Taylor & Francis
Online

Journal of Economic Issues ›
Volume 35, 2001 - Issue 2: Papers From The 2001 AFEE Meeting

18 Views | 1 CrossRef citations to date | 0 Altmetric

Papers

The Stock Watering Debate: More Light, Less Heat

Eric R. Hake

Pages 423-430 | Published online: 05 Jan 2016

Cite this article https://doi.org/10.1080/00213624.2001.11506376

Sample our
Economics, Finance,
Business & Industry Journals
>> Sign in here to start your access
to the latest two volumes for 14 days

References Citations Metrics Reprints & Permissions

Read this article Share

Click to increase image size

JOURNAL OF ECONOMIC ISSUES
Vol. XXXV No. 2 June 2001

The Stock Watering Debate: More Light, Less Heat

Eric R. Hake

Stock watering, according to its many critics in the early twentieth century, was a way for unscrupulous robber barons to bilk money from the American public. It could also be seen as part of the revolution in accounting practice that made corporate capitalism possible. Thorstein Veblen saw this pretty clearly when, in a *New York Times* special report, he somewhat facetiously defended watered stock as a new form of capitalization, "something no self-respecting corporation should be without" (Defense 1903, 6).

The new accounting practices that allowed stock watering should also be seen as the legitimation of claims on the flow of national income. As institutionalists appreciate, the claims on income regarded as legitimate develop from social construction. Even if the unrealistic conditions of the neoclassical model of perfect competition were met, claims on national income would not be innate and natural returns to the value of inputs, being instead a part of a complex system of socially legitimated claims. I therefore offer the following story of stock watering and the change in accounting practice for two reasons: (1) it deals with a fierce conflict over corporate practice from our past and has interest for that reason alone and (2) it affords an illustrative account of how legitimation of new claims on income take place. As ongoing processes of claim legitimation are a central part of the evolution of an economic system, illustrations from the past are likely to sharpen our ability to focus on like processes in the present.

According to the US Industrial Commission testimony of John R. Dos Passos, Chicago lawyer and corporate promoter (1900, 1149):

The author is an Assistant Professor in the Department of Economics, Eastern Illinois University, Charleston, Illinois, USA. *He thanks Anne Mayhew for editorial suggestions. This paper was presented at the annual meeting of the Association for Evolutionary Economics, New Orleans, Louisiana, USA, January 5–7, 2001.*

Previous article View issue table of contents Next article

Log in via your institution

Access through your institution

Log in to Taylor & Francis Online

Log in

Restore content access

Restore content access for purchases made as guest

Purchase options *

Save for later

PDF download + Online access

- 48 hours access to article PDF & online version
- Article PDF can be downloaded
- Article PDF can be printed

EUR 48.00

Add to cart

Issue Purchase

- 30 days online access to complete issue
- Article PDFs can be downloaded
- Article PDFs can be printed

EUR 90.00

Add to cart

* Local tax will be added as applicable

Related Research

People also read | Recommended articles | Cited by 1

The Economics of Urban Sprawl: Inefficiency as a Core Feature of Metropolitan Growth

David H. Ciscel
Journal of Economic Issues
Published online: 5 Jan 2016

Can Entrepreneurial Incentives Revitalize the Urban Inner Core? A Spatial Input-Output Approach

Gary Dymski
Journal of Economic Issues
Published online: 5 Jan 2016

Information for

Authors
R&D professionals
Editors
Librarians
Societies

Open access

Overview
Open journals
Open Select
Dove Medical Press
F1000Research

Opportunities

Reprints and e-prints
Advertising solutions
Accelerated publication
Corporate access solutions

Help and information

Help and contact
Newsroom
All journals
Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy

Cookies Terms & conditions Accessibility

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG