The Governance of Corporate Governance: the Discourse of Publicity in the Early Twentieth Century

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Abstract

This paper reports on a study of successive regulatory and accounting reforms in the US at the beginning of the twentieth century. These reforms, driven by the Industrial Commission, the Bureau of Corporations and the Federal Trade Commission, were infused with a putative programmatic intent to control expanding industrial corporations, or trusts. We show that, rather than realizing their programmatic intent, these reforms lead to the development of relatively insulated governmental programmes which were amplified with successive rounds of action. More than anything else, programmes were successful simply in generating more programmes. Accordingly, we contend that the governance of the corporation can be understood in terms of what Miller and Rose (1992) refer to as a "congenitally failing operation" or what Power (1994) describes as "the politics of regulatory failure". In short, this is a field marked by problematisation, recurring failure and escalation of commitment characterized by Foucault as "the problems of governmentality" (Foucault, 1991; Miller and Rose, 1990: Rose and Miller, 1992). The paper reconceives central U.S. accounting reforms in these terms.

Introduction

Financial accounting and other forms of disclosure have been critical to projects of corporate governance. Specifically, the neo-classical view of the firm depicts corporate governance mechanisms and institutions as progressive and improving control over the actions of those who direct the corporation. Concerns over the governance process have led to a variety of reforms over the previous century to improve financial accounting practices and to reform related institutions. This paper argues that such programmes of reform have tended not to yield improvements in the control of corporations (see also Merino, 2011), but rather to form a response to previous programmes which tend to recreate themselves, emerging in new forms, reinforced and energized by their prior failures, which are held as giving evidence of the need for further forms of regulation.

We study successive regulatory reforms and related forms of accounting and financial disclosures in the US at the beginning of the twentieth century driven by the Industrial Commission, the Bureau of Corporations and the Federal Trade Commission to understand the programmatic nature of these reforms and what they offered as financial accounting solutions. Each responded to concerns regarding expanding industrial corporations or trusts. We show that instead of necessarily improved control of corporations, such reforms lead to the development of relatively insulated programmes, which are formed by a growing web of expertise and forms of quantification that were amplified with successive rounds of action. This is illustrated by the circumstances and goals behind the formation of these federal bodies concerned with regulating corporate behaviour.

The paper proceeds as follows. The following section situates the present study within the current corporate governance literature, emphasising the Foucauldian approach adopted in contradistinction to the dominance of neo-classical economics-derived corporate governance

research. A subsequent section describes the emergence of the political programme of controlling corporations during the progressive early in the early twentieth century US. Building upon this, the accounting technologies that were intended to actualise the political programme are introduced and discussed. This discussion of programmes and technologies then provides a context for an analysis of the activities of three institutional bodies that were sequentially set-up for the putative purpose of controlling corporate excesses: the Industrial Commission, the Bureau of Corporations and the Federal Trade Commission. The paper then discusses the implications of the historical analysis presented in terms of both Governmentality and corporate governance research.

Towards a sociology of corporate governance

Corporate governance comprises a vast area of literature, reaching into a variety of topics including executive compensation (Core, Guay and Larcker, 2001; Murphy, 1999, Aboody and Kasznik, 2000; Laksmana, 2008), boards of directors (Klein, 1998; Warther, 1998; Hermalin and Weisbach, 2000, 2001; Adams and Hermalin, 2010), audit committees (Klein, 2002b; Beasley and Salterio, 2001), blockholders (Holderness, 2001) and shareholder activism (Romano, 2000). Even definitions of corporate governance vary widely, from those which focus on how suppliers of finance ensure a return on their investments (Shleifer and Vishny, 1997) to others which consider the legal, cultural and institutional arrangements related to the control of publicly traded corporations (Blair, 1995). Indeed, recent work has even gone as far to say that, from the point of view of observing practice, it is impossible to determine what corporate governance actually is. In spite of this apparent diversity, research on corporate governance has come to be dominated by neo-classical economics and the agency problem, which views managers as agents of shareholders, resulting in agency costs between those outside and inside the firm (Jensen and

Meckling, 1976). Corporations and the relationships which comprise them came to be seen as nothing more than a nexus of contracts between various individuals or groups. Accordingly, corporate governance research displays a rather narrow concern with conflicts of interest that are perceived to arise between outside shareholders and inside managers, and to understand, define, measure and minimise these conflicts, particularly where they arguably impact firm value (Clarke, 2004; Aglietta, 2000; Letza et al. 2004; Denis, 2001).

Consistent with these beliefs, financial accounting and reporting research examines how various governance measures, such as the independence of boards and audit committees, the dominance of CEOs, or audit committee expertise act as monitoring mechanisms to ensure that managers act in the interests of shareholders. In particular, this research attempts to make such determinations by seeking associations between proxies for these governance measures and financial reporting quality, measured in terms such as fraudulent financial reporting, earnings management or earnings informativeness (He et al., 2008; Bowen et al, 2008; Larcker et al, 2007). The belief that motivates this line of research is that by better understanding such associations, corporate governance mechanisms can be developed that will enhance financial reporting quality to shareholders and prevent future financial accounting frauds. In line with Young (2006), who notes the construction of a very specific and narrow user, the fully rational economic decision maker, leaving little room for actual users, we see elements of the nascent form of identity of market players, and like her see different potential in these roles.

Further, Corporate governance is often seen as largely ahistorical and economic agency-based relationships are presumed to have dominated corporate structures for hundreds of years. For instance, Wright et al (2004), who examine historical documentary evidence relating to corporations dating as early as 1689 argue that,

> [a]lthough modern day corporations are far larger and broader than those of even fifty years ago, and they appear to bear little resemblance to their predecessors, the economic forces driving the modern corporation, including transaction and agency costs, remain the same" (p. xii).

In other words, Wright et al (2004) assume that corporate governance currently and historically is readily explainable by contemporary economic theories of the corporation, such as agency theory. Wright et al. (2004) even take these ahistorical arguments further by assuming that corporate relationships and governance mechanisms hundreds of years ago provide a definitive answer to corporate governance issues today. As Wright et al. (2004) note

> The documents presented in this series, the editors argue, suggest that direct government oversight of corporations is likely to fail and that regulators should instead seek to encourage shareholder activism. In other words, instead of trying to monitor corporations on behalf of stockholders, government should implement policies designed to induce stockholders (and other stakeholders) to monitor management more closely. (p. xi)

Wright et al. (2004) therefore suggest that based on current economic theoretical perspectives, such as agency theory, their interpretation of such historical corporate documents leads to the conclusion that the contemporary governance of corporations should focus on shareholder activism rather than government oversight.

It has been argued that corporate governance needs to be approached with a wider set of sociological theories than those derived from neo-classical economics (see, for example, Ahrens et al, 2011; Davis, 2005; Dunlavy, 2004; Roberts, 2001, Westphal and Zajac, 1998, 2001; Zuckerman, 1999, 2000; Mackenzie and Millo, 2003). These studies constitute a new wave in corporate governance research which differs from prior research in three ways: 1) a greater openness to the past and the complexities surrounding how individuals are embedded in a larger social, political, and economic context, 2) less focus on path dependency, and 3) more critical of American bias as well as neo-liberal beliefs in the superiority of market arrangements (Herrigel, 2007). The concerns of Davis (2005) we find to be of particular interest:

> The sociological interesting questions going forward focus on explaining the dynamics of the institutions around financial markets. For these markets to work requires an infrastructure of corporate governance – an institutional matrix to guide the entity being traded. As I stated at the outset, investors need assurance that they will get a return, and those that seek to sell financial instruments – from shares of stock to sovereign national debt – need to provide credible evidence that their investors will get a return. That is they engage in corporate governance. But the logic behind the institutions of corporate governance is not limited to public corporations; it also applies to other things traded on financial markets, an increasingly broad category. The significance of this is that entities that seek to attract investors, from states and corporations to bundles of credit card receivables, need to demonstrate their institutional fitness to distant, often dispersed investors. In a world in which financial flows are the life blood of the global economy and in which more and more entities are traded on markets, corporate governance is critical to understanding the contemporary world polity and the dynamics of institutions… Thus, the focus of a sociology of corporate governance should be on those institutions- where they originate, how they work, how they influence social actors, and how they change (Davis, 2005, p. 156)

In this paper we take up Davis's call for a sociology of corporate governance and an analysis of the institutions that shape it. In particular, we offer here an analysis of the emergence of the Federal Trade Commission via its antecedent institutions the Industrial Commission and the Bureau of Corporations. These institutions each attributed a central role for accounting information in the resolution of Corporate Governance problems, a discourse which strongly influenced the eventual mandating of financial statements in the 1933 Securities Acts.

The theoretical approach adopted in the paper is Governmentality. Governmentality is a concept coined by Foucault in his latter lectures at the Collège de France and which has subsequently been developed by authors such as Mitchell Dean, Nikolas Rose and Peter Miller. Governmentality, Government and Governance all appear to have the same etymological root, but it is worth highlighting the specific. Foucauldian interpretation of the first two terms so as to clarify how they both differ from, and can help us understand, the latter. The term Governmentality is used as a guideline for understanding the way in which power is exercised over people in a more or less systematic fashion (Lemke, 2001) or - to use language picked up on by Miller and Rose - the way in which political rationalities and programmes are put into action

via specific technologies of government. Whilst the word government today possesses a solely political meaning, Foucault uses it in a more comprehensive sense. For Foucault, government refers more generally as the organisation of a whole range of activities, which might but need not necessarily emanate from the nation-state, such as managing households, directing the soul, self-control, etc (Lemke, 2001). Government is conduct, or, more precisely, the 'conduct of conduct'. In other words, government refers to the identification and resolution of problems via the implementation of technologies which shape behaviour.

