	1,053	594	216			1,863
Peru.....	297	54				351
Uruguay.....	54		27			81
Total.....	2,511	891	1,377			4,779
Africa:						
British Africa.....	459	54			27	540
Egypt.....	1,755		27	2		1,784
French Africa.....	729					729
Spanish Africa.....	81					81
Other Africa.....	486					486
Total.....	3,510	54	27	2	27	3,620

TABLE 22.—Miscellaneous Foreign Investments in the United States, by Types and Countries, Middle of 1937—Continued

[In thousands of dollars]

Country	Trusts and estates	Miscellaneous interest-bearing obligations	Real estate and mortgages	Oil and gas royalties	Annuities	Total
Asia:						
China	297	162	135		27	621
India	378	81	27			486
Japan	729	135	27			891
Palestine	648			3	27	678
Philippine Islands	621	27				648
Syria	54		27			81
Turkey	324	432				756
Total	3,051	837	216	3	54	4,161
Oceania:						
Australia	1,755	54	4,320			6,129
New Zealand	756		432			1,188
Total	2,511	54	4,752			7,317
Grand total	492,345	71,747	60,345	19,983	6,831	651,251

TABLE 23.—Income Paid to Foreigners¹ on Miscellaneous Investments in the United States, by Types and Countries, 1937

[In thousands of dollars]

Country	Trusts and estates	Miscellaneous interest-bearing obligations	Real estate and mortgages	Oil and gas royalties	Annuities	Total
North America:						
Canada	1,049	894	464	577	69	3,053
Newfoundland	30	48			1	79
Total	1,079	942	464	577	70	3,132
Europe:						
Albania	1					1
Austria	99	4	3		10	116
Belgium	375	21	25			421
Czecho-Slovakia	8	9	9		1	27
Denmark	119		8	1	6	134
Finland	8					8
France	2,030	205	94	23	5	2,357
Germany	848	65	75	107	17	1,112
Greece	24	4	5			33
Hungary	8					8
Ireland	152	6	22		2	182
Italy	586	36	169	1	14	806
Lithuania	5					5
Luxembourg			24			24
Monaco	62	1	3		4	70
Netherlands	404	13	24	1	1	443
Norway	28	20	3	1	1	53
Poland	27	1	5		2	35
Portugal	42	2				44
Rumania	3					3
Spain	65	2	43			110
Sweden	96	6	7		4	113
Switzerland	552	429	253	45		1,279
Union of Soviet Socialist Republics	3				7	10
United Kingdom	10,786	802	606	201	78	12,473
Yugoslavia	6	8	1		1	16
Total	16,337	1,634	1,379	380	153	19,883

¹ Before deducting taxes.

TABLE 23.—Income Paid to Foreigners on Miscellaneous Investments in the United States, by Types and Countries, 1937—Continued

[In thousands of dollars]

Country	Trusts and estates	Miscellaneous interest-bearing obligation	Real estate and mortgages	Oil and gas royalties	Annuities	Total
West Indies:						
Cuba	12	13	126	1	18	170
Haiti			1			1
British West Indies	229	2	7		1	239
Total	241	15	134	1	19	410
Central America and Mexico:						
British Honduras	19					19
Guatemala			3			3
Honduras		4	3			7
Panama	3	1				4
Mexico	127	5	16	40	2	190
Total	149	10	22	40	2	223
South America:						
Argentina	14		35			49
Brazil	27	9	7			43
Chile	39	22	8			69
Peru	11	2				13
Uruguay	2		1			3
Total	93	33	51			177
Africa:						
British Africa	17	2			1	20
Egypt	65		1			66
French Africa	27					27
Spanish Africa	3					3
Other Africa	18					18
Total	130	2	1		1	134
Asia:						
China	11	6	5		1	23
India	14	3	1			18
Japan	27	5	1			33
Palestine	24				1	25
Philippine Islands	23	1				24
Syria	2		1			3
Turkey	12	16				28
Total	113	31	8		2	154
Oceania:						
Australia	65	2	160			227
New Zealand	28		16			44
Total	93	2	176			271
Grand total	18,235	2,669	2,235	998	247	24,384

APPENDIXES

A. SOURCES AND METHODS USED IN PREPARATION OF BASIC 1937 ESTIMATES

Since the completion of the Finance Division's first study of Foreign Investments in the United States, up-to-date estimates have been made by the use of indexes of foreign holdings of the stocks of United States corporations. These indexes were prepared from data supplied annually by 300 to 500 corporations. These data presumably accurate reflected the changes in foreign holdings of corporate stocks, and of their value, to the extent that those holdings were registered under a foreign address (so-called "direct holdings"). The indexes and estimates have been published in the Finance Division's annual bulletin, *The Balance of International Payments of the United States*.

Unfortunately, adequate annual data regarding the foreign holdings registered in the names of domestic nominees could be obtained only by imposing a very heavy burden on the banks and brokers of this country. In the absence of such data, it was necessary to assume that the trend of changes in the direct and in the nominee holdings were the same. It was soon recognized that, because of the unsettled conditions in Europe and the consequent incentive for foreigners to conceal the ownership of foreign assets, the nominee holdings were increasing more rapidly than were the direct holdings.

There was, furthermore, a real need for a more detailed geographic break-down of the investment estimates than that presented in the earlier study. In order to simplify the work of the business organizations which cooperated by preparing basic data for the 1934 study, a complete geographic break-down of the data they reported had not been requested.¹ Accordingly, no data were available regarding the investments of various countries² of importance and interest, including Belgium, China, Italy, Japan, Mexico, and the Scandinavian countries. Equally important was a complete geographic break-down of the income paid to foreigners from their investments in the United States and payments of royalties for the use of patents. Estimates of the total income paid to foreigners have been available for a number of years in the balance of international payments bulletins.

SOURCE OF BASIC DATA

The basic data used in this study, except those used in preparing the estimates of foreign holdings of United States bonds, are based on a comprehensive analysis of the 1937 withholding tax returns filed with the Bureau of Internal Revenue (Annual Return of Income Tax to be

¹ The banks and brokers were asked to identify the foreign holdings of Canada, United Kingdom, France, Netherlands, Switzerland, "Other Europe," Latin America, and "Rest of the World."

² Throughout this bulletin, the names of countries are used in a collective sense to represent individuals, corporations, and other organizations whose addresses are in the country or countries named.

Paid at Source—Form 1042). The Revenue Act of 1936 provides that all payments of interest, dividends, rent, royalties, annuities, salaries, distributable income of estates and trusts, and other fixed or determinable annual or periodical income from sources within the United States to nonresident alien individuals, or nonresident foreign partnerships and payments of dividends to nonresident foreign corporations shall be taxable at the source.³

Form 1042, on which the withholding tax is reported, calls for the names and addresses of the persons to whom the income is paid, the nature of income, its gross amount, and the amount of tax withheld. In most cases these reports provide the name of the original payor, that is, the name of the company by whom the payment was made and the country in which the income was paid. In some instances, particularly when the withholding agent is the nominee of the foreign investor and not the original payor, the tax returns do not identify the name of the corporation making the original payment nor the country of residence of the foreign recipient of the income. The pertinent 1937 data were transcribed from Forms 1042 in such a manner as to permit analysis and tabulation by countries, by types of income, by industries, and by types of holding (direct or nominee).

The first groupings of the basic data were made on the basis of the description of the type of income involved, that is, into dividends, interest, distributable income of estates and trust funds, rents, royalties, and the like. Sometimes the withholding agent was the original payor and in other cases the withholding agent was acting for the payee. In other words, corporations and banks acted as withholding agents for the collection of the tax in all cases where the shares were registered under some foreign address (the so-called direct holdings) although not necessarily the name or address of the beneficial owner. Banks and brokers were the withholding agents when the corporation or bank shares were registered in the names of the banks or the brokers, or in the names of their nominees (so-called nominee holdings). It was possible to identify the capacity in which the withholding agent was acting and therefore to divide the data into direct holdings and nominee holdings.

INVESTMENTS IN COMMON AND PREFERRED STOCKS

Classification of data.—Because certain dividend data could not be obtained from the Bureau of Internal Revenue in the desired form, a further break-down of the dividend payments into the following groups, excluding payments by corporations classed with the direct investments, was necessary:

A. Determinable payments of dividends, direct and nominees, about which all of the items of information needed for purposes of compilation and analysis were ascertainable, namely, (1) the country to which payment was made, (2) the company making the original payment, (3) the class of stock on which the payment was made, (4) and other data, such as the character of the business of the company, its capitalization, the rate of dividends, and the market value of the shares involved. (1,960 companies included in this group.)

³ The Revenue Act of 1936 imposes a 5-percent tax on all income paid to Canadian individuals and on dividends paid to corporations in Canada; 10 percent on all income paid to foreign individuals not resident in Canada and on dividends paid to non-Canadian corporations; and 15 percent on all other income paid to Canadian and other foreign corporations, with minor exceptions.

B. "Nondeterminable" payments of dividends, direct and nominee, a group in which the class of stock could not be ascertained, but all other data that could be used were available.

C. "No-master-data" group of dividend payments, direct and nominee, in which the name of the original payor was known but no other data regarding it were ascertainable, that is, items of information, numbers 3 and 4, under A, were lacking.

D. "Paying-company-unknown" group of dividend payments, all nominee, in which the name of the company making the payment, its capitalization, and industrial character were not ascertainable. This group covered dividends paid by the companies in groups A, B, and C, but, in this case, items of information, numbers 2, 3, and 4, under A, were lacking.

E. "Country-unknown" group of dividend payments reported as paid to some United States agent without identifying the country of the beneficiary. These dividends were found in each of the groups and were distributed in each group among the countries of the world on the basis of the proportions of each country to the total in the particular group.

It is, of course, obvious that the tax returns relate only to the foreign holdings of dividend paying stocks and other securities from which income was received in the calendar year 1937. Accordingly, it was necessary to estimate foreign holdings of nondividend paying issues on a different basis. The description of the data relating to that group and the methods employed in estimating the foreign investment in it are given in this appendix, under the heading, "omission estimate."

Methods of ascertaining shares and values.—After all of the data relating to the "determinable" category had been collected, the number of foreign-held shares was calculated by dividing the dividends paid by the dividend rate. This gave an approximate average of the number of shares held by foreigners during the year, not the amount held at the end of the year. The data were then coded, cards were punched, and tabulations were made by countries, by industries, by types of stock, by type of holding (direct or nominee) and by other analytical categories. The tabulations covered the number of shares, common and preferred, held by foreigners, their market value, the dividends paid, and the par value of the preferred shares. This group provided the basis for most of the estimates and analysis in the study of foreign holdings of common and preferred stocks. The dividends in the determinable group comprised 66.5 percent of all of the common and preferred dividends paid to foreigners in 1937, exclusive of payments by companies in the direct-investment category.

The "nondeterminable" group which included 14 percent of the dividends paid to foreigners, was coded and tabulated according to the same general plan as that used for the "determinable" group. Because of the nature of the group, neither share nor value data could be calculated. The tabulations were, of course, confined to the amount of the dividends paid. These dividends are shown by areas and industrial groups in table XIX.

The "nondeterminable" dividends were then combined on a by-country basis, by the direct and nominee types, with the "paying-company-unknown" (17.6 percent) and "no-master-data" (1.9 percent) dividends, and are shown in table XIV. After being divided into common and preferred dividends on the basis of common and

preferred to total dividends in the "determinable" group, they were capitalized on the basis of the by-country ratios of dividends to value as derived from the determinable group.

Dividend payments per share were ascertained from Moody's Manuals on the basis of the actual payments during the calendar year 1937, rather than on the basis of declarations. Stock dividends were included at the market value of the stock distributed after the distribution was completed. Adjustments were made to the rate of dividends paid per share to take account of stock split-ups, stock dividends, and other transactions affecting the number of shares outstanding, in order that the number of shares held after those transactions might be correctly ascertained.

Valuations were based on market values for common stocks, and on both market and par or stated values for preferred stock. The market values were the closing prices as of June 30, or the nearest available date.⁴ That date was decided upon because the share data were averages of foreign holdings for the year rather than the holdings at the beginning or the end of the year. Prices on June 30 were approximately at the average of the weekly Standard Statistics index of 420 stocks for the year 1937, or 111.7.

The dividend payments on trust shares were capitalized at 5 percent, just a little less than average rate on common and preferred stocks combined.

The nature of the basic data involved a limitation in the inclusiveness of the estimates. Nonresident citizens of the United States are not subject to the withholding tax, and, therefore, the income they receive abroad was not part of the data upon which the investment estimates were based. The estimates made in the 1934 study were based on reports received from corporations, banks, and brokers regarding shares held under foreign addresses, regardless of the citizenship of the holder. Although the holdings of nonresident citizens were probably large in absolute amount, it is believed they did not comprise any large percentage of the total foreign investments as estimated at that time. The subsequent repatriation of many United States citizens from Western Europe, because of the European war and the threats of war, resulted in the reduction of holdings of this type.

The tax was stated to be applicable to all nonresident aliens. Inasmuch as aliens whose stay in the United States is limited to definite periods by the immigration laws are not classed as resident aliens,⁵ there are probably some payments of income reported on Forms 1042, and considered here as foreign investments, which are not remitted to any foreign country and which are spent in the United States by the recipients.

Omission estimate: common and preferred stocks.—The data available from the withholding tax returns of the calendar year 1937 presumably included all dividend payments made to foreign holders of United States corporate stocks in that year. On the basis of those data, the value of all foreign investments in dividend-paying common and preferred stocks were calculated according to the methods described

⁴ In case of large changes in the number of shares outstanding, the market price of the shares after the change was used.

⁵ United States Treasury Department, Bureau of Internal Revenue, Regulations 94, Income Tax, Revenue Act of 1936, p. 383.

above. Since those calculations related only to stocks that paid dividends in 1937, it was necessary to estimate the foreign holdings of stocks upon which no dividends were paid. That estimate is called the "omission estimate" and is described in this section. The basic supporting data for this omission estimate are contained in table II at the end of this section.

This omission estimate is based primarily on the balance sheet data submitted in 1937 to the Bureau of Internal Revenue by 416,902 corporations (table II, part A). These data were filed on Form 1120, the corporation income-tax return.⁶ They were then compiled in "net-income" and "no-net-income" groups by that Bureau.

Eliminating intercompany holdings.—In 1937 the corporation income tax returns were filed on an unconsolidated basis, except for the steam and electric railroads which were permitted by law to file consolidated returns. The process of consolidation eliminates intercompany stock holdings. Inasmuch as it seemed desirable to figure the percentage of foreign holdings on the basis of the holdings of the shares available for public ownership, intercompany holdings had to be eliminated throughout (table I, parts A and B, step 1).

The basis for the elimination was the proportion of the stated value of intercompany share holdings to that of all of the shares of the companies in the sample⁷ (table II, part B, 1 and 2). Those data indicated that intercompany holdings were 18.85 percent and 5.93 percent, respectively, of the total stated value of the common and preferred stocks of those companies. Those percentages were then applied to the total stated value of the common and preferred stocks of the 416,902 corporations, after deducting railroad stocks, and the resultant products were deducted from the total (table I, parts A and B, step 1).

TABLE I.—Principal Steps in the Calculation of the Omission Estimate¹

Item	Corporations reporting "net income"	Corporations reporting "no net income"
A. COMMON STOCK		
Stated value—stocks of 416,902 corporations.....	\$56,562,090,000	\$20,776,508,000
1. Deduct: Estimated intercompany holdings.....	10,006,000,000	3,442,000,000
Total, non-intercompany holdings.....	46,466,090,000	17,334,508,000
2. Deduct: Estimated stated value of dividend-paying shares.....	31,589,015,000	17,334,508,000
Estimated stated value of non-dividend-paying shares.....	14,877,075,000	14,877,075,000
Total.....		32,211,583,000
3. Multiply by 2.808 percent foreign.....		.02808
Stated value of foreign holdings.....		904,501,000
4. Multiply by market value as a percent of stated value.....		.40
Market value of foreign holdings—omission estimate.....		361,800,000

¹ See table II for the basic data used in these calculations and for the sources of those data.

⁶ The total assets of corporations that did not file balance sheets with their Form 1120 return were probably insignificant when compared with those who did.

⁷ The companies in the sample included all of those that paid dividends to foreigners for which capitalization data were available.

TABLE I.—Principal Steps in the Calculation of the Omission Estimate—Con.

Item	Corporations reporting "net income"	Corporations reporting "no net income"
B. PREFERRED STOCK		
Stated value—stocks of 416,902 corporations	13,368,817,000	4,995,538,000
1. Deduct: Estimated intercompany holdings	739,000,000	257,000,000
Total, nonintercompany holdings	12,629,817,000	4,738,538,000
2. Deduct: Estimated stated value of dividend-paying shares	9,653,870,000	555,454,000
Estimated stated value of non-dividend-paying shares	2,975,947,000	4,183,084,000
Total		2,975,947,000
3. Multiply by 2.590 percent foreign		7,159,031,000
Stated value of omission estimate of foreign holdings		.02590
4. Multiply by market value as a percent of stated value		185,419,000
Market value of omission estimate of foreign holdings		.45
		83,439,000

Deducting dividend-paying stocks.—The next necessary step was to estimate and deduct the stated value of all dividend-paying stocks from adjusted total remaining after eliminating the intercompany holdings. The basis for this step (table I, parts A and B, step 2) in the calculation was, again, the data regarding the sample group of companies (table II, part B). First, it was ascertained that foreign-share holdings were 4.669 and 4.305 percent, respectively, of the dividend-paying common and preferred shares of the corporations in the determinable group.⁸ The total dividends paid by those corporations were then estimated on the basis of those percentages.

The ratio of dividend payments to stated value was then calculated by dividing the total dividends paid into the total stated value of the stocks of the determinable group of companies. The result was 1 to 7.647 for common stocks and 1 to 13.96 for preferred stocks.

Since the Bureau of Internal Revenue made no distinction between common and preferred dividends, the total dividends paid by the 416,902 corporations (after "dividends received from domestic corporations" had been deducted) were divided into those classes⁹ in the proportions found in the determinable group, that is, 86.93 percent common and 13.07 percent preferred. The total stated value of dividend-paying stocks were estimated by multiplying the common and preferred dividends by 7.647 and 13.96, respectively. The estimates arrived at in that manner were then deducted from the total stated value of all corporate stocks, as in table I, parts A and B, step 2, to give the stated value of nondividend paying stocks.

Method of determining stated value of foreign-held non-dividend-paying stocks.—Having eliminated intercompany holdings and dividend-paying stocks, it was necessary to estimate the foreign holdings of the remainder, the non-dividend-paying stocks (table 2, parts A and B, step 3). The basic assumption in this step was that foreign holdings were the same percentage of the total among the non-dividend-paying as among the dividend-paying stocks.

To provide a check on this assumption, a questionnaire was sent to about 400 United States corporations that did not pay dividends in

⁸ Dividends in the "paying-company-unknown" group were divided between the determinable and nondeterminable categories in the proportion of 82 to 18, the proportions found between the dividends paid to foreigners in those categories. The percentages of foreign holdings included an allowance for the shares in the paying-company-unknown group.

⁹ Dividends paid by corporations in the no-net-income category were assumed to be preferred dividends only (table II, part 2, 5).

1937, requesting data regarding the foreign holdings of their shares. Data were received from over 300 corporations with a total stated value of common and preferred stocks of \$3,660,000,000 and \$897,000,000, respectively. The average of the foreign holdings in this latter group was considerably higher than that of the dividend-paying group. That fact was accounted for by dominance, in the non-dividend-paying group, of about three companies whose stocks were very popular with foreign investors. It was found that the percentage of foreign ownership was approximately the same in the two groups.

As stated previously, foreign holdings of common and preferred stocks were 4.669 and 4.305 percent, respectively, of the total outstanding shares of the "determinable" group of companies. This group, however, included only 60.15 percent of the stated value of the dividend-paying common and preferred stocks in the United States. The other 39.85 percent of these stocks, it was assumed, were without foreign holdings, inasmuch as no dividend payments to foreigners were reported to the tax authorities. Accordingly, the foreign holdings would be 2.808 and 2.59 percent of the total dividend-paying common and preferred stocks, respectively. These percentages when applied to the stated value of non-dividend-paying stocks yielded foreign holdings with a stated value of about \$905,000,000 of common stock and \$185,000,000 of preferred stock (table I, parts A and B, step 3).

Method of determining market value of foreign-held non-dividend-paying stocks.—In estimating foreign investments, common stocks were carried at market values and preferred stocks at stated or par values. Inasmuch as considerable interest has been evident in the market value of the preferred stock held by foreigners, the market value, as well as the par or stated value, was calculated. Those calculations were based on the findings of the sample of 300 non-dividend-paying corporations which indicated that market value was 40 and 45 percent of the stated value of common and preferred stocks, respectively. Those percentages, applied to the stated values indicated by the preceding step, gave market values for common stock of about \$360,000,000 and for preferred stocks of about \$85,000,000 (table I parts A and B, step 4.)

These omission estimates of \$360,000,000 (market value) of common stock and \$185,000,000 (par value) of preferred stock comprised 11 and 34.7 percent, respectively, of the estimated total foreign investments in those classes of stock.

TABLE II.—Basic Data Used in Omission Estimate

A.—Balance Sheet and Dividend Data Regarding 416,902 American Corporations Filing Balance Sheet With Bureau of Internal Revenue, 1937¹

Item	Corporations reporting "net income"	Corporations reporting "no net income"
1. Stated value, common stock.....	\$56,562,090,000	\$20,776,508,000
2. Stated value, preferred stock.....	13,368,817,000	4,995,538,000
3. Total dividends paid.....	7,260,703,000	202,978,000
4. Dividends received from domestic corporations.....	2,438,262,000	163,189,000
5. Net dividends paid, ² total.....	4,822,441,000	39,789,000
Common.....	4,130,903,000	-----
Preferred.....	691,538,000	39,789,000

¹ United States Treasury Department, Bureau of Internal Revenue, Statistics of Income, for 1937, part 2, p. 70 (covers items 1 to 4, inclusive).

² Excluding dividends received from domestic corporations (intercompany dividends).

