Mr. ELLIS. Yes; return on the stockholders' investment, using the stockholders' total equity.

Senator DOUGLAS. Just a moment. You mean the market value of stocks?

Mr. ELLIS. No. What the stockholders have put in. The common stock, the preferred stock, and the surplus of a corporation.

Senator DOUGLAS. Excluding bonds?

Mr. ELLIS. It would make very little difference if you did include bonds and took the rate on total investment. It is not readily available.

Senator DOUGLAS. You mean the amount realized from the sale of stock?

Mr. ELLIS. No. I mean corporate profits after taxes, divided by stockholders' equity.

Senator DOUGLAS. That is what I am trying to get at, the definition of the denominator.

Mr. ELLIS. The stockholders' equity is the sum of the book value of common stock, preferred stock, and surplus.

Senator DOUGLAS. Book value?

Mr. ELLIS. Book value. What the stockholders have put in and what has been retained for them, of course, by the corporation in the form of surplus.

Senator DOUGLAS. Does this include capital and surplus?

Mr. ELLIS. Yes; capital and surplus. Common stock, preferred stock, and surplus. That figure divided into the reported corporate profit after taxes.

Senator DOUGLAS. Do you think the denominator might be inflated?

Mr. ELLIS. In what way?

Senator DOUGLAS. Well, I just ask you whether you would accept the denominator as a true mirror of investment.

Mr. ELLIS. Yes; I do. I do not think it would be inflated in the sense that some of this money might have been put in 20, 30, or 40 years ago. That certainly would not be inflated now. That is not changed from the amount put in at that time. It is not the market value of the common stock. It would not be inflated that way. It is the original amount put in.

Senator BUSH. This equity is also the depreciated value of these investments, as reflected in the capital and surplus figures?

Mr. ELLIS. No; depreciation does not affect this. This is the amount put in. It does not change. Once it is put in, it is there, and it is not affected by depreciation.

Senator BUSH. Does it not affect the surplus figure?

Mr. ELLIS. No. Depreciation would not affect the surplus figure. Depreciation would affect the net value of the physical assets, the difference between the cost of a plant and its current depreciated value; but that would not affect the common stock and surplus.

Senator BUSH. But if you charged depreciation in a given year, that comes out of your earnings, and your earnings over what you pay out would go into surplus?

Mr. ELLIS. That is right.