A Governmentality perspective has been brought to bear previously on issues of corporate governance during the progressive period in the US (see Miller and O'Leary, 1989). Miller and O'Leary (1989) suggest that the then emerging ideology of scientific management might have successfully deflected public concerns about corporate malfeasance. However, we argue here that the concerns of the progressives over increasing concentration of power and secrecy vis-à-vis corporations remained just as virulent beyond the progressive era right through to the post-depression Roosevelt years. Indeed, Merino (2011) suggests that the concerns of the progressives in the early 1900s remained salient public concerns right throughout the twentieth century and continue to go unanswered today. Thus, scientific management did not successfully manage away corporate governance concerns. Such arguments bring us dangerously close to the mainstream corporate governance research of today. With its focus on boardroom activities and internal firm dynamics, such research does not adequately situate governance within wider social and institutional processes. What we aim to do here is to understand, not so much what corporations were doing but to understand what legislators were attempting and why. More specifically, we analyse how corporate conduct was influenced or – in Foucaldian terms - 'conducted' from the outside. Whereas the majority of corporate governance research concerns itself with narrow agency concerns, we look at the institutional pressures brought to bear on corporate management

during the progressive era. As such, we seek to understand the governance of corporate governance.

In order to explore the governance of governance we need to pay close attention to the specific political programmes and their concomitant technologies. Government is the enacting of the former via the latter (Miller and Rose, 1990). However, the relationship between programmes and technologies is often complicated and it is in those complex relations that governmentality research is often at its most interesting and fruitful. As indicated earlier, government is a "congenitally failing operation" (Miller and Rose, 1992) as technologies often are disconnected radically from the political programmes which putatively lie above them. Alternatively, Spence (2010) has pointed out that political programmes themselves can become enslaved to their own ill-defined technologies, resulting in unavoidable subversion of the original political rationality. In a similair vein Lemke (2000) points out that:

"The relations between rationalities and technologies, programs and institutions are much more complex than a simple application or transfer. The difference between the envisaged aims of a program and its actual effects does not refer to the purity of the program and the impurity of reality, but to different realities and heterogenous strategies. History is not the achievement of a plan, but what lies "in between" these levels. Thus, Foucault sees rationalities as part of a reality that is characterised by the permanent "failure" of programs" (Lemke, 2000, p.9)

Lemke (2000) goes further to argue that breaks and gaps do not merely exist between programmes and technologies, but within programmes and technologies themselves as a result of the struggles and fights that bring them into existence. Indeed, failures and inconsistencies are often the *raison d'être* of programmes. Taking the example of neo-liberalism's failure to enact social inclusion or enhance political rights in spite of its claim to the contrary, Lemke (2000) suggests that relinquishing social securities and increasing marginalisation are actually its very objectives. Thus, in analysing what the governance of governance during the progressive era failed to achieve we must also ask what the real objectives of the governance of governance were.

For that, we must analyse the specific programmes of governance and the concomitant technologies that were deployed to enact them.

<u>Emergence of a Political Programme: Trusts and the 'Progressive' Movement</u>

Referring to the early 1900s, Hawkins (1986) states that "the issue of 'big business was probably the most important moral, political, economic and social problem in the US" (p.47). Reflecting this, from the late 1890s and into the 1900s corporate power in the form of the trust problem became an enormous area of study with an explosion of literature (Mitchell, 2007)[1]. A growing body of texts, from a wide variety of sources and disciplines, began to study and investigate trusts to a greater extent than ever before. These texts included journal articles, books, special editions of journals devoted to trusts, and an overwhelming number of newspaper articles[2]. While many of these were of an academic nature (Clark, 1901; Ely, 1900; Bullock, 1901; Meade 1903; Adams, 1902; Hadley, 1899; Jenks, 1900; Baker, 1899; Cook, 1891), a large number constituted much more popular writings (Collier, 1900; Auerbach, 1902; Lloyd, 1894; Gunton, 1899; Nettleton, 1900; Wallace 1899)[3].

These studies encompassed various disciplines including economics, political science, sociology, law, and even philosophy. These texts sought to understand, classify and make trusts knowable as a means of remedying their problematic nature. Clark (1904) referred to his book

[1] Mitchell cites Bullock, Trust Literature: A Survey and Criticism Quart J. Econ. , vol. 15 no., pp. 167-217 to highlight this production of literature. – Note Mitchell note 9 p. 312 where he says tries to avoid use of Trusts.

[2] Thorelli (1954. pp.340-1) notes that the *New York Times* index for the first 6 months of 1899 under the same heading listed 17 editorials and no less than 245 articles and news items. Also over the period from 1899 to the middle of 1903 "The *Public Opinion,* surveys of newspaper writings during these four and on-half years comprised well over 300 extracts and cartoons from 114 different newspapers" (Thorelli, 1954, p. 341).

[3] These provide only a sample of the major writers. See Thorelli (1954) for a more comprehensive review of these and other works

titled *The Problem of Monopoly* as “a study of grave danger and of the natural mode of averting it”. Jenks (1900) examines what he calls *The Trust Problem*. Baker (1899) titled the first chapter of his book *Monopolies and the People*, The Problem Presented. Even earlier works such as Cook (1891), who maintained that the object of a trust was in fact monopoly, recognized trusts as problems to be studied and most effectively dealt with through court action. In the field of sociology, Yarros (1902) writes about the *The Trust Problem Restudied*, while in philosophy Patterson (1903) specifically and directly titles his paper, The Problem of the Trusts. While these studies offered various conclusions regarding the trust problem a general focus was on the issue of classification between large scale operation which was seen by many as normal and monopoly which was considered as not normal (Thorelli, 1954).

This literature largely took the form of the emerging political rationality of progressivism. The progressive movement developed in response to many of the social and economic problems often attributed to what were considered the excesses of large-scale corporate capitalism, driven by sudden and unprecedented economic and social change. In contrast to the political rationalities of *laissez-faire* economics progressivism favored government intervention to maintain competition within business and free enterprise. A diverse group, progressives generally concerned themselves with three broad and commonly understood issues: “regulation of the economy to harness its leaders and to distribute more widely its benefits; modifications in government to make its representatives more responsive and assistance to the dispossessed” (Weibe, 1962, p. 9).

Within the progressive movement, opposition to trusts, particularly their monopolistic tendencies, arose from the populist ideal of the mistrust of the centralization of power and decision making (Dewey, 1994). This opposition would solidify under various leaders, such as Louis D. Brandeis, who strongly opposed combinations since they not only restrained

competition, but also seldom seemed to achieve promised productive efficiencies (McCraw, 1981). In fact trusts, defined as those entities with monopolistic power, did not really live up to expectations, many ultimately resulting in complete failures (Jones 1929). Furthermore, little evidence supported their economic superiority or their necessity based on ruinous competition. Much of the most prominent and strongest anti-trust literature within the progressive movement came from a group known as the muckrakers. While works by muckrakers, such as Henry Demacrest Lloyd, Ida Tarbell, Ray Stannard, and George Fife were highly influential in creating and maintaining an anti-trust sentiment, they also provided very detailed factual research which saw trusts and those who organized, controlled and invested in them as objects of study, and ensured that the economic, social and political issues of trusts where kept constantly in the public eye and mind.

Opposition to trusts within the progressive movement was also prominent in groups ranging from small business to labour to farmers. The condemnation however was not universal since the objectives and goals of the reformers of the progressive era often became obscured through the underlying motives of many reformers, which were often tied to specific interests such as securing the wealth of the small and independent businessman. While the general idea of competition was widely supported, individuals within specific industries always found a reason that their industry was different and should be exempted from what they believed would be punitively damaging to them (Seager and Gulick, 1929). As well, some reformers believed that groups such as organized labour could fairly deal with the trusts and that even in some circumstances higher economies of scale could be passed onto labour (Leinwand, 1962). As Kolko (1963) argues the rhetoric of reform never fundamentally conflicted with business supremacy over the control of wealth. While the actual extent of reform is questionable, the progressive movement clearly made trusts and their activities objects of detailed examination and study. Calls for reform by progressives were therefore less straightforward and more nuanced

than historically appreciated, as they involved shifting political rationalities and invoked various power relations in the form of struggles, confrontations, strategies and resistances over trusts. In particular, these powers relations, rather than eliminating trusts, made them even more salient and visible, leading to the emergence of an ever greater variety and proliferation of such corporate structures.

Emergence of a Technology: the discourse of publicity

The growing study and investigation of trusts led to the belief that trusts needed to be controlled. Amongst the various remedies discussed as a means to control trusts, publicity was among the most often mentioned (Marbury, 1908; Marcus, 1908; Talbert, 1912; Meade, 1907; Von Halle, 1905; Jenks, 1900; Clark, 1901; Ely, 1902). Bullock (1901) notes in his survey of the trust literature,

> Professors Jenks and Mr. Collier advocate no radical action to restrain the evils of trusts, but propose various moderate remedies, of which the chief is always publicity. (p. 172)

Adams (1902) concludes his analysis of publicity by stating,

> Indeed, from whatever point of view the trust problem is considered, publicity stands as the first step in its solution; and there is reason to believe that the further the government is willing to go in its statutory definition of publicity the greater likelihood is there that it may be excused from exercising direct administrative control. (p. 904)

Publicity was not confined to academic speculation, but also played a significant role in the thinking of leading public figures at the time, such as James Dill and President Roosevelt (Adams. 1902). The importance and relevance of publicity to the trust problem was probably no more strongly highlighted than by Henry Clews, a financier in New York, who offers the following recommendations regarding how to ensure the legitimacy of business:

> The way to this can be best paved by promoting public spirit, and sweeping away the business opportunities for business wrong doing in secret, such as rebating, by wise laws properly enforced, and backed by public opinion, yet laws not oppressive, unjust or too inquisitorial. This would compel the "crooks", "grafters", "rebaters" and "competition crushers" of the business world, who have schemed in the darkness, and shunned the light, to come out into open view, and this publicity alone would be a perfect cure for many great evils. So let us have more light- the light of PUBLICITY. (Clews, 1906, p. 154)

Publicity was also noted as fundamental to the relationship between trusts and the public or more specifically the public's welfare. As Jefferson Davis asks, "What is the influence of large corporations upon public welfare? (p. 278). Central to this relationship was the need to ascertain through accounting discourses of publicity an underlying truthfulness of representations.

> All corporations which appeal to public support by placing their stock upon the public exchanges, thus inviting investment by the public in their securities, should be given the greatest degree of publicity to their affairs. If the public are invited generally to invest in the securities of a corporation, the truthfulness of all representations made should be enforced, and the same degree of publicity to which the stockholder is entitled should be extended to the public. (Hatch, The Civic Federation of Chicago, 1900, p. 71)

The discourse of publicity also begins to appear not simply as a broad theoretical exercise, but in more concrete forms and recommendations. Knowing the corporation paves the way to the managing of it (Miller and O'Leary, 1989). For instance, among the otherwise unsurprising conference resolutions, such as calls for uniform state legislation, legislation regarding the organization of corporations, and the prohibition of watered stock, is found the need for the objective control of corporations through accounting discourses. In particular, discourses of publicity provided a means not simply to control and manage these new corporations, but a way to rationalize their existence.

> And finally, there should be a thorough system of reports and governmental inspection, especially as to issues of bonds and stock and the status and value of property, whether corporeal or incorporeal. Yet, at the same, in the matter of trading and industrial

> companies, there are legitimate business secrets which must be respected by the general public. In short, we need to frankly recognize the fact that trading and industrial corporations are needed to organize the activities of our country, and that they are not to be scolded or belied, but controlled, as we control steam and electricity, which are also dangerous if not carefully managed, but of wonderful usefulness if rightly harnessed to the car of progress. (Howe, The Civic Federation of Chicago, 1900, pp. 624-625)[4]

Neither anti nor pro trust, the conference was criticized as producing little in the way of substance towards a policy of how to control trusts. Instead, the conference could be seen as a precursor to the control and governance of corporations/trusts through institutional processes that increasingly made use of publicity and greater levels of accounting information.

The Federal government's previous responses to the problem of trusts came in the form legislation such as the Sherman Act (1890) which, rather than prohibiting monopolies, led to a proliferation of new combination techniques. The increasingly obstinate public discourse of publicity incited the government to establish various commissions of inquiry and regulatory bodies. As the rhetoric at the time noted, these government commissions and regulatory bodies were referred to as anti-trust programs or "trust busters", designed to protect consumers and usher in a more competitive investment and consumer environment consistent with American ideals of *laissez-faire*, which remained strongly in place. Investor protection remained secondary, tied to the interests and concerns of the general public. In an attempt to control trusts a number of successive federal programmes, including the Industrial Commission, the Bureau of Corporations and the Federal Trade Commission characterized the first decade and a half of the twentieth century. It is our argument that these bodies made possible a conception of the control and governance of corporations as an assembly of rationalities, analyses, calculations and tactics which permitted processes of classification and normalization. Specifically, these processes included accounting discourses such as publicity which permitted the identification of those corporations or trusts which deviated from the norm.

[4] For a detailed list of resolutions see Howe, Chicago Conference on Trusts pp. 624-25.

The Industrial Commission 1898-1902

Created in 1899 in a politically charged environment, the Industrial Commission's objective was to:

> "investigate questions pertaining to…manufacturing, and to business," and as a result of its investigations, "to suggest such laws as may be made the basis of uniform legislation by the various States of the Union, in order to harmonize conflicting interests and be equitable to the laborer, the employer, the producer and the consumer." (North, 1899, p.709)

Among its various recommendations, the Industrial Commission recommended the need for federal control over corporations through a federal licensing law applicable to corporations engaged in interstate commerce, rather than actual incorporation, as well as increased forms of corporate disclosure and reporting. While the commission had a sweeping mandate and appeared to offer an opportunity for real reform, many saw it as politically motivated to placate a restless and uneasy public. Despite hearing from a large number of witnesses and amassing an enormous amount of information, concerns were raised that those who testified largely represented big business and even the trusts, and that the voices of groups such as small business received minimal attention. As one of the Commission's members, North (1899), noted, perhaps more than actually implementing changes, the commission provided a forum for individuals to express their opinions and grievances over trusts. Moreover, the commission began to concretise a governmental concern that increased disclosure of accounting information was central to the resolution of the trust problem. For example, the commission's preliminary 1900 report to congress stated that:

> To prevent the organizers of corporations or industrial combinations from deceiving investors and the public, either through suppression of material facts or by making misleading statements, your Commission recommend:
>
> a) That the promoters and organizers…should be required to furnish full details regarding the organization…necessary for safe and intelligent investment
>
> b) That any prospectus soliciting subscriptions…which fails to make full disclosure as foresaid, or which is false, should be deemed fraudulent
>
> c) That the nature of the business of the corporation…should be required to be expressed in the certificate of incorporation, which instrument should be open to inspection by any investor. (Hawkins, 1986, pp.70-71).

Subsequent reports expressed similar recommendations, placing accounting disclosures as central to the resolution of corporate malfeasance. For example, the final report of the Industrial Commission emphasized mandatory publicity of financial information as critical to the control of trusts[5].

> A permanent bureau, the duties of which shall be to register all State corporations engaged in interstate or foreign commerce; to secure from such corporations all reports needed to enable the Government to levy a franchise tax with certainty and justice, and to collect the same; to make such inspection and examination of the business and accounts of such corporations, as will guarantee the completeness and accuracy of the information needed to ascertain whether such corporations are observing the conditions prescribed in the act, and to enforce penalties against delinquents; and to collate and publish information regarding such combinations and the industries in which they may be engaged, so as to furnish to the Congress proper information for possible future legislation. (Industrial Commission, 1902, pp.650-1)

In the report, Thomas W.Phillips suggests further recommendations regarding publicity, encompassing what he referred to as a "a rigid system of public accounting". Specifically, he points to the following needs.

> First, each corporation should be required to make periodical reports of its business, supplemented by other reports upon official demand, all verified by the oaths of certain of its officers. Second, official examiners should also be maintained, who should, at irregular periods and without notice, appear at the offices of each corporation and make

[5] See Mitchell p. 126 note about NYSE requiring listed companies to file annual reports, tended to be meaningless.

> rigid examination of its affairs, using books in the first instance, but verifying the correctness thereof by every practical method (Industrial Commission, 1902, p.669)

Exhibit 1 outlines the proposed legislation regarding the system of inspection suggested by Commissioner Phillips.

Insert Exhibit 1

These legislative proposals by Phillips emphasize a new form of regulatory control over trusts and corporations based on a system of reporting and inspection. As Exhibit one highlights accounting disclosures and audit practices were at the center of this regulatory form of control in the form of very specific recommendations of accounting and auditing practices relating to the disclosure of financial information. The recommendation of accounting and auditing practices is significant since it indicated a shift from legislative approaches based on eliminating certain practices directly, which were proving increasingly ineffective, to the elimination of such practices through regulatory control focused on disclosure. Notwithstanding these recommendations, little actual legislative change or reform resulted from the Industrial Commission's Reports. The reports of the commission embodied the programmatic intent of progressive control of trusts via the technology of publicity, albeit without leading to the successful enactment of such a programme[6]. What the reports provided more than anything was a rationale for similar future regulatory bodies in the form of the Bureau of Corporations and the Federal Trade Commission.

The practice of the Industrial Commission included a vast array of statistical analysis and expertise to classify and identify those trusts which deviated from the norm. North (1899), a member of the Commission, noted how the Commission's approach, unlike haphazard attempts of the past, relied upon such expertise and factual information.

[6] The fifty-sixth Congress, 1899-1901, introduced 17 bills in the House and 2 bills in the Senate, none of which made it out of Committee (Leinwand, 1962, p. 46).

> As a case in point, the creation of the Commission was contemporaneous with the epidemic of industrial reorganization and consolidation now sweeping the country. The manner in which it deals with this question will determine the country's judgment upon the entire work of the Commission. It understands that it must handle it fearlessly, intelligently and exhaustively. It is preparing to approach the subject in a manner quite different from the haphazard treatment it has thus far received at the hands of Congressional and Legislative Committees. It has appointed Professor Jeremiah W. Jenks, of Cornell University, as its expert agent to study the question of industrial combination and consolidation from the economic point of view, and to collate and analyze the facts in their bearing upon process, upon the wage earning class, upon production, and upon the community as a whole. (North, 1899, pp. 717-18)

Durand (1902), editor and secretary to the Commission, echoes this sentiment in describing the uniqueness of the Commission's work in terms of "the extent to which it called in the assistance of university men and trained investigators (p. 566)". He continues by suggesting the need for a more permanent body of expertise. In particular, the size and volume of the Commission's final report, which amassed an enormous amount of statistical information on trusts, reveals the growing importance of expertise and statistics to the control of corporations. The Bureau of Corporations also relied upon specialized academic expertise in its examinations and investigations, which like the Industrial Commission, produced a vast quantity of information regarding various industries. This was a noted change from past practices which relied upon individuals with practical experience (Leinwand, 1962). Further, this mobilisation of expertise shows that technologies were actually put in place that could lead to the potential regulation of trusts. The assemblage of information via expert intervention created the possibility for corrective action to be undertaken. The programme was clearly articulated, as was the technology for enacting it. However, there was no regulatory enactment upon the technological outputs.

The Bureau of Corporations 1903-1914

The Industrial Commission's final report was published in 1902 shortly after Roosevelt had become President and just prior to the decision to sue the Northern Securities Company under the

Sherman Act. Roosevelt was the leading political figure in dealing with trusts and was seen as someone who strongly supported anti-trust measures. In contrast to his historical persona as a trust buster, however, Roosevelt was actually largely supportive of big business. So while he sought a means for greater government control of trusts (Leinwand, 1962; Mitchell, 2007), President Roosevelt believed that such measures should only punish trusts which engaged in practices that ran against the national welfare. Publicity provided such a means:

> The first essential in determining how to deal with the great industrial combinations is knowledge of the facts – publicity. In the interest of the public the Government should have the right to inspect and examine the workings of the great corporations engaged in interstate business. Publicity is the only sure remedy which we can now invoke. (in Hawkins, p.91).

In particular, Roosevelt saw the value of publicity in its ability to classify trusts since it allowed the determination of which trusts deviated from the norm. Roosevelt argued that "good" trusts were those corporations with nothing to hide from the glare of publicity, while "bad" trusts were those which wanted to hide abusive practices. Corporations therefore became increasingly scrutinized by the Bureau as objects of study and investigation to not only bring into the light the mysterious business and financial activities of corporations, but also to classify and to determine those which deviated from the norm and provide corrective remedies. The goal was not the elimination of trusts, but, as Roosevelt argued, their regulation and management.

> In summing up Roosevelt's point of view the following points might be made: First, he recognized that giant corporations were necessary in view of the changes brought about by the Industrial Revolution. In this he concurred in the belief that industrial combinations were at least partially the result of natural growth. Second, he recognized that some trusts indulged in harmful practices. These "bad trusts" as he would later call them, must be curbed while the "good trusts" should have nothing to fear from the arbitrary hand of government. Third, he placed his faith in the remedy of publicity which would on the one hand encourage the "good trusts" that have nothing to hide, and on the other would force the "bad trusts" to remedy their ways. Moreover, publicity would point the way to exactly what kind of anti-trust legislation was needed. Fourth, he

> believed that a government agency should be created which would have the power to uncover and disclose the facts. (Leinwand, 1962, p. 59-60)

As with the Industrial Commission, it was believed that the mere publication of information (the technology) would set into motion a series of events which would somehow bring about corporate behaviour more aligned to the public interest (Roosevelt's political programme). There was no attempt to imagine any potential corrective remedies.

The Bureau then went about a series of high profile investigations into different industries and companies. One of the its early (1905) investigations yielded a rather uncritical report on the beef trust – an industry widely perceived at the time to have been riddled with price fixing. The Bureau's final report stated that "the cattle raiser is not being unfairly squeezed and the consumer is not being unjustly charged" (in Leinwand, 1962, p.183). Relying largely on published sources of information due to a lack of cooperation in providing information by those being investigated, the Bureau's final report was met with significant public dissatisfaction. Future investigations would be more critical in their examinations, with their results, for the most part, coinciding with Roosevelt's belief in what were "good" versus "bad" trusts. Such investigations led to highly comprehensive reports; the steel industry report was over 1,000 pages. While the focus of these reports was the often the costs of production in various industries, the ultimate objective was to derive profit and return on investment calculations. These calculations formed the basis of the determination of the reasonableness of such profits and returns. Accounting technologies were not only relevant at this broad conceptual level, they also were critical to such investigations at a very practical level in the form of detailed forms and cost sheets which segregated products and showed in great specificity the accounts and calculations for such products

The difficulty was that this information was highly detailed and was not uniform in how it was provided by the various companies within each industry. This meant that the Bureau had to engage in lengthy exercises of grouping and summarizing the information. Exhibit 2 illustrates

how this information was summarized in a form of accounting that sought to document costs, profits and returns costs, profits and returns.

Insert Exhibit 2

The documenting of costs through the use of accounting forms, such as cost sheets, provided a means by which the actual cost of producing a product such as steel could be determined. Once the cost of production was understood, it was then possible to calculate the profits made and the returns to the various companies. What however became even more important than the final calculations or actual numbers; was the willingness and cooperation of companies in disclosing such information. Technologies of accounting therefore were connected to not only programmes such as the Bureau of Corporations, but broader political rationalities regarding trusts and corporations. In fact accounting forms as illustrated in Exhibit 2 were central to poltical rationalities at the time.

"Good" trusts were those trusts, such as the U.S. Steel Corporation or the International Harvester Company that had a strong record of disclosure, whereas "bad" trusts such as those in the oil industry, which basically meant Standard Oil, were unreasonable in their restraint of trade and the amount of disclosure that they provided. However, this did not mean that "good" trusts would not be subject to government agitation. During the investigations into the oil industry (1906) most companies and executives, including those from Standard Oil, cooperated with the Bureau and gave investigators "masses of railroad and statistical evidence and elucidated their point of view in innumerable interviews and hearings" (Leinwand, 1962, p.196). Garfield subsequently produced a report which exposed serious malfeasance in regards to petroleum transportation. For example,

1. Standard habitually received secret rates and other unjust and illegal discrimination

2. During 1904 alone, Standard saved three quarters of a million dollars through secret rates…Many of these secret rates were in violations of law.

3. The discriminations have been so long continued, so secret, so ingeniously applied to new conditions, and so large in amount, as to make it certain that they are due to concerted action by the Standard and the railroad. (Leinwand, 1962, pp.196-197).

Further,

> Roosevelt was quick to make effective use of the Garfield Report on petroleum transportation. The Garfield Report was made public on May 2, 1906. On May 4, 1906, in a special message to Congress, Roosevelt provided a summary of the Garfield Report and, in so doing, influenced the passage of the Hepburn Bill granting the Interstate Commerce Commission greater power over railroad rates. In his message, Roosevelt used the Bureau's evidence to paint Standard in an unfavorable light and to prove that it benefited "enormously" from secret and unlawful rates. (cited Leinwand, 1962, p. 199) (refers to Johnson, Mississippi Historical Review XLV (March, 1959), p.585)

Political rationalities also came to light in the case of International Harvester Company in which a potentially damaging report, suggestive of possible legal action, was not only delayed for no apparent reason, but was also seen as not being effectively acted upon by Roosevelt. Despite concerns expressed in the report, Roosevelt was seen as taking the view that since International Harvester Company made itself available for study it was a good trust and should not be subject to government attack.

An almost unquestionable belief existed that once the public was aware of the exact truth of corporations, corporations would reform themselves. As Herbert Knox Smith, Bureau Chief, noted in the Commission's 1908 annual report, publicity permitted the public to know the exact truth regarding corporations:

> With such information, as a basis, it is believed that the great corrective force of public opinion can be intelligently and efficiently directed at those industrial evils that constitute the most important of our present problems (Annual Report, 1907, p.5 cited in Leinwand, 1962, p. 132).

Hawkins (1986) notes that

> "This publicity demand reflected an American political tradition which held that if the people are given the true facts and allowed to discuss them freely the right solution to any political problem will be found" (p.67).

Further, the Bureau's investigations made clear publicity was not simply providing objective facts. Instead, such facts had to be made not only visible, but also understandable to the public. In particular, concerns existed over how to condense in an understandable format the vast amount of data collected. As Smith, the Commissioner of the Bureau of Corporations, notes in the Bureau's 1907 Annual Report, "a greater measure of uniformity and simplicity in accounts of individual corporations" would provide the following benefits

1. Aid in the enforcement of criminal statutes, and such offenses would be made unsafe for the offender.
2. Prevent wrong doing beforehand because the fear of publicity is a strong deterrent upon improper transactions.
3. Favourable public opinion to companies who conduct their business fairly
4. Broaden the field of conservative investment and permit freer entry of private capital into industrial development.
5. Provide greater cooperation between the government and corporate managers.

(Annual Report, 1907, p. 7, cited in Leinwand, 1962, p. 133-34)

The issue of federal control also emerged with the Bureau of Corporation's reports which much like that of Industrial Commission previously called for greater federal control through federal licensing to address the existing patchwork system which was largely comprised of state laws. Despite being more of a compromise and not wanting to disturb the status quo, the Bureau's recommendations regarding federal licensing proved to be highly controversial, with much of the debate over the report fueled by Roosevelt's involvement and his strong belief in the necessity of federal government taking a central role in regulating trusts. As with previous attempts to achieve a form of federal control, the controversial nature of the proposals would mean that they would never become law. They would however eventually find their form not in

the judicial or sovereign forms of control, but in the regulatory and administrative processes of future bodies such as the Federal Trade Commission. Nevertheless, throughout its existence concerns were expressed over the effectiveness of the Bureau:

> And so the Bureau picked up where the Industrial Commission left off, engaging in elaborate and detailed industrial studies and recommending legislation and litigation. For all its good work, though, the Bureau reinvented the wheel. The Bureau's recommendations returned precisely to those of the Industrial Commission. (Mitchell, 2007, p. 158)

The belief was that whereas the Industrial Commission was controlled by business and lacked the necessary teeth, the Bureau of Corporations would act much more aggressively. However, while conceived within a framework of sovereignty and judicial forms of power, the Bureau of Corporations actually exercised little in the way of sovereign control over trusts, instead it was for the most part limited to an information gathering role. This lack of more sovereign forms of power and control over trusts was in fact one of the chief criticisms of the Bureau as many who felt harmed by trusts including small business and minority shareholders found little when they looked to the Bureau of Corporations for redress. It was largely powerless to act since it had very limited judicial powers to compel the obedience of corporations. Further, there was a (possibly genuine) belief that once the truth was made known, better behaviour would follow automatically. The technology merely required being put in place and the programme would be enacted.

Further attempts to legislate some form of federal control or incorporation continued during this time. In particular, the Hepburn amendment to the Sherman Act attempted once again to expand federal control over trusts. While the Hepburn bill was seen as a form of federal incorporation, it actually functioned more as what might be thought of as a regulatory or normalizing practice by allowing the federal government to decide in advance whether contracts

or combinations in restraint of trade were reasonable and if so provide an exemption for such trusts. From the Bureau's perspective of viewing the concept of trusts as generally a positive development such a process made sense. It also would have provided businesses a degree of certainty they sought. However, the fact that it further centralized control in the hands of Roosevelt by making the Bureau more of a corporate registering agency, as well as concerns that it aligned the Bureau too closely with corporate and business interests, led to it never emerging from the House.

Federal Trade Commission

Continual legislative failures to achieve federal control through some form of federal incorporation and recognition of the limitations of the investigations Bureau of Corporations meant that a new means had to be thought of to establish federal control over trusts. The Federal Trade Commission would provide this means. In contrast to the Bureau of Corporations which largely remained subservient to judicial and sovereign forms of control in serving the Department of Justice and the President, the Federal Trade Commission assumed more of an independent regulatory and even a quasi-judicial role. While its work largely mirrored that of the Bureau of Corporations which preceded it, the Federal Trade Commission was viewed as providing a more continuous form of administrative action and corporate surveillance. Durand (1914) describes how the Commission provided a significant improvement over the Bureau. While the Commission had the expertise of the Bureau, it was also authorized "to require annual or special reports from any corporation engaged in interstate or foreign commerce except banks and common carriers (p. 91)", to impose "penalties for failure to make reports required by the commission or for making false reports (p. 92)". Durand (1914) contended that "useful as have

been the investigations of the bureau, the public has a right to expect from this new commission results of a far more important character" (p. 91).

Notwithstanding the constant rhetoric for strong federal control over corporations, concerns, similar to those expressed of the Bureau of Corporations, would arise with respect to the Federal Trade Commission and it effectiveness.

> At various times in this century- in 1914, in the mid-1930s, and most recently in the 1970s- many people have placed their hopes for "fair" competition and consumer welfare on the F.T.C., yet the almost universal conclusion of persons both sympathetic and hostile to the F.T.C.'s supposed missions has been that it failed continuously. (Stone, 1977, p. 257)

Despite the lack of success in legislating greater Federal control over trusts, legislation such as the Littlefield and Hepburn Bills illustrated how laws were becoming increasingly linked to disciplinary practices and processes of normalization, including a growing focus on disclosure and standards. This development meant that control of trusts lay not with sovereign or juridical forms of control, though these would still operate, but with practices such as publicity. Unlike Federal control of trusts through the juridical system of law, whose answer to a growing demand for anti-trust measures was the prohibition of trusts, publicity offered a means to reconcile the belief in trusts as possessing value and utility with growing public discontent over monopoly. For example, the Federal Trade Commission's judicial authority did not involve the dissolution of trusts which remained largely with the Department of Justice, but instead was related to forms of publicity in requiring annual and special reports from corporations.

Detailed information requests sent from the Federal Trade Commission to individual companies formed the basis of these reports. These requests often required the companies to

provide detailed cost information by product on a monthly basis as well as quarterly income and balance sheets.

Insert Exhibit 3

In this exhibit we see specific requirements to report monthly costs and capacity of production, quantities of order, and depreciation and general administrative expenses for several designated products within the steel industry. It also requires very detailed quarterly reporting of income statement and balance sheet numbers. The request notes the purpose of such information is to compile information regarding the industry "both for the benefit of the industry and the public". The usage of standard forms became increasing prominent in an attempt to achieve greater uniformity of information. Calls for the need for increased uniformity came from a growing number of accountants, both inside and outside the Federal Trade Commission who became involved in particular investigations.

One prominent investigation was that of the Maximum Profit Limitation on Meat-Packing Industry, which was headed by Stuart Chase a CPA loaned to the Federal Trade Commission by Harvey Chase & Co. (Bradley and Merino, 1994; Vangermeersch, 2005). The Commission also employed the outside audit firm of Perley Morse & Co. to assist in the investigation. Chase's investigation which lasted nearly two years highlighted not only a concern of excessive profits of the meat packers but also the need for increased regulation regarding uniformity to better understand and determine such issues. Arguments were made that profits had to be compared to some reasonable or normal level of return for an industry. The prominence that the Federal Trade Commission would place publicity and the relevancy of the norm on not only an equivalent level with that of the law, but also highlight these regulatory forms as positive and constructive means to control trusts. As Wilson declared in his State of the Union Message,

> The opinion of the country would instantly approve of such a commission. It would not wish to see it empowered to make terms with monopoly or in any way to assume control of business, as if the government made itself responsible. It demands such a commission only as an indispensable instrument of information and publicity, as a clearing house for the facts by which both the public and the managers of great business undertakings should be guided, and as an instrumentality for doing justice to business where the processes of the courts, or the natural forces of correction outside the courts are inadequate to adjust the remedy to the wrong in a way that will meet all the equities and circumstances of the case. (in Leinwand, 1962, p. 323)

At around the same time as the creation of the Federal Trade Commission, the Standard Oil case of 1911 would be decided under the Sherman Act. While prior decisions under the Sherman Act had been almost exclusively decided based on the specific wording of the Act, the Standard Oil decision led to the establishment of a standard or what became known as the "rule of reason", to interpret "whether the prohibitions contained in the statute had or had not been violated" (S&G, p. 399). Under the "rule of reason", restraint of trade under the Sherman Act included acts which unduly restricted competition and were not in the public interest. In other words, illegal combinations were those which deviated from the norm in their activities and restraint of trade. Under the rule of reason the exercise of law operated more as a norm, connected to various disciplinary practices, including accounting, in order to determine violations from standards. Sovereignty and law are therefore not replaced by apparatuses of normalizing practices here; rather they are transformed such that the law operates more and more as a norm becoming "incorporated into a continuum of apparatuses (medical, administrative and so on) whose functions are for the most part regulatory" (Foucault, 1979, p. 144). The Sherman Act did actually lead to something being done about corporations, although within it was a reconceptualisation of what the problem was:

> In sum, then, the legislation of 1914 represents a new conception of the trust problem. The trust is no longer an ogre which is to be bludgeoned into submission with the club of a dissolution suit, but rather the result of a number of malignant growths each of which must be cauterized if the body upon which they have fastened is to be restored to health and vigor. (Seager and Gulick, 1929. P. 426).

Thus, in the absence of a solution the corporate governance problem was redefined such that it became more governable.

Effect on Later Reforms

The 1933 Securities Act

The 1933 Securities Act has been seen as the first mandated disclosure of financial statements in the US. When looking at a formal requirement for a set of financial statements this is true, but as has been demonstrated branches of the US Federal government effectively mandated a variety of disclosures of financial information as part of the concern to manage trusts through publicity. In this sense the earlier interest in disclosure and publicity would carry over to the Securities Acts themselves. The Securities Acts can therefore be seen as the product of cumulative progressive pressure and its institutionalization in bodies such as the Bureau of Corporations, the Federal Trade Commission and the Industrial Commission (it is worth noting that throughout this time the UK had audited financial statements). However, we would caution against an interpretation which views the 1933 acts as the progressive outcome of a patient build-up of activism and institutional pressure. The acts themselves arguably did not close the gap between user needs and disclosure practices. Furthermore, the existence of institutions such as the Bureau of Corporations and the Industrial Commission with their focus on publicity might actually have served to thwart more meaningful regulation or deeper questioning of the emerging form of corporate capitalism. Many trusts responded to the government-led publicity campaigns by producing accounting data: "the major trusts had all "voluntarily" disclosed financial data (some income statement and balance sheet data) by 1908" (Merino and Neimark, 1982, p.37). Thus, publicity pressures succeeded, to some extent, in increasing disclosure. This did little to

resolve the issues identified by the progressive movement but it appears to have had largely appeased governmental concerns about corporate accountability, as is evidenced by the fact that the first significant legislation mandating disclosure did not appear until 1933. Indeed, Merino (2011) suggests that this legislation itself was largely symbolic and did little to address public concerns over corporate power, fraud and investor protection. Merino (2011) further notes that these remain the most pertinent corporate governance issues at the beginning of the twenty-first century in spite of almost a century of regulatory intervention. We would go further than Merino (2011) by saying that these issues remain unresolved not in spite of regulatory intervention, but because of it. In other words, what we see through the publicity campaign and, by extension subsequent regulatory interventions, is the non-governance of the corporation; the non-governance of corporate governance.