TABLE II.—Basic Data Used in Omission Estimate—Continued

B.—Balance Sheet and Dividend Data Regarding Corporations Paying Dividends to Foreigners, 1937³

Item	Common stock	Preferred stock
1. Stated value of stock outstanding (excluding intercompany holdings):		
Determinable group (1,960 corporations):		
Paid dividends, some foreign holdings	\$18,091,521,000	\$5,606,674,000
Paid dividends, no foreign holdings	101,603,000	202,308,000
No dividends paid	1,034,873,000	206,942,000
Nondeterminable group (515 corporations):		
Paid dividends, some foreign holdings	3,904,287,000	3,704,819,000
Paid dividends, no foreign holdings		3,326,000
No dividends paid	218,313,000	3,776,000
2. Stated value of intercompany stock holdings:		
Determinable group (1,960 corporations):		
Paid dividends, some foreign holdings	2,287,352,000	271,363,000
Paid dividends, no foreign holdings	1,149,562,000	206,200,000
No dividends paid	1,086,913,000	19,372,000
Nondeterminable group (515 corporations):		
Paid dividends, some foreign holdings	835,512,000	201,523,000
Paid dividends, no foreign holdings	144,999,000	13,248,000
No dividends paid	349,620,000	
3. Number of shares outstanding:		
Determinable group (1,960 corporations):		
Paid dividends, some foreign holdings	1,212,400,000	84,957,000
Paid dividends, no foreign holdings	12,637,000	5,377,000
No dividends paid	149,957,000	5,271,000
Nondeterminable group (515 corporations):		
Paid dividends, some foreign holdings	245,358,000	60,158,000
Paid dividends, no foreign holdings	444,000	39,000
No dividends paid	26,978,000	355,000
4. Dividends paid to foreigners: ⁴		
Determinable group (1,960 corporations):		
Direct holdings	56,906,000	7,632,000
Nominee holdings	38,816,000	6,751,000
Nondeterminable group (515 corporations): ⁵		
Direct holdings	16,289,000	
Nominee holdings	9,988,000	
Paying company unknown:		
Nominee holdings	29,113,000	
5. Number of shares held by foreigners:		
Determinable group (1,960 corporations):		
Direct holdings	29,639,000	1,657,000
Nominee holdings	18,096,000	1,466,000

³ Based on tabulations in the Finance Division.⁴ Before deducting taxes.⁵ Including dividends paid by about 750 corporations in the "no master data" group as follows: Direct holdings, \$2,868,000; nominee holdings, \$297,000.

DIRECT INVESTMENTS

As part of the 1934 survey of foreign investments in the United States, the Finance Division collected information from miscellaneous sources regarding a large number of foreign direct investments in this country. The withholding tax returns made it possible to check that earlier information and to add over 385 companies to the list. In general, these additions were very small enterprises engaged in distribution, although the estimate of direct investments was raised by about \$200,000,000 as a result of this new information.

These corrections of and additions to the earlier information were made by comparing the dividend payments to foreigners with the total dividend payments of each company. In that manner, the percentage of foreign ownership, or control, was ascertained. The investment in companies classed as direct investments¹⁰ was then compiled on the basis of the book value of the foreign interest. Book value was defined as the stated or par value of common and preferred shares, the principal amount of bonds, the stated value of surplus or deficit,

¹⁰ See definition, chapters I and V.

and of net advances and intercompany accounts. Some non-dividend-paying direct-investment companies may be omitted from this compilation, although many such companies were in the original list.

MISCELLANEOUS INVESTMENTS

The estimate of "other investments" was based, also, on the data obtained from the withholding tax returns of 1937. It included distributable incomes of estates and trust funds, interest on notes and short-term advances,¹¹ interest on mortgages, and real-estate rents. The income under these categories was capitalized on the basis of an estimated return of 3.7, the multiplier being 27.

In 1937 a group of six life-insurance companies, whose investments in bonds, real estate, mortgages, and policy loans totaled \$7,650,000,000, received interest and rents in the amount of \$353,000,000, or at the rate of approximately 4.6 percent. On the assumption that the insurance company portfolios were of higher average quality than those of the general run of estates and trust funds and were conservatively valued in the company balance sheets, the estimated average rate was reduced to 3.7 percent. Of necessity, this decision was, to a considerable extent, arbitrary.

B. DATA RELATING TO CHAPTER III

I. DATA EMPLOYED IN ESTIMATING TRENDS IN FOREIGN INVESTMENTS IN COMMON AND PREFERRED SHARES OF UNITED STATES CORPORATIONS AS REPORTED BY NOMINEES, 1934-39

The data employed in the analysis of foreign-owned common and preferred shares held through nominees during the period from the end of 1934 to mid-1937 included the reports of 23 banks and 21 brokerage firms relative to the foreign holdings of the shares of identical corporate issues, as of the two dates mentioned. The latter was composed of 493 issues of common and 164 issues of preferred shares which paid dividends during 1937. The common and preferred shares shown in table III and table IV represented 79.8 percent and 52.8 percent, respectively, of total common and preferred nominee shares in the determinate category in 1937, which in turn were 37.9 percent and 47 percent of total common and preferred determinate shares held by foreigners.

By far the bulk of nominee shares (in the ratio of about 3 to 1) were entrusted to banks for safekeeping, although the increase in holdings reported by brokerage firms exceeded the increase reported by banks almost six-fold between 1934 and 1937. These holdings of common and preferred shares were concentrated primarily on the New York Stock Exchange.

A comparison by industrial categories indicates that the major portion of common shares held through nominees represented investments in manufacturing, petroleum, and public-utility companies, in that order of importance. The order of preference evidenced in the distribution of preferred share investments was as follows: Public utility, manufacturing, and finance companies.

¹¹ Some unidentified mortgage interest was perhaps included in this category.

TABLE III.—Foreign-Held Common and Preferred Shares Reported by 23 Banks, by Industries, Middle of 1937

Industry	Common shares		Preferred shares	
	Listed on the New York Stock Exchange (283 issues)	Not listed on the New York Stock Exchange (210 issues)	Listed on the New York Stock Exchange (94 issues)	Not listed on the New York Stock Exchange (70 issues)
Manufacturing	4, 489, 757	120, 060	164, 925	23, 499
Distribution	429, 936	5, 356	10, 485	209
Transportation	552, 545	163, 880	22, 853	671
Public utilities	1, 304, 785	167, 451	214, 650	82, 463
Petroleum	1, 736, 524	136, 393	16, 578	
Mining	839, 984	33, 558	7, 421	
Finance	328, 390	334, 146	21, 755	69, 962
Miscellaneous	139, 454	10, 291	4, 719	1, 653
All groups	9, 821, 375	971, 135	463, 386	178, 457
Ratio of 1934 holdings	171. 7	148. 2	150. 4	178. 0
Combined ratios	169. 3		157. 2	
Total ratio	168. 6			

TABLE IV.—Foreign-Held Common and Preferred Shares Reported by 21 Brokerage Firms, by Industries, Middle of 1937

Industry	Common shares		Preferred shares	
	Listed on the New York Stock Exchange (283 issues)	Not listed on the New York Stock Exchange (210 issues)	Listed on the New York Stock Exchange (94 issues)	Not listed on the New York Stock Exchange (70 issues)
Manufacturing	1, 296, 143	39, 381	37, 224	641
Distribution	109, 599	1, 338	3, 647	200
Transportation	78, 128	2, 156	1, 514	9
Public utilities	568, 057	72, 219	57, 624	25, 144
Petroleum	764, 135	140, 554	408	
Mining	348, 889	26, 383	976	
Finance	109, 646	58, 865	493	5, 661
Miscellaneous	26, 976	2, 109	463	75
All groups	3, 301, 573	342, 905	102, 349	31, 730
Ratio of 1934 holdings	1, 007. 4	738. 5	788. 8	583. 0
Combined ratios	974. 0		727. 9	
Total ratio	962. 5			

An examination of tables V and VI indicates that except for the holdings of preferred shares reported by the banks, there was a tendency for the concentration of foreign investments in common and preferred shares listed on the New York Stock Exchange to be intensified between 1934 and 1937.

It was pointed out in connection with the preceding tables that banks were more important than brokerage firms as nominees. From table VII it is also apparent that, although the major portion of shares held by nominees are common shares, the preferred shares reported by nominees are a larger proportion to total outstanding preferred shares than is a similar ratio for common shares. Both factors seem to indicate that certain conservative considerations are associated with the investments entrusted to nominees. However, between 1934 and 1937

the increase in the ratio of common shares held abroad exceeded the increase in the ratio of preferred shares.

Between 1934 and 1937 the proportionate holdings by foreigners of total shares outstanding increased sharply in the petroleum industry. Rises in other industries, although not as sharp, nevertheless averaged approximately 100 percent.

TABLE V.—Percentage Increase Foreign-Held Common and Preferred Shares Reported by 23 Banks, by Industries, 1934-37

[Year-end 1934 to middle of 1937]

Industry	Common shares		Preferred shares	
	Listed on the New York Stock Exchange (283 issues)	Not listed on the New York Stock Exchange (210 issues)	Listed on the New York Stock Exchange (94 issues)	Not listed on the New York Stock Exchange (70 issues)
Manufacturing.....	44.5	41.7	35.4	343.5
Distribution.....	48.8	1,163.2	60.7	-78.1
Transportation.....	95.2	172.1	75.1	-7.1
Public utilities.....	110.5	63.4	55.2	77.7
Petroleum.....	168.6	26.8	6,276.2	(1)
Mining.....	38.6	173.1	100.8	(1)
Finance.....	244.8	19.7	15.9	52.2
Miscellaneous.....	88.3	22.1	-15.5	83.7
All groups.....	71.7	48.2	50.4	78.0
Combined increase.....	69.3		57.2	
Total increase.....		68.6		

¹ No holdings reported for either 1934 or 1937.

TABLE VI.—Percentage Increase Foreign-Held Common and Preferred Shares Reported by 21 Brokerage Firms, by Industries, 1934-37

[Year-end 1934 to middle of 1937]

Industry	Common shares		Preferred shares	
	Listed on the New York Stock Exchange (283 issues)	Not listed on the New York Stock Exchange (210 issues)	Listed on the New York Stock Exchange (94 issues)	Not listed on the New York Stock Exchange (70 issues)
Manufacturing.....	855.2	1,638.7	573.7	(1)
Distribution.....	174.6	(1)	6.1	-60.0
Transportation.....	628.3	75.3	620.9	(1)
Public utilities.....	1,767.1	4,148.2	1,582.4	556.0
Petroleum.....	1,668.5	282.7	(1)	(2)
Mining.....	534.9	6,334.9	248.5	(2)
Finance.....	857.9	1,335.0	(1)	410.0
Miscellaneous.....	1,869.1	(1)	363.0	(1)
All groups.....	907.4	638.5	688.8	483.0
Combined increase.....	874.0		627.9	
Total increase.....		862.5		

¹ No holdings reported for 1934.

² No holdings reported for either 1934 or 1937.

For purposes of further analysis, the sample data for 1937 were raised by 4 percent, to place them on a year-end basis. The increase represented the net foreign investment in common and preferred shares during 1937 not included in the average data for the year,

which when added to the average data place them on an end-of-the-year basis.

The data on foreign investments in United States corporate common and preferred shares during 1937, as shown in chapter II, were also placed on a year-end basis for further analysis. In table IX, are shown the steps by which the average foreign holdings were raised to a year-end basis, and the changes between 1934 and 1937 in the sample data upon which the revised estimates for 1934 were based. The average number of shares held by foreigners during 1937 were valued as of approximately June 30 and are shown as the first set of items in both sections of this table. The data presented suggest an upward revision of \$187,000,000 in the estimated value of foreign-held common nominee shares at the close of 1934, and an increase of \$14,000,000 in the estimated value of preferred shares.

