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MOBILITY AMONG THE 200 LARGEST MANUFACTURING FIRMS: 1948 – 1978

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The first systematic study of mobility or the continuity of membership among the largest firms was conducted by A. D. H. Kaplan. Focusing upon the identities of the 100 largest firms in 5 benchmark years between 1909 and 1948, Kaplan found continuing change in membership among the 100 largest industrial firms. The study concluded that the largest firms did not enjoy secure entrenchment by virtue of their size (Kaplan 1964, p. 135).

Since Kaplan's work numerous other studies have been conducted, and not all have shared Kaplan's conclusions.[1] Studies by Collins and Preston (1961) and by Mermelstein (1969), for example, have concluded that membership appears to have become more stable over time. Stonebraker's update through 1976 of the Collins and Preston data for the 100 largest U.S. industrial firms led him to conclude that "every statistical measure of turnover or mobility examined has been stable since the late 1920's" (1979, p. 972).

Only one study has explored carefully the role of mergers as a cause of mobility. Focusing on the 20-year period from

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[1] See N. R. Collins and L. E. Preston, "The Size Structure of the Largest Industrial Firms, 1908-58," American Economic Review, Vol. 51 (1961), pp. 986-1011; D. Mermelstein, "Large Corporations and Asset Shares," American Economic Review, Vol. 59 (1969), pp. 531-41; S. E. Boyle and J. P. McKenna, "Size Mobility of the 100 and 200 largest U. S. Manufacturing Corporations: 1919-64," The Antitrust Bulletin, Vol. 15 (1970), pp. 505-19; and R. J. Stonebraker, "Turnover and Mobility Among the 100 Largest Firms: An Update," American Economic Review, Vol. 69:15 (1979), pp. 968-73.

indicates perfect stability, or that firms stood in the same
relation to each other at the end of the period as they did at the
beginning--there was no mobility among this group of firms. A
coefficient of zero indicates that beginning year size is totally
unrelated to terminal year size. This indicates a high level of
mobility among firms.

Table I reports measures of mobility for five-year periods
between 1948 and 1978. The first line reports the mobility
indexes of beginning and ending year assets for all firms ranked
among the 200 largest in either the initial or the final year.[1,2]

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[1] In this report, total assets are employed as the measure of
firm size. While sales or value added might be used, assets tend
to be more stable over time and provide a better indication of a
firm's fundamental control of productive and marketing resources.
(On the importance of alternative measures of firm size, see D. J.
Smyth, W. J. Boyes and D. E. Peseau, "The Measurement of Firm
Size: Theory and Evidence for the United States and the United
Kingdom," Review of Economics and Statistics, Vol. 57 (1975), pp.
290-98 and K. S. Weinberg, "The Relativity of Concentration
Observations," The Conference Board, 1978, pp. 2-7.) Publicly
reported asset values on a consolidated basis as reported in
Moody's Industrial Manual were used as the data source.
     Ideally, one would like to concentrate upon changes in the
size distribution of corporations' domestic manufacturing assets
only and evaluate the effect of mergers and spinoffs on domestic
manufacturing assets. Unfortunately, data unavailability
necessitated use of publicly reported assets on a consolidated
basis, a basis which included nonmanufacturing assets and the
foreign operations of the firm. The reader is referred to
appendix I for a more detailed discussion of the data set and the
attempts to adjust for these problems. One should note, however,
that the increasing degree of product and multinational diversifi-
cation in recent years, means that mobility measures across time
are subject to bias. If large firms have a greater propensity to
diversify than small firms, unadjusted shares of large firms will
be biased upward over time causing mobility to be overstated. It
is difficult without more detailed asset information to determine
the full direction and magnitude of this bias.

[2] Appendix tables 1 and 2 list the 200 largest manufacturing
firms in 1973 and 1978, and indicate their rank 5 years

These firms include survivors--firms that were among the 200 largest in both years; entrants--firms that were among the 200 largest only in the final year; and dropouts--firms that were no longer among the 200 largest by the ending year. For the four periods between 1948 and 1968, Bond's figures show that mobility among all firms was highest in 1963-68 when the mobility index between beginning and ending year assets was 0.345. The general trend during the 1948-1968 period was toward increased mobility. The period of greatest mobility, 1963-68, coincided with a post-war high in merger activity. Extending Bond's analysis for two additional periods we find a steady decline in mobility as the mobility index rose to 0.453 in the 1968-73 period and to 0.564 from 1973-78.

This trend of rising then falling mobility among large manu-facturing firms parallels the rising and falling merger activity. As line 3 of the table indicates, the total number of large firm acquisitions rose from 59 in the 1948-53 period to a peak of 525 during 1963-68 and declined slightly to 412 in each of the next two time periods. This trend is similar to the trend of assets involved in large firm acquisitions.[1] Hence, this update for more

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(footnote continued)

earlier. Dropouts from 1968 to 1973 and from 1973 to 1978 are also included. The dollar values of acquisitions and spinoffs during the 1968-73 and 1973-78 periods are also reported.

[1] It should be noted that the constant $10 million dollar lower limit for inclusion in the series resulted in more acquisitions being included and higher asset values being reported in later time periods, in large part due to inflation.

TABLE II

Mobility of the 200 Largest U.S. Manufacturing Firms Compared
With Merger Adjusted Mobility, Selected Years 1948-78[1]

Item	1948-53	1953-58	1958-63	1963-68	1968-73	1973-78
1. Mobility Index from line 1, table I	.832	.574	.639	.345	.453	.564
2. Mobility Index partially adjusted for acquisitions and spinoffs[2]	.886	.893	.931	.711	.817	.905
3. Mobility Index fully adjusted for acquisitions and spinoffs[3]	.891	.825	.949	.837	.863	.909
Number of Firms	230	225	222	229	218	221

1   The figures for the periods 1948-53, 1953-58, 1958-63 and 1963-68 are drawn from Bond (1975, p. 514, table 4).

2   Acquired dropouts were assigned terminal-year assets equal to the value of their assets at the end of the fiscal year prior to acquisition.

3   Terminal-year asset values for all companies were adjusted for acquisitions and spinoffs.