

THIRTIETH ANNUAL REPORT OF  
GENERAL MOTORS CORPORATION  
YEAR ENDED DECEMBER 31, 1938



T H I R T I E T H

*Annual Report*

*of*

GENERAL MOTORS  
CORPORATION

Year Ended  
December 31, 1938

As prepared for presentation to stockholders at the Annual  
Meeting to be held in Wilmington, Delaware  
Tuesday, April 25, 1939

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# THE 1938 ANNUAL REPORT OF THE CHAIRMAN OF GENERAL MOTORS CORPORATION

## *To Our Stockholders:*

There is presented herein a review of the operations of your Corporation and subsidiary and related interests for the year 1938, together with a consolidated balance sheet as of December 31, 1938, and a summary of consolidated income for the year.

## MANAGEMENT'S RESPONSIBILITY

The responsibility of an industrial organization to present the important facts of the business to its stockholders has always been fully recognized by the management of General Motors Corporation. The management, however, further believes that when the operations reach the scope and magnitude of those of General Motors, there enters an added responsibility—one to the community at large. Every effort has been made to discharge adequately both of these obligations. It has not been considered sufficient to present, even in detailed form, just the important facts of a statistical nature. There also has been presented such salient information of a general character as should enable the stockholders and the public at large to obtain as complete an understanding as possible of the Corporation's position as well as of its operating policies. Any forecast as to the future, however, is considered undesirable.

The management's obligation to state its position extends to such general influences as may, in its belief, alter the Corporation's opportunity for constructive accomplishments and hence its contribution to the general welfare. It extends particularly to such forces as may develop within the economic area, which are of great importance as affecting the stockholders' interests. Such influences are reflected in various economic policies that may be adopted from time to time by the management in the interest of

the business, or as may result from the general industrial trend, or as may relate to industry by action of Government. Irrespective of their origin, or whether their influence be favorable or unfavorable as affecting the operations of the business, it is considered an essential responsibility to inform the stockholders frankly as to such facts and circumstances.

In accordance with this policy, reports are submitted at the end of each of the first three quarters of a year outlining the results of each quarter's operations, accompanied by such comments as seem pertinent. These quarterly reports in turn are supplemented from time to time by messages on special subjects believed to be of importance to the stockholders. As soon as possible after the close of the year, an annual report is submitted, the purpose being to deal comprehensively, in an historical way, with all the important events that have developed during the year under review.



## 1938 IN BRIEF

It is recognized that not all of the Corporation's large body of stockholders will be interested in the detailed presentation and discussion of the economic trends of the year and the financial and statistical facts and circumstances contained in the following pages. It must be appreciated, however, that a full disclosure is essential not only for many who may be interested but to establish a complete record of the year's operations. For the benefit of those who may be concerned only with the more salient points, the following resumé is presented.

### **In General:**

During the first half of 1938 there was a gradual decline in the demand for new automobiles and in the sales of the Corporation's products as applied to the market of the United States, following the precipitous decline in December 1937 of about 50% from December 1936. There was a reversal of the trend in June 1938, however, and consumer demand showed a decided increase subsequent to the introduction of the 1939 models. In practically all the markets of the world outside of the United States the demand for the Corporation's products continued during the year 1938 with no important change except one slightly downward.

From the standpoint of the automotive industry, sales in the world markets during 1938, as measured by new car and truck registrations, were 63.9% of those of the peak year of 1929. This compares with 96.2% for the year 1937.

### **Sales:**

*In Terms of Value*—The Corporation produced and sold to its distributing organizations throughout the world, merchandise with a net value of \$1,066,973,000. This compares with \$1,606,789,841 for the year 1937, a decrease of 33.6%.

*In Terms of Units*—The Corporation produced and sold throughout the markets of the world 1,307,749 passenger cars and trucks. This compares with 2,116,897 for the previous year, a decrease of 38.2%. The manufacture and sale of the major products of the Corporation other than automotive likewise showed important declines.

### **Competitive Position:**

During the year the Corporation accounted for 42.9% of the new passenger cars and trucks sold to consumers within the United States as against 39.0% for the year 1937. A new all-time record of 44.8% for passenger cars alone was established in 1938. General Motors accounted

for approximately 35% of the new passenger cars and trucks sold to consumers throughout the entire world, or practically the same as in the previous year.

### **Earnings:**

Net earnings available for dividends on the outstanding preferred and common stocks amounted to \$102,190,007. This is equivalent, after paying dividends on the \$5 series preferred stock, to \$2.17 per share on the average number of common shares outstanding, and compares with \$4.38 per share for the year 1937.

### **Dividends:**

There was distributed in dividends a total of \$73,564,641 during 1938, compared with \$169,728,081 for the year 1937. Regular dividends of \$5.00 per share were paid on the \$5 series preferred stock. Dividends on the common stock amounted to \$1.50 per share in 1938, compared with \$3.75 per share in 1937.

There was retained in the business for its protection and expansion \$28,625,366, equivalent to \$0.67 per share of common stock.

### **Stockholders:**

The net earnings for the year 1938 were participated in by more than 389,000 stockholders. At the close of 1938 the total number of stockholders was 389,509. This compares with 375,755 at the close of the year 1937.

### **Net Working Capital and Cash:**

The Corporation maintained a strong financial position during the year. Net working capital at the close of the year was \$387,243,513, as compared with \$347,216,116 at the close of the year before. Cash and cash items totalled \$242,895,320, compared with \$150,884,012 at the close of 1937.

### **Plant Development:**

Due to the important expansion program inaugurated during 1937 and because of the subnormal level of business activity prevailing during the greater part of 1938, there were no major undertakings in the way of further expansion. The program started in 1937, however, was completed during the year 1938.

### **Cost of Government:**

The taxes paid or accrued by the Corporation and its subsidiaries to the various taxing authorities within the United States, including excise taxes paid on products sold in the year 1938 and in turn passed on to the

consumer, totalled \$73,812,000. This compares with \$104,959,000 for the year 1937 and \$91,150,000 for the year 1936. Attention is called to the fact that this includes only those taxes definitely ascertainable. It does not, by any means, represent the total tax bill.

Taxes paid or accrued in 1938 were lower because of the fact that: (a) income taxes declined due to the reduction in earnings; (b) excise taxes which are based on the selling price of products declined because of the reduction in sales; and (c) social security taxes declined due to the lower payrolls incident to the reduction in volume, despite the fact that these tax rates were increased to 4% of payrolls in 1938 as compared with 3% in 1937.

The tax bill definitely ascertainable was equivalent to 72.2% of the reported earnings in 1938 as compared with 53.4% in 1937 and 38.2% in 1936. It was equivalent to \$1.72 per share of common stock in 1938 as compared with \$2.45 for the year 1937 and \$2.13 for the year 1936. In relation to \$100 of sales, it was equivalent to \$7.95 for the year 1938 as compared with \$7.22 for 1937 and \$6.87 for 1936. Based on the average number of employes on the payroll in the United States, it was equivalent to \$450 for each employe in 1938 as compared with \$444 in 1937 and \$440 in 1936. The tax bill per \$100 of payroll in the United States was equivalent to \$26.83 for 1938 as compared with \$24.24 in 1937 and \$25.33 in 1936.

#### **Payrolls:**

The Corporation disbursed during the year on account of salaries and wages a total of \$300,825,930. The average number of employes on the payrolls during the year was 189,039. This compares with payrolls of \$460,451,744 and an average of 261,977 employes for the year 1937.

#### **Labor Economics:**

Notwithstanding the sharp decline in business activity experienced during the year, basic hourly wage rates of the Corporation were continued at the level prevailing in 1937. It was necessary, however, to reduce the working force and also to shorten working time. The hourly paid workers in the plants of the Corporation in the United States worked, on the average, 31.2 hours per week in 1938 as compared with 36.5 hours per week in 1937.

Regularly employed hourly paid workers in the United States in 1938 received average annual earnings of \$1,342, compared with \$1,618 in 1937. The decrease in 1938 was due solely to the reduction in the average number of hours worked per week. It is noteworthy, however, that despite the lessened dollar income the average annual earnings of regularly employed workers in 1938 represented a purchasing power which was approximately 12% greater than their average annual earnings in 1929, the present record of maximum national productivity.

Total wages paid to hourly workers in the United States during the year amounted to \$188,899,701 and compares with \$336,030,958 for the year 1937, a decrease of \$147,131,257.

At the end of 1938 an announcement was made of Income Security Plans for the year 1939 designed to stabilize the income of hourly paid employes through modifying the effect of seasonal fluctuations. These plans are more fully described on page 47 of this report.

#### **Executive Management Compensation:**

The executive management group, as defined on page 40, comprised 181 individuals at the end of the year. Compensation of this group, including not only salaries but bonus participation as well, was equivalent to \$0.10 per share on the common stock outstanding, after allowance for Federal corporate income taxes, as compared with net earnings of \$2.17 per share. In 1937 the corresponding item was equivalent to \$0.16 per share. Total executive management compensation, on the basis of \$100 of list price of the Corporation's products sold, was equivalent to \$0.39, as compared with \$0.38 for the year 1937. On the basis of each dollar of total payroll, total executive management compensation amounted to  $1\frac{7}{8}$  cents as compared with  $1\frac{3}{4}$  cents for 1937.

#### **Bonus Plan:**

As a result of the year's operations, 78,750 shares of common stock were set aside under the Bonus Plan. No individual will receive more than 2% of the total bonus fund.

#### **Employes Savings and Investment Plan:**

The 1933 Class of the Employes Savings and Investment Plan matured at the end of the year. There was distributed early in 1939 a total of \$1,317,787 to those participating in this class, of which the Corporation's contribution amounted to \$591,847. Since the inception of the plan in 1919, a total of \$249,329,150 has been distributed to employes, of which the Corporation's contribution amounted to \$105,921,783.

#### **Group Insurance Plan:**

Beneficiaries of employes who died during the year received a total of \$2,505,498 through the Group Insurance Plan. In addition, 13,542 employes received benefits in the amount of \$1,115,348 on account of temporary disability resulting from sickness or non-industrial accidents. The total amount of benefits paid out under the plan during 1938, therefore, amounted to \$3,620,846. The cost of these benefits was shared by the Corporation and the employes, with the expense of administering the plan being borne by the Corporation.

## AN ECONOMIC REVIEW

Before displaying the statistical and financial facts and other important circumstances reflected in the operations of the Corporation for the year 1938, it is desirable to review, in general terms for the purpose of establishing a suitable background, the various trends of the world's economy and certain surrounding influences as they affect the Corporation's operations.

In the annual report for the year 1937 attention was called to the fact that conditions in the domestic market differed sharply from those in other areas of the world and that the second half of the year in the United States was characterized by an entirely different trend from that existing during the first half. Following the sharp decline in business activity in the United States during the latter part of 1937, industrial production remained at sub-normal levels during the first half of 1938. Beginning in June, however, there was a reversal of the trend. Industrial production began to move upward and at a rather rapid rate. This continued throughout the remainder of the year. Overseas industrial production as a whole also declined during the first half of 1938, reaching the low point for the year in July. Since that month, industrial activity overseas has increased.

With respect to the automotive industry, consumer sales in the United States, notwithstanding the drastic decline of about 50% in December 1937 from the same month of the previous year, still continued to decline, seasonally considered, month by month, during the first six months of 1938. After that, a reversal took place in accordance with the general trend of industrial production. Due to the fact that in the latter part of the year the trend of consumer sales in the automobile industry is so affected by the introduction of the following year's models, it is difficult to determine, statistically, just what the real trend of consumer demand actually is from month to month. It seems reasonably clear, however, that there was an important improvement during the second half of 1938, probably one in normal relationship with the increase in general business activity.

The trend in all major markets outside of the United States followed an entirely different course. Registrations of cars and trucks in these markets declined only about 5% during the year, the greater decline occurring during the second half. The only major foreign markets of the world that experienced substantial reductions in new car and truck registrations during the year were those of Canada and the British Isles. Reflecting the sharp decrease in registrations within the United States, however, registrations for the year, taking the world as a whole, were substantially lower than for the previous year.

The record of the world's economy covering the years 1937-1938 demonstrates that the business reverse experienced in the United States in no sense reflected a world condition, notwithstanding the political and economic disturbances through which the world has been passing. It was a condition peculiar to the United States, caused by economic policies and circumstances specifically confined to the United States. That fact stands out crystal clear. In the annual report of 1937 certain influences that may have contributed to this decline were discussed at length. In view of the fact that the year under review was marked by a continuation of the same influences, followed by the adjustments which invariably take place, nothing further need be said specifically on that count at this time.

The better conditions prevailing during the second half of the year, as will be seen later in this review, had a very important effect upon the record of the Corporation for the year. Manifestly, it is impossible to determine at this time the form that the current recovery movement ultimately will take. The future alone can determine whether the recovery will be confined to a revival of the consumer goods industries and thus be definitely limited with respect to both scope and time, or whether it will broaden out into a general recovery movement along a wide front and over a protracted period of time. The record demonstrates that good business in the United States never has been long sustained without the active support of the capital and durable goods industries which normally absorb about one-half of the country's industrial workers. Manifestly, a broad expansion in the production of capital goods involves the question of forward planning, the establishment of additional industries to make new things, expansion of present industries to make more things and the re-equipment of existing productive facilities with new and better instruments of production to reduce costs and selling prices. All that involves and necessitates confidence in the long-range position, both from the standpoint of reasonable profits and the security of capital invested. This, in turn, is importantly affected by the attitude of mind of the constructive forces of the country as to the conditions under which industry is to operate, and particularly the attitude of the Government as affecting the national economy—will it be a sympathetic and constructive influence, or otherwise? The answers to these questions appear, at the moment, entirely within the realm of conjecture. But be that as it may, they will determine, in the final analysis, whether the present movement takes the form of a broad expansion along a wide front or whether it is confined to the production of goods and services of the consumer type, and hence limited with respect to scope and duration.

There is no doubt that the fundamentals of a broad and sound expansion exist in abundance today. In particular, the need becomes more and more pressing to rebuild, in whole or in part, America's producing plant

with those new and more efficient instruments of production which are now available as a result of the technological progress of the past few years. A study in 1935 indicated that at that time 65% of the production equipment involving the metal goods industries was ten years old. It may well be said, as a general statement, that today a large part of America's producing plant is obsolete. There is a great opportunity, as well as a great necessity, of stimulating the use of the new and more efficient instruments of production which will result in reducing the costs of consumer goods and services; thus permitting their sale at lower prices which in turn will result in the expansion of the production of consumer goods by bringing them within the reach of a greater number.

## AN OPERATING REVIEW

## PART I

## CAR, TRUCK, BODY AND ACCESSORY OPERATIONS

The world trend, so far as the unit volume of the automotive industry is concerned, is indicated by the following summary:

REGISTRATIONS OF NEW CARS AND TRUCKS OF ALL MAKES  
IN MAJOR MARKETS OF THE WORLD

Year	United States and Canada	Foreign Markets				Total Foreign	Entire World
		British Isles	Germany	Other			
1929	4,611,798	242,521	138,282	1,010,286	1,391,089	6,002,887	
1930	3,167,540	229,818	96,090	688,065	1,013,973	4,181,513	
1931	2,305,346	210,254	68,343	502,115	780,712	3,086,058	
1932	1,326,959	212,717	48,276	385,055	646,048	1,973,007	
1933	1,786,344	251,118	92,270	419,973	763,361	2,549,705	
1934	2,364,820	313,865	150,329	573,837	1,038,031	3,402,851	
1935	3,352,838	367,678	201,225	641,689	1,210,592	4,563,430	
1936	4,130,702	413,729	245,058	725,483	1,384,270	5,514,972	
1937	4,250,501	420,126	244,450	859,397	1,523,973	5,774,474	
1938	2,384,429	370,696	248,781	833,373	1,452,850	3,837,279	

There is an important difference in the trend of registrations, or consumer sales, in the various marketing areas of the world, as indicated in the following table:

Major Markets	New Car and Truck Registrations			
	Best Year Prior to 1938	Volume in 1938 as % of Best Year Prior to 1938	Volume in 1938 as % of	
			Year 1937	Year 1929
United States.....	1929	51.2%	55.0%	51.2%
Canada.....	1928	61.1	86.2	62.5
Total United States and Canada	1929	51.7%	56.1%	51.7%
Foreign Markets:				
British Isles.....	1937	88.2%	88.2%	152.9%
Germany.....	1936	101.5	101.8	179.9
Other Foreign Markets.....	1929	82.5	97.0	82.5
Total Foreign Markets.....	1937	95.3%	95.3%	104.4%
Entire World.....	1929	63.9%	66.5%	63.9%



Registrations declined in 1938 in each of the areas indicated with the exception of Germany. The most severe decline took place within the United States, where registrations in the year under review were only 55.0% of those in the previous year and 51.2% of the year of highest volume, 1929. In Canada, where the business recovery from 1932 through 1937 was not as rapid as in the United States, but more consistent, registrations in 1938 amounted to 86.2% of those in 1937 and 61.1% of the record year, 1928. Previous annual reports have remarked upon the rapid expansion of the automotive markets in the British Isles and in Germany. In 1938, however, sales in the British Isles declined 11.8% from the previous year, thus failing for the first time since 1932 to establish a new sales record; however, 1938 was 52.9% higher than 1929, the year of greatest productivity in the United States. In Germany a new record was established in 1938, slightly exceeding the previous record year of 1936. Overseas markets, outside of the two specific areas just mentioned, showed a decline of only 3.0% from the previous year and were 82.5% of the best year previous to 1938, namely, 1929. Taking the entire world, 1938 registrations amounted to 66.5% of those in 1937 and 63.9% of 1929, the year of greatest world production.