Conclusion

Attempts to impose sovereign and judicial control over trusts led to trusts and corporations becoming objects of study and investigation through various writings, conferences and federal regulatory commissions and bodies. These studies and investigations led to the classification and labeling of trusts and corporations to segregate and symbolically isolate those trusts and corporations whose practices deviated from the norm. Accounting, in the form of publicity, allowed trusts to be classified and labeled in ways that these once unknown and mysterious organizations could be understood. This did not lead to changes consistent with the ambitious political goals to contain and regulate trusts. For example, the recommendations of the Industrial Commission for mandatory disclosure of financial information did not lead to specific changes or any greater control over trusts, but rather to their reinvention of the Commission’s financial surveillance under the auspices of its successor, the Bureau of Corporations. Much like the

Industrial Commission, the Bureau, which was politically driven by Roosevelt, continued to conduct detailed and sophisticated industrial studies which seemed to recreate broadly the same recommendations and forms of information as its predecessor. Despite the hope that the Bureau of Corporations would take more aggressive action against large industrial corporations, corporations continued to increase in size and power. Faith persisted in increased forms of disclosure and classification of corporations, and that this would reinforce what Herbert Knox, Bureau Chief, noted in the Commission's 1908 annual report as "the great corrective force of public opinion."

The failures of the Bureau would soon create demand for a new body, the Federal Trade Commission, based on the belief that simply what was needed was a more continuous form of administrative regulation which could guide corporations more assertively. As the Commissioner of Corporations, Commissioner Smith, wrote in 1911

> Such connection with prosecution should be wholly incidental and secondary, and the publicity work of the commission should be directed primarily at furnishing reliable and economic information for the general public and not securing prosecution. (cited in Leinwand, 1962, p. 312)

Publicity and the force of public opinion would mesh with the Commission's provision of information providing a powerful disciplinary force. Those at the heart of government programmes displayed technological fetishization, believing that the solutions to corporate abuses were only one control or problem away, if only they could get the technology right.

This decomposition of the problem of trusts and the related programmatic logic of corporate reform leads to two interdependent and mutually supporting outcomes. First, the further growth of regulation leading to a highly complex regulatory environment as evidenced by the 1933 Securities Act and ongoing financial accounting and reporting reforms. Second, the management of investors who call for further forms of corporate control and regulation; in this

respect the presence of regulatory activity may be more important than its outcomes. The result may be less the governance and control of corporations, and a more seeming responsiveness to investors and other groups within the public domain who seek greater control over corporations in their failings. This analysis leads to questioning of whether these reforms have produced the gains that have been claimed or have fed and justified new regulatory and financial accounting reforms in the name of greater governance of the corporation. Accordingly, we contend that the governance of the corporation can be understood in terms of what Miller and Rose (1992) refer to as a "congenitally failing operation" or what Power (1994) describes as "the politics of regulatory failure". In short, this is a field marked by problematisation, recurring failure and escalation of commitment characterized by Foucault as "the problems of governmentality" (Foucault, 1991; Miller and Rose, 1990: Rose and Miller, 1992).

This leads us to question the real programmatic intent of the legislators during the progressive era. Is it that the various bodies set up, along with their technological apparatuses of publicity, were intended to only serve a symbolic function? The congenital failure to enact legislation or introduce substantive corrective remedies for monopolistic practices lends weight to the argument that governance institutions such as the Industrial Commission, the Bureau of Corporations and the Federal Trade Commission were there only to give the impression of state intervention in what was widely perceived as a public interest issue. However, an alternative explanation is possible. Perhaps programmatic intent was never realised. Perhaps there was a genuine intent to regulate corporations and 'cauterise the malignant growths' that had developed upon them but that this programmatic intent was thwarted by its own internal inconsistencies and incongruencies. The widely articulated belief that publicity would provide a remedy to the corporate problem, in retrospect, appears to be somewhat naive and ill-conceived. The technology of publicity never quite achieved what the programmers expected it to, yet they remained deeply attached to its potential to do so. Ineffective institutional mechanisms were thus replaced time and

again by new institutional mechanisms that were only marginally different from their predecessors. In this respect, the non-governance of corporate governance can be explained by the inconsistencies internal to the programmatic logic itself. Programmatic intent is one thing but the programme actually enacted can be another. Programmes develop lives of their own independently of their programmers. What we witness above is a programmatic intent to regulate corporate behaviour but a programme whose intent - quite distinct from the intent of its programmers - was merely to reproduce and re-invent itself for its own sake.

Exhibit 1

not only make discriminations and other unlawful methods more difficult and less probable, but will also facilitate other methods of regulation, should they be necessary.

The legislation proposed should embody the following details:

As to reports.—1. Every corporation governed by the act should make annual reports to an officer provided for in the act, who is hereinafter designated as an auditor.

2. The report shall in all cases include—

(*a*) Capital authorized and issued, the amount paid up in cash or otherwise, with a statement of the method of payment, where it is not in cash.

(*b*) Debts, including details as to amount thereof, and the security given therefor, if any.

(*c*) Obligations due from officers should be separately stated.

(*d*) A statement of the method of valuing assets, whether at cost price, by appraisal, or otherwise, and of the allowance made for depreciation.

(*e*) Gross earnings for the period covered by the report, all deductions necessary for interest, taxes, and expenses of all sorts, the surplus available for dividends, and dividends actually declared.

(*f*) The increase in assets since the last statement, with a showing in what way such increase has been secured.

(*g*) The names and addresses of stockholders, with the number of shares held by each at the date of the report.

(*h*) The amount of property taken for stock at any time previously and sold since the date of the last report, with all facts necessary to show the result of the transaction.

(*i*) A statement showing that the corporation in question has not, during the period covered by said report, received any rebates, drawbacks, special rates or other discriminations, advantages or preferences, by money payments or otherwise from any railroad, pipe line, water carrier, or other transportation company. Or if any such have been received or given, stating when, from whom, on what account, and in what manner they were so received, with all other details necessary to a full understanding of the transaction or transactions.

(*j*) The names and addresses of all offices, location of transfer or registry offices, wherever located.

(*k*) A statement that the corporation has not fixed prices or done any other act with a view of restricting trade or driving any competitor out of business.

(*l*) A statement of the proportion of goods going into interstate commerce.

3. The auditor shall prescribe the form of the reports and the mat-

United States Industrial Commission, Final Report of the Industrial Commission, 1902, p. 670

Exhibit 2

costs; that is, the costs which may be properly compared with the actual realized prices for the respective commodities in order to determine the book profits by products. These are the costs which are presented in Chapters III to VII of this report. The costs are shown, however, by items for the mill cost, together with the total mill cost, and the items in addition to mill cost are also separately shown. All of the items taken together give the total book cost.

The separate statement of mill costs and additional costs involves one slight disadvantage, namely, that in the transfer of the product from one stage of manufacture to the succeeding stage, when such transfer is made at cost (though this is by no means always the case), it is based on the mill cost. Hence, if any attempt is made to compare the cost of the product in one cost sheet with the price of the same material in the succeeding cost sheet, it must be done on the basis of the mill cost and not the total book cost.

The cost sheets as furnished by the several companies were, of course, by no means uniform with respect to classification of items. Most of them also showed the items in far too great detail for the purposes of this report. The numerous detailed items were grouped by the Bureau, therefore, under a comparatively few simple heads.

In order to make clear the detailed character of the information furnished by the several companies, a typical cost sheet of one company for a single product (pig iron) is given below. This cost sheet is not given for a single blast furnace, but for a group of furnaces at a single plant. The title of the cost sheet has, therefore, been slightly changed. Furthermore, in place of the description of ores given in the original cost sheet, the letters A, B, C, etc., have been substituted in order not to reveal the identity of the company whose pig-iron cost is stated.

[Typical cost sheet; to show form only.]

——COMPANY. ——FURNACE PLANT. COST OF PRODUCING BESSEMER PIG IRON AT ALL FURNACES DURING YEAR 191—.

Item. (Mesabi ores to be entered separately from other ores and totals of each shown in red ink.)	Per cent metallic contents.	Gross tons.	Price.	Amount.	Material per ton.		Cost per ton.
					Pounds.	Per cent.	
A........................ore..	....	131,764	$4.93	$649,531.59	....	....	....
B........................do...	....	349,041	4.80	1,675,216.06	....	....	....
C........................do...	....	46	4.30	197.67	....	....	....
D........................do...	....	55,606	4.83	268,353.39	....	....	....
E........................do...	....	29,439	4.98	146,680.57	....	....	....
F........................do...	....	4,046	5.25	21,222.43	....	....	....
G........................do...	....	47	4.09	192.13	....	....	....
Total Mesabi.......do...	....	570,009	4.84	2,761,898.53	....	....	....
H........................do...	....	60,696	5.22	316,630.29	....	....	....
I........................do...	....	75,460	6.10	460,196.93	....	....	....
J........................do...	....	405	5.93	2,403.21	....	....	....
K........................do...	....	12,604	4.60	57,978.40	....	....	....

Department of Commerce, Report of the Commissioner of Corporations on the Steel Industry, May, 6, 1913, p.22-24.

——COMPANY. ——FURNACE PLANT. COST OF PRODUCING BESSEMER PIG IRON AT ALL FURNACES DURING YEAR 191—.—Continued.