Changes in the value of foreign investments held through nominees during the period 1937-39 were based on a sample study of the withholding tax returns filed by nominees with the Bureau of Internal Revenue supplemented by certain direct-holding data. The amounts of taxes withheld from foreigners were readily converted into total dividends paid to foreigners (5-percent tax withheld from dividend payments to Canadians and 10 percent from all other foreign investors). The sample was composed of the returns of 45 banks and 61 brokerage firms and accounted for 94 percent of the total income paid through nominees to foreigners during 1937. An index of these payments is as follows: 1937, 100; 1938, 61.9; 1939, 72.5.

TABLE VII.—Percentage of Foreign-Held Common and Preferred Shares to Total Outstanding, Reported by 23 Banks and 21 Brokerage Firms by Industries, 1934 and 1937

[Year-end 1934 and middle of 1937]

Industry	Common shares		Preferred shares	
	1934	1937	1934	1937
Manufacturing.....	1.02	1.79	0.69	1.35
Distribution.....	.83	1.25	.95	1.08
Transportation.....	1.00	2.57	.72	1.21
Public utilities.....	.66	1.77	1.31	2.61
Petroleum.....	.57	1.84	.09	4.78
Mining.....	1.05	1.93	.62	1.30
Finance.....	.28	.68	1.99	3.08
Miscellaneous.....	.67	2.39	.53	.56
Total.....	.77	1.66	1.00	1.93

The income data were converted to market-value data for 1938 and 1939 on the basis of the relation between dividends and market value for 1937, adjusted by the changes shown in the same relationship for direct holdings during the period 1937-39. The value of the investment held through nominees was then segregated as to common and preferred, on the basis of the relationship between the value of nominee common and preferred shares between 1934 and 1937, partially adjusted to the extent of the changes shown in the same relationship for direct holdings during the period 1934-39. Thus, of the nominee shares, the value of common shares was 85.2 percent of total in 1937 (and 14.8 percent for preferred), and had increased 0.7 percent from 1934. In the direct holdings, the increase had been 2.1 percent for

the same relationship of the value of common shares to total value. Between 1937 and 1939 the proportion of common share value to total nominee value was raised and lowered by about one-third of the same change shown in the value of common shares directly held.

II. DATA EMPLOYED IN ESTIMATING TRENDS IN FOREIGN INVESTMENTS IN COMMON AND PREFERRED SHARES OF UNITED STATES CORPORATIONS (DIRECT HOLDINGS), 1934-39

The data employed in this analysis of common and preferred shares held directly by foreigners during the period 1934-37 included 233 issues of common shares and 93 issues of preferred shares for which the foreign holdings were reported to the Finance Division by the corporations whose shares were held abroad.

The trends in these holdings are shown in table VIII.

Although the share holdings of both classes of securities increased during the period 1934-37, the rate of increase in common shares exceeded the rate of increase in preferred shares, as was the case in the nominee holdings, during 1934-37. The changes between 1934 and 1937 were projected backward to 1934, with 1937 as the base year. The data presented in table IX suggest an upward revision of \$72,000,000 in the estimated value of foreign-held common direct holdings for the year-end 1934, and an increase of \$7,000,000 in estimated preferred holdings.

Changes in the value of directly held investments during the period 1937-39 were based on reports received from over 500 domestic corporations relative to the number of their shares owned and held abroad. The data included 469 issues of common stock and 249 issues of preferred stock, and were valued on a year-end basis. The value data rounded to the nearest whole percent were as follows:

	1937	1938	1939
Common.....	100	123	107
Preferred.....	100	110	99

TABLE VIII.—Index of the Value of Directly Held Common and Preferred Shares, 1934-37

[Year-end 1934=100]

Year	Common		Preferred	
	Number of shares	Value	Number of shares	Value
1934.....	100.0	100.0	100.0	100.0
1937.....	159.3	138.5	118.5	116.1

The relatively larger decline in the value of common shares between 1938 and 1939 was partially a consequence of a drop in average common-share prices, as compared with a slight increase in average preferred-share prices. As in the period 1934-37, the rate of increase of common shares exceeded the rate of increase in foreign direct holdings of preferred shares. The share data rounded to the nearest whole percent were as follows:

	1937	1938	1939
Common shares.....	100	108	100
Preferred shares.....	100	99	89

TABLE IX.—Market Value of Foreign-Held Common and Preferred, Direct and Nominee Holdings, Middle of 1937, End of 1937, and New Estimates for End of 1934

[Value figures in millions of dollars, ratios in percent]

Item	Common	Preferred
DIRECT HOLDINGS		
Value of shares held by foreigners, excluding omission estimate, mid-1937	1,463	138
Omission estimate	181	35
Value of shares held by foreigners, including omission estimate mid-1937	1,644	173
Reduce value of common shares by 30.8 percent and value of preferred shares by 19.8 percent to allow for changes in market value of investment between the midyear and year-end, and raise by 4 percent to include net additional investment during the year, to give investment at end of 1937	1,184	145
Sample index of value of foreign-held shares, 1934 (end of 1937=100)	72.2	85.1
Estimated value of directly held shares, 1934	855	125
Previous estimate of value of directly held shares, 1934	783	118
Suggested addition to direct holdings estimate for 1934	+72	+7
NOMINEE HOLDINGS		
Value of shares held by foreigners, excluding omission estimate, mid-1937	1,445	193
Omission estimate	179	50
Value of shares held by foreigners, including omission estimate, mid-1937	1,624	243
Reduce value of common shares by 30.8 percent and value of preferred shares by 19.8 percent to allow for changes in market value of investment between the midyear and year-end, and raise by 4 percent to include net additional investment during the year, to give investment at end of 1937	1,169	203
Sample index of foreign-held nominee shares, 1934 (end of 1937=100)	45.0	52.9
Index average prices (direct holdings sample) 1934 (end of 1937=100)	115.1	102.0
Index of value [foreign-held shares nominee sample times index of average prices (direct holdings sample), 1934 (1937=100)]	51.8	54.0
Estimated value of nominee-held shares, 1934	606	110
Previous estimate of value of nominee-held shares, 1934	419	96
Suggested addition to estimate of nominee holdings for 1934	+187	+14
Suggested addition to estimate of direct and nominee holdings for 1934	+259	+21

III. CAPITAL MOVEMENT DATA REPORTED BY THE TREASURY DEPARTMENT AND THE ESTIMATES OF THE DEPARTMENT OF COMMERCE OF FOREIGN INVESTMENTS IN UNITED STATES CORPORATE SHARES

The statistics of capital movements between the United States and foreign countries, published by the Treasury Department, include transactions in foreign and domestic securities (stocks and bonds combined) and the movement of short-term banking funds. These have been reported on a weekly basis since January 2, 1935. The analysis in this section is concerned with that portion of the Treasury's data that relate to the purchase and sale of domestic securities (see table X, footnote 1).

For a number of years the annual estimates of foreign investments in the United States corporate shares have been based on changes in the value of the shares owned by foreigners at the close of each year, indicated by the data of a sample group of corporations. The data collected by the Treasury Department have served the purpose of indicating the direction and magnitude of week by week and yearly capital movements, but in their published form do not serve as a measurement of the annual changes of the value of foreign investments in this country. The latter are based on year-end values; the former are the values at which the actual transactions took place. The one may be likened to an annual inventory, the other to current purchases and sales.

In this section an attempt is made to adjust the weekly security transaction data of the Treasury Department to a basis comparable with the annual estimates of the Department of Commerce. Fortunately, the Treasury data are available from January 1935, and complete Commerce estimates are available for the end of 1934. The procedure followed is an attempt to estimate the value of securities sold by foreigners week by week during a given year (reported by the Treasury Department) at the value at which they were carried at the close of the preceding year, and then to eliminate their value from the Commerce estimates. The remainder of the Commerce estimate, that is, that part of the portfolio that was not sold, was then revalued as of the close of the year during which the sales were made, on the basis of the change in average share prices between the year-ends. The weekly value of purchases during the year was raised or lowered to an end of the year value, and added to the value of the remaining portfolio of investments at the year-end. This method was followed for purchases and sales of securities during each week of the 5-year period 1935-39 (see table X).

Thus, reported sales of \$8,782,000 of domestic securities, for the week ended December 27, 1939, were raised in value to \$8,887,000, the equivalent value of these securities at the close of 1938. The year-end value of these securities was based on the relationship between the Standard Statistics Company index of 420 stock prices during the week in which the securities were sold and the level of the same index at the close of the preceding year. Purchases of \$30,039,000 of domestic securities during the week ended January 11, 1939, were lowered in value to \$29,318,000, the equivalent value of these securities at the close of 1939. In the case of purchases, the year-end value of the investments was based on the relationship between the Standard Statistics index during the week in which the securities were purchased and the level of that index at the close of the same year. The value of foreign securities at the close of the preceding year (1938), less sales, was also revalued to the level of security prices at the close of 1939. By this process the data of weekly capital movements during 1935-39 were revalued to a year-end investment basis.

As may be seen from an examination of the data in text table 7 and appendix table X, there was a fairly close agreement from 1934 to 1937 between the investment estimate (at market value) of the Department of Commerce of \$2,701,000,000 and that resulting from the application of Treasury data to the Department's investment for 1934, \$2,779,000,000. For 1938, the estimated foreign investment in United States corporate shares rose to \$3,081,000,000 as against an estimate of \$3,378,000,000, on the basis of Treasury Department data. It was suggested in a previous section, dealing with the changes in share investments since 1937, that the migration to this country of individuals who had previously expatriated funds to this country in the form of investments held through nominees, had also meant the changing of nominee accounts from foreign to domestic addresses, and that the Commerce Department's figures for 1938 reflected this change.

However, the weekly Treasury data include only the actual purchases and sales of domestic securities for a consideration, and changes in the addresses of nominee holdings would not be included. No basis is available by which to estimate the volume of investment that

might have been involved in nominee accounts with changed addresses, although a comparison of the growth of direct and nominee holdings suggests that in the absence of this type of transaction, nominee holdings would have exceeded direct holdings during 1938. By this deductive process the estimated value of nominee accounts with changed addresses might have been more than \$200,000,000 during 1938. This would account for the major difference between the Commerce and Treasury data estimates for 1938 which were also reflected in the investment figures for 1939. Likewise, if it was the purpose of the Treasury data (table XI) to take account of such transactions, a net capital outflow would have been reported during 1938 in the place of the reported net inflow of \$49,000,000.

It follows, therefore, that the residual item in the balance of international payments for recent years, which has already been attributed to massive inflows of capital to this country,¹² is not a consequence of long-term capital movements in securities and is primarily related to that portion of the capital inflows that took the form of short-term balances in this country. It may be related in part, however, to other long-term transactions, such as real-estate purchases.

The decline in the trend of capital movements into domestic securities since 1936 (see table XI), and the requirements of the belligerent governments for liquid funds with which to purchase war materials, suggest that the era of net purchases of domestic securities by foreigners came to a close during 1939.