Sales statistics in terms of dollars are not available for the world at large. Attention has been called in previous annual reports to the fact that there has been a steady decline over the years in the average retail selling price per unit. The average selling price per unit in 1938 was substantially lower than in 1929. There has not been any important change, however, in 1938 as compared with 1937, or as compared with any of the previous five years.

The Corporation's total net sales throughout the world, automotive and otherwise, amounted to \$1,066,973,000 during the year under review. This compares with \$1,606,789,841 for the year 1937, a reduction of 33.6%. These net sales exclude all inter-company and inter-divisional transactions. They also exclude sales of Adam Opel A.G. and Vauxhall Motors Ltd., for the reason that these operations are not consolidated in the Corporation's accounts.

The Corporation's total sales of cars and trucks in units, including Opel and Vauxhall, to dealers throughout the world, as distinguished from dealers' sales to consumers, amounted to 1,307,749 for the year 1938. This compares with 2,116,897 units for the year 1937, the year of record sales, and with 2,037,690 units for the year 1936. The record year prior to 1936 was the year 1929, during which 1,899,267 units were produced and sold to dealers.

During the year 1938 the Corporation produced and sold approximately 35% of the entire world's sales of passenger cars and trucks. This,

however, is not a new all-time record. During the year 1936 approximately 37% of the entire world's sales of passenger cars and trucks to consumers was accounted for by the Corporation. The trend of the Corporation's proportion of total world sales is importantly affected by the changing relationship of cars and trucks of American origin as compared with those of foreign origin, because of the fact that the Corporation's position as a foreign producer is less important than as an American producer; hence, as sales from foreign sources increase in relation to sales of American origin, its percentage of the total sales, except to the degree that it is offset by a gain in its production overseas, must necessarily decline.

In view of the Corporation's world-wide position and the important part that its overseas operations play in its general scheme, it is believed that a more comprehensive picture can be presented by considering the domestic operations and overseas operations separately.

### DOMESTIC OPERATIONS

The trend of the automotive industry in the United States and Canada is shown in the following table:

#### UNITED STATES AND CANADA CARS AND TRUCKS PRODUCED BY THE INDUSTRY

Year	Units	Estimated Retail Sales Value
1929.....	5,621,715	\$5,147,000,000
1930.....	3,510,178	3,060,000,000
1931.....	2,472,359	2,053,000,000
1932.....	1,431,467	1,149,000,000
1933.....	1,985,909	1,450,000,000
1934.....	2,869,963	2,258,000,000
1935.....	4,119,811	3,213,000,000
1936.....	4,616,274	3,781,000,000
1937.....	5,016,437	3,966,000,000
1938.....	2,655,777	2,173,000,000

It will be noted that 2,655,777 units were produced in the United States and Canada in 1938 as compared with 5,016,437 in the previous year. This represents a decline of 2,360,660 units, or 47.1%. The estimated retail sales value of the cars and trucks produced during the year under review was \$2,173,000,000, or 45.2% below that of the previous year. Compared with 1929, the year of largest volume in the United States and Canada, the

estimated retail sales value of the industry's production in 1938 declined 57.8%, while the unit volume decreased 52.8%.

From the low point of the industry's production reached in the United States and Canada in the year 1932, when total unit production was equivalent to 25.5% of the record 1929 level, improvement was shown each year through 1937, reaching for that year 89.2% of the 1929 level, and on the basis of estimated retail sales value, 77.1% of that level. Therefore, 1938, the year under review, showed the first reversal of the recovery movement.

The above tabulation is not completely indicative of the domestic trend inasmuch as the data deal with production and do not reflect the varying percentages of cars produced in the United States and Canada for export from year to year. In 1938 there were exported from United States and Canadian sources to all overseas markets 372,339 cars and trucks, as compared with 527,755 in 1937, a decline of 29.5%. Therefore, although production as a whole declined 47.1% in 1938 as compared with 1937, production for domestic consumption, i.e., within the areas of the United States and Canada, declined 49.1%.

The statistics just disclosed, as before stated, are based upon production of United States and Canadian plants and upon the sales of such production to dealers throughout the world. They constitute one of two bases by which the trend of the industry is usually measured. The other is that of registrations of new cars and trucks by consumers. On this latter basis, registrations of cars and trucks in the United States in 1938 declined 45.0% as compared with 1937, whereas there was a decline of 50.1% in unit production for domestic consumption within the United States. The discrepancy is due to the fact that dealers' stocks at the beginning of 1938 were abnormally high as a result of the sharp decline in consumer sales in the latter part of 1937, the full extent of which could not have been anticipated. New car and truck registrations in the year 1938, therefore, include an abnormally large proportion of units which were produced during the last quarter of 1937 but were in dealers' inventory as the industry entered the year 1938.

Passing from the statistics of the automotive industry as a whole to those of the Corporation, during 1938 the Corporation produced and sold to its dealers within the United States 935,163 cars and trucks. This represented a decline of 44.3% from sales of 1,680,024 units during the year 1937 and compares further with record sales of 1,682,594 units in 1936.

In terms of sales through its dealer organizations to consumers, the Corporation delivered in the United States 1,001,770 cars and trucks during the year. This compares with 1,594,215 units during the year 1937, a reduc-

tion of 37.2%, and with the record of 1,720,213 established in 1936. The record year prior to 1936 was 1929 when 1,498,792 units were delivered to consumers by the Corporation's dealer organizations.

The competitive position of the Corporation in the United States, based upon registrations of new cars and trucks, advanced from 39.0% in the year 1937 to 42.9% for the year under review. This represents as high a percentage of consumer sales, as measured by registrations, as the Corporation has ever enjoyed—1933 also showing 42.9%. The Corporation's percentage of consumer sales, as measured by registrations of passenger cars, of 44.8%, was the highest ever attained in the Corporation's history.

### OVERSEAS OPERATIONS

It is undoubtedly a fact that international trade, since it affects the domestic economy of the various nations of the world, is not only a matter of prime importance from the standpoint of both its economic and its political consequences, but also is in every sense of the word one of the major problems of the day. General Motors Corporation is concerned with international trade, both as an exporter of its domestic products and as a prime producer in two important foreign manufacturing countries for consumption within those countries as well as for export from those countries into overseas areas other than the United States and Canada. The reasoning behind the Corporation's manufacturing policy has been fully outlined in previous reports, but in view of the importance of the matter there is reproduced below in part what was stated in the report of 1937 in relation to the subject:

“The fact is not generally recognized that there is a marked difference between the engineering conception of automotive products as manufactured in the United States and those produced in other manufacturing countries. This is because of the necessity of adapting the engineering design to the economic standards of the market. Domestically, the demand is for cars of ample size with a relatively large ratio of power to weight—high performance characteristics. In certain overseas countries smaller cars with less horsepower in proportion to their size are essential because of the requirements of lower costs of operation and relatively lower first cost, especially giving weight to the higher taxation from the standpoint of both the right to use as well as the cost of using. Therefore, the Corporation in developing manufacturing plants overseas is supplementing and expanding its activities, rather than competing with its domestic factories.

“During the past decade the trend of the world's absorption of automotive products with relation to the countries of origin has been undergoing an important change. There has developed an increasing tendency toward local manufacture on the part of the industrial and manufacturing countries throughout the world.

Certain important markets, that in the earlier days of the industry provided excellent opportunities for export from the United States and Canada, are now practically closed to cars of such origin.

“Anticipating the influence of the trend toward local manufacture, and having established effective distributing organizations for the sale of its products throughout all the countries of the world, about twelve years ago a policy was adopted of broadening the source of supply of cars and trucks by engaging in manufacturing operations in countries strategically located.”

The industry's sales of cars and trucks to consumers outside the United States and Canada, from all production centers, for the ten years ended in 1938 are shown in the following summary. There also is shown the percentage of the sales in these overseas markets accounted for by cars of United States and Canadian production.

TOTAL SALES OF THE INDUSTRY OUTSIDE  
OF THE UNITED STATES AND CANADA

BASED ON REGISTRATIONS OF NEW CARS AND TRUCKS

Year	Total Overseas Sales	Foreign Manufactured Cars	American Manufactured Cars	American Cars % of Total
1929.....	1,391,089	665,970	725,119	52.1%
1930.....	1,013,973	593,671	420,302	41.5
1931.....	780,712	533,580	247,132	31.7
1932.....	646,048	521,732	124,316	19.2
1933.....	763,361	617,123	146,238	19.2
1934.....	1,038,031	763,737	274,294	26.4
1935.....	1,210,592	870,482	340,110	28.1
1936.....	1,384,270	1,007,460	376,810	27.2
1937.....	1,523,973	1,065,607	458,366	30.1
1938.....	1,452,850	1,063,524	389,326	26.8

Total sales to consumers outside of the United States and Canada in 1938 decreased 4.7% as compared with 1937. Sales of foreign origin decreased slightly, while those of United States and Canadian origin declined 15.1%. Therefore, the latter accounted for only 26.8% of total overseas sales in 1938, compared with 30.1% in 1937 and with the record of 52.1% in 1929. The unfavorable comparison of 1938 with 1937 on the part of United States and Canadian products was due largely to the fact that there was an in-

crease in the French, Italian and German markets (not open to American products) and that certain other markets where American products can not compete held up relatively better than the balance of the world.

The decline in the competitive position of cars of United States and Canadian origin in the overseas markets started with the depression of 1930. It was due to the sharply curtailed sales in markets in which the American car had a predominating position. Superimposed upon this was the rapid development of production in foreign manufacturing countries. As world economic conditions improved, there resulted an expansion of the markets in which the American car predominated, hence an increase in their total absorption of the overseas markets as a whole. This was offset by the more intensive development of production in foreign manufacturing countries which was supported by exchange restrictions, embargoes, etc. The latter circumstances may be expected to continue to prejudice the position of cars of United States and Canadian origin. Under present conditions it is unlikely that the competitive position of the American cars will ever again reach that attained during 1929 or previous years in the world's markets outside the United States and Canada.

The Corporation's overseas sales in value and sales of cars and trucks on a unit basis are shown in the following tabulation:

General Motors Total Overseas Sales				
Year	Net Sales Wholesale	Total Number of Cars and Trucks Sold	Number of American Source Cars and Trucks Included in Total	American Source as % of Total
1930.....	\$155,728,364	164,112	129,029	78.6%
1931.....	110,525,817	125,606	86,581	68.9
1932.....	64,722,593	77,159	40,706	52.8
1933.....	104,629,754	119,989	54,978	45.8
1934.....	202,263,625	220,560	110,918	50.3
1935.....	248,088,354	284,281	134,858	47.4
1936.....	282,968,935	324,758	154,194	47.5
1937.....	335,679,074	363,508	179,841	49.5
1938.....	334,429,443	354,188	154,951	43.7

Thus the number of cars and trucks sold overseas by the Corporation in 1938 declined only 2.6% from those sold in 1937 as against a decline of 4.7% for the industry as a whole. This decline was accounted for entirely by a decline of 13.8% in the sales of units of American origin—the reason for which has already been discussed. General Motors subsidiary units in the British Isles and Germany increased sales by 8.5%.

General Motors proportion of total industry overseas sales, meaning markets outside of the United States and Canada, for the ten years ended in 1938 is shown in the following tabulation:

Year	General Motors Proportion of:		
	All Cars and Trucks Sold Overseas	Cars and Trucks Produced and Sold Overseas	Cars and Trucks Produced in the U. S. and Canada and Sold Overseas
1929 . . . . .	21.0%	4.1%	36.4%
1930 . . . . .	16.7	5.5	32.5
1931 . . . . .	16.5	7.1	36.9
1932 . . . . .	12.7	7.0	36.6
1933 . . . . .	15.9	10.7	37.7
1934 . . . . .	20.3	13.8	38.4
1935 . . . . .	22.9	16.3	39.7
1936 . . . . .	23.0	16.4	40.9
1937 . . . . .	22.9	16.4	37.9
1938 . . . . .	23.7	17.7	40.1

The increase in General Motors proportion of United States and Canadian cars and trucks sold overseas in 1938 as compared with 1937 is due to the fact that in 1937 the Corporation's position was prejudiced by a suspension of production on account of a strike.

It is clear that the policy adopted by the Corporation has resulted in not only expanding but actually improving both its absolute position and its competitive position outside of the United States and Canada. In other words, the gradual increase in the Corporation's proportion of units produced overseas has offset the declining position of the cars and trucks of United States and Canadian origin in those markets, with the result that its percentage of the total overseas market has been well sustained.

**As to Germany:**

In 1938 the German automotive industry established a new record of volume for the fifth consecutive year. Total unit sales of 326,919 cars and trucks in 1938 exceeded the previous year's sales by 14,027 units, or 4.5%. Domestic sales increased slightly while export sales increased 14.2%.

In the 1937 Annual Report, attention was called to the fact that the record of that year, and it is equally true as to 1938, did not reflect the full possibilities with respect to German domestic consumption because restrictions placed upon the use of raw materials in the automotive industry prejudiced production for domestic consumption. On the other hand, there

were no such restrictions applicable to production for export. Export sales, therefore, as a percentage of the total, showed the highest relationship of any year.

The following summary shows the number of cars and trucks produced and sold, both domestically and for export from Germany, during the ten year period ended in 1938:

## GERMANY

## NUMBER OF CARS AND TRUCKS SOLD BY THE INDUSTRY

Year	Total Sales	Domestic Registrations	Export Sales	Export % of Total
1929.....	146,066	138,282	7,784	5.3%
1930.....	101,755	96,090	5,665	5.6
1931.....	79,563	68,343	11,220	14.1
1932.....	58,280	48,276	10,004	17.2
1933.....	104,449	92,270	12,179	11.7
1934.....	163,366	150,329	13,037	8.0
1935.....	224,568	201,225	23,343	10.4
1936.....	281,174	245,058	36,116	12.8
1937.....	312,892	244,450	68,442	21.9
1938.....	326,919	248,781	78,138	23.9

The following summary shows the unit sales of Adam Opel A.G., the Corporation's subsidiary in Germany, for the last nine years:

## ADAM OPEL A. G.

## NUMBER OF CARS AND TRUCKS SOLD

Year	Total Sales	Domestic Sales	Export Sales	Export % of Total
1930.....	26,312	24,966	1,346	5.1%
1931.....	26,355	19,263	7,092	26.9
1932.....	20,914	14,110	6,804	32.5
1933.....	39,295	31,623	7,672	19.5
1934.....	71,665	63,219	8,446	11.8
1935.....	102,765	91,459	11,306	11.0
1936.....	120,397	104,692	15,705	13.0
1937.....	128,370	95,759	32,611	25.4
1938.....	139,631	103,187	36,444	26.1

Adam Opel A.G.'s proportion of the automotive business in Germany



for the year 1938 was 37.1% as compared with 37.0% for the year 1937 and 42.2% for the record year of 1935.

**As to the British Isles:**

Unit sales of the automotive industry representing cars and trucks produced within the British Isles declined 12.2% in 1938, as compared with 1937. This was the first year since 1931 in which unit sales failed to exceed those of the previous year. As a matter of fact, both domestic registrations and export sales from sources within the British Isles declined during 1938, as shown in the following summary:

BRITISH ISLES

NUMBER OF CARS AND TRUCKS SOLD BY THE INDUSTRY

Year	Total Sales	Domestic Registrations	Export Sales	Export % of Total
1929.....	276,285	242,521	33,764	12.2%
1930.....	251,066	229,818	21,248	8.5
1931.....	226,965	210,254	16,711	7.4
1932.....	247,414	212,717	34,697	14.0
1933.....	297,973	251,118	46,855	15.7
1934.....	367,380	313,865	53,515	14.6
1935.....	432,549	367,678	64,871	15.0
1936.....	486,892	413,729	73,163	15.0
1937.....	508,340	420,126	88,214	17.4
1938.....	446,151	370,696	75,455	16.9

Sales of the Corporation's English subsidiary, Vauxhall Motors Ltd., for the year under review and for the previous nine years are shown in the following summary:

VAUXHALL MOTORS LTD.