Item.	Per cent metallic contents.	Gross tons.	Price.	Amount.	Material per ton.		Cost per ton.
					Pounds.	Per cent.	
L..........ore..	....	29,111	$4.44	$129,170.44	....	....	....
M..........do..	....	2,052	3.15	6,455.13	....	....	....
N..........do..	....	4,157	5.45	22,659.62	....	....	....
Total all other.......do...	....	184,484	5.40	995,494.02	....	....	....
Total ore..........	....	754,493	4.98	3,756,892.85	4,064	181.43	$9.034
Spittings..........	....	3,399	.50	1,699.50	....	....	....
Scale..........	....	10,009	1.76	17,628.17	....	....	....
Total cinder and scale....	....	13,408	1.44	19,327.67	72	3.22	.046
Total ore, cinder, and scale.	....	767,901	4.92	3,776,220.52	4,136	184.65	9.080
Light ladle scrap..........	....	4,552	11.56	52,612.66	....	....	....
Runner scrap..........	....	762	12.27	9,347.82	....	....	....
Pig machine scrap..........	....	2,940	12.27	36,076.95	....	....	....
Off-grade iron..........	....	384	15.19	5,831.05	....	....	....
Total scrap used..........	....	8,638	12.02	103,868.48	47	2.08	.250
Gross total metallic mixture..........	....	776,539	5.00	3,880,089.00	4,183	186.73	9.330
Light iron ladle skulls and scrap.	....	4,629	11.51	53,275.49	....	....	....
Heavy chilled ladle skulls and salamanders..........	....	....	....	....	....	....	....
Blast furnace runner scrap......	....	762	12.27	9,349.86	....	....	....
Casting machine scrap..........	....	2,940	12.27	36,087.17	....	....	....
Off-grade iron..........	....	384	14.59	5,602.25	....	....	....
Slag sales..........	....	....	....	43.20	....	....	....
Less total scrap produced.	....	8,715	11.97	104,357.97	47	2.10	.251
Net total metallic mixture..........	....	767,824	4.92	3,775,731.03	4,136	184.63	9.079
Coke:							
Connellsville—							
Upper........per cent..	....	....	....	....	....	....	....
Lower..........do....	....	....	....	....	....	....	....
Pocahontas..........do....	....	....	....	....	....	....	....
By-product..........do....	....	....	....	....	....	....	....
Total coke..100 per cent..	....	421,843	3.75	1,580,650.24	2,272	101.44	3.801
Limestone..........	....	186,526	1.00	186,542.64	1,005	44.85	.448
Total materials charged...	....	1,376,193	4.03	5,542,923.91	7,413	330.9[illegible]	13.328
Fuel for miscellaneous purposes:							
Coal..........gross tons..		37	1.25	46.43	....	....	....
Coke..........do....		30	3.74	112.20	....	....	.001
Coke dust..........do....		....	....	....	....	....	....
Wood..........cords..		78	3.10	242.03	....	....	.001
Natural gas..........cubic feet..		....	....	....	....	....	....
Total fuel for miscellaneous purposes..........		....	....	400.66	....	....	.002

—— COMPANY. —— FURNACE PLANT. COST OF PRODUCING BESSEMER PIG IRON AT ALL FURNACES DURING YEAR 191—.—Continued.

Item.	Gross tons.	Price.	Amount.	Material per ton.		Cost per ton.
				Pounds.	Per cent.	
Labor:						
Superintendents, foremen, clerks, and timekeepers			$15,721.40			$0.038
Stocking and charging			62,774.55			.151
Blowing			31,057.25			.075
Casting			66,162.50			.159
All other producing labor			14,896.10			.036
Labor in repairs			41,804.15			.100
Labor in maintenance			10,939.25			.026
Total labor (enter in red ink)			243,355.20			.585
Material in repairs			37,103.03			.089
Material in maintenance			6,178.17			.015
Tools, lubricants, and miscellaneous supplies			16,039.45			.039
Refractories			7,140.80			.017
Steam (for details see exhibit). {coal / coal equivalent}			121,507.94			.292
Purified gas for blowing engines						
Steam and gas transfers (credit)			100,326.42			.241
Water			9,093.87			.022
Electric light and power			12,432.33			.030
Yard switching			52,696.50			.127
Laboratory expense			6,191.43			.014
Stable expense			1,678.47			.004
Shop expense			10,319.47			.025
Dry blast plant expense						
General works expense			36,850.18			.089
Relining and renewal fund			74,856.60			.179
Contingent fund			12,476.10			.030
Total cost above materials charged			547,993.78			1.318
Credit for surplus gas to other departments. Credit			78,758.06			.189
Grand total cost			6,012,159.63			14.457

Total tons produced, 415,871. Tons produced since January 1st .... Average cost per ton since January 1st ....
Number of days in operation, 996. Cubic feet air blown per minute .... Average temperature of blast ....
Average tons per day, 417.5. Cubic feet air per pound of coke ...... Average top temperature ....
Per cent iron produced with sulphur above .05% .... Per cent iron produced with silicon above 1.25% ....
Average manganese in spiegel ....%. Average manganese in ferro manganese ....%

Production.	Tons.	Per cent.
Hot metal	318,811	76.67
Pig iron—sand		
Pig iron—casting machine	96,918	23.30
" " chilled		
" " castings	142	.03
Total production	415,871	100.0

Theoretical furnace yield............ 56.63%
Actual furnace yield............ 54.17%
Furnace loss....... 2.46%
Per cent Mesabi ore used......... ....%
Flue dust produced..........tons...........pounds per ton of iron.
Flue dust used..............tons...........pounds per ton of iron.
Date furnace blown in........, out................

Tons made on present lining.
Iron..................
....
Total..................

COST SHEET FOR ALL FURNACES.

This calculation indicates that the regular price of $28 per ton for steel rails is a highly remunerative one.

Using a scale of prices ranging from $20 to $30 per ton, the return upon the above investment would be as follows:

Assumed price.	Estimated profit (cost $16.67).	Per cent return on investment per ton of Bessemer rails of $65.
$20.00	$3.33	5.1
22.00	5.33	8.2
24.00	7.33	11.3
26.00	9.33	14.4
28.00	11.33	17.4
30.00	13.33	20.5

OPEN-HEARTH PLATES.—For open-hearth steel plates, both sheared and universal plates, the Steel Corporation's approximate total investment in raw materials, on a 30-year supply basis, in transportation facilities, fixed property, and working capital per ton of production, was, in round figures, $83, as is shown in the summary following.

Department of Commerce, Report of the Commissioner of Corporations on the Steel Industry, May, 6, 1913, p530-531.

TABLE 194.—STEEL CORPORATION'S APPROXIMATE INVESTMENT IN RAW MATERIALS, IN TRANSPORTATION FACILITIES, AND IN PLANTS AND WORKING CAPITAL REQUIRED TO PRODUCE A TON OF OPEN-HEARTH STEEL PLATES.

[Calculations based on a plant with an assumed annual production of 450,000 tons of open-hearth plates using Lake ore and chiefly Connellsville coke.]

Item.	Annual require-ment.	Approxi-mate in-vestment per ton.	Approxi-mate in-vestment (total).	Invest-ment per ton of plates pro-duced.
	Gross tons.			
Lake ore, including mine improvements	1,000,000	[1] $3.55	$3,550,000	$7.89
Coking coal, including mine improvements, equipment, and coke ovens	[2] 939,000	3.90	3,662,000	8.14
Limestone	250,000	.52	130,000	.29
Coal for heating and steam, including mine improvements	[2] 750,000	3.90	2,925,000	6.50
Blast furnaces and accessory equipment	490,000	10.75	5,268,000	11.71
Open-hearth steel works and accessory equipment	657,000	7.38	4,849,000	10.77
Plate mill, slabbing mill, and accessory equipment	450,000	13.67	6,152,000	13.67
Transportation [3]			3,337,000	7.42
Working capital [4]			7,650,000	17.00
Total			37,523,000	83.39

[1] On the basis of a 30-year supply.

[2] Net tons.

[3] $6.81 per ton of pig iron. (See p. 524.)

[4] This working capital covers the entire business of producing plates from the mining of the ore.

Exhibit 3

LETTER OF FEDERAL TRADE COMMISSION TO IRON AND STEEL COMPANIES, TOGETHER WITH BLANK FORM OF REPORT

FEDERAL TRADE COMMISSION,
Washington, January 19, 1920.

GENTLEMEN: The Federal Trade Commission, pursuant to a resolution adopted on December 15, 1919, under the powers conferred upon it in section 6, paragraphs (a) and (b), of the Federal Trade Commission act, approved September 26, 1914, and in consideration of a special appropriation by Congress for such purposes, requires your company to report your monthly costs of production for the several products designated and other data as specified, in the form prescribed in the inclosed schedule, a duplicate of which is inclosed for your files.

Said reports, except as to balance sheet and income statement, are required monthly for each month of the calendar year 1920, and until further notice is given you, and are required to be mailed not later than the 25th day of the month succeeding the month for which the report is made. The cost sheets should be sent in as soon as prepared, even if the monthly report has not been completed. The report as to balance sheet is required as of the close of business December 31, 1919, or as of the close of your last fiscal year, with the first monthly report, namely, for January, 1920. Detailed income statement for the year ended December 31, 1919, or for your last fiscal year, is likewise required with the first monthly report. For each succeeding quarter a similar income statement is required with the cost report for the month following the closing date of the period; if the annual income statement referred to above does not close with the calendar year, quarterly reports for any intervening quarters in 1919 are also required.

The purpose of this report is to compile in combined or consolidated form the data received from individual companies and to issue currently in such form accurate and comprehensive information regarding changes in the conditions of the industry both for the benefit of the industry and of the public.