TABLE X.—Capital Movements in Transactions in United States Corporate Shares, 1935–39, Applied to Estimated Foreign Investments in United States Corporate Shares at the End of 1934¹

[In millions of dollars]

Item	Value	Standard Statistics index of 420 stock prices (in percent, year-end data)	
		Index number 1926=100	Net change for the year
Foreign investments in United States corporate stocks, year-end 1934 (market value).....	1,696	68.1	
Less total sales during 1935 (end of 1934 value) ²	829		
Remainder.....	867		
Remainder revalued, Dec. 31, 1935, prices, or plus 43.5 percent.	1,244	97.7	+43.5
Plus total purchases during 1935 (end of 1935 value).....	1,534		

¹ The capital movement data are based on the weekly figures of total foreign purchases and sales of domestic stocks and bonds reported by the Treasury Department. It is not possible to eliminate transactions in domestic bonds from the reported data, and, inasmuch as figures compiled from another source indicate that the net foreign purchases of domestic bonds were comparatively unimportant during the period 1935–39, it is thought that treating total capital data as though they related specifically to domestic shares would involve only a small degree of error. The changes in "direct investments" and in "other investments" would barely be reflected by these data.

² Total foreign purchases and sales of domestic securities reported by the Treasury Department for the years 1935–39 (in millions of dollars; adjusted for weekly price changes) are as follows:

Total foreign purchases		Total foreign sales	
1935.....	1,303	1925.....	986
1936.....	2,684	1936.....	2,084
1937.....	2,273	1937.....	2,029
1938.....	1,182	1938.....	1,133
1939.....	990	1939.....	1,102
Total.....	8,432	Total.....	7,334

¹² The Balance of International Payments of the United States in 1939. (See section on residual item.)

TABLE X.—Capital Movements in Transactions in United States Corporate Shares, 1935-39, Applied to Estimated Foreign Investments in United States Corporate Shares at the End of 1934—Continued

Item	Value	Standard Statistics index of 420 stock prices (in percent, year-end data)	
		Index number 1926=100	Net change for the year
Foreign investments in United States corporate stocks, year-end 1935 (market value).....	2, 778		
Less total sales during 1936 (end of 1935 value).....	1, 823		
Remainder.....	955		
Remainder revalued, Dec. 30, 1936, prices, or plus 27.1 percent.....	1, 214	124. 2	+27. 1
Plus total purchases during 1936 (end of 1936 value).....	2, 961		
Foreign investments in United States corporate stocks, year-end 1936 (market value).....	4, 175		
Less total sales during 1937 (end of 1936 value).....	2, 195		
Remainder.....	1, 980		
Remainder revalued, Dec. 29, 1937, prices, or minus 37.8 percent.....	1, 232	77. 3	-37. 8
Plus total purchases during 1937 (end of 1937 value).....	1, 547		
Foreign investments in United States corporate stocks, year-end 1937 (market value).....	2, 779		
Less total sales during 1938 (end of 1937 value).....	1, 032		
Remainder.....	1, 747		
Remainder revalued, Dec. 28, 1938, prices, or plus 19.8 percent.....	2, 093	92. 6	+19. 8
Plus total purchases during 1938 (end of 1938 value).....	1, 285		
Foreign investments in United States corporate stocks, year-end 1938 (market value).....	3, 378		
Less total sales during 1939 (end of 1938 value).....	1, 139		
Remainder.....	2, 239		
Remainder revalued, Dec. 27, 1939, prices, or minus 1.4 percent.....	2, 208	91. 3	-1. 4
Plus total purchases during 1939 (end of 1939 value).....	1, 013		
Foreign investments in United States corporate stocks, year-end 1939 (market value).....	3, 221		

TABLE XI.—Foreign Capital Movements Into Domestic Securities, by Leading Countries, 1935-39

[In thousands of dollars]

Year	Great Britain	France	Germany	Italy	Netherlands	Switzerland	Other Europe	Canada	All other countries	Total, all countries
1935.....	149, 780	23, 394	¹ -5, 353	-95	50, 458	55, 125	12, 928	2, 807	27, 616	316, 660
1936.....	217, 915	41, 352	-2, 102	-3, 235	107, 149	145, 036	25, 604	29, 840	39, 134	600, 693
1937.....	81, 024	5, 580	-9, 965	-1, 530	56, 235	75, 100	17, 215	4, 997	15, 970	244, 626
1938.....	23, 869	6, 168	-5, 262	-568	-900	26, 487	856	-9, 845	8, 090	48, 895
1939.....	-144, 370	-152	-5, 514	576	14, 117	41, 068	3, 458	-30, 945	9, 405	-112, 357
Total....	328, 218	76, 342	-28, 196	-4, 852	227, 059	342, 816	60, 061	-3, 146	100, 215	1, 098, 517

¹ Net foreign sales (-).

Source: Treasury Department, Statistics of Capital Movements Between the United States and Foreign Countries, Report No. 6, p. 10, and Bulletin of the Treasury Department, March 1939, p. 34, and March 1940, p. 35.

C. BASIC STATISTICAL TABLES

TABLE XII.—Foreign Investment in United States Common and Preferred Stock and Trust Shares, by Countries and by Types of Holdings, Middle of 1937

[In thousands of dollars]

Country	Common stock (market value)				Preferred stock (par value)				Trust shares	Grand total
	Direct holdings	Nominee holdings	Omission estimate ¹	Total ¹	Direct holdings	Nominee holdings	Omission estimate ¹	Total ¹		
North America:										
Canada ²	427,515	142,046	70,507	640,068	49,495	10,919	32,066	92,510	1,360	2,733,938
Newfoundland.....	1,463	9,884	1,405	12,752	216	253	249	718	-----	13,470
Total ²	428,978	151,930	71,912	652,820	49,711	11,172	32,345	93,228	1,360	747,408
Europe:										
Albania.....	34	4	5	43	(³)	-----	-----	(³)	-----	43
Austria.....	679	4,007	580	5,266	149	378	280	807	-----	6,073
Belgium.....	8,181	27,380	4,402	39,963	253	2,682	1,559	4,494	400	44,857
Bulgaria.....	1	12	2	15	-----	-----	-----	-----	-----	15
Czecho-Slovakia.....	301	1,257	193	1,751	91	24	61	176	-----	1,927
Danzig.....	54	90	18	162	(³)	-----	-----	(³)	-----	162
Denmark.....	2,525	1,627	514	4,666	119	351	250	720	-----	5,386
Estonia.....	7	424	53	484	-----	-----	-----	-----	-----	484
Finland.....	31	470	62	563	2	74	40	116	-----	679
France.....	49,197	100,394	18,519	168,110	2,020	10,364	6,580	18,964	260	187,334
Germany.....	9,134	10,412	2,420	21,966	485	1,174	881	2,540	20	24,526
Greece.....	386	2,113	309	2,808	43	115	84	242	-----	3,050
Hungary.....	64	236	37	337	3	-----	2	5	-----	342
Iceland.....	1	1	-----	1	-----	-----	-----	-----	-----	1
Ireland.....	5,531	904	797	7,232	524	188	378	1,090	20	8,342
Italy.....	2,489	3,980	801	7,270	364	280	342	986	20	8,776
Latvia.....	60	162	27	249	4	58	33	95	-----	344
Lichtenstein.....	1,647	8,395	1,243	11,285	-----	652	346	998	-----	12,283
Lithuania.....	77	8	11	96	(³)	-----	-----	(³)	-----	96
Luxembourg.....	442	7,699	1,008	9,149	3	605	323	931	-----	10,080
Monaco.....	2,003	6,173	1,012	9,188	301	486	418	1,205	-----	10,393
Netherlands.....	293,908	149,775	54,926	498,609	13,763	13,660	14,570	41,993	3,340	543,492
Norway.....	1,020	3,624	575	5,219	140	133	145	418	-----	5,637
Poland.....	478	692	145	1,315	6	45	27	78	-----	1,393
Portugal.....	680	317	123	1,120	41	40	43	124	-----	1,244
Rumania.....	43	166	26	235	1	-----	1	2	-----	237
Spain.....	1,705	3,833	686	6,224	133	58	101	292	-----	6,516
Sweden.....	2,598	7,535	1,254	11,387	272	2,491	1,468	4,231	100	15,718
Switzerland.....	40,646	378,426	51,879	470,951	1,915	54,588	30,019	86,522	220	557,693
Union of Soviet Socialist Republics.....	3	60	8	71	1	-----	1	2	-----	73
United Kingdom ²	565,494	482,666	129,756	1,177,916	72,005	96,561	89,556	258,122	460	1,436,498
Yugoslavia.....	141	244	48	433	5	423	227	655	-----	1,088
Total.....	2,989,559	1,203,086	271,439	2,464,084	92,643	185,430	147,735	425,808	4,840	2,894,732
West Indies:										
British West Indies.....	10,459	5,258	1,945	17,662	823	145	514	1,482	-----	19,144
Cuba.....	3,677	4,551	1,018	9,246	519	1,098	859	2,476	-----	11,722
Dominican Republic.....	72	240	39	351	2	2	2	6	-----	357
Haiti.....	52	123	22	197	(³)	3	2	5	-----	202
Netherlands West Indies.....	237	986	151	1,374	1	77	41	119	-----	1,493
Total.....	14,497	11,158	3,175	28,830	1,345	1,325	1,418	4,088	-----	32,918

¹ To break the entire investment down between direct and nominee holdings can best be done by using the proportions existing in the respective columns.

² Before deducting \$148,000,000 from Canada and adding \$3,000,000 to Belgium, \$50,000,000 to France, \$20,000,000 to Netherlands, \$30,000,000 to Switzerland, and \$45,000,000 to the United Kingdom. The \$148,000,000 represents the estimated investment held by Canadian nominees for non-Canadian owners. With this exception, the geographic distribution as shown by this table is based on the foreign address to which the dividends were first paid.

³ Investment eliminated in rounding the estimates.