NUMBER OF CARS AND TRUCKS SOLD

Year	Total Sales	Domestic Sales*	Export Sales	Export % of Total
1929.....	1,387	1,229	158	11.4%
1930.....	8,930	8,713	217	2.4
1931.....	14,836	13,266	1,570	10.6
1932.....	16,329	10,020	6,309	38.6
1933.....	27,636	19,157	8,479	30.7
1934.....	40,456	26,193	14,263	35.3
1935.....	48,671	33,357	15,314	31.5
1936.....	50,704	36,068	14,636	28.9
1937.....	59,746	39,068	20,678	34.6
1938.....	60,111	39,840	20,271	33.7

\*Domestic Sales in the United Kingdom.

Unit sales of Vauxhall Motors Ltd. totalled 60,111 in 1938, substantially equivalent to those of the previous year. Of these, 39,840 units were sold domestically and 20,271, or 33.7%, were exported.

Attention has been called in previous reports to the fact that the opportunity of Vauxhall Motors Ltd. for obtaining an important part of the automotive business within the British Isles was prejudiced in that it had not been able to compete in certain large volume areas of the market. Its competitive position, therefore, has been far less favorable than that shown by the Corporation in other markets of the world, or by Adam Opel A.G. in Germany. It has been previously stated, however, that engineering developments were under way that should result in improving the competitive position of Vauxhall Motors Ltd. by enabling it to compete for a larger share of the market. This program progressed to an important extent during the year 1938. The competitive position of Vauxhall Motors Ltd. in the domestic market, improved during the year 1938 to 10.7%, the most favorable position that it has yet attained, and compares with 9.3% for the previous year.

## AN OPERATING REVIEW

### PART II

#### GENERAL ENGINE AND HOUSEHOLD APPLIANCE OPERATIONS

The purpose of this particular section is to present such developments as occurred within the year, other than those involving the Corporation's car, truck, body and accessory operations, as already discussed. It is not intended to deal specifically with each operation in each of these groups, but rather to report such facts and circumstances of a more or less unusual as distinguished from those of a routine character, and, in the case of the new activities, to report their progress until they become established as a constructive and productive addition to the Corporation's activities as a whole.

Speaking generally, and as applied to all operations within these groups, 1938 was a year of evolution rather than one of revolution. By this is meant that constructive progress was made on all fronts, but there were no unusual facts and circumstances that need be specifically dealt with at length; therefore, the review for 1938 need only be general in character.

#### GENERAL ENGINE GROUP

Recent annual reports have traced the evolution of the Corporation's activities in the design and production of Diesel engines. In the 1937 Annual Report there was outlined at length an important step forward made during that year, in the way of a broader organization and plant development for the purpose of dealing more constructively and aggressively with the promising opportunities lying ahead of the Corporation in this line of activity.

There has been very encouraging progress in the application of the Diesel idea to transportation by rail. The year has shown a broadening acceptance of the economies and other advantages of the Diesel locomotive as applied to main line operation as well as for switching purposes. A new high speed Diesel freight locomotive, designed especially for fast and continuous service, will soon be available. With this step accomplished, it will be possible to completely equip with Diesel service a division or complete line, entirely eliminating the costly stand-by services now essential in the use of the steam locomotives. Contrary to the general trend reflected in all the Corporation's activities, as already discussed, the volume of business of Electro-Motive Corporation, the unit which designs and builds the Corporation's Diesel locomotives, showed an increase over the preceding year.

In other applications of the Diesel principle gratifying progress, likewise, has been made. The acceptance of a Diesel engine as an economical and desirable power-producing unit is gaining rapidly, as is evidenced by the broadening demand and increasing scope of its applications.

#### HOUSEHOLD APPLIANCE GROUP

In common with the operations of the other groups now being discussed, the year 1938 saw the programs of the previous years carried forward. There was no outstanding expansion of products and, due to the economic conditions prevailing, no demand for increases of capacity. All operations showed a sharp reduction in volume in line with the trend of general business activity.

## MOVING FORWARD

Notwithstanding the political and economic uncertainties which have surrounded the future of industry for some years past, and which have exerted a profound influence in limiting expansion in many different ways, General Motors Corporation has not deviated from the policy it has followed down through the years. It has not hesitated to invest the capital essential to maintain the efficiency of its manufacturing operations. It has in all cases expanded its plants when justified by the possibility of increased sales. It has not hesitated to broaden its line of products when constructive opportunities presented themselves. It has continued its research and engineering activities aggressively for the purpose of increasing its efficiency and developing new and useful things.

Expressing this policy in terms of capital investment applicable to its plant accounts, as well as to tools, dies, etc., specifically related to its yearly product program, for the five years ended December 31, 1938, practically the recovery period following the world depression, a total of \$397,809,536 has been invested in the business for the purpose described in the previous paragraph. Of this, \$253,311,362 was expended for plant construction and for the purchase of real estate and equipment, and \$144,498,174 for those special tools which are written off as a part of the cost of production applicable to a particular model.

The annual report of 1937 explained in detail such expansion programs as were in process during that year. All of these were completed during the year 1938. In view of the fact that the latter year was one of subnormal activity, the question of further plant development on a broad scale did not arise. Gross plant expenditures totalled \$32,598,650 in 1938. In addition, the Corporation spent \$33,321,096 for special tooling principally to bring into production its 1939 products.

## PRODUCT EVOLUTION

In the 1937 Annual Report there was outlined in considerable detail the general product policy of the Corporation, including the considerations involved in determining the policy of the Corporation as the scope of its activities are broadened. Growth and development are matters of great importance to any virile and aggressive industrial organization. As a matter of fact, they are vital to any such organization because unless it goes forward it must go backward. Likewise, they are matters of considerable importance to the economy as a whole, because they influence directly the well-being of every member of the community.

There were no important developments in 1938 in the way of an expansion of the Corporation's products from the standpoint of new things to make. So far as the evolution of its current products is concerned—those developed and put in production during the year 1938 applicable to 1939—the management is confident that they measure up to the high standard of excellence, and that there is embodied in them the essential progress that the stockholders and the public have been led to expect as a result of the record of many years standing.

The importance of an aggressive capitalization of the technological progress of industry has been emphasized many times in many different ways, and it is again repeated here due to its paramount importance. Through increased efficiency of both manufacturing processes and engineering design, costs are reduced. It will be recalled that this policy, which has been a continuing one down through the years, was limited, so far as 1938 products were concerned. A very rapid increase in both material and labor costs within a short period of time could not be offset by increased efficiency and, therefore, there was necessitated in 1938 an increase in selling prices of about 9%.

As applied to 1939 increased efficiency in methods and the use of materials, together with reduced material costs, permitted a resumption of the downward course of prices in relation to value through a reduction in the selling prices of passenger cars of approximately 5%.

## MANAGEMENT AND OWNERSHIP

The relationship of management and ownership in modern industry is an interesting subject. And it is of particular consequence in view of the general interest and importance that surrounds industry's problems and policies in the discussions of the day. Therefore, a statement as to the position of General Motors Corporation might be both interesting to the stockholders and timely as well.

Due to the force of economic necessity and through a process of evolution, the units of industry have become larger and larger. This is because of the continuously broadening market for industry's products and services resulting from the production of more useful things at continually lowered prices. There is superimposed upon this evolutionary process the additional influence of an increasing integration of manufacturing processes involved in mass production. The effect of such an evolution on the capital structure is to require ever increasing amounts of capital. It is inevitable, therefore, that the old concept of individual ownership in mass production industries is no longer applicable. The position is being approached, even if it has not already been reached, when management, speaking in the broad sense, has become largely divorced from ownership in the mass production organizations of the industry of today. And while this may apply particularly to the United States, due to the larger markets that industry has enjoyed, the general trend is not essentially different in the other industrial countries of the world.

The problems that arise out of this evolutionary process are both social and economic in character. Is the responsibility of management as it assumes the role of a trusteeship likely to be as adequately discharged both in the public interest and in the interest of the business itself, all things considered, as where management and ownership are synonymous? It is not within the province of this annual report to present the philosophy involved in this particular question. But it is desirable that the facts be stated as they exist, so far as General Motors Corporation is concerned, leaving the interpretation of the facts to the judgment of those who may be concerned therewith.

General Motors differs quite outstandingly from other large units of American industry in respect to the subject now being discussed. Ownership represented in the executive management of the Corporation exists to an unusual degree. While such managerial ownership may not bulk very large on a percentage basis, due to the large aggregation of capital involved, yet if it is to be assumed that the responsibility of any management to any business cause has any relationship whatsoever to the personal

stake involved in that cause, then that relationship is important in the instance of General Motors Corporation.

Among the thirty-one Directors, fifteen are directly concerned with and devote all their time to the management of the Corporation's affairs. This particular group owns and controls 1,869,300 shares of General Motors common stock which at \$50 per share, the closing market price on December 31, 1938, represents an investment of \$93,465,000. Five other members of the Board not directly concerned with the operating management, own 932,300 shares, representing an investment of \$46,615,000 at \$50 per share. Six other members have holdings of 299,200 shares, an investment of \$14,960,000 at \$50 per share, and also represent the large stock interest of the E. I. du Pont de Nemours & Company. The remaining five members are neither concerned directly with the management nor are they the owners of a large amount of stock but are members of the Board because of their ability to contribute to the general progress of the business.

In addition, approximately 3,300 individuals in the supervising group within the operating organization, who devote all their time to its service, are owners to the extent of 1,089,500 shares, an investment of \$54,475,000. Thus there is directly involved in ownership management in General Motors Corporation, a total of 4,193,000 shares, an investment of \$209,650,000.

While it may be accepted as a fact that the larger individual holdings are likely to be redistributed through the evolution of time as new executives take the place of those who must necessarily pass on, yet through the operations of the Bonus Plan, management ownership is being constantly expanded as new participants develop and present participants advance to positions of greater responsibility.

The operating management group of General Motors Corporation has a very real personal stake in the success of the enterprise.



## THE BALANCE SHEET

Manifestly, the balance sheet, with the accompanying summaries of income and surplus, are important parts of any annual report. Full details have been presented to the stockholders as to the policies upon which the statement of the various important items are based, as well as to the reasoning supporting those policies. In view of the fact that the Corporation's accounting practices and the accounts themselves are subject to the review of its independent certified public accountants, Messrs. Haskins & Sells, and are supported by their certificate—the practice of many years standing—it has appeared somewhat superfluous heretofore to go into details as to how the various items in the financial statements were established, in relation to the policies laid down for their determination as described in the sections of the various annual reports under "A Financial Review." Perhaps a complete statement on this score would be desirable at this time.

The management of General Motors Corporation is based upon a policy of decentralization with the necessary coordination. Each operating unit or subsidiary is, in general terms, self-contained, so far as its functional activities are concerned. As a part of each such self-contained unit there is a Comptroller who has charge of accounts and accounting practices. The Comptroller operates under the control of the chief executive of the unit as to operations but he is under the supervision of the Corporation's Comptroller so far as accounting practices are concerned. In the central authority, which is the coordinating agency comprising the Corporation's chief executive officers and the various functional staffs, there is a financial staff. This comprises, among other things, a comptroller's activity and an auditing activity. The operations of the auditing activity are very broad in scope. All operations of the Corporation, whether divisions or subsidiaries in form, whether domestic or overseas in location, are being constantly checked by a force of the Corporation's own traveling auditors, entirely outside the jurisdiction of the operating units themselves, subject solely to the supervision of the Corporation's general auditing activity.

In addition to this, there is superimposed upon the auditing function of the coordinating authority and, likewise, on the auditors of the individual units, the auditing staff of Messrs. Haskins & Sells. The responsibility of these certified public accountants has not been limited in any way as to the scope of their examination. The management has taken the position that the paramount issue is accuracy, both with respect to the proper administration of the policies established as well as from the standpoint of sound accounting practices underlying such policies.

In accordance with the above plan, the practice of Messrs. Haskins & Sells is to examine or test the accounting records of the Corporation and its divisions and subsidiaries and other supporting evidence, to make general reviews of their accounting methods and operating accounts, to review the methods of internal control, and to certify that the Corporation's annual consolidated financial statements have been prepared in accordance with accepted principles of accounting. Further, it is the practice of the Corporation to require each operating unit, wherever it may be located, to take an inventory once a year. Such inventories are taken under the general observation of Messrs. Haskins & Sells—not to the extent, however, that every individual item is determined and validated, but rather from the standpoint that tests are made on a sufficiently broad basis to demonstrate the validity of the total. This has been the practice over many years.

Manifestly, it would be impossible to undertake an examination of every transaction that took place within the year. Neither is it essential. But checks are made by Messrs. Haskins & Sells to the full extent that, in their judgment, is necessary to justify the conclusion that the records of the year are correct, in accordance with the policies laid down, and in harmony with sound accounting practices.

The result is that General Motors presents to its stockholders each year a certificate which is recognized in accounting parlance as a "clean" certificate. There are no items comprised in the balance sheet or involved in the transactions of the year or the income account that are accepted by the auditors as a result solely of any certification by the management.

## PUBLIC RELATIONS

One of the prime responsibilities placed upon the modern industrial organization is that of encouraging and preserving satisfactory relationships throughout all the various phases of its business. These relationships are necessarily complex—the process of converting raw materials into useful finished goods requires the collaboration of many groups of individuals. Dealers, suppliers, employes, stockholders, customers and the general public, as well as governments—all play essential parts in the industrial scheme of things. It is also true that in the case of large-scale enterprises encompassing a wide scope and diversity of operations, this need for sound mutual relationships assumes greater importance and becomes at the same time more difficult.

General Motors has long recognized that good and equitable relationships in their broadest sense begin with constructive and mutually satisfactory policies as affecting those with whom the Corporation has direct and immediate dealings. Previous reports have emphasized the desirability of a fair and just distribution of the productivity of industry between the component parts—the supplier, the dealer, the employe, the stockholder and the customer. This is an extremely difficult task and one to which, in General Motors, a great deal of study and attention is constantly being given, for upon the continued maintenance of such an economic balance depends, to an important degree, the future development and progress of the Corporation.

More recently a further responsibility has claimed an increasing amount of attention from management, and that is the relationship of industry to the community as a whole. For many years the chief and absorbing problems of industry lay in the fields of engineering, production and distribution. Out of these endeavors came new products, new comforts and better ways of living. Today there is greater necessity than ever before for improving the relationships of industry as affecting human progress and for new interpretations of the fundamental place of industry in our social and economic structure.

To an important degree the measure of General Motors success is the measure of the quality and value of its service to the public. To the extent, and only to the extent, that the Corporation serves the public better, will it grow and develop. Accordingly, it is of the utmost concern to General Motors that every part of its organization should come to know and understand the public better, for with that better understanding will come increased ability and opportunity to serve. Of such a character are the studies by the Customer Research Section to determine what the public wants the

products to be, what its preferences are in the way of appearance and style, and in general how those products can be made of greater usefulness and benefit. Thus, Corporation activities are more carefully kept in step with public needs and desires.

But if industry is to be placed in a position to make its maximum contribution to the general welfare, it is essential that along with a better knowledge and understanding of the public by industry there also should be a better interpretation of industry to the public. This is of vital importance. It is a real responsibility that industry must assume.

To facilitate a better understanding of its problems and policies is an obligation that General Motors owes to stockholders, employes, dealers and all whose individual welfare is linked with the Corporation's success. And in an organization as large as General Motors the entire country is involved to an important degree.

It is highly desirable, for instance, that every employe be familiar not only with the facts of the business that affect him as an individual, but also with those facts that affect his relations with the other groups involved.

Although dealers are primarily concerned with distribution policies, their broader interests include the problems and processes of engineering and production as well. Their constant and intimate contact with the public demands a thorough understanding of the Corporation's over-all aims and objectives. Also, the progress of General Motors and the essential details of its operating policies and practices are of vital interest to the communities in which the various plants are located—for in a most practical sense these manufacturing activities are a part of the life of the community.

In general it may be said that the more completely the basic facts, the problems and the policies of industry are known throughout its organizations and the community at large, the better service industry is able to render—which, in turn, is reflected in a public more favorably disposed towards its products. Thus the cycle of good relationships is made complete. For as a well informed organization through better service creates more sales and more customers, so also these added customers mean greater employment and a more prosperous community.

Despite recent substantial progress, there is undoubtedly at present a need for still better understanding of the problems of industry by all.

## COST OF GOVERNMENT

In the annual report of 1935 there was included for the first time a section on the "Cost of Government." This section was added because it was recognized that the continual increase in the cost of Government must, of necessity, more and more adversely affect costs and selling prices, and, likewise, reduce the ability of the consumer to purchase, both from the standpoint of higher selling prices and also from the standpoint of reduced income with which to buy. The more Government takes, the less other component parts can receive, all other things being equal. The alarming increase in the cost of Government, with its economic influence on industry and on the individual, is beginning to penetrate the consciousness of the people at large. It is an encouraging sign that this is so.

It is manifestly impossible to determine the extent to which the cost of Government influences the purchase price of the broad range of goods and services which the Corporation requires in its extensive operations and passes on to the consumer as a component part of its own costs. On the other hand, it is possible to determine definitely the cost of Government in terms of taxes levied directly on the Corporation's own operations. For the purpose of reflecting the cost of Government as measured by taxes definitely ascertainable in respect to the Corporation's operations, there are presented herein data based upon all taxes paid directly by the Corporation and also excise taxes paid on products sold by the Corporation. It must be recognized that from the consumer standpoint, even as applied to the Corporation's products, there are additional taxes, such as sales taxes, that importantly reflect the cost of Government, but are not included in this analysis.

The following indicates the effect of taxes which are definitely ascertainable on several bases of comparison:

### **Ascertainable Direct Tax Bill in Total:**

Taxes paid or accrued by General Motors Corporation and its subsidiaries to the various taxing authorities within the United States on its own account amounted to \$55,222,000. Including excise taxes of \$18,590,000 on products sold by the Corporation and paid by the Corporation directly in the year 1938, the total was \$73,812,000. This compares with \$104,959,000 for the year 1937, a reduction of 29.7%, with \$91,150,000 for the year 1936 and with \$63,150,000 for the year 1935.

The reduction in the direct tax bill reflects the fact that net sales and earnings of the Corporation were considerably lower in 1938 than in 1937. Income taxes declined because of the decline in earnings. Excise taxes passed on to the consumer are almost directly related to the sales of products subject to the tax and therefore declined along with the volume

of total sales. Social security taxes declined due to the lower payrolls incident to the sharp reduction in volume, despite the fact that the total tax rates under the Federal Social Security Act were increased to 4% of payrolls in 1938 as compared with 3% in 1937.

#### **Tax Bill in Relation to Earnings:**

The direct tax bill for the four years 1935 through 1938 in relation to the total net earnings available to stockholders is shown in the following:

<u>Year</u>	<u>Taxes as % of Net Earnings</u>
1935.....	37.8%
1936.....	38.2
1937.....	53.4
1938.....	72.2

#### **Tax Bill per Share of Common Stock:**

The tax bill definitely ascertainable, amounting to \$73,812,000 in 1938, was equivalent to \$1.72 per share of common stock outstanding. This compares with \$2.45 per share for the year 1937, with \$2.13 per share for 1936 and \$1.47 per share for 1935.

#### **Tax Bill per \$100 of Sales:**

For every \$100 of merchandise sold in the United States by the Corporation during 1938, \$7.95 was paid in taxes. This compares with \$7.22 in 1937, with \$6.87 in 1936 and \$6.09 in 1935.

#### **Tax Bill per Employee:**

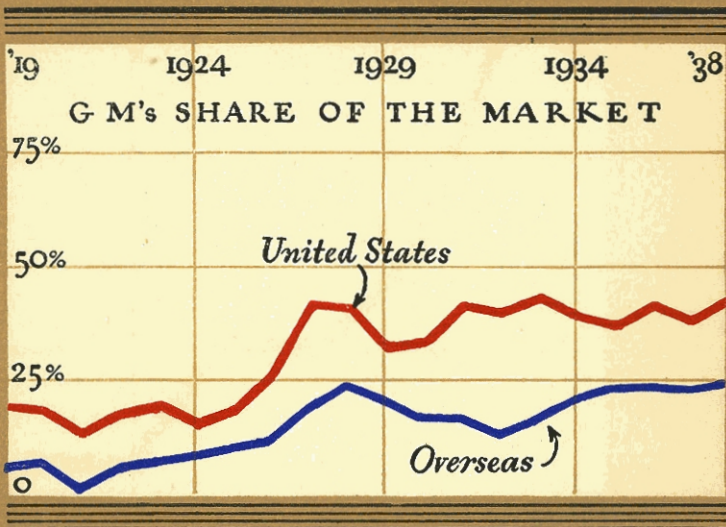
The average number of individuals in the Corporation's service within the United States for the year 1938 was 163,972. The tax bill was equivalent to \$450 for each of these employees. This compares with \$444 per employee in 1937, with \$440 per employee in 1936 and \$334 per employee in 1935.

#### **Tax Bill per \$100 of Payroll:**

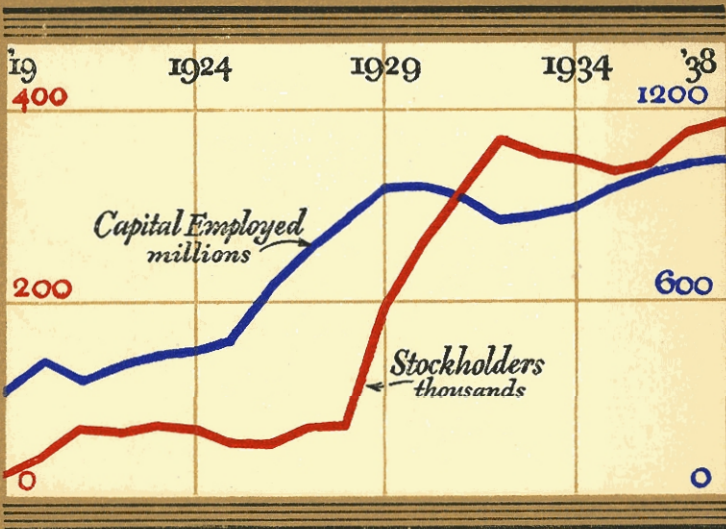
For each \$100 of payroll in 1938, the tax bill was \$26.83. This compares with \$24.24 in 1937, with \$25.33 in 1936 and \$20.68 in 1935.

Attention is called particularly to the fact that the tax bill referred to in the above relationships does not represent, by any means, the actual cost of Government to the consumer of General Motors products, inasmuch as there are included only those taxes definitely ascertainable and paid or accrued with respect to the Corporation's direct operations and sales. In other words, it reflects in no sense the tax bill as a whole. No effect has been given to the cost of Government as reflected in the cost of materials purchased and consumed or in the cost of services rendered the Corporation in the conduct of its business, or to the effect of taxes imposed upon channels of distribution.





Quality products and steadily increased values have enabled General Motors to improve and to maintain its position in the automobile market both at home and abroad.



Capital employed has increased with the growth of markets and the demands of technological progress. Spread of ownership of GM, as represented by increase in number of stockholders, and hence wider participation in its profits, has increased many times since 1919.





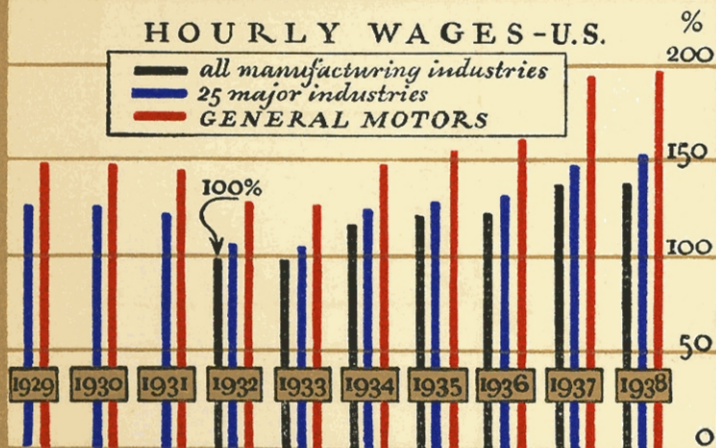


## Twenty Years of Progress

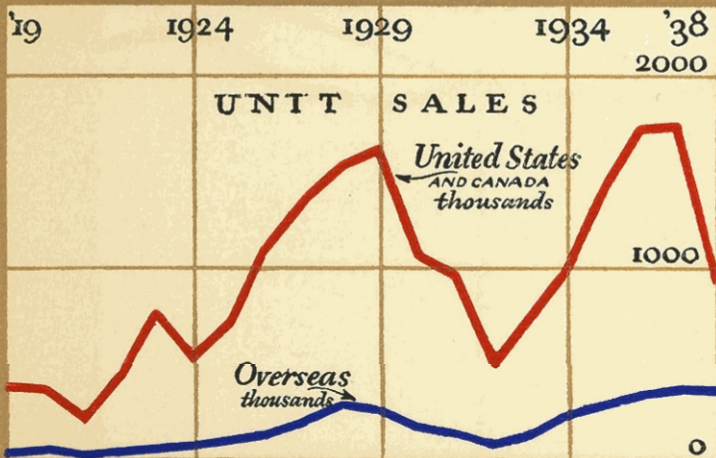
Over the past 20 years progress in General Motors has been expressed in upward trends in practically all basic business factors, reflecting advancing contributions to a better and a broader national economy. • Greater employment and payrolls; larger sales volume, representing expanded markets and additional products; and profits, essential to the virility and growth of any business, well-maintained in relation to volume—these are

among the most important measurements. • But superimposed upon these, and perhaps the most significant contribution of all, are the enhanced values made available to customers; always more for the dollar through improved technology—the only true road to a higher standard of living. This is represented above, but only in part, by the declining consumer price per pound of a typical Chevrolet car throughout these two decades.

## HOURLY WAGES - U.S.



Average hourly wages of General Motors workers have remained well above the average of those in other American industries. This advantage to a GM worker has sharply increased.



Unit sales of GM cars and trucks in the United States and Canada and overseas have necessarily been affected by fluctuations in general business trends. 1938 witnessed a sharp divergence between trends abroad and at home.





## EXECUTIVE MANAGEMENT COMPENSATION

Compensation of the Corporation's executives is from two sources—a salary and an opportunity to participate in the profits above a return of 7% on the capital employed, representing the increment of profit resulting from successful management. Both factors, as affecting any particular individual, vary with the ability of the individual as well as with the opportunity for accomplishment. As to ability there is no need of elaboration. By "opportunity for accomplishment" is meant the degree of responsibility involved in the individual's contribution to the Corporation's progress, affected, as must be the case, by volume possibilities.

It follows from the above that when the volume of business importantly declines the opportunity to accomplish is likewise reduced. That part of total compensation emanating from a participation in the profits automatically adjusts itself with the state of business, because as volume recedes profits decline at an increasing ratio. That part emanating from salary is subject to arbitrary adjustment, depending upon general economic conditions.

In view of the fact that during the year 1938 the volume of business importantly declined, and in accordance with the policy just enunciated, the salary level of the Corporation was reduced as of March 1, 1938, in the following manner:

Salaries of \$10,000 and less per annum were reduced 10%;

Salaries over \$10,000 annually were reduced 20% additional on any excess over \$10,000 and up to \$50,000; and

Salaries over \$50,000 per annum were reduced an additional 30% on the excess over \$50,000 annually.

In view of the upward trend of the business in the latter half of the year, the salary level was restored to its former position as of November 1, 1938.

Executive management participation in profits comes through the application of the Bonus Plan. There is a broad coverage of the Corporation's total salary group eligible for benefits under the Bonus Plan as distinguished from the executive management group as subsequently defined on page 40. For several years previous to 1936 all members of the organization receiving salaries at the annual rate of \$4,200 and over were eligible. Beginning with 1936, a part of the bonus fund has been allocated to the group receiving salaries at the rates of \$2,400 to \$4,200 a year. The Bonus Plan is described in detail under "Cooperative Plans." That part and only that part of the bonus fund distributed to the executives within the group included in the executive management category subsequently defined is included in the

comparisons which follow. The amount of bonus participation of individual executives for the year 1938 has not been finally determined.

### **TOTAL COMPENSATION POSITION OF THE THREE HIGHEST REMUNERATED EXECUTIVES**

It has been stated that both the salary and the bonus participation factors which comprise total compensation are affected importantly by the opportunity to accomplish, and are further influenced by the state of the business. Naturally, the state of the business and the profits are in turn affected by the so-called "business cycle." Just as the cost of Government must be paid for by the consumer in the form of higher selling prices, thus diminishing real purchasing power, so such cost must be reflected in other components of the national economy. Compensation, whether it be of the worker or the executive, is no exception, and therefore any consideration of the problem of compensation must involve the influence of taxes as affecting the amount available to spend. To show the influence of the business cycle on total compensation, the three executives having the largest total compensation have been selected for illustration.

The representations stated below are based upon the following premises: (a) The period used covers the eight years through 1937, in other words, 1930-1937, inclusive. Four years reflected reasonably good earnings, while the remaining four were years of relatively low earnings. (b) Deductions from income due to taxes are based upon tax rates as they exist today. (c) While the total tax liability is influenced by income from investments and other sources, nevertheless it has been assumed that the executives in question had no income other than that derived from compensation. (d) The tax liability is based upon the assumption that the executive received his total compensation within the year in which it was earned and paid a tax thereon at the present rates. (As a matter of fact, distribution of the bonus participation is over a period of four years and in stock of the Corporation, which would somewhat affect the calculation.)

Based on the foregoing assumptions, the following tabulation sets forth for each of the three highest remunerated executives over the eight year period, 1930 through 1937, the maximum and minimum annual salary, bonus participation and total compensation of each executive for the period. The amount of bonus participation for 1938 has not been finally determined, so that 1938 has not been included in this comparison. It is anticipated that the 1938 bonus participation of these executives will be determined by following the practice of past years, except that the Chairman, who is one of the executives used in this comparison, was at his own request eliminated as of January 1, 1937 from further participation in the bonus. There is shown the average annual total compensation (including both salary and

bonus participation) for each executive before and after allowance for Federal income taxes at present rates:

	Highest Paid Executive	Second Highest Paid Executive	Third Highest Paid Executive
Salary:			
Maximum.....	\$183,333	\$140,000	\$120,000
Minimum.....	112,500	76,666	90,000
Bonus Participation:			
Maximum.....	\$411,161	\$387,450	\$258,615
Minimum.....	—0—	—0—	—0—
Total Annual Compensation:			
Maximum.....	\$561,161	\$507,450	\$353,655
Minimum.....	112,500	76,666	90,000
Average Annual Total Compensation:			
Before Allowance for Federal income taxes.....	\$297,995	\$279,940	\$200,125
After Allowance for Federal income taxes.....	133,337	128,675	103,283

It will be noted from the above that in a year of good business, total compensation is relatively large. In years of poor business, total compensation is reduced by about 80% as applied to these illustrations. The increasing cost of Government has the effect of reducing the profits of the stockholders, increasing selling prices and reducing volume. Furthermore, the amount of executive compensation to the recipient is drastically reduced by increasing taxes. The amount paid to General Motors executives is one thing. The net amount remaining after taxes is quite another and the all-important thing. From that standpoint it will be noted that the current cost of Government would absorb, in the case of these three particular executives, practically the equivalent of their share of bonus for the entire eight year period, so that, generally speaking, each of the three executives would be left with an amount to use for personal needs only substantially equal to the base salary.

#### TOTAL COMPENSATION OF EXECUTIVE MANAGEMENT GROUP

The application of the Corporation's policy with respect to reporting the cost of executive management necessarily raises the question as to what constitutes management in a business of such magnitude, involving as it does a highly diversified and highly technical line of products with operations conducted not only in the domestic markets but in nearly every market throughout the world. In defining the group comprising executive management, for the purpose of discharging the responsibility involved in the above policy, the following formula has been used:

“ . . . the principal executive officers of the Corporation; the executive heads of its General Administrative Staffs; the executive heads of the Operating Divisions and wholly owned Subsidiaries; the four principal functional executives of the more important operating units; and the executive in charge of each of the assembly and manufacturing plants in the United States located away from divisional headquarters and of the overseas assembly and merchandising operations.”

A total of 181 individuals was included in the above defined list at December 31, 1938, as compared with 184 at the end of 1937. The amount of bonus participation for the year 1938 has not been finally determined. The figures used in the following comparisons therefore are based on a preliminary estimate of the 1938 bonus participation of these executives as a group. Bonus awards as finally determined will be distributed in the form of General Motors common stock at a cost to the Corporation of \$39.19 per share, all as described under the Bonus Plan on page 42.

To enable the stockholders to obtain an understanding of the cost of executive management, the following relationships may be helpful:

#### **Executive Management Cost per Share of Common Stock:**

With earnings for the year 1938 of \$2.17 per share, the net salary cost, after allowing for Federal corporate income taxes, applying to the group of 181 executives was equivalent to \$0.07 per share on the common stock outstanding. This cost of \$0.07 per share compares with \$0.08 per share for the year 1937. In view of the fact that the earnings for the year were high enough to make the bonus participation factor operative, there was supplemental compensation provided for this group. The estimated provision for supplemental compensation to this group was equivalent to \$0.03 per share on the common stock outstanding, after allowance for Federal income taxes paid by the Corporation. In 1937 the corresponding item was equivalent to \$0.08 per share.

On the basis of 1938 operations, therefore, the estimated total executive management compensation was equivalent to \$0.10 per share on the common stock outstanding. This compares with \$0.16 per share in 1937.

The lesser amount of total executive management compensation in 1938 was due principally to the lower earnings in 1938 which reduced the amount of the bonus participation factor in that year, as well as to the reduction in the salary level already discussed.

#### **Executive Management Cost per \$100 of List Price of Products Sold:**

On every \$100 of list price of the Corporation's products sold, executive management salary cost was equivalent to \$0.28. Supplemental compensation under the bonus plan was equivalent to \$0.11. Therefore, total execu-

tive management cost was equivalent to \$0.39 per \$100 of list price. This compares with \$0.38 for the year 1937.

#### **Executive Management Cost for Each Dollar of Total Payroll:**

For every dollar paid in salaries and wages, executive management salaries consumed  $1\frac{3}{8}$  cents. If there is added the effect of the bonus plan, executive management consumed  $1\frac{7}{8}$  cents per dollar of total payroll. This compares with  $1\frac{3}{4}$  cents per dollar for 1937.

#### **Executive Management Cost in Relation to Profits:**

For every dollar earned in profits for the stockholders, executive management salaries consumed 3 cents. If there is added the effect of the bonus plan, executive management consumed  $4\frac{1}{4}$  cents. This compares with  $3\frac{1}{2}$  cents for the year 1937.

#### **Executive Management Cost in Terms of Volume of Business:**

For every dollar of business volume, the executive management salaries consumed  $\frac{4}{10}$  of a cent. If there is added the effect of the bonus plan, executive management consumed  $\frac{1}{2}$  cent, or the same as for the year 1937.

#### **NUMBER OF INDIVIDUALS RECEIVING SALARIES OF \$10,000 OR MORE PER ANNUM**

The following tabulation shows the number of executives in various salary groups receiving salaries of \$10,000 or more per annum as of December 31, 1938, whether or not included in the executive management group as defined above:

Amount of Salary	Number of Individuals
\$ 10,000 to \$ 20,000.....	279
20,001 to 30,000.....	41
30,001 to 50,000.....	12
50,001 to 75,000.....	12
75,001 to 100,000.....	6
100,001 and over (none over \$200,000).....	2
Total.....	352

Attention is called to the fact that the number of executives in this group is simply indicative of the magnitude, diversity and geographical distribution of the Corporation's operations.



## COOPERATIVE PLANS

Through its Cooperative Plans, the Corporation has two objectives: first, to develop such programs as will promote security and protection, in so far as it is practically possible, for the benefit of the organization as a whole; and second, to supplement the normal relationship between the Corporation and its executive and supervisory groups, whereby an opportunity is provided for those groups to participate in the success of the business for which they are directly responsible, and in proportion to each individual's relative capacity to contribute.

The second objective merits some amplification. The success of General Motors depends upon the individual initiative and ability of a large group of important executives. Many of this group operate independently for the most part because of the magnitude of the Corporation's operations, their geographical distribution, and the many different phases of the Corporation's activity. The most effective result and the greatest security for progress and stability are achieved by placing such executives in the same relative position, in so far as is practicable, as if they were in business on their own account. In that way, managerial talent is attracted to the Corporation on account of the opportunities offered, and means are provided for developing the talent within the Corporation's organization. Both are vital to success.

The Corporation has submitted to the stockholders, from time to time, various proposals directed toward the purposes just mentioned. The results of these various plans have been duly reported in detail in each annual report. At times, altered circumstances have made it desirable to effect changes in the plans.

At the present time, the Corporation's Cooperative Plans consist of the following:

### BONUS PLAN

The General Motors Bonus Plan was established in 1918; hence has been in operation for more than twenty years. It now provides that there may be set aside as a bonus fund 10% of each year's net earnings, after deducting 7% on the net capital employed during the year. This means that before there was a bonus fund available in 1938, there had to be earned for the stockholders approximately \$70,156,000, equivalent to \$1.42 per share on the common stock outstanding.

At the inception of the Bonus Plan, all salaried employes who had been with the Corporation for a full year were eligible to participate. Subsequently, the eligibility was confined to those receiving \$5,000 a year or

more. This minimum was later reduced to \$4,200 a year. Beginning with the 1936 bonus distribution, the salary limit was again reduced and the group eligible for bonus consideration now consists of all those who receive salaries at the rate of \$2,400 a year or more. The result of this reduction in salary limit was a substantial increase in the number of eligible employes. Bonus awards, based upon recommendations made by the Chairman of the Board of Directors, are made on the authority of the Bonus and Salary Committee which is composed of five Board members who are not actively engaged in the management of the Corporation and who are not eligible for bonus. The action of the Bonus and Salary Committee is submitted to the Board of Directors for review and final approval. The distribution of the bonus is made in the form of common stock of the Corporation. Awards to employes receiving salaries of less than \$4,200 a year are delivered in total immediately. For those bonus beneficiaries receiving salaries at the rate of \$4,200 a year or more, one-fourth of the award is delivered immediately after notification and the balance in three equal annual instalments, provided the beneficiary remains in the service of the Corporation.

As pointed out above, the General Motors Bonus Plan provides for the establishment of a bonus fund to which shall be credited yearly an amount not to exceed 10% of the net earnings after deducting 7% on the net capital employed, to be invested in General Motors common stock. When the stock for the bonus awards can be taken from the Corporation's treasury, as was the case in 1938, the number of shares required has been limited to the number computed by dividing the bonus fund by the stock's average daily market price during the year. The 78,750 shares available for distribution for the year 1938 were determined on the basis of the average daily market price of \$39.63 a share. These shares, together with \$266,900 payable in cash by certain foreign subsidiaries, constituted the Corporation's bonus fund. The average cost of the stock allocated from the Corporation's treasury was \$39.19 a share. The total cost of the bonus fund to the Corporation in 1938 was \$3,538,070.

Since the individual bonus awards have not been finally determined it is not possible to estimate the number of employes of the Corporation who will benefit by the distribution of the 1938 fund. No individual will receive more than a 2% participation in the total bonus fund. The Chairman of the Board does not participate in the 1938 bonus distribution.

The record of bonus awards from the inception of the plan through the year 1938 is displayed on page 70 of this report.

#### EMPLOYEES SAVINGS AND INVESTMENT PLAN

This plan was inaugurated in 1919 and was suspended as of December 31, 1935, because of uncertainty as to the legal requirements under the

Social Security Act and the Securities Act of 1933. No class, therefore, was formed after that date, but the rights of employes with respect to payments which had been made by them into the Savings Fund prior to January 1, 1936, were in no way affected by this action.

The plan at the time of its suspension provided that any employe receiving less than \$4,200 per year was permitted to pay into the Savings Fund an amount not to exceed 10% of his earnings, but not in excess of \$300 per year. For each dollar of savings paid in, the Corporation contributed \$0.35 to the Investment Fund. Interest was allowed on the employe's payments, while the Corporation invested its own contribution and the income thereon in its own common stock. The entire amount was paid to the employe at the end of a five year period.

Each employe who paid \$100.00 into the 1933 Class, which matured December 31, 1938, was entitled to receive \$180.93 at the maturity of the class. Of this total payment, \$100.00 represented the employe's original savings while the balance of \$80.93 represented benefits contributed by the Corporation in cash and General Motors common stock. The 1933 Class was in operation only during the last five months of that year.

A total of \$1,317,787 was distributed early in 1939 to 16,951 employes who participated at the maturity of the Class of 1933, as follows:

On account of Common Stock contributed by the Corporation.....	\$ 387,013
On account of 5% interest on Savings—paid by the Corporation.....	204,834
Total contributed by the Corporation.....	<u>\$ 591,847</u>
On account of Employes Savings.....	725,940
This makes a total distribution of.....	<u>\$1,317,787</u>

Since the inception of the plan in 1919, a total of \$249,329,150 has been paid out to the Corporation's employes through settlements of maturing classes and withdrawals before maturity. Of this amount, \$143,407,367 represented employes' savings and \$105,921,783 was contributed by the Corporation. The return to the employe, over and above the amount of his savings, consisted of the Corporation's contribution to the Investment Fund at the formation of each class, together with interest, dividends on the common stock and appreciation in the value of the stock during the life of these classes.

#### GROUP INSURANCE PLAN

During 1938 there was paid through this plan \$2,505,498 to beneficiaries of 1,028 of the Corporation's employes who died during the year. In

addition, benefits of \$1,115,348 on account of temporary disability resulting from sickness or non-industrial accidents were paid to 13,542 employes. Total benefits paid during 1938, therefore, amounted to \$3,620,846. Claims paid under the plan since its inception on December 1, 1926 have totalled \$35,815,309.

The Group Insurance Plan is available to all employes of the Corporation after three months service and provides life and temporary disability insurance at a very low rate. At the end of 1938, more than 98% of the eligible employes were participating. The plan is cooperative, the direct cost being shared by the Corporation and the employes, with the Corporation bearing the entire expense of administering the plan.

### MEDICAL AND HEALTH SERVICE

During 1938 the Corporation spent \$960,297 in the United States to protect the health of its factory workers on their jobs. This expenditure, which amounted to \$7.63 for each of the 125,836 hourly workers, was for medical service, hospitalization, physical examinations and for miscellaneous activities to safeguard employes from occupational diseases. In 1937 the expenditure was \$1,262,635, or \$6.50 for each of the 194,398 hourly workers.

This supplemented expenditures of more than \$2,600,000 made in 1938 in the continuing effort to provide the most healthful working conditions and to protect employes from accidents through the installation of mechanical safeguards. Furthermore, a new all-time safety record in 1938 marked the fifth consecutive year of safety improvement in General Motors plants. The frequency, as well as the severity, of lost-time accidents was at the lowest point in the Corporation's history. Records of the National Safety Council indicate that General Motors plants rank among the safest in the country.

### EDUCATION AND TRAINING

This activity was continued throughout the year, in accordance with the plan set forth in previous annual reports.

### HOUSING FOR EMPLOYEES

As stated in previous annual reports, the Corporation's policy with respect to this activity continues to be one of liquidation rather than expansion. There have been no important changes during the year. Such houses as are still owned by the Corporation are practically all rented to its employes.

## LABOR ECONOMICS

The Corporation recognizes the importance of improving the economic position of its workers from the standpoint of both their progress and stability, hence advancing their status in a fundamental way. Such a policy is not only socially desirable but economically necessary because of the vital necessity of developing every worker into the broadest possible consumer.

The wage level in relation to prices is important. Too many are of the belief that the wage level is at the discretion of management—that there is no ceiling other than that which management seeks to establish arbitrarily. Such an approach is far from a realistic one. As a matter of fact, the problem that confronts the national economy today is how to establish the essential balance between the component parts of productive enterprise so that there may result the greatest productivity of wealth, to the end that more of the people may have more that will add to the comforts and pleasures of living. In other words, the wage level is part of a great economic problem affecting all. The trend of General Motors wages over the years has been steadily upward. Increasing wages and reducing prices are possible only through the capitalization of technological progress, supported by a constantly improving operating technique, thus reducing real costs. High wages are a result—not a cause. It is to be regretted that this fact is not more generally appreciated.

While the wage rate determines the labor content as affecting costs and hence selling prices, it is not a fundamental index in determining the economic position of the worker nor his ability to consume industry's products. In that problem is further involved the number of hours of work and the continuity of employment throughout the year. These are important considerations and they involve the seasonal fluctuations in the consumer demand for industry's products—an important factor in the automotive industry.

Attention has been concentrated during the past few years upon ways and means whereby a greater continuity of employment may be effected. The model year has been advanced by the industry with this objective in mind. Employment is being stimulated during the months of low consumer demand by accumulating inventories of component parts. While production schedules of the automotive industry must be determined largely by the consumer demand, after an adequate stock has been established in the field for distribution, further progress can be looked forward to in the leveling of production and in the greater continuity of employment for the worker.

## INCOME SECURITY PLANS FOR 1939

In 1938 the Corporation adopted benefit plans for its hourly paid employes, effective for the year 1939. Two plans, designed to promote greater continuity of income for the employes, were formulated. The first, for employes older in point of service with the Corporation, was called the "Income Security Plan" and the second, for employes having less service, was termed the "Lay-Off Benefit Plan." While these plans were specifically announced to the stockholders at the time of their adoption, the general conditions are repeated here, for the purposes of the record.

The Income Security Plan is applicable to all hourly paid wage employes who have five years or more of service on January 1, 1939 and who worked for the Corporation any time during December 1938. Each such eligible employe is assured that his minimum weekly income during each week of the year 1939 will be at least 60% of his standard weekly earnings. If such employe's income during any week, as received from the Corporation and from other regular employment and as a result of any unemployment compensation to which he may be entitled, is not equivalent to 60% of his standard weekly earnings, the Corporation will, at such employe's option, advance to him an amount sufficient to bring his weekly income up to 60% of his standard. This advance, which carries no interest, is to be repaid only in terms of work when made available by the Corporation in the future. Whenever the employe's subsequent weekly earnings exceed 60% of his standard weekly earnings, one-half of the excess will be used to repay any advances that have been previously made under this plan. The employe's standard weekly earnings are defined as forty hours pay at his latest hourly base rate. Should any employe die, his unpaid advances will be cancelled.

The Lay-Off Benefit Plan applies to those hourly paid employes who are not eligible under the Income Security Plan, but who had at least two years of service or more on or before January 1, 1939 and who worked any time during December 1938 or during the year 1939. Such employes are assured a minimum weekly income of 40% of their standard weekly earnings. However, under this plan the total advances that an employe may have outstanding at any one time are limited to an amount equivalent to 72 hours pay at the employe's latest hourly rate. Repayment of advances under this plan is made in the same manner as under the Income Security Plan.

Attention is called to the fact that the Corporation is not guaranteeing work for which there is no need during any particular period. The employe makes no sacrifices whatsoever in the way of income through the use of the plans. The plans do not contemplate increasing the cost of production and

hence selling prices, except to the extent of losses incidental to employes permanently leaving the service while under obligation to the Corporation.

The cost to the Corporation of extending this form of income security to its employes cannot be definitely determined until after several years of experience. Irrespective of what that cost may be, however, it is believed that it will not be an unreasonable burden on the business in view of the important benefits to be obtained in the way of better relationships with its employes through the fact that the employes benefiting under the Income Security Plan should be able, at the beginning of the year in which it is in operation, to plan definitely for the year with the assurance that during every week they will receive, subject to the provisions of the plan, a minimum amount regardless of what the trend of the business might be.

Naturally, the plans must be considered more or less experimental. Circumstances may arise that are impossible to foresee. The purpose is, however, to make a start at this time and to develop through evolution such modifications as experience may dictate from year to year. There are included the usual provisions allowing for suspension of the plans in case of fires, floods, wars, riots, strikes or other circumstances beyond the control of the Corporation.

#### THE WORKER IN GENERAL MOTORS

A few facts indicating the progress of the wage earner in General Motors from the standpoint of the wage level and in other ways are set forth below.

##### **Working Hours per Week:**

As a result of the reduced level of business activity during the year, the Corporation found it necessary to reduce the working force during the greater part of the period, although retaining at all times as many workers as was feasible. A reduction in working time was also instituted in order to insure some employment to the maximum practical number of workers.

As a result of the above, during the year there was a decrease in the average hours worked per week by the hourly paid worker in the Corporation's plants in the United States, the average being 31.2 hours per week in 1938 as compared with 36.5 hours during the previous year. The Corporation's basic forty-hour week remained unchanged during the year, with time and a half payment for all work in excess of forty hours per week or eight hours per day.

##### **Wage Level:**

Stockholders have been informed from time to time as to the trend of wages prevailing in the Corporation's operations. Briefly, the average

hourly rate of the hourly paid worker in General Motors is currently about 43% over that prevailing in manufacturing plants in general and 30% over that prevailing in 25 large industrial manufacturing industries which cover a broad cross-section of all industry.

The basic hourly wage rates paid to hourly workers in the Corporation's plants in the United States were not changed during the year 1938. The average hourly earned rate in 1938 was 33.8% above that of 1929.

#### **Annual Earnings per Worker:**

Regularly employed hourly paid workers in the United States received average annual earnings of \$1,342 during 1938, compared with \$1,618 in 1937. The decrease in 1938 was due solely to the decrease in the average number of hours worked. Reflecting changes in the cost of living, as measured by the index of the United States Bureau of Labor Statistics, the average annual earnings of regularly employed General Motors workers in 1938 had a purchasing power which was approximately 12% greater than their average annual earnings in 1929.

#### **Other Workers Statistics:**

Total wages paid to General Motors hourly workers in the United States during the year amounted to \$188,899,701. This compares with \$336,030,958 for the year 1937, a decrease of 43.8%. During 1938 the average number of hourly workers employed in the United States was 125,836, including both men and women. Of this number 106,523, or approximately 85%, were on the payroll throughout the entire year.



## A FINANCIAL REVIEW

The consolidated balance sheet and summary of consolidated income of General Motors Corporation and subsidiary companies for the year ended December 31, 1938, are submitted herein. Attention is called to the fact that the accounts of certain subsidiary companies are not consolidated in the accounts of the Corporation. A list of such companies, not consolidated, is set forth in detail on page 64.