By direction of the commission:

J. P. YODER, *Secretary.*

F. T. C. File No.____

Federal Trade Commission report for Iron and Steel Industry

Full name of reporting company________________________________
Address of principal office______________________________________
______________________________, 19____

NOTICE

Attention is directed to the following extract "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914:

"That the commission shall also have power * * *"

"SEC. 6 (b). To require, by general or special orders, corporations engaged in commerce, excepting banks, and common carriers subject to the act to regulate commerce, or any class of them, or any of them, respectively, to file with the commission in such form as the commission may prescribe annual or special, or both annual and special reports or answers in writing to specific questions, furnishing to the commission such information as it may require as to the organization, business, conduct, practices, management and relation to other corporations, partnerships, and individuals of the respective corporations filing such reports or answers in writing. * * *"

"SEC. 10. * * * Any person who shall willfully make, or cause to be made, any false entry or statement of fact in any report required to be made under this act, or who shall willfully make, or cause to be made, any false entry in any account, record, or memorandum kept by any corporation subject to this act, or who shall willfully neglect or fail to make, or to cause to be made, full, true, and correct entries in such accounts, records, or memoranda of all facts, and transactions appertaining to the business of such corporations, or who shall willfully remove out of the jurisdiction of the United States, or willfully mutilate, alter, or by any other means falsify any documentary evidence of such corporation, or who shall willfully refuse to submit to the commission or to any of its authorized agents, for the purpose of inspection and taking copies, any docu-

mentary evidence of such corporation in his possession or within his control, shall be deemed guilty of an offense against the United States, and shall be subject, upon conviction in any court of the United States of competent jurisdiction, to a fine of not less than $1,000 nor more than $5,000, or to imprisonment for a term of not more than three years, or to both such fine and imprisonment.

"If any corporation required by this act to file any annual or special report shall fail so to do within the time fixed by the commission for filing the same, and such failure shall continue for 30 days after notice of such default, the corporation shall forfeit to the United States the sum of $100 for each and every day of the continuance of such failure. * * *"

CERTIFICATION

Iron and steel industry report of__________________________________
(Name of company.)
for the month of ______________________, 1919.
Approved and certified correct:
To be signed by an official of the company. ____________________________
(Name and title of officer.)
Date ______________________, 19____.

I. PRODUCTION

With respect to specified products, give, by plants, the total quantity produced during the month, designating unit of quantity in each case in the form below. If sufficient space is not provided attach securely additional sheets showing information as provided by the form. For any unusual change in quantity an explanation should be attached.

Name of product	Unit [1]	Quantity	Plant	
			Name	Location
Coke, beehive				
Coke, by-product				
Pig iron, basic				
Pig iron, Bessemer				
Pig iron, foundry				
Spiegleisen				
Ferromanganese				
Pig iron, all other				
Ingots, open hearth, basic [2]				
Ingots, open hearth, acid				
Ingots, Bessemer				
Ingots, all other				
Blooms				
Slabs				
Billets, large				
Billets, small				
Sheet and tin plate bars				
Rails, standard, heavy, open hearth				
Rails, standard, heavy, Bessemer				
Rails, light				
Structural shapes, heavy				
Structural shapes, light				
Plates, sheared				
Plates, universal				
Skelp, iron				
Skelp, steel				
Merchant bars, steel				
Merchant bars, iron				
Hoops, bands and cotton ties				
Strip steel				
Butt weld black tubes, iron				
Butt weld black tubes, steel				
Lap weld black tubes, steel				
Lap weld, black tubes, iron				
Seamless tubes				
Black sheets (all kinds)				
Galvanized sheets				
Black plate				
Tin plate				
Wire rods				
Bright wire				
Galvanized wire				
Barbed wire				
Wire nails				
Cut nails				

United States Federal Trade Commission, Report of the Federal Trade Commission on the War-time Profits and Costs of the Steel Industry, Feb. 28, 1925, pp. 123-131

V. Capacity of Oven, Furnaces, Works, and Mills

With respect to kinds of ovens, furnaces, works, and mills specified below state estimated annual capacity, in terms of product, as of January 1, 1920, in the January, 1920, report, and in case any change occurs therein during subsequent months report same in the report for the month during which the change occurred, otherwise enter on schedule "no change." By estimated annual capacity is meant the quantity of the product which the plant equipment in question could produce if run under normal conditions of operation full time, less average time necessary for repairs, etc. If sufficient space is not provided in form below attach securely additional sheets showing information as provided by the form.

Plant			Estimated annual capacity	Unit [1]
Kind	Name	Location		
Beehive ovens				
By-product ovens				
Blast furnaces				
Bessemer converters				
Open-hearth steel furnaces				
Rail mills				
Blooming, large billet or slabbing mills				
Shape mills				
Small billet and sheet bar mills				
Sheared plate mills				
Universal plate mills				
Merchant bar mills				
Wire rod mills				
Wire-drawing mills				
Black sheet mills, hot				
Sheet and black plate mills, hot				
Tinning mills				
Tube mills				

[1] Distinguish gross from net tons.

VI. Orders

For products specified in schedule below state the quantities of orders booked during the month and the quantities of unfilled orders outstanding at the end of the month.

Name of product	Unit [1]	Quantities booked during month	Unfilled orders at end of month
Pig iron, basic			
Pig iron, Bessemer			
Pig iron, foundry			
Billets, large, open hearth			
Billets, large, Bessemer			
Billets, small, open hearth			
Billets, small, Bessemer			
Sheet bars			
Plates, sheared			
Plates, universal			
Rails, standard, heavy, open hearth			
Rails, standard, heavy, Bessemer			
Structural shapes, heavy			
Structural shapes, light			
Merchant bars, steel			
Merchant bars, iron			
Sheets, all kinds			
Tin plate			
Wire rods			

[1] Distinguish gross from net tons.

VII. Depreciation and General Administrative and Selling Expenses

If you have made any estimate or actual allocation between products of depreciation or of general administrative and selling expenses (other than that included on your cost sheets) show below the rates per unit so estimated or used for the products specified.

Name of products	Unit [1]	Depreciation	General administrative and selling expenses	Indicate whether actual or estimated
Pig iron				
Billets, large, open hearth				
Billets, large, Bessemer				
Billets, small, open hearth				
Billets, small, Bessemer				
Sheet bars				
Plates, sheared				
Plates, universal				
Rails, standard, heavy, open hearth				
Rails, standard, heavy, Bessemer				
Structural shapes, heavy				
Structural shapes, light				
Merchant bars, steel				
Merchant bars, iron				
Black sheets				
Tin plate				
Wire rods				

[1] Distinguish gross from net tons.

VIII. Income Statement

(Period ——)

Item	Detail	Total
Sales		
Cost of sales (see note below)		
Depreciation, general and administrative and selling expenses (not included in cost of sales)		
Net income from operations		
Income from other sources (Schedule 1)		
Total net income		
Deductions from net income (Schedule 2)		
Balance of net income transferred to surplus		

Note.—There shall not be included in cost of sales any of the following items, which are to be reported elsewhere: Federal income and excess profits taxes, interest on bonds, interest on notes, sinking fund provisions, discounts on bonds and notes, losses on investments, amortization of excess cost of construction, losses on contracts, reorganization expense, fire losses, donations (exclusive of welfare work), adjustments of property values, bonuses to officers.

Income Statement

SCHEDULE 1

[Details of income from other sources. Designate the amounts received from investments or sources unrelated to the iron and steel business.]

Interest	$
Rentals	
Cash discounts on purchases	
Royalties	
Dividends from affiliated or subsidiary companies	
Income from outside investments	
Total	

SCHEDULE 2

Details of deductions from net income:

Federal income and excess profits taxes	$
Interest on bonds	
Interest on notes	
Sinking fund provisions	
Discount on bonds and notes	
Losses on investments	
Amortization excess cost of construction	
Losses on contracts	
Reorganization expenses	
Fire losses	
Donations (exclusive of welfare work)	
Adjustment of property value	
Bonuses to officers	
Total	

IX. Balance sheet as at ——— 19—

	Detail	Total
ASSETS		
Cash in bank and on hand		
Accounts receivable—current		
Notes receivable—current		
Inventories:		
Subtotal of current assets		
Less provision for doubtful accounts		
Total current assets		
Insurance		
Taxes		
Total prepayments		
Notes and loans receivable		
Stocks of affiliated or subsidiary companies		
Total intercompany accounts		
Stocks and bonds of other companies		
Real estate not used in steel production		
Total investments		
Mineral properties		
Development and stripping in advance		
Subtotal of fixed assets		
Less depletion		
Real estate and buildings		
Machinery and equipment		
Office furniture and fixtures		
Subtotal of fixed assets		
Less depreciation		
Total fixed assets		
Good will, patents, etc		
LIABILITIES		
Trade accounts payable		
Trade notes payable		
Wages accrued		
Total current liabilities		
Taxes		
Interest		
Unclaimed wages		
Total accrued liabilities		
Notes and accounts payable		
Total intercompany accounts		

IX. Balance sheet as at ——— 19 —Continued

	Detail	Total
LIABILITIES—Continued		
Capital stock:		
Preferred, shares		
Common, shares		
Bonds		
Mortgages		
Loans and notes payable, bank or open account		
Appropriated surplus		
Surplus (schedule 1)		

State against item of inventories whether they are at cost and if not on what basis.

State against each item of fixed assets whether the values are the cost of acquisition or value based on reappraisal.

Certified correct and in accordance with the books.

Name ____________

____________ (Title of officer)

Balance sheet, schedule 1

Surplus at beginning of period	$
Add credits made in 1919, applicable to prior periods	
Deduct charges made in 1919, applicable to prior periods	
Adjusted surplus as at beginning of period	
Add net income for year, 1919	
Deduct dividends	
Surplus at end of year as shown on balance sheet	

927—25——10

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