TABLE XII.—Foreign Investment in United States Common and Preferred Stock and Trust Shares, by Countries and by Types of Holdings, Middle of 1937—Continued

[In thousands of dollars]

Country	Common stock (market value)				Preferred stock (par value)				Trust shares	Grand total
	Direct holdings	Nominee holdings	Omission estimate	Total	Direct holdings	Nominee holdings	Omission estimate	Total		
Central America and Mexico:										
British Honduras	807	428	153	1,388	2	7	5	14	-----	1,402
Costa Rica	242	342	72	656	4	-----	2	6	-----	662
Guatemala	175	798	120	1,093	18	51	37	106	-----	1,199
Honduras	733	109	104	946	2	12	7	21	-----	967
Nicaragua	152	-----	19	171	1	-----	1	2	-----	173
Panama	1,763	805	318	2,886	22	-----	12	34	-----	2,920
Panama Canal Zone	126	13	17	156	2	1	2	5	-----	161
Salvador	610	665	158	1,433	6	2	4	12	-----	1,445
Mexico	1,945	5,843	964	8,752	132	536	355	1,023	20	9,795
Total	6,553	9,003	1,925	17,481	189	609	425	1,223	20	18,724
South America:										
Argentina	1,668	3,494	639	5,801	45	115	85	245	-----	6,046
Bolivia	25	289	39	353	1	-----	1	2	-----	355
Brazil	811	1,056	231	2,098	10	95	56	161	-----	2,259
British Guiana	4	20	3	27	(2)	-----	-----	(2)	-----	27
Chile	710	5,515	770	6,995	9	660	355	1,024	-----	8,019
Colombia	215	930	142	1,287	12	60	38	110	-----	1,397
Ecuador	123	303	53	479	-----	7	4	11	-----	490
French Guiana	54	66	15	135	-----	5	3	8	-----	143
Paraguay	6	-----	1	7	-----	-----	-----	-----	-----	7
Peru	326	1,632	242	2,200	21	92	60	173	-----	2,373
Uruguay	492	2	61	555	-----	49	26	75	-----	630
Uruguay	62	105	21	188	7	-----	4	11	-----	199
Venezuela	579	888	182	1,649	8	59	36	103	-----	1,752
Total	5,075	14,300	2,399	21,774	113	1,142	668	1,923	-----	23,697
Africa:										
British Africa	818	1,032	229	2,079	34	1	19	54	-----	2,133
Egypt	675	4,708	666	6,049	3	273	147	423	-----	6,472
Ethiopia	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
French Africa	278	349	78	705	7	6	7	20	20	745
Liberia	161	-----	20	181	-----	-----	-----	-----	-----	181
Spanish Africa	384	174	69	627	13	-----	7	20	-----	647
Other Africa	-----	11	1	12	(2)	-----	-----	(2)	-----	12
Total	2,316	6,274	1,063	9,653	57	280	180	517	20	10,190
Asia:										
Arabia	1	-----	-----	1	-----	-----	-----	-----	-----	1
British Malaya	458	267	90	815	2	3	3	8	-----	823
China	5,107	29,465	4,282	38,854	38	2,849	1,534	4,421	80	43,355
French Indochina	16	79	12	107	-----	3	2	5	-----	112
India and Ceylon	1,666	3,690	663	6,019	43	80	65	188	-----	6,207
Iran	9	3	1	13	-----	-----	-----	-----	-----	13
Iraq	48	50	12	110	(2)	18	10	28	-----	138
Japan	1,184	2,112	408	3,704	61	48	58	167	-----	3,871
Netherlands East Indies	570	112	84	766	1	-----	1	2	140	908
Palestine	488	1,575	255	2,318	15	124	74	213	-----	2,531
Philippine Islands	4,879	4,908	1,212	10,999	56	520	306	882	-----	11,881
Thailand (Siam)	1	-----	-----	1	(2)	-----	-----	(2)	-----	1
Syria	31	221	31	283	12	-----	6	18	-----	301
Turkey	79	52	16	147	13	-----	7	20	-----	167
Total	14,537	42,534	7,066	64,137	241	3,645	2,066	5,952	220	70,309
Oceania:										
Australia	1,476	6,270	959	8,705	67	228	157	452	-----	9,157
New Zealand	268	197	58	523	1	7	4	12	-----	535
Other Oceania	30	3	4	37	3	-----	2	5	-----	42
Total	1,774	6,470	1,021	9,265	71	235	163	469	-----	9,734
Grand total	1,463,289	1,444,755	360,000	3,268,044	144,370	203,838	185,000	533,208	6,460	3,807,712

³ Investment eliminated in rounding the estimates.⁴ On a market-value basis this would amount to \$416,000,000.

TABLE XIII.—Income Paid to Foreigners from Investment in Common and Preferred Stocks and Trust Shares, by Countries and Type of Holding, 1937

[In thousands of dollars—before deducting taxes]

Country	Common stocks			Preferred stocks			Trust shares	Grand total
	Direct holdings	Nominee holdings	Total	Direct holdings	Nominee holdings	Total		
North America:								
Canada.....	22,025	7,229	29,254	3,205	542	3,747	68	133,069
Newfoundland.....	75	603	678	12	12	24		702
Total.....	22,100	7,832	29,932	3,217	554	3,771	68	33,771
Europe:								
Albania.....	1		1	(2)		(2)		1
Austria.....	29	157	186	18	36	54		240
Belgium.....	396	1,369	1,765	28	155	183	20	1,968
Bulgaria.....	(2)	1	1					1
Czecho-Slovakia.....	10	53	63	13	2	15		78
Danzig.....	1	4	5	(2)		(2)		5
Denmark.....	96	90	186	15	24	39		225
Estonia.....	(2)	11	11					11
Finland.....	2	21	23	1	2	3		26
France.....	1,941	4,795	6,736	199	700	899	13	7,648
Germany.....	452	514	966	48	82	130	1	1,097
Greece.....	23	106	129	4	10	14		143
Hungary.....	3	11	14	(2)		(2)		14
Ireland.....	296	45	341	36	8	44	1	386
Italy.....	133	201	334	47	23	70	1	405
Latvia.....	3	16	19	(2)	2	2		21
Lichtenstein.....	46	377	423		37	37		460
Lithuania.....	17		5	(2)		(2)		5
Luxembourg.....	5	345	362	(2)	32	32		394
Monaco.....	109	323	432	17	30	47		479
Netherlands.....	13,024	6,783	19,807	1,028	726	1,754	167	21,728
Norway.....	38	162	200	20	19	39		239
Poland.....	34	37	71	(2)	5	5		76
Portugal.....	31	14	45	4	3	7		52
Rumania.....	1	6	7	(2)		(2)		7
Spain.....	73	150	223	14	6	20		243
Sweden.....	129	358	487	28	139	167	5	659
Switzerland.....	1,579	18,109	19,688	154	3,430	3,584	11	23,283
Union of Soviet Socialist Republics.....	(2)	3	3	(2)		(2)		3
United Kingdom.....	28,673	25,689	54,362	4,381	6,071	10,452	23	64,836
Yugoslavia.....	7	14	21	(2)	30	30		51
Total.....	47,152	59,764	106,916	6,055	11,572	17,627	242	124,785
West Indies:								
British West Indies.....	640	250	890	78	6	84		974
Cuba.....	168	216	384	72	137	209		593
Dominican Republic.....	3	12	15	(2)		(2)		15
Haiti.....	2	7	9	(2)		(2)		9
Netherlands West Indies.....	8	52	60	(2)	7	7		67
Total.....	821	537	1,358	150	150	300		1,658
Central America and Mexico:								
British Honduras.....	52	26	78	(2)		(2)		78
Costa Rica.....	13	19	32	1		1		33
Guatemala.....	11	38	49	1	6	7		56
Honduras.....	40	6	46	(2)	1	1		47
Nicaragua.....	8		8	(2)		(2)		8
Panama.....	76	42	118	2		2		120
Panama Canal Zone.....	5	1	6	(2)		(2)		6
Salvador.....	29	34	63	1		1		64
Mexico.....	90	299	389	11	25	36	1	426
Total.....	324	465	789	16	32	48	1	838

¹ The original payees of \$6,400,000 of income were the Canadian nominees of other foreign holders of United States corporate stocks. That amount should be deducted from the Canadian total and added to other countries as follows: \$100,000 to Belgium, \$2,300,000 to France, \$800,000 to Netherlands, \$1,300,000 to Switzerland, and \$1,900,000 to United Kingdom.

² Income eliminated in rounding to estimates.

TABLE XIII.—Income Paid to Foreigners from Investment in Common and Preferred Stocks and Trust Shares, by Countries and Type of Holding, 1937—Continued.

[In thousands of dollars—before deducting taxes]

Country	Common stocks			Preferred stocks			Trust shares	Grand total
	Direct holdings	Nominee holdings	Total	Direct holdings	Nominee holdings	Total		
South America:								
Argentina.....	53	161	214	5	7	12		226
Bolivia.....	1	14	15	(2)		(2)		15
Brazil.....	27	52	79	2	5	7		86
British Guiana.....	(2)	1	1	(2)		(2)		1
Chile.....	19	277	296	1	49	50		346
Colombia.....	10	28	38	2	3	5		43
Ecuador.....	7	13	20					20
French Guiana.....	2	6	8					8
Paraguay.....	(2)		(2)					(2)
Peru.....	19	111	130	1	8	9		139
Surinam.....	12		12		3	3		15
Uruguay.....	3	5	8	1		1		9
Venezuela.....	20	39	59	1	3	4		63
Total.....	173	707	880	13	78	91		971
Africa:								
British Africa.....	61	33	94	3		3		97
Egypt.....	42	158	200	(2)	19	19		219
Ethiopia.....								
French Africa.....	14	15	29	(2)		(2)	1	30
Liberia.....	6		6					6
Spanish Africa.....	16	9	25	1		1		26
Other Africa.....		1	1	(2)		(2)		1
Total.....	139	216	355	4	19	23	1	379
Asia:								
Arabia.....	(2)		(2)					(2)
British Malaya.....	22	10	32					32
China.....	162	1,706	1,868	4	156	160	4	2,032
French Indochina.....	1	3	4					4
India and Ceylon.....	59	116	175	4	7	11		186
Iran.....	(2)		(2)					(2)
Iraq.....	2	2	4	(2)	1	1		5
Japan.....	48	68	116	4	3	7		123
Netherlands Indies.....	16	4	20	(2)		(2)	7	27
Palestine.....	25	79	104	3	7	10		114
Philippine Islands.....	254	143	397	4	91	95		492
Thailand (Siam).....	(2)		(2)	(2)		(2)		(2)
Syria.....	(2)	10	10	1		1		11
Turkey.....	3	2	5	2		2		7
Total.....	592	2,143	2,735	22	265	287	11	3,033
Oceania:								
Australia.....	64	262	326	6	11	17		343
New Zealand.....	15	10	25	(2)	1	1		26
Other Oceania.....	2		2	(2)		(2)		2
Total.....	81	272	353	6	12	18		371
Grand total.....	71,382	71,936	143,318	9,483	12,682	22,165	323	165,806

² Income eliminated in rounding to estimates.