### Earnings:

Net earnings available for dividends for the year 1938 amounted to \$102,190,007. This compares with net earnings of \$196,436,598 for the year 1937. After paying the regular dividends of \$9,178,220 on the \$5 series preferred stock for the year 1938, there remained \$93,011,787, being the amount earned on the common stock outstanding. This is equivalent to \$2.17 per share on the average number of common shares outstanding. For the year 1937, after deducting preferred dividends of \$9,178,220, there remained earnings of \$187,258,378 on the common stock, equivalent to \$4.38 per share.

The Corporation's equity in earnings (net) of subsidiary companies not consolidated does not include a net profit of \$2,055,838 representing the appreciation in market value of securities held by the General Exchange Insurance Corporation. The profit on this account has been set aside as a reserve against future market fluctuations.

Net earnings for 1938 do not include profits in the amount of \$5,297,065 realized abroad due to the inability to remit such profits on account of exchange restrictions. These excluded profits are based upon the Reichsmark converted at 23.8 cents in the case of Adam Opel A.G. and upon previous par rates of exchange or current nominal rates, whichever are lower, in the case of other foreign subsidiaries. There have also been excluded from 1938 earnings, profits of \$2,477,061 realized abroad which have been set aside as a reserve against foreign operations.

Since January 1, 1934, it has been the practice not to reflect in reported net earnings any profits realized abroad which may not be remitted due to exchange restrictions. The cumulative amount of such profits of Adam Opel A.G., which has not been included in net earnings through December 31, 1938, is \$15,152,916, equivalent to \$0.35 per share of common stock. The Reichsmark has been converted at 23.8 cents. Cumulative profits realized abroad by other foreign subsidiaries through December 31, 1938, but not reflected in net earnings due to exchange restrictions, amounted to \$7,112,634,

equivalent to \$0.17 per share. There have also been excluded from net earnings through December 31, 1938, profits of \$3,564,689 realized abroad which have been set aside as a reserve against foreign operations.

### **Dividends:**

Regular dividends were paid on the \$5 series preferred stock, requiring \$9,178,220 for the year. Common dividends in the amount of \$64,386,421 were paid, making a total disbursement of \$73,564,641 to stockholders for the year. This compares with a total of \$169,728,081 for the year 1937. There were retained in the business earnings in excess of dividends in the amount of \$28,625,366. This compares with \$26,708,517 for the year 1937. Total dividends disbursed in 1938 were equivalent to 72.0% of the earnings. This compares with 86.4% for the year 1937 and with 86.8% for the ten years ended December 31, 1938.

Dividends paid on the common stock during the year amounted to \$1.50 for each share outstanding. This compares with \$3.75 for the year 1937. After payment of all dividends in 1938, the remaining earnings available for reinvestment in the business were equivalent to \$0.67 per share of common stock outstanding.

A record of the Corporation's sales, earnings and dividend disbursements by years, since 1917 and extending through 1938, is recorded on page 67.

### **Net Working Capital and Cash:**

Net working capital amounted to \$387,243,513 at December 31, 1938, or \$40,027,397 in excess of the net working capital of \$347,216,116 at December 31, 1937. The major items accounting for this increase in net working capital during the year were the retention of earnings of \$28,625,366 and the excess of \$12,124,044 in the depreciation provided over and above expenditures for real estate, plants and equipment.

Cash, United States Government and other marketable securities at December 31, 1938, amounted to \$242,895,320. This was \$92,011,308 in excess of corresponding items of \$150,884,012 at the close of 1937. There has been excluded from the consolidated cash account at December 31, 1938, an amount of \$4,881,134 representing a portion of the foreign cash of certain overseas subsidiaries operating in countries under exchange restrictions. This particular cash is held abroad in excess of operating needs and was derived principally from profits which are unremitted because of exchange restrictions. The total amount has been transferred on the balance sheet to miscellaneous investments against which a reserve of \$3,361,134 has been applied. This reserve represents a portion of the reserve set up in 1938 and prior years against unremitted profits of certain foreign subsidi-

aries included in consolidation. Except for the restricted foreign currency cash which has thus been excluded from the consolidated cash account, foreign currency working capital accounts consist mainly of cash, inventories and receivables normally required in the conduct of the business.

Inventories decreased \$79,274,743 during the year and amounted to \$199,871,640 at December 31, 1938, compared with \$279,146,383 at December 31, 1937.

### **Surplus:**

There were no adjustments to the surplus account during the year under review. Earned surplus at December 31, 1938 amounted to \$423,415,108 and compares with \$394,789,742 at December 31, 1937, an increase of \$28,625,366, representing the excess of earnings over dividend disbursements during the year.

### **Real Estate, Plants, and Equipment:**

Total gross real estate, plants and equipment amounted to \$758,830,738 at December 31, 1938, an increase of \$11,012,944 over the total of \$747,817,794 at December 31, 1937. Reserves for depreciation showed an increase of \$23,136,988 during the year, or from \$339,351,532 at December 31, 1937 to \$362,488,520 at December 31, 1938. The net book value of real estate, plants and equipment, therefore, showed a decrease of \$12,124,044 during the year and amounted to \$396,342,218 at December 31, 1938. These figures reflect a net increase of \$4,863,944 in special tools, dies, etc., during 1938. Excluding such special tools, dies, etc., applicable solely to the manufacture of current models, the increase in gross plant account amounted to \$6,149,000 and, after making allowance for the increase of \$23,136,988 in depreciation reserves, the net plant account showed a decrease of \$16,987,988 during the year.

The increase of \$6,149,000 in the gross plant account, excluding special tools, dies, etc., may be accounted for by the following items: (a) gross plant expenditures for additions and improvements amounted to \$32,598,650; (b) a gross amount of \$5,291,657 of idle plant was reinstated as active plant, while conversely \$9,162,301 was transferred from active to idle plant (a net decrease of \$3,870,644 in the gross plant account); and (c) property disposed of and other adjustments reduced the gross plant account by \$22,579,006.

There has been no change during 1938 in the Corporation's policy with respect to the provision for depreciation or in the depreciation rates. The amount of depreciation charged against earnings in 1938 was \$47,019,404, the largest annual provision in the Corporation's history. In the year 1937 depreciation in the amount of \$44,453,041 was charged

against earnings and represented the largest annual provision in the Corporation's history prior to 1938. The provision for depreciation, referred to above, included in 1938 a charge of \$514,359 for amortization of leasehold improvements as compared with a similar charge of \$432,743 for the year 1937. It also included in 1938 an amount of \$271,681 for depletion of timber tracts as compared with \$1,005,385 for the year 1937.

The policy underlying the transfers mentioned above between active and idle plant was outlined in the 1932 Annual Report, which policy continues to be applied to properties within the United States. The gross value of surplus and idle plant in the United States and Canada was \$21,076,561 at December 31, 1938, and was carried on the Corporation's books at a salvage value of \$4,893,255. Since the difference between the gross value and the salvage value of this idle property has been charged against reserves for depreciation, the net book value of real estate, plants and equipment has remained unaffected.

#### **Investments in Subsidiary Companies Not Consolidated, and Miscellaneous:**

The Corporation's investments in subsidiary companies not consolidated, together with certain miscellaneous items, are listed on page 64 of this report. The aggregate of all such items totalled \$242,477,567 at December 31, 1938. This compares with \$245,563,030 at December 31, 1937, a decrease of \$3,085,463.

Prior to 1936 the Corporation reflected in earnings its proportion of the undivided profits or losses of companies not controlled; i.e., 50% or less owned. Beginning in 1936, however, earnings of these uncontrolled companies have been reflected in the Corporation's income only when received as dividends, together with adjustments for cumulative net losses since December 31, 1935, or net recoveries of losses absorbed to that date. General Motors Corporation's proportion of the undivided profits of companies not controlled, and excluded from the Corporation's income in accordance with the policy just enunciated, amounted to \$1,191,661 for the year 1938 and \$1,012,906 for the year 1937.

The more important changes in investments in subsidiary companies are outlined in the following items:

#### **General Motors Acceptance Corporation**

The Corporation's investment in General Motors Acceptance Corporation increased from \$84,915,319 at December 31, 1937 to \$85,572,120 at the close of 1938. This increase is accounted for by the excess of the earnings of General Motors Acceptance Corporation over the dividends paid to General Motors Corporation.

### **General Exchange Insurance Corporation**

The investment of the Corporation in General Exchange Insurance Corporation amounted to \$12,479,575 at December 31, 1938, which was \$10,275,352 lower than the investment of \$22,754,927 at December 31, 1937. This decrease reflects the fact that dividends paid to General Motors in 1938 were substantially in excess of General Exchange Insurance Corporation's earnings for the year 1938. This company had paid no dividends to General Motors Corporation during the years 1936 and 1937.

### **Yellow Truck & Coach Manufacturing Company**

The Corporation's investment in Yellow Truck & Coach Manufacturing Company decreased \$248,208 during 1938, from a total of \$28,603,126 at December 31, 1937, to \$28,354,918 at December 31, 1938. This reduction in the Corporation's investment was due to the payment of preferred dividends by this company in excess of its earnings for the year.

### **Vauxhall Motors Ltd.**

The investment of the Corporation in Vauxhall Motors Ltd. increased from \$17,420,171 at December 31, 1937 to \$20,452,755 at the close of 1938. The increase of \$3,032,584 during 1938 represented principally the excess of the Corporation's equity in the earnings of Vauxhall over dividends received by the Corporation as well as additional advances made to Vauxhall during the year. In 1938 the Corporation sold 6,234 shares of Vauxhall 6% preference stock to employes of Vauxhall Motors Ltd. After this sale, the Corporation's preference share holdings amounted to 216,139 shares, or 72% of the total shares outstanding.

### **Adam Opel A.G.**

The net earnings of Adam Opel A. G. are not reflected in consolidated earnings of the Corporation in recognition of foreign exchange restrictions. Consequently, the investment in Adam Opel A. G. has been reported at a constant figure of \$35,030,628 in each of the annual reports for the years 1933-1937, inclusive. At the end of 1938, however, the investment in Adam Opel A.G. is reported at \$34,890,024. The reduction of \$140,604 is due to certain accounting adjustments applicable to periods prior to January 1, 1934.

### **Automobile Dealerships**

The Corporation's investment in automobile dealerships held by the Motors Holding Division amounted to \$9,242,313 at December 31, 1938, a net increase of \$384,777 over the investment of \$8,857,536 at December 31, 1937.

### **Ethyl Gasoline Corporation**

The Corporation's investment in Ethyl Gasoline Corporation increased \$6,914,272 during 1938, and amounted to \$11,346,700 at the close of the year. This increase resulted principally from the fact that General Motors Corporation, as a stockholder of Ethyl Gasoline Corporation, advanced its proportionate share of the funds required by the latter to finance its expansion program.

### **National Bank of Detroit**

At December 31, 1938 this investment consisted of 396,922.5 shares of common stock carried at a cost of \$6,615,375, which represented a reduction of \$97,150 from the investment of \$6,712,525 at the close of 1937, due to the sale of 5,829 shares.

### **Balances in Closed Banks**

Balances in closed banks, after deduction of reserves of \$1,867,996, totalled \$1,908,674 at December 31, 1938, a reduction of \$1,632,521 during the year 1938 due primarily to recoveries of funds previously impounded.

### **Treasury Stock:**

At December 31, 1938, the Corporation held in its treasury stock account 374,099 shares of General Motors Corporation common stock and 263,620 shares of GM Shares, Inc. Class B stock. GM Shares, Inc. is the resulting corporation of a consolidation involving General Motors Management Corporation. These 263,620 shares of GM Shares, Inc. Class B stock plus 19,495 shares of GM Shares, Inc. common stock were received by General Motors Corporation in exchange for its holding in General Motors Management Corporation. Since the 263,620 shares of GM Shares, Inc. Class B stock are exchangeable share for share for General Motors common stock, they are included in the treasury stock account. The 19,495 shares of GM Shares, Inc. common stock, carried at \$394,408, represent holdings of 17,390 shares of General Motors common stock, but are not presently exchangeable for General Motors common stock, and for this reason are included in investments.

The General Motors Corporation common stock and its equivalent held in the treasury stock account at December 31, 1938 totalled 637,719 shares, carried at \$14,688,180, a decrease during the year of 193,326 shares of common stock, or \$7,066,185. This decrease reflects the use during the year of 251,226 shares held in the treasury at December 31, 1937 for bonus awards for the year 1937, partly offset by an increase of 42,649 shares, transferred to the treasury stock account from investments as a result of the classification by GM Shares, Inc. of assets received from General Motors

Management Corporation in the consolidation, and to an increase of 14,269 shares due to the operations of the Employees Savings and Investment Plan. Of the common stock included in the treasury at December 31, 1938, a total of 78,750 shares is being carried at a cost value of \$3,086,358, or \$39.19 per share, for the payment of the 1938 bonus awards.

There was no change during the year in the 39,722 shares of preferred stock held in the treasury and carried at \$3,267,219, or \$82.25 per share.

## IN GENERAL

This section presents brief comments on several subjects which have not been covered under previous headings.

### NUMBER OF EMPLOYEES

The average number of employes on the payroll during the year 1938 was 189,039. This compares with an average of 261,977 for the year 1937, a decrease of 72,938, or 27.8%.

### PAYROLLS

The payrolls of the Corporation, including salaries and wages, for the year 1938 amounted to \$300,825,930. This is a decrease of \$159,625,814, or 34.7%, from payrolls of \$460,451,744 for the previous year.

### GOODWILL AND PATENTS

The Corporation's goodwill and patent account as of December 31, 1938 amounted to \$50,322,686 and shows no change from the balance at December 31, 1937.

Goodwill under the Corporation's standard accounting practice is the difference between the purchase price and the book value of properties acquired.

Goodwill as reported in the balance sheet is not intended to represent an appraisal even in a minor degree of the intangible value of an outstanding group of highly specialized manufacturing organizations and their executive personnel, supported by vast distributing organizations, operating in practically every country in the world. Neither does it include the likewise intangible value of the favorable attitude of the markets of the world toward a group of products, the quality and excellence of which are well established in practically every community in every country.

### STOCKHOLDERS

At the close of the year there were 389,509 stockholders. This establishes a new fourth quarter record. The previous published year-end record for the number of stockholders was for the fourth quarter of 1937, when there were 375,755 stockholders.

It is particularly interesting to note that, of this large number of stockholders, approximately 156,000 individuals have holdings of ten shares or less. The Corporation believes in the broadest possible distribution of



ownership. To the degree that American business is owned by the American public, its security and the opportunities for progress are enhanced.

The number of preferred and common stockholders since 1917 is displayed on page 71 of this report.

### CONCLUSION

On behalf of the Board of Directors, and for ourselves as well, we again express and record appreciation of the efforts of the organization, its loyalty to the institution, the progressiveness of its thinking and the aggressiveness of its action as evidenced by the important advances of the year, notwithstanding the fact that, due to the adverse circumstances prevailing, the tangible results could not have been as important as those of many previous years in the history of the Corporation.

By order of the Board of Directors,

WILLIAM S. KNUDSEN,  
*President*

ALFRED P. SLOAN, JR.,  
*Chairman*

March 15, 1939.

**FINANCIAL STATEMENTS  
AND  
STATISTICS**

**GENERAL MOTORS CORPORATION**  
**SUMMARY OF CONSOLIDATED INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 1938 AND 1937**

	<u>Year Ended</u> <u>Dec. 31, 1938</u>	<u>Year Ended</u> <u>Dec. 31, 1937</u>
<b>Net Sales</b> .....	<u>\$1,066,973,000.26</u>	<u>\$1,606,789,841.02</u>
<b>Profit</b> from operations and income from investments (including dividends received from subsidiary companies not consolidated) after all ex- penses incident thereto, and after providing \$47,019,403.85 in 1938 and \$44,453,040.96 in 1937 for depreciation of real estate, plants, and equipment .....	\$ 143,650,024.34	\$ 248,058,728.43
General Motors Corporation's equity in earnings (net) of subsidiary companies not consolidated, less dividends received .....	<u>*9,657,345.30</u>	<u>7,094,601.96</u>
<b>Net Profit</b> from operations and investments .....	<u>\$ 133,992,679.04</u>	<u>\$ 255,153,330.39</u>
<b>Less provision for:</b>		
Interest on employes savings fund less investment fund reversions account of employes savings withdrawn before class maturities .....	\$ 144,238.12	\$ 161,900.18
Employes bonus (based upon cost of stock distribu- table as bonus) .....	\$ 3,271,170.48	\$ 8,725,070.79
Amounts provided for employes bonus payments by certain foreign subsidiaries .....	<u>266,900.00</u>	<u>457,500.00</u>
Total bonus (including amounts provided by subsidiaries not consolidated) .....	\$ 3,538,070.48	\$ 9,182,570.79
Total .....	<u>\$ 3,682,308.60</u>	<u>\$ 9,344,470.97</u>
<b>Net Income before Income and Excess Profits Taxes and Surtaxes</b> .....	<u>\$ 130,310,370.44</u>	<u>\$ 245,808,859.42</u>
<b>Less</b> provision for United States and foreign income and excess profits taxes (includes, in 1937, pro- vision of \$5,736,906.12 for surtax on undistrib- uted profits) .....	<u>28,000,334.15</u>	<u>49,107,135.08</u>
<b>Net Income for the Year</b> .....	<u>\$ 102,310,036.29</u>	<u>\$ 196,701,724.34</u>
<b>General Motors Corporation's Proportion of Net Income</b>	<u>\$ 102,190,006.97</u>	<u>\$ 196,436,598.15</u>
Dividends on preferred capital stock—\$5 series (less dividends applicable to stock held in treasury) .	<u>9,178,220.00</u>	<u>9,178,220.00</u>
<b>Amount Earned on Common Capital Stock</b> .....	<u>\$ 93,011,786.97</u>	<u>\$ 187,258,378.15</u>
Average number of shares of common capital stock outstanding during the year .....	42,921,603	42,783,554
<b>Amount Earned Per Share of Common Capital Stock</b> . . .	<u>\$2.17</u>	<u>\$4.38</u>

NOTE: The above earnings do not include such portion of the earnings of foreign subsidiaries as cannot be remitted on account of foreign exchange restrictions.

\*For the year 1938 dividends received were in excess of the Corporation's equity in earnings (net) of subsidiary companies not consolidated.

**GENERAL MOTORS CORPORATION**  
**SUMMARY OF CONSOLIDATED SURPLUS**  
**FOR THE YEARS ENDED DECEMBER 31, 1938 AND 1937**

	<u>Year Ended</u> <u>Dec. 31, 1938</u>	<u>Year Ended</u> <u>Dec. 31, 1937</u>
<b>Earned Surplus</b> at beginning of year.....	<u>\$394,789,741.80</u>	<u>\$368,081,225.31</u>
General Motors Corporation's Proportion of Net Income, per Summary of Consolidated Income.....	<u>102,190,006.97</u>	<u>196,436,598.15</u>
<b>Earned Surplus</b> before dividends.....	<u>\$496,979,748.77</u>	<u>\$564,517,823.46</u>
<b>Less</b> cash dividends paid or accrued:		
Preferred capital stock—\$5 series.....	<u>\$ 9,376,830.00</u>	<u>\$ 9,376,830.00</u>
Common capital stock:		
Mar. 12 (\$0.25 on 43,500,000 shares in 1938)....	<u>\$ 10,875,000.01</u>	<u>\$ 10,874,999.99</u>
June 13 (\$0.25 on 43,500,000 shares in 1938)....	<u>10,875,000.01</u>	<u>43,500,000.00</u>
Sept. 12 (\$0.25 on 43,500,000 shares in 1938)....	<u>10,875,000.00</u>	<u>43,500,000.00</u>
Dec. 12 (\$0.75 on 43,500,000 shares in 1938)....	<u>32,625,000.08</u>	<u>65,250,000.16</u>
Total.....	<u>\$ 65,250,000.10</u>	<u>\$163,125,000.15</u>
Total cash dividends paid or accrued... ..	<u>\$ 74,626,830.10</u>	<u>\$172,501,830.15</u>
Less amount received or accrued by General Motors Corporation on capital stock held in treasury:		
Preferred capital stock—\$5 series.....	<u>\$ 198,610.00</u>	<u>\$ 198,610.00</u>
Common capital stock.....	<u>863,579.40</u>	<u>2,575,138.49</u>
Total.....	<u>\$ 1,062,189.40</u>	<u>\$ 2,773,748.49</u>
Net cash dividends paid or accrued.....	<u>\$ 73,564,640.70</u>	<u>\$169,728,081.66</u>
<b>Earned Surplus</b> at end of year.....	<u>\$423,415,108.07</u>	<u>\$394,789,741.80</u>

NOTE: Earned surplus includes \$23,594,295.22 at December 31, 1938 and \$33,251,640.52 at December 31, 1937 for net earned surplus of subsidiaries not consolidated; also \$1,729,560.21 at December 31, 1938 and \$1,726,848.48 at December 31, 1937 for net earned surplus of companies in which a substantial but not more than 50% interest is held.

# GENERAL MOTORS CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1938 AND 1937

ASSETS	Dec. 31, 1938	Dec. 31, 1937
<b>Current Assets:</b>		
Cash.....	\$ 175,609,305.72	\$ 143,859,608.46
United States Government securities—short term— at cost (less than market).....	65,885,868.26	4,923,976.82
Other marketable securities—short term—at cost (less than market).....	1,400,145.89	2,100,427.17
Sight drafts and C. O. D. items.....	8,526,729.40	8,074,289.93
Notes receivable.....	878,652.22	1,183,538.80
Accounts receivable and trade acceptances (less reserve for doubtful accounts: in 1938, \$2,192,065.85; in 1937, \$2,298,592.06).....	68,155,441.38	53,610,611.99
Inventories at cost or less (not in excess of market)	199,871,639.83	279,146,383.45
<b>Total Current Assets.....</b>	<b>\$ 520,327,782.70</b>	<b>\$ 492,898,836.62</b>
 <b>Investments and Miscellaneous:</b>		
Subsidiary companies not consolidated, and mis- cellaneous (Schedule 1).....	\$ 242,477,567.27	\$ 245,563,030.64
General Motors Corporation capital stock held in treasury for corporate purposes (in 1938, 637,719 shares common, \$14,688,179.92; 39,722 shares \$5 series no par preferred, \$3,267,219.38)	17,955,399.30	25,021,584.21
<b>Total Investments and Miscellaneous.....</b>	<b>\$ 260,432,966.57</b>	<b>\$ 270,584,614.85</b>
 <b>Real Estate, Plants, and Equipment.....</b>	<b>\$ 758,830,737.78</b>	<b>\$ 747,817,793.75</b>
<b>Prepaid Expenses and Deferred Charges.....</b>	<b>\$ 8,098,056.03</b>	<b>\$ 5,049,864.58</b>
<b>Goodwill, Patents, Etc.....</b>	<b>\$ 50,322,686.38</b>	<b>\$ 50,322,686.38</b>
 <b>TOTAL ASSETS.....</b>	<b>\$1,598,012,229.46</b>	<b>\$1,566,673,796.18</b>

NOTES: Current receivables include amounts of \$26,726,999.65 at December 31, 1938 and \$16,056,570.23 at December 31, 1937 due from General Motors Acceptance Corporation, representing principally in-transit items in connection with current financing of sales of the Corporation's products; \$2,032,581.95 at December 31, 1938 and \$3,199,231.50 at December 31, 1937, representing current accounts due from subsidiary companies not consolidated; and \$95,759.11 at December 31, 1938 and \$90,237.49 at December 31, 1937 due from officers and employees.

There are reflected in treasury stock as shown above, in connection with the operation of the General Motors Corporation Bonus Plan, 263,620 shares of General Motors Corporation common stock at December 31, 1938 and 220,971 shares at December 31, 1937, representing the respective equivalents of 263,620 shares of GM Shares, Inc. Class B stock held at December 31, 1938 and 107,660 shares of Class B stock and 12,743 shares of common stock of General Motors Management Corporation held at December 31, 1937. As explained on Page 55, General Motors Management Corporation was consolidated into GM Shares, Inc. during 1938.

LIABILITIES, RESERVES, AND CAPITAL	Dec. 31, 1938	Dec. 31, 1937
<b>Current Liabilities:</b>		
Accounts payable.....	\$ 61,355,358.03	\$ 55,372,055.41
Taxes, payrolls, warranties, and sundry accrued items.....	35,647,453.22	39,320,117.42
United States and foreign income and excess profits taxes and surtaxes.....	30,089,040.68	46,669,257.06
Employes savings funds, payable within one year	4,462,714.32	2,758,485.73
Accrued dividends on preferred capital stock.....	1,529,703.34	1,562,805.00
<b>Total Current Liabilities.....</b>	<b>\$ 133,084,269.59</b>	<b>\$ 145,682,720.62</b>
<b>Other Liabilities:</b>		
Employes savings funds, payable subsequent to one year.....	\$ 4,407,159.33	\$ 8,008,159.10
Employes bonus (based upon cost of stock dis- tributable as bonus).....	3,086,395.79	8,725,070.79
Taxes, warranties, and miscellaneous.....	17,607,282.02	14,960,711.56
<b>Total Other Liabilities.....</b>	<b>\$ 25,100,837.14</b>	<b>\$ 31,693,941.45</b>
<b>Reserves:</b>		
Depreciation of real estate, plants, and equipment	\$ 362,488,520.30	\$ 339,351,531.73
Sundry and contingencies.....	29,498,281.16	30,337,014.73
<b>Total Reserves.....</b>	<b>\$ 391,986,801.46</b>	<b>\$ 369,688,546.46</b>
<b>Capital Stock and Surplus:</b>		
Capital stock of General Motors Corporation:		
Preferred, no par value, stated value \$100 per share (authorized, 6,000,000 shares; issued, 1,875,366 shares of \$5 series).....	\$ 187,536,600.00	\$ 187,536,600.00
Common, \$10 par value (authorized, 75,000,000 shares; issued, 43,500,000 shares).....	435,000,000.00	435,000,000.00
<b>Total Capital Stock.....</b>	<b>\$ 622,536,600.00</b>	<b>\$ 622,536,600.00</b>
Interest of minority stockholders in subsidiary company with respect to capital and surplus, represented at December 31, 1938 by prefer- ence stock of subsidiary in hands of public....	1,888,613.20	2,282,245.85
Earned surplus.....	423,415,108.07	394,789,741.80
<b>Total Capital Stock and Surplus.....</b>	<b>\$1,047,840,321.27</b>	<b>\$1,019,608,587.65</b>
<b>TOTAL LIABILITIES, RESERVES, AND CAPITAL.....</b>	<b>\$1,598,012,229.46</b>	<b>\$1,566,673,796.18</b>

CONTINGENT LIABILITIES: Claims in respect of back taxes, patent infringements, and other matters incident to the ordinary course of business, together with other contingencies, involve amounts totalling approximately \$17,000,000.00. There is no way of determining the amount for which these claims may eventually be settled but in the opinion of the management and counsel, amounts included in other liabilities and contingency reserves on the books of the Corporation and its consolidated subsidiaries are adequate to cover all settlements that may be made. In addition, there is the claim of the Commissioner of Internal Revenue for \$15,342,369.00, together with interest from 1927, arising out of the acquisition of the assets of the Fisher Body Corporation. No provision has been made for any possible loss in connection with this case for the reason that it is believed to have been a tax-free reorganization. This position was upheld by the United States Board of Tax Appeals, and the case is now pending upon appeal by the Commissioner to the Circuit Court of Appeals.

## GENERAL MOTORS CORPORATION

## INVESTMENTS

DECEMBER 31, 1938 AND 1937

	Dec. 31, 1938	Dec. 31, 1937
<b>Investments in Wholly Owned Companies which are Carried at Net Worth as Shown by the Books of the Several Companies:</b>		
General Motors Acceptance Corporation.....	\$ 85,572,119.64	\$ 84,915,319.03
General Exchange Insurance Corporation.....	12,479,574.75	22,754,927.44
Modern Dwellings, Limited (consolidated in 1938)	—	102,991.52
Other (consolidated in 1938).....	—	371,657.78
<b>Investments in Subsidiary Companies which are Carried at Cost Adjusted to Include the Corporation's Proportion of Undivided Profits or Losses since Acquisition:</b>		
Yellow Truck & Coach Manufacturing Company (includes \$9,668,265.01 representing 7% preferred stock).....	28,354,918.44	28,603,125.74
Vauxhall Motors Limited.....	20,452,754.99	17,420,170.64
Adam Opel A. G.....	*34,890,024.38	*35,030,627.74
Automobile dealerships held by Motors Holding Division.....	9,242,312.68	8,857,536.44
<b>Investments in Companies not more than 50% owned which are Carried at Cost Adjusted to Include the Corporation's Proportion of Undivided Profits or Losses at December 31, 1935, and Net Decreases in Its Equities since that Date or Net Recoveries of Losses Absorbed to that Date:</b>		
Ethyl Gasoline Corporation.....	11,346,700.21	4,432,428.55
Bendix Aviation Corporation.....	15,341,659.78	15,341,659.78
North American Aviation, Inc.....	4,510,611.12	4,507,308.01
Kinetic Chemicals, Inc.....	652,617.87	554,617.87
<b>Investments in Other Companies which are Carried at Cost:</b>		
National Bank of Detroit common stock.....	6,615,375.00	6,712,525.00
Other.....	381,780.00	1,033,026.26
<b>Miscellaneous:</b>		
Balances in closed banks (less reserves: in 1938, \$1,867,995.89; in 1937, \$1,871,776.12).....	1,908,674.44	3,541,194.95
Land contracts and mortgages (held principally by housing divisions), bonds, and notes.....	6,028,342.93	6,363,591.82
GM Shares, Inc.—19,495 shares common stock in 1938; General Motors Management Corporation—6,752 shares common stock in 1937 (see balance sheet note).....	394,407.91	1,361,779.31
Cash and securities in excess of operating needs subject to exchange restrictions in foreign countries (less reserves: in 1938, \$4,534,787.17; in 1937, \$659,053.53).....	3,328,375.58	2,322,975.58
Other (in 1938 including one realty subsidiary, \$304,000.00).....	977,317.55	1,335,567.18
<b>Total Investments in Subsidiary Companies Not Consolidated, and Miscellaneous.....</b>	<b>\$242,477,567.27</b>	<b>\$245,563,030.64</b>

NOTE: The above schedule does not include investments in three foreign subsidiaries excluded from consolidation in 1938 (\$1,016,315.47) and one excluded in 1937 (\$442,795.64) which are offset by reserves.

\* In recognition of foreign exchange restrictions, no effect has been given herein to earnings of Adam Opel A. G. since December 31, 1933.

# HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET  
NEW YORK

February 28, 1939.

General Motors Corporation,  
1775 Broadway,  
New York.

Dear Sirs:

We have made an examination of the Condensed Consolidated Balance Sheet of General Motors Corporation and its subsidiaries as of December 31, 1938 and 1937, and of the related Summaries of Consolidated Income and Surplus for the years ended those dates. For the year ended December 31, 1938, and for the twenty preceding years, we have examined or tested the accounting records of the companies and other supporting evidence, have made general reviews of their accounting methods and operating accounts, and have reviewed the methods of internal control and audit procedure, which appear to be effective, but have not made detailed audits of the transactions.

In our opinion, based upon such examination, the accompanying Condensed Consolidated Balance Sheet and related Summaries of Consolidated Income and Surplus fairly present, in accordance with accepted principles of accounting consistently followed by the companies, their consolidated financial condition at December 31, 1938 and 1937, and the results of their operations for the years ended those dates.

Yours truly,

HASKINS & SELLS

# GENERAL MOTORS ACCEPTANCE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1938

### ASSETS

**Current Assets:**

Cash:

United States and Canada.....	\$ 42,179,904.81	
Other Countries (Note A).....	1,229,009.41	\$ 43,408,914.22

Notes and Bills Receivable (including instalments maturing after one year, of which approximately \$5,300,000 mature after 1940):

United States and Canada (Note B).....	\$353,768,342.59	
Other Countries (Note A).....	26,888,027.81	
<b>Total</b> .....	<b>\$380,656,370.40</b>	

Deductions:

Unearned Income.....	\$ 15,754,469.19	
Reserve for Losses on Notes and Bills Receivable.....	6,436,208.45	
<b>Total Deductions</b> .....	<b>\$ 22,190,677.64</b>	

Notes and Bills Receivable, Less Deductions..... 358,465,692.76

Accounts Receivable (including affiliated companies, \$257,427.62).....

