Post

Fortune 500 Firms 1955 V. 2017: Only 60 Remain, Thanks to the Creative Destruction That Fuels Economic Prosperity

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Only These 60 Companies Were in the Fortune 500 in Both 1955 and 2017		
3M	Dow Chemical	Marathon Oil
Abbott Laboratories	DuPont	McGraw Hill (now S&P Global)
Alcoa	ExxonMobil	Merck
Archer Daniels Midland	Freeport-McMoRan	Monsanto
Ashland	General Electric	Navistar
Avon Products	General Dynamics	NCR
Boeing	General Mills	Northrop Grumman
BorgWarner	General Motors	Owens Corning
Bristol-Myers Squibb	Goodyear Tire and Rubber	Owens-Illinois
Campbell Soup	Hershey	PepsiCo
Caterpillar	Honeywell International	Pfizer
CBS	Hormel Foods	Procter and Gamble
Celanese	IBM	Raytheon
Chevron	International Paper	Rockwell Automation
Coca-Cola	Johnson and Johnson	Sealed Air
Colgate-Palmolive	Kellogg	Textron
ConocoPhillips	Kimberly-Clark	United States Steel
Crown Holdings	Kraft Foods	United Technologies
Cummins	Lear	Weyerhaeuser
Deere	Lockheed Martin	Whirlpool

What do the companies in these three groups have in common?

Group A: American Motors, Brown Shoe, Studebaker, Collins Radio, Detroit Steel, Zenith Electronics and National Sugar Refining.

Group B: Boeing, Campbell Soup, Colgate-Palmolive, Deere, General Motors, IBM, Kellogg, Procter and Gamble, and Whirlpool.

Group C: Amazon, Facebook, eBay, Home Depot, Microsoft, Google, Netflix, Office Depot and Target.

All of the companies in **Group A** were in the Fortune 500 in 1955, but not in 2017.

All of the companies in **Group B** were in the Fortune 500 in both 1955 and 2017.

All of the companies in **Group C** were in the Fortune 500 in 2017, but not 1955.

The list of *Fortune 500* companies in 1955 is available here and for 2017 here (based on sales for the fiscal

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year ended on or before Jan. 31, 2017). Comparing the 1955 *Fortune 500* companies to the 2017 *Fortune 500*, there are **only 60 companies that appear in both lists (see companies in the graphic above)**. In other words, fewer than 12% of the *Fortune 500* companies included in 1955 were still on the list 62 years later in 2017, and 88% of the companies from 1955 have either gone bankrupt, merged with (or were acquired by) another firm, or they still exist but have fallen from the top *Fortune 500* companies (ranked by total revenues). Many of the companies on the list in 1955 are unrecognizable, forgotten companies today (e.g., Armstrong Rubber, Cone Mills, Hines Lumber, Pacific Vegetable Oil, and Riegel Textile).

Economic Lessons: The fact that nearly 9 of every 10 Fortune 500 companies in 1955 are gone, merged, or contracted demonstrates that there's been a lot of market disruption, churning, and **Schumpeterian creative destruction** over the last six decades. It's reasonable to assume that when the Fortune 500 list is released 60 years from now in 2077, almost all of today's Fortune 500 companies will no longer exist as currently configured, having been replaced by new companies in new, emerging industries, and for that we should be extremely thankful. The constant turnover in the Fortune 500 is a positive sign of the dynamism and innovation that characterizes a vibrant consumer-oriented market economy, and that dynamic turnover is speeding up in today's hyper-competitive global economy.

According to a 2016 report by *Innosight* ("Corporate Longevity: Turbulence Ahead for Large Organizations") corporations in the S&P 500 Index in 1965 stayed in the index for an average of 33 years. By 1990, average tenure in the S&P 500 had narrowed to 20 years and is now forecast to shrink to 14 years by 2026. At the current churn rate, about **half of today's S&P 500 firms will be replaced over the next 10 years** as "we enter a period of heightened volatility for leading companies across a range of industries, with the next ten years shaping up to be *the most potentially turbulent in modern history*" according to *Innosight*.

Another economic lesson to be learned from the creative destruction that results in the constant churning of Fortune 500 (and S&P 500) companies over time is that the process of market disruption is being driven by the endless pursuit of sales and profits that can only come from serving customers with low prices, high-quality products and services, and great customer service. If we think of a company's annual sales revenues as the number of "dollar votes" it gets every year from providing goods and services to consumers, we can then appreciate the fact that the Fortune 500 companies represent the 500 companies that have generated the greatest dollar votes of confidence from us as consumers – like Walmart (No. 1 this year at $486 billion in "dollar votes" for 2017, and No. 1 in 10 of the last 13 years), Apple (No. 3 at $216 billion), ExxonMobil (No. 4 at $205 billion), CVS (No. 7 at $178 billion), GM (No. 8 at $166 billion) and Amazon (No. 12 at $136 billion).

As consumers, we should appreciate the fact that we are the ultimate beneficiaries of the ***Schumpeterian creative destruction*** that drives the dynamism of the market economy and results in a constant churning of the firms who are ultimately fighting to attract as many of our dollar votes as possible. The 500 top winners of that competitive battle in any given year are the firms in the Fortune 500, ranked not by their profits, assets or number of employees, but by what is ultimately most important in a market economy: ***their dollar votes (sales revenues).***

Update 1: The table above has been updated to remove CVS and add Colgate-Palmolive. A company called CVS is included in Fortune's 1955 list but it must be a different company than the current CVS Pharmacy company, which didn't start until 1963. By mistake, I left Colgate-Palmolive off the list, it's now been added. Thanks to Gary Hoover for noting these issues in the comments.

Update 2: Both Gary Hoover and Lyle have suggested that AT&T Technologies and the original AT&T, despite sharing essentially the same name are different companies, so I've removed AT&T from the table above.

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