TABLE XIV.—Income Paid to Foreigners on Holdings of Common and Preferred Stocks, by Determinable and Nondeterminable and Other Groups, 1937

[In thousands of dollars—before deducting taxes]

Country	Determinable group					Nondeterminable and other groups		
	Common		Preferred		Total	Common and preferred		Total
	Direct	Nomi- nee	Direct	Nomi- nee		Direct	Nomi- nee	
North America:								
Canada.....	17,822	3,523	2,593	263	24,201	4,814	3,985	8,799
Newfoundland.....	27	447	4	9	487	56	159	215
Total.....	17,849	3,970	2,597	272	24,688	4,870	4,144	9,014
Europe:								
Albania.....	1	(¹)	(¹)		1			
Austria.....	26	92	17	21	156	4	80	84
Belgium.....	334	807	24	91	1,256	66	626	692
Bulgaria.....	(¹)	1			1			
Czecho-Slovakia.....	8	24	11	1	44	4	29	33
Danzig.....	1	4	(¹)		5			
Denmark.....	37	61	6	16	120	68	37	105
Estonia.....	(¹)	11			11			
Finland.....	2	10	1	1	14		12	12
France.....	1,582	2,762	162	403	4,909	396	2,337	2,733
Germany.....	330	257	35	41	663	135	298	433
Greece.....	19	64	3	6	92	4	46	50
Hungary.....	2	4	(¹)		6	1	7	8
Iceland.....		(¹)						
Ireland.....	233	11	28	2	274	71	40	111
Italy.....	83	106	38	12	239	59	106	165
Latvia.....	(¹)	14	(¹)	1	15	3	3	6
Lichtenstein.....	42	317		31	390	4	66	70
Lithuania.....	1	(¹)	(¹)		1	4		4
Luxembourg.....	16	228	(¹)	21	265	1	128	129
Monaco.....	90	53	14	5	162	22	295	317
Netherlands.....	9,660	4,086	763	437	14,946	3,629	2,986	6,615
Norway.....	28	102	15	12	157	15	67	82
Poland.....	32	7	(¹)	1	40		34	36
Portugal.....	25	11	3	2	41	7	4	11
Rumania.....	(¹)	4	(¹)		4	1	2	3
Spain.....	65	78	12	3	158	10	75	85
Sweden.....	82	193	18	75	368	57	229	286
Switzerland.....	1,345	11,560	131	2,183	15,219	257	7,796	8,053
Union of Soviet Socialist Re- publics.....	(¹)		(¹)				3	3
United Kingdom.....	23,422	11,476	3,578	2,737	41,213	6,053	17,547	23,000
Yugoslavia.....	6	14	(¹)	29	49	1	1	2
Total.....	37,472	32,357	4,859	6,131	80,819	10,874	32,854	43,728
West Indies:								
British West Indies.....	589	33	72	1	695	57	224	281
Cuba.....	135	154	58	98	445	47	101	148
Dominican Republic.....	2	7	(¹)	(¹)	9	1	5	6
Haiti.....	2	5	(¹)	(¹)	7		2	2
Netherlands West Indies.....	5	46	(¹)	6	57	3	7	10
Total.....	733	245	130	105	1,213	108	339	447
Central America and Mexico:								
British Honduras.....	52	24	(¹)	(¹)	76		2	2
Costa Rica.....	13	3	1		17		16	16
Guatemala.....	11	27	1	4	43		13	13
Honduras.....	35	4	(¹)	1	40	5	2	7
Nicaragua.....	6		(¹)		6	2		2
Panama.....	29	6	1		36	48	36	84
Panama Canal Zone.....	4	(¹)	(¹)		4	1	1	2
Salvador.....	24	11	1		36	5	23	28
Mexico.....	65	134	8	11	218	28	179	207
Total.....	239	209	12	16	476	89	272	361

¹ Income eliminated in rounding the estimates.

TABLE XIV.—Income Paid to Foreigners on Holdings of Common and Preferred Stocks, by Determinable and Nondeterminable and Other Groups, 1937—Continued

[In thousands of dollars—before deducting taxes]

Country	Determinable group					Nondeterminable and other groups		
	Common		Preferred		Total	Common and preferred		Total
	Direct	Nominee	Direct	Nominee		Direct	Nominee	
South America:								
Argentina.....	41	44	4	2	91	13	122	135
Bolivia.....	1	11	(1)		12		3	3
Brazil.....	18	33	1	3	55	10	21	31
British Guiana.....	(1)		(1)				1	1
Chile.....	9	219	1	39	268	10	68	78
Colombia.....	8	10	1	1	20	3	20	23
Ecuador.....	2	11			13	5	2	7
French Guiana.....	2	2			4		4	4
Paraguay.....	(1)							
Peru.....	19	56	1	4	80	11		11
Surinam.....	1	(1)		3	4		59	59
Uruguay.....	3	1	1		5		4	4
Venezuela.....	17	23	1	2	43	3	17	20
Total.....	121	410	10	54	595	55	321	376
Africa:								
British Africa.....	56	7	3		66	5	26	31
Egypt.....	37	49	(1)	6	92	5	122	127
Ethiopia.....								
French Africa.....	11	11	(1)		22	3	4	7
Liberia.....	(1)					6		6
Spanish Africa.....	1	6	(1)		7	16	3	19
Other Africa.....		1	(1)		1			
Total.....	105	74	3	6	188	35	155	190
Asia:								
Arabia.....	(1)							
British Malaya.....	20	8	(1)		28	2	2	4
China.....	138	1,211	4	111	1,464	24	538	562
French Indochina.....	1	2			3		1	1
India and Ceylon.....	51	68	4	4	127	9	51	60
Iran.....	(1)	(1)						
Iraq.....	2	1	(1)		3			
Japan.....	28	47	2	2	79	21	22	43
Netherlands East Indies.....	14	3	(1)		17	2	1	3
Palestine.....	6	36	1	3	46	21	47	68
Philippine Islands.....	69	67	1	43	180	188	124	312
Thailand (Siam).....	(1)	(1)	(1)					
Syria.....	1	7	1		9		3	3
Turkey.....	3	1	2		6		1	1
Other Asia.....	(1)							
Total.....	333	1,451	15	163	1,962	267	790	1,057
Oceania:								
Australia.....	42	92	4	4	142	24	177	201
New Zealand.....	9	9	(1)	1	19	6	1	7
Other Oceania.....	1	(1)	(1)		1	1		1
Total.....	52	101	4	5	162	31	178	209
Grand total.....	56,904	38,817	7,630	6,752	110,103	16,329	39,053	2 55,382

¹ Income eliminated in rounding the estimates.² Of this total, \$29,113,000 was in the "paying-company-unknown" group and \$3,165,000 in the "no-master-data" group.

TABLE XV.—Direct Holdings¹ by Foreigners of Common Stocks of 1,960² United States Corporations, by Areas and by Industries, 1937

Area	Manu- factur- ing	Distrib- ution	Trans- porta- tion	Public utili- ties	Petro- leum	Mining and smelt- ing	Finance	Miscel- laneous	Total
A. Shares:	<i>Thous. of shares</i>	<i>Thous. of shares</i>	<i>Thous. of shares</i>	<i>Thous. of shares</i>	<i>Thous. of shares</i>	<i>Thous. of shares</i>	<i>Thous. of shares</i>	<i>Thous. of shares</i>	<i>Thous. of shares</i>
Canada and New- foundland.....	3,584	469	254	869	1,527	766	583	138	8,190
Europe.....	6,861	703	1,213	1,529	2,710	1,997	4,070	235	19,318
West Indies.....	65	14	6	20	279	10	42	1	437
Central America and Mexico.....	29	20	1	5	8	44	31	1	139
South America.....	25	1	-----	2	25	4	17	1	75
Africa.....	17	1	1	1	10	47	12	-----	89
Asia.....	50	2	5	12	40	35	84	1	229
Oceania.....	17	-----	1	-----	5	1	5	1	30
Country unknown.....	542	31	25	104	146	136	112	30	1,126
Total.....	11,190	1,241	1,506	2,542	4,750	3,040	4,956	408	29,633
B. Market value:	<i>Thous. of dols.</i>	<i>Thous. of dols.</i>	<i>Thous. of dols.</i>	<i>Thous. of dols.</i>	<i>Thous. of dols.</i>	<i>Thous. of dols.</i>	<i>Thous. of dols.</i>	<i>Thous. of dols.</i>	<i>Thous. of dols.</i>
Canada and New- foundland.....	162,776	18,123	8,774	33,354	62,173	22,181	19,867	3,472	330,720
Europe.....	358,420	35,592	44,214	59,466	119,065	95,917	32,641	4,243	749,558
West Indies.....	2,662	939	235	692	6,315	336	1,052	30	12,261
Central America and Mexico.....	1,340	969	49	481	363	228	990	36	4,456
South America.....	873	59	16	98	1,327	195	608	38	3,214
Africa.....	733	63	24	49	310	230	90	18	1,517
Asia.....	2,595	121	151	614	1,107	368	3,624	30	8,610
Oceania.....	675	12	42	33	176	52	53	45	1,088
Country unknown.....	20,154	1,755	1,132	11,571	3,751	9,027	4,272	645	52,307
Total.....	550,228	57,633	54,637	106,358	194,587	128,534	63,197	8,557	1,163,731
C. Income: ³									
Canada and New- foundland.....	8,772	1,151	522	1,893	2,098	1,337	968	278	17,019
Europe.....	17,181	2,220	2,350	3,440	4,000	4,469	1,782	291	35,733
West Indies.....	114	50	11	41	413	19	50	2	700
Central America and Mexico.....	76	53	1	26	13	14	42	3	228
South America.....	39	3	1	6	35	13	16	2	115
Africa.....	43	3	1	3	11	32	6	1	100
Asia.....	116	9	7	34	34	20	94	3	317
Oceania.....	30	1	1	2	6	3	4	2	49
Country unknown.....	935	103	56	631	151	538	194	36	2,644
Total.....	27,306	3,593	2,950	6,076	6,761	6,445	3,156	618	56,905

¹ Held under foreign addresses.² Determinable group.³ Before deducting taxes.

TABLE XVI.—Nominee Holdings ¹ by Foreigners of Common Stocks of 1,960 ²
United States Corporations, by Areas and by Industries, 1937

Area	Manu- facturing	Distrib- ution	Trans- porta- tion	Public utilities	Petro- leum	Mining and smelt- ing	Finance	Mis- cella- neous	Total
A. Shares:	<i>Thou- sands of shares</i>	<i>Thou- sands of shares</i>	<i>Thou- sands of shares</i>	<i>Thou- sands of shares</i>	<i>Thou- sands of shares</i>	<i>Thou- sands of shares</i>	<i>Thou- sands of shares</i>	<i>Thou- sands of shares</i>	<i>Thou- sands of shares</i>
Canada and Newfound- land.....	1,215	89	44	194	375	134	84	23	2,158
Europe.....	5,968	651	841	1,739	2,683	1,152	836	203	14,073
West Indies.....	75	4	11	20	16	15	14	1	156
Central America and Mexico.....	51	2	4	4	10	8	6	1	86
South America.....	77	8	7	23	22	31	20	1	189
Africa.....	20	2	1	4	4	2	4	-----	37
Asia.....	294	12	21	181	50	48	91	7	704
Oceania.....	80	1	1	3	3	4	1	1	94
Country unknown.....	241	20	32	72	121	55	48	9	598
Total.....	8,021	789	962	2,240	3,284	1,449	1,104	246	18,095
B. Market value:	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>
Canada and Newfound- land.....	41,255	3,405	1,797	3,689	14,692	5,638	2,682	423	73,581
Europe.....	305,247	34,007	30,421	61,293	115,093	55,360	26,253	4,220	631,894
West Indies.....	2,220	241	551	312	645	363	484	28	4,844
Central America and Mexico.....	2,513	93	144	179	332	380	202	38	3,881
South America.....	3,129	381	285	678	853	1,592	865	90	7,873
Africa.....	1,370	88	43	166	157	111	48	-----	1,983
Asia.....	14,679	654	915	2,881	1,834	2,270	3,525	269	27,027
Oceania.....	1,709	48	19	105	139	187	66	17	2,290
Country unknown.....	13,500	1,010	1,574	4,014	5,521	2,440	2,078	259	30,396
Total.....	385,622	39,927	35,749	73,317	139,266	68,341	36,203	5,344	783,769
C. Income: ³	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>	<i>Thou- sands of dollars</i>
Canada and Newfound- land.....	2,354	212	115	235	469	282	122	35	3,824
Europe.....	14,846	2,229	1,939	3,628	3,567	2,938	1,664	355	31,166
West Indies.....	117	15	26	16	20	21	18	3	236
Central America and Mexico.....	133	7	7	10	11	22	8	3	201
South America.....	163	26	13	37	27	94	28	8	396
Africa.....	43	5	3	9	4	5	2	-----	71
Asia.....	778	52	48	185	57	108	148	23	1,399
Oceania.....	71	3	1	6	4	8	3	2	98
Country unknown.....	630	64	79	229	157	135	108	24	1,426
Total.....	19,135	2,613	2,231	4,355	4,316	3,613	2,101	453	38,817

¹ Held on behalf of foreign beneficiaries in the name of nominees in the United States.² Determinable group.³ Before deducting taxes.