632,000.41

**Total Current Assets**..... **\$402,506,607.39**

Investments (Note C)..... 260,074.11

Company Automobiles and Office Equipment, Less Depreciation..... 764,919.60

**Deferred Charges:**

Prepaid Discount (Notes Payable).....	\$ 544,369.91	
Unamortized Discount and Expense (Long-Term Debt).....	374,823.97	
Other.....	231,862.07	1,151,055.95

**Total**..... **\$404,682,657.05**

### LIABILITIES, CAPITAL STOCK AND SURPLUS

**Current Liabilities:**

Notes and Loans Payable:

United States and Canada (including \$3,750,000.00 due in 1940).....	\$133,309,482.84	
Other Countries (including affiliated companies, \$117,050.00) (Note A).....	20,272,289.54	\$153,581,772.38

3¼% Notes, Called for Redemption February 1, 1939, Including Premium..... 8,040,000.00

Accounts Payable:

Due to General Motors Corporation and Other Affiliated Companies (for wholesale paper purchased, insurance premiums, etc.).....	\$ 29,076,214.17	
Other.....	892,094.97	29,968,309.14

Accrued Liabilities:

Interest.....	\$ 1,446,248.83	
Federal Income and Other Taxes.....	4,976,960.02	6,423,208.85

Dealers' Repossession Loss Reserves..... 16,625,363.00

**Total Current Liabilities**..... **\$214,638,653.37**

**Long-Term Debt:**

Ten-Year 3% Debentures, due August 1, 1946.....	\$ 50,000,000.00	
Fifteen-Year 3¼% Debentures, due August 1, 1951....	50,000,000.00	100,000,000.00

Contingency and Other Reserves..... 4,471,884.04

**Capital Stock and Surplus:**

Capital Stock—\$100 par, authorized and outstanding, 500,000 shares.....	\$ 50,000,000.00	
Paid-In Surplus.....	11,250,000.00	
Earned Surplus.....	8,750,000.00	
Undivided Profits.....	15,572,119.64	85,572,119.64

**Total**..... **\$404,682,657.05**

**Notes:**

- (A) Cash of \$742,317.76 and Notes and Bills Receivable of \$13,180,011.23 were pledged as collateral against bank borrowings amounting to \$11,106,266.88 in countries other than the United States and Canada.  
 (B) Includes \$6,015,899.34 from General Motors Corporation affiliated dealership companies.  
 (C) Includes \$22,063.74 representing net assets in the Spanish operation; the liabilities of such operation include \$187,437.50 of bank obligations guaranteed by the Corporation.



# GENERAL MOTORS CORPORATION

## RECORD OF SALES, EARNINGS AND DIVIDENDS

Net sales, net income, amount paid in dividends and the amount reinvested in the business since the beginning of the present General Motors Corporation of Delaware are shown in the following table. Net income and amount reinvested in the business beginning with 1922 include General Motors Corporation's equity in earnings (net) of subsidiary companies not consolidated.

Year Ended Dec. 31	Net Sales	Net Income Available for Dividends	Preferred Dividends	Balance Available for Common Stock	Cash Dividends Paid on Common Stock	% Income Disbursed in Cash Dividends on Preferred and Common Stocks	Income Reinvested in the Business
1917§	\$ 96,295,741	\$ 14,294,482	\$ 491,890	\$ 13,802,592	\$ 2,294,199	19.49%	\$ 11,508,393
1918	269,796,829	14,825,530	1,920,467	12,905,063	11,237,310	88.75%	1,667,753
1919	509,676,694	60,005,484	4,212,513	55,792,971	17,324,541	35.89%	38,468,430
1920	567,320,603	37,750,375	5,620,426	32,129,949	17,893,289	62.29%	14,236,660
1921	304,487,243	*88,680,770	6,310,010	*44,990,780	20,468,276	—	† 65,459,056
1922	463,706,733	54,474,493	6,429,228	48,045,265	10,177,117	30.48%	37,868,148
1923	698,038,947	72,008,955	6,887,371	65,121,584	24,772,026	43.97%	40,349,558
1924	568,007,459	51,623,490	7,272,637	44,350,853	25,030,632	62.57%	19,320,221
1925	734,592,592	116,016,277	7,639,991	108,376,286	61,935,221	59.97%	46,441,065
1926	1,058,153,338	186,231,182	7,645,287	178,585,895	103,930,993	59.91%	74,654,902
1927	1,269,519,673	235,104,826	9,109,330	225,995,496	134,836,081	61.23%	91,159,415
1928	1,459,762,906	276,468,108	9,404,756	267,063,352	165,300,002	63.19%	101,763,350
1929	1,504,404,472	248,282,268	9,478,681	238,803,587	156,600,007	66.89%	82,203,580
1930	983,375,137	151,098,992	9,538,660	141,560,332	130,500,002	92.68%	11,060,330
1931	808,840,723	96,877,107	9,375,899	87,501,208	130,500,001	144.38%	† 42,998,798
1932	432,311,868	164,979	9,206,387	*9,041,408	53,993,330	—	† 63,034,738
1933	569,010,542	83,213,676	9,178,845	74,034,831	53,826,355	75.71%	20,208,476
1934	862,672,670	94,769,131	9,178,220	85,590,911	64,443,490	77.69%	21,147,421
1935	1,155,641,511	167,226,510	9,178,220	158,048,290	96,476,748	63.18%	61,571,542
1936	1,439,289,940	238,482,425	9,178,220	229,304,205	192,903,299	84.74%	36,400,906
1937	1,606,789,841	196,436,598	9,178,220	187,258,378	160,549,861	86.40%	26,708,517
1938	1,066,973,000	102,190,007	9,178,220	93,011,787	64,386,421	71.99%	28,625,366

The earnings and dividends paid per share of present \$10 par value common stock (outstanding since 1929) for 1929 and subsequent years have been as follows:

Year	Earnings Per Share	Dividends Paid	Year	Earnings Per Share	Dividends Paid
1929	\$5.49	\$3.60	1934	\$1.99	\$1.50
1930	3.25	3.00	1935	3.69	2.25
1931	2.01	3.00	1936	5.35	4.50
1932	* .21	1.25	1937	4.38	3.75
1933	1.72	1.25	1938	2.17	1.50

NOTE: General Motors Corporation of Delaware was incorporated October 13, 1916, succeeding General Motors Company of New Jersey, organized September 16, 1908.

§ 5 months ended December 31, 1917.

\* Deficit.

† Decrease in surplus.

## UNIT SALES OF CARS AND TRUCKS

The following table shows unit sales of General Motors passenger cars and trucks to dealers in the United States and Canada, including overseas shipments to assembly plants and warehouses; production by foreign manufacturing subsidiaries; and total unit sales from all sources for 1919 and subsequent years:

Year	Unit Sales to Dealers in the United States and Canada, including Overseas Shipments			Unit Sales of Foreign Manufac- turing Subsidiaries*		Total Unit Sales from All Sources
	Passenger Cars	Trucks	Total	Passenger Cars	Trucks	
1919	368,338	23,400	391,738	—	—	391,738
1920	353,033	40,042	393,075	—	—	393,075
1921	208,443	6,356	214,799	—	—	214,799
1922	443,625	13,138	456,763	—	—	456,763
1923	774,617	23,938	798,555	—	—	798,555
1924	562,553	24,788	587,341	—	—	587,341
1925	787,148	48,754	835,902	—	—	835,902
1926	1,121,771	113,079	1,234,850	—	—	1,234,850
1927	1,348,307	214,441	1,562,748	—	—	1,562,748
1928	1,552,617	258,189	1,810,806	—	—	1,810,806
1929	1,554,304	344,963	1,899,267	—	—	1,899,267
1930	997,937	160,356	1,158,293	7,682	8,140	1,174,115
1931	896,271	137,247	1,033,518	25,588	15,603	1,074,709
1932	448,193	77,534	525,727	21,429	15,814	562,970
1933	671,880	130,224	802,104	46,918	20,013	869,035
1934	902,324	226,002	1,128,326	81,885	30,236	1,240,447
1935	1,324,858	239,394	1,564,252	116,166	35,270	1,715,688
1936	1,599,777	266,812	1,866,589	120,020	51,081	2,037,690
1937	1,646,308	282,473	1,928,781	132,207	55,909	2,116,897
1938	930,301	177,706	1,108,007	149,244	50,498	1,307,749

\*There are included above passenger cars and trucks manufactured by Opel since July 1, 1930 and by Vauxhall since April 1, 1930.

## EMPLOYEES SAVINGS AND INVESTMENT FUNDS

A summary of the condition of unmatured Classes of the Employees Savings and Investment Funds at December 31, 1938 (including the Class of 1933 which matured December 31, 1938), and of the results of the matured Classes since establishment of the Plan in 1919, follows:

	Class 1933	Class 1934	Class 1935	Total Unmatured Classes (1933 to 1935† Inclusive)	Total Matured Classes (1919 to 1932 Inclusive)	Aggregate All Classes (1919 to 1935† Inclusive)
<b>Employees Savings Fund</b>						
	\$	\$	\$	\$	\$	\$
Net amount paid in by employees..	1,204,990	4,654,045	7,196,928	13,055,963	107,516,080	120,572,043
Interest credited by Corporation..	253,275	899,287	1,012,457	2,165,019	22,560,077	24,725,096
<b>Total</b> .....	<b>1,458,265</b>	<b>5,553,332</b>	<b>8,209,385</b>	<b>15,220,982</b>	<b>130,076,157</b>	<b>145,297,139</b>
Withdrawals by employees.....	527,491	1,747,352	2,838,004	5,112,847	76,662,315	81,775,162
Balance credited to employees.....	930,774	3,805,980	5,371,381	*10,108,135	53,413,842	63,521,977
<b>Employees Investment Fund</b>						
Amount paid in and invested in stock by Corporation**.....	301,247	1,628,916	2,518,925	4,449,088	63,807,789	68,256,877
Income received.....	115,090	558,080	596,632	1,269,802	26,628,777	27,898,579
<b>Total Invested</b> .....	<b>416,337</b>	<b>2,186,996</b>	<b>3,115,557</b>	<b>5,718,890</b>	<b>90,436,566</b>	<b>96,155,456</b>
Withdrawals by employees.....	73,189	283,117	247,104	603,410	13,199,213	13,802,623
<b>Balance</b> .....	<b>343,148</b>	<b>1,903,879</b>	<b>2,868,453</b>	<b>5,115,480</b>	<b>77,237,353</b>	<b>82,352,833</b>
Amount invested for employees remaining in Savings Fund.....	271,451	1,508,003	2,023,787	3,803,241	47,000,635	50,803,876
Amount reverting to Corporation on basis of original cost of stock (balance in Investment Fund after deducting amount invested for employees).....	71,697	395,876	844,666	1,312,239	30,236,718	31,548,957

NOTES: Under the 1919, 1920 and 1921 Plan the Corporation guaranteed to the employees in the Investment Fund at maturity an amount equal to one hundred per cent of their credits in the Savings Fund. Forfeitures in the Investment Fund on account of withdrawals did not revert to the Corporation. Beginning with the Class of 1922, up to and including the Class of 1930, the Plan was amended to provide that thereafter forfeitures in the Investment Fund would revert to the Corporation and that it guarantee that the Investment Fund at maturity would equal an amount equivalent to fifty per cent of the Savings Fund credits. Beginning with the Class of 1931, this guarantee was discontinued; but, however, there is a reversion to the Corporation on account of withdrawals. The amounts reported for the 1919 through 1930 Classes include Canadian Savings Fund accounts at par; the amounts reported for the 1931, 1932, 1934 and 1935 Classes include Canadian Savings Fund accounts converted into United States funds at the rate of exchange prevailing at the close of those classes; there is no Canadian participation for the Class of 1933. The above figures do not include separate Funds established by overseas subsidiaries.

† The Employees Savings and Investment Plan was suspended as of December 31, 1935, and no new classes have been formed since that date.

\* Includes amounts applied by employees to purchase of homes.

\*\* Includes additional amounts required to meet the guarantee for the 1927, 1928 and 1929 Classes.

## PAYROLLS AND NUMBER OF EMPLOYEES

The annual payrolls of General Motors Corporation, including salaries and wages, for 1921 and subsequent years, not including certain subsidiary companies, such as Adam Opel A.G., Vauxhall Motors Ltd., Yellow Truck & Coach Manufacturing Company, and Fisher Body Corporation prior to the acquisition of the minority interest as of June 30, 1926, have been as follows:

1921.....\$ 66,020,481	1927.....\$302,904,988	1933.....\$171,184,315
1922..... 95,128,435	1928..... 365,352,304	1934..... 263,204,225
1923..... 138,290,734	1929..... 389,517,783	1935..... 327,677,624
1924..... 110,478,000	1930..... 279,410,144	1936..... 384,153,022
1925..... 136,747,178	1931..... 236,520,474	1937..... 460,451,744
1926..... 220,918,568	1932..... 143,255,070	1938..... 300,825,930

The number of employes of the Corporation, not including certain subsidiary companies, for 1938 and prior years has been as follows:

1909...14,250	1915...21,599	1921...45,965	1927...175,666	1933...137,764
1910...10,000	1916...25,666	1922...65,345	1928...208,981	1934...191,157
1911...11,474	1917...25,427	1923...91,265	1929...233,286	1935...211,712
1912...16,584	1918...49,118	1924...73,642	1930...172,938	1936...230,572
1913...20,042	1919...85,980	1925...83,278	1931...157,586	1937...261,977
1914...14,141	*1920...80,612	**1926...129,538	1932...116,152	1938...189,039

\*Beginning with the year 1920 figures shown in this table are averages for the year.

\*\*Average for 1926 does not include Fisher Body prior to June 30.

## BONUS AWARDS

The General Motors Bonus Plan, established in 1918, provides that there may be set aside each year as a bonus fund 10% of the Corporation's net earnings after deducting 7% on the net capital employed in the business, to be invested in General Motors common stock. For the period 1923 through 1936, only one-half the fund, or 5% of net earnings, was set aside for distribution as bonus. Another 5% of net earnings was paid to Managers Securities Company from 1923 through 1929, and to General Motors Management Corporation from 1930 through 1936. Beginning with the year 1937, the bonus fund has been awarded in the form of General Motors common stock under the Bonus Plan. When stock is not purchased during the year and is available in the Corporation's treasury, the number of shares to be distributed is limited to the number computed by dividing the amount of the bonus fund by the average daily market price of General Motors common stock during the year. Stock awarded to employes in the bonus group, composed of those receiving salaries at an annual rate of less than \$4,200 a year, is delivered immediately, while stock awarded to employes receiving salaries of \$4,200 or more is delivered one-fourth at the time of the award and the balance in three equal annual instalments. A record of the awards follows:

Year	Number of Bonus Awards	Number of Shares of Common Stock Awarded (a)	Year	Number of Bonus Awards	Number of Shares of Common Stock Awarded (a)
1918.....	2,279	26,146	1929.....	2,839	167,378
1919.....	6,453	214,659 (b)	1930.....	1,933	117,624 (d)
1920.....	6,578	84,966 (b)	1931.....	1,377	65,897 (d)
1921.....	(c)	(c)	1932.....	(c)	(c)
1922.....	550	95,857	1933.....	1,234	51,440
1923.....	647	120,681	1934.....	1,484	71,664
1924.....	676	15,370	1935.....	2,312	189,010
1925.....	947	46,043	1936.....	9,483	211,799
1926.....	1,514	84,869	1937.....	10,026	252,086
1927.....	2,007	110,689	1938.....	(e)	78,750 (e)
1928.....	2,504	78,188			

Note: Excludes amounts provided for employes bonus payments by certain foreign subsidiaries.

(a) Common stock awarded: In year 1918—\$100 par value; 1919 through 1923—no par value (old); 1924 through 1926—no par value (new); 1927 and 1928—\$25 par value; and thereafter in present \$10 par value.

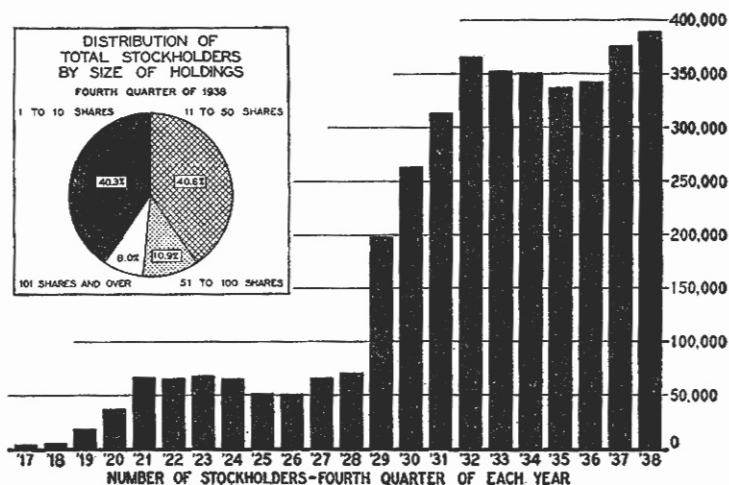
(b) In addition to the common stock awarded in 1919 and 1920, 18,934 shares of 7% debenture stock were awarded, of which 14,191 shares applied to the 1919 awards and 4,743 shares to the 1920 awards.

(c) No bonus was available for the years 1921 and 1932.

(d) Bonus awards in 1930 and 1931 were in Class A stock of the General Motors Management Corporation which was equivalent, share for share, to General Motors common stock.

(e) Although 78,750 shares of common stock have been set aside for bonus purposes, the awards have not yet been made.

## NUMBER OF GENERAL MOTORS STOCKHOLDERS



1917	2,920	1924	66,097	1932	365,985
1918	4,739	1925	50,917	1933	351,761
1919	18,214	1926	50,369	1934	350,164
1920	36,894	1927	66,209	1935	337,218
1921	66,837	1928	71,185	1936	342,384
1922	65,665	1929	198,600	1937	375,755
1923	68,063	1930	263,528	1938	389,509
		1931	313,117		

## TOTAL NUMBER OF CARS AND TRUCKS OF ALL MAKES REGISTERED IN THE UNITED STATES