TABLE XVII.—Direct Holdings ¹ by Foreigners of Preferred Stocks of 1,960 ²
United States Corporations, by Areas and by Industries, 1937

Area	Manu- factur- ing	Distri- bution	Trans- porta- tion	Public utili- ties	Petro- leum	Mining and smelt- ing	Finance	Miscel- laneous	Total
A. Shares:	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>
Canada and Newfound- land.....	283	16	9	158	2	7	65	22	562
Europe.....	326	47	120	293	10	6	200	25	1,027
West Indies.....	10	1		1		2	3	1	18
Central America and Mexico.....	1			1				1	3
South America.....	1								1
Africa.....									
Asia.....	1			1					2
Oceania.....								1	1
Country unknown.....	17	1	3	16	1	2	4	1	45
Total.....	639	65	132	470	13	17	272	51	1,659
B. Market value:	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>
Canada and Newfound- land.....	22,854	1,052	668	8,716	140	820	3,931	926	39,107
Europe.....	27,354	4,154	5,474	18,276	999	644	8,399	1,351	66,651
West Indies.....	1,070	45	2	76	7	7	101	21	1,329
Central America and Mexico.....	96	7		23	1		1	16	144
South America.....	71		2	9	3		3	3	91
Africa.....	21	2		6			9	4	42
Asia.....	76	1	1	51	5		10	29	173
Oceania.....	16			14			30	10	70
Country unknown.....	1,314	105	101	1,128	61	255	307	90	3,361
Total.....	52,872	5,366	6,248	28,299	1,216	1,726	12,791	2,450	110,968
C. Income: ³									
Canada and Newfound- land.....	1,361	84	47	657	9	45	251	71	2,525
Europe.....	2,001	335	317	1,306	64	41	574	87	4,725
West Indies.....	108	4		5			8	2	127
Central America and Mexico.....	8	1		2				1	12
South America.....	7			1					8
Africa.....	1						1	1	3
Asia.....	6			4			1	4	15
Oceania.....	1			1			2	1	5
Country unknown.....	77	7	6	82	4	9	21	6	212
Total.....	3,570	431	370	2,058	77	95	858	173	7,632
D. Par value:									
Canada and Newfound- land.....	21,003	1,355	769	11,529	147	559	2,944	665	38,971
Europe.....	24,742	4,479	11,729	23,369	973	429	5,675	1,009	72,405
West Indies.....	945	53	2	104	8	4	18	14	1,148
Central America and Mexico.....	88	6		25	1			18	138
South America.....	53		10	12	2		3	4	84
Africa.....	19	2		9			11	2	43
Asia.....	60	1	1	60	5		10	15	152
Oceania.....	14			17			5	11	47
Country unknown.....	1,170	97	171	1,352	61	182	249	73	3,355
Total.....	48,094	5,993	12,682	36,477	1,197	1,174	8,915	1,811	116,343

¹ Held under foreign addresses.² Determinable group.³ Before deducting taxes.

TABLE XVIII.—Nominee Holdings ¹ by Foreigners of Preferred Stocks of 1,960 ²
United States Corporations, by Areas and by Industries, 1937

Area	Manu- factur- ing	Distrib- ution	Trans- porta- tion	Public utili- ties	Petro- leum	Mining and smelt- ing	Finance	Miscel- laneous	Total
A. Shares:	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>	<i>Thous. shares</i>
Canada and Newfound- land.....	42	2	3	10			11	5	73
Europe.....	383	54	114	475	20	14	206	27	1,293
West Indies.....	11		1	2		1			15
Central America and Mexico.....	3			2					5
South America.....	5			2				2	9
Africa.....				1					1
Asia.....	18		1	18			2		39
Oceania.....	1								1
Country unknown.....	13	1	4	11		1	3	1	34
Total.....	476	57	123	521	20	16	222	35	1,470
B. Market value:	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>	<i>Thous. dollars</i>
Canada and Newfound- land.....	3,153	175	166	632			712	220	5,087
Europe.....	29,937	4,102	7,317	27,597	1,830	1,547	16,133	1,788	90,251
West Indies.....	676	8	87	135		67		10	983
Central America and Mexico.....	159	5	17	90	6	3	19	5	304
South America.....	400	4	21	191		1	6	170	793
Africa.....	14	6	2	73				3	98
Asia.....	1,053	3	102	819		1	108	10	2,096
Oceania.....	61		6			6			73
Country unknown.....	1,323	59	367	778	18	104	221	49	2,919
Total.....	36,776	4,362	8,085	30,315	1,854	1,758	17,199	2,255	102,604
C. Income: ³									
Canada and Newfound- land.....	143	11	9	45		1	42	11	262
Europe.....	1,966	287	314	1,931	113	97	1,151	84	5,943
West Indies.....	84	1	4	8		3		1	101
Central America and Mexico.....	7		1	5		1	2		16
South America.....	34		1	13			1	6	55
Africa.....	2	1		3					6
Asia.....	83		3	64			7	1	158
Oceania.....	5								5
Country unknown.....	107	5	17	51	1	5	17	4	207
Total.....	2,431	305	349	2,120	114	107	1,220	107	6,753
D. Par value:									
Canada and Newfound- land.....	3,242	212	119	755		30	792	194	5,344
Europe.....	27,533	4,749	8,410	35,393	1,769	1,078	15,562	1,336	95,830
West Indies.....	546	9	91	152		48		8	854
Central America and Mexico.....	122	6	19	105	5	2	21	4	284
South America.....	365	4	22	230		1	7	131	760
Africa.....	10	6	2	72				1	91
Asia.....	849	3	110	1,257			122	6	2,347
Oceania.....	76		7	1		4			88
Country unknown.....	1,164	48	395	946	18	74	158	18	2,821
Total.....	33,907	5,037	9,175	38,911	1,792	1,237	16,662	1,698	108,419

¹ Held on behalf of foreign beneficiaries in the name of nominees in the United States.² Determinable group.³ Before deducting taxes.

TABLE XIX.—Dividends Paid to Foreigners by 515¹ United States Corporations, by Areas and Industries, 1937

[In thousands of dollars—before deducting taxes]

Areas	Manu- factur- ing	Distrib- ution	Trans- porta- tion	Public utili- ties	Petro- leum	Mining and smelt- ing	Finance	Miscel- laneous	Total
A. Direct holdings:²									
Canada and Newfoundland	1,885	181	257	910	188	143	219	14	3,797
Europe	4,471	330	1,273	1,427	940	130	162	56	8,789
West Indies	31	2	2	12	5		7	1	60
Central America and Mexico	9	1		4	2		5		21
South America	9	20	2	6			1		38
Africa	15		1	2					18
Asia	168		4	18	3		3		196
Oceania	11			4					15
Country unknown	209	25	49	165	10	4	14	11	487
Total	6,808	559	1,588	2,548	1,148	277	411	82	13,421
B. Nominee holdings:³									
Canada and Newfoundland	341	16	30	170	81	33	14	38	723
Europe	3,784	250	766	2,482	337	223	137	26	8,005
West Indies	26	1	7	16	2	1	1	1	55
Central America and Mexico	15		2	8	3	2	2		32
South America	32		2	36	2	1	2		75
Africa	4		1	2	1				8
Asia	178	2	12	180	17	11	2	33	435
Oceania	14	1	1	12					29
Country unknown	141	4	54	101	9	3	10	9	331
Total	4,535	274	875	3,008	452	274	168	107	9,633

¹ The nondeterminable group.² Held under foreign addresses.³ Held on behalf of foreign beneficiaries in the name of nominees in the United States.

TABLE XX.—Short-Term Foreign Banking and Brokerage Assets in the United States, End of 1934 to End of 1939

[In millions of dollars]

Country or area	1934 (Jan. 2, 1935)	1935 (Dec. 31)	1936 (Dec. 30)	1937 (Dec. 31)	1938 (Dec. 28)	1939 (Dec. 27)
United Kingdom	81	210	246	267	446	475
France	38	168	183	150	196	272
Germany	30	29	32	40	20	7
Italy	19	26	42	26	23	35
Netherlands	14	71	82	92	102	212
Switzerland	15	88	132	311	224	380
Other Europe	47	109	128	158	253	523
Total, Europe	244	701	845	1,044	1,294	1,904
Canada	103	148	190	182	239	288
Latin America	124	158	266	283	257	369
Far East	196	265	291	391	401	562
All other	12	24	28	20	32	92
Grand total	679	1,296	1,620	1,920	2,193	3,215

Source: Treasury Department, Statistics of Capital Movements Between the United States and Foreign Countries and, since October 5, 1938, the Bulletin of the Treasury Department. The April 1940 Bulletin gave data regarding additional countries, as follows: Belgium, \$160,000,000; Denmark, \$28,000,000; Finland, \$21,000,000; Norway, \$56,000,000; Sweden, \$143,000,000; Other Europe, \$111,000,000; Argentina, \$58,000,000; Brazil, \$36,000,000; Chile, \$27,000,000; Cuba, \$37,000,000; Mexico, \$59,000,000; Panama and Canal Zone, \$34,000,000; Other Latin America, \$90,000,000; China, \$165,000,000; Hong Kong, \$71,000,000; Japan, Korea, and Manchuria, \$58,000,000; Philippine Islands, \$29,000,000; Other Asia, \$60,000,000. Adjustments were made in the table to include certain deposit accounts of the Philippine Government with the Treasury of the United States.

TABLE XXI.—Miscellaneous Foreign Income ¹ from the United States, 1937

[In thousands of dollars]

Country	Patent royalties	Publishing royalties	Wages	Total
North America:				
Canada	185	166	297	648
Europe:				
Austria	92	65	43	200
Belgium	39		20	59
Czecho-Slovakia	53		10	63
Denmark	9	4		13
Finland			1	1
France	34	132	183	349
Germany	866	85	275	1,226
Greece			1	1
Hungary	27	80	4	111
Ireland		4	7	11
Italy	116	55	122	293
Lithuania			4	4
Luxembourg	44			44
Monaco		1		1
Netherlands	66	11	10	87
Norway	46	10	3	59
Poland		11	6	17
Portugal		2		2
Rumania			3	3
Spain		2		2
Sweden	115	13	24	152
Switzerland	104	102	10	216
United Kingdom	1,015	1,778	601	3,394
Yugoslavia			13	13
Total	2,626	2,355	1,340	6,321
West Indies:				
Cuba		1	19	20
British West Indies			1	1
Total		1	20	21
Central America and Mexico:				
British Honduras			10	10
Nicaragua			9	9
Salvador			14	14
Mexico		69	6	75
Total		69	39	108
South America:				
Argentina			7	7
Bolivia			1	1
Peru			3	3
Total			11	11
Asia:				
China		6	7	13
India		1		1
Japan		2	10	12
Palestine			6	6
Philippine Islands		6	1	7
Syria			1	1
Total		15	25	40
Oceania:				
Australia	6	4	4	14
Grand total	2,817	2,610	1,736	7,163

¹ Before deducting taxes.