

with results commensurate with the degree of perfection embodied in the standards.

It has been suggested that such a system would tend to limit the salesman's initiative and it must be admitted at once that this is quite true, as far as the salesman's initiative to determine which prospective customers he should call on, and which lines of goods he should offer for sale; but not at all as to his real salesmanship in the presence of the customer. So far we have found that salesmen have accepted the planning with heartiness, and have helped tremendously in its perfection. There is nothing in any system that cannot be perfected or spoiled by the spirit and intelligence of those who are using it. The suggested plan of operation is designed as an aid to the salesman and has been accepted by them in the spirit in which it was designed. The particular salesmen affected so far find that their opportunities for initiative and originality are ample under this plan, as far as we have gone.

E. C. JOHNSON:¹ I think Mr. Dennison's interesting explanation should be clearly understood, and that no one should go away from here and report that according to the Dennison investigation all salesmen sell only fifteen per cent of the time. Salesmen usually put in a good day's work; Mr. Dennison's point is that, of the salesman whose work is not planned and scheduled, so much of his time is taken in planning for himself, in travel and in getting entree to customers, that only fifteen per cent of his time is spent in actual sales talk with the customers. Now I do not believe that percentage will hold good for all lines, for I know of many salesmen whose work is carefully planned and scheduled. But it is interesting and impressive to have figures resulting from careful studies of the utilization of time by salesmen whose work had not been carefully planned and scheduled.

JOHN M. BRUCE:² It seems to me that the sales executive has a far more important job on hand at the minute than a study of the number of calls a salesman should make and the amount of time that a salesman actually spends in productive work, important as these things undoubtedly are.

During the life time of most of us who are now in business we have been enjoying a period of prices that marked a steady rise. Of course, there have been set-backs and slumps in prices, but for the past twenty-five years the whole trend of commodity prices has been steadily upward until a year ago. During this last year we have had a sharper and more drastic de-

¹ President, H. A. Johnson Co., Boston.

² Webb, Kendall & Bruce, New York City.

cline in prices than has ever occurred, so far as I know, in business history; at least in modern times; and we can look for a continued downward tendency in prices for the next twenty or twenty-five years.

This means that the careless methods of doing business will no longer succeed. We cannot make goods, put them in a warehouse, and have them increase in value before they are sold, so that we get more than a trading profit. We have got to watch turnover and watch it keenly every minute. We have got to analyze profits in every line and see to it that the sales force is geared up, not simply to sell volume, which has been all that it was necessary to do in the last twenty-five years, but geared up to make profits; and if a sales force is geared up to make a profit and is shown how to make a profit and given a share of the profit in direct proportion to the share of the profit made in individual cases, a great deal of the sales problem will thereby be solved.

This means, of course, a far greater burden on the executives than they have had to bear in the past. Management for volume has been the history of distribution during the past twenty-five years; but the concern which fails to give this study and analysis, to watch its production, to speed up its turnover and analyze the profit on each line, is going to have an increasingly more difficult job staying out of the receiver's hands.

One other thought: A great many concerns are doing excellent advertising work and some of them are doing very fair sales work, but there are very few concerns which coordinate sales and advertising and carry them along so that they secure the maximum advantage from their advertising expenditure, translated directly into profitable sales.

I understand there is a concern in Boston called the "Tell You Where Company," which is making considerable progress. The purpose of this concern is to acquaint readers of magazines, who call up their telephone number, with the places where nationally advertised products can be secured; and they charge a fee, which I think is twenty-five cents, for each answer which gives the inquirer the name of the store where the nationally advertised product can be purchased.

It certainly is a deplorable fact that an advertising agency or sales manager can have so little consciousness of the tragic sin of omission by recommending such a service to a company. No better or clearer proof could ever be given of the awful lack of coordination between advertising and sales as such a recommendation on the part of a sales manager or agency.

WHY MEN ARE WITHOUT EMPLOYMENT¹

MISCALCULATION OF DEMAND INTENSIFIES THE UPWARD AND DOWNWARD SWING OF BUSINESS

By ARTHUR CECIL PIGOU²

IN social as in individual ills the first step in the search for a remedy is to understand the nature of the disease. Unemployment is a social malady of which we have had repeated experience. The present outbreak is more widespread and more serious than any others of which there are statistical records; but it is not different from others in essential character. Experience of the past and analysis undertaken in the past are, therefore, relevant to present diagnosis. In this article I shall ask two questions. The first is a general one: While, as everybody knows, an enormous mass of human wants remain permanently unsatisfied, how is it that, from time to time, in all countries of the world, a great number of men are thrown into involuntary idleness? The second question is: In what way is the abnormal volume of unemployment that exists now, as compared with other periods of depression, to be accounted for?

The industrial population of this and every other country is divided into a number of groups of people, each group containing in various proportions employers, providers of capital equipment (including land), technical staff and manual workers, and each engaged in some branch of productive activity. The members of each group consume, of course, some part of their output themselves, but, in the main, they exchange it against the output of the remaining groups or of corresponding groups outside the country. The size of the different groups is determined by the tendency of people so to distribute their capital and their mental and manual capacities among different occupations that no one of these is obviously more advantageous than another to a man making choice between them. If everything were working smoothly in a

¹ This article appeared first in the *Contemporary Review*, and later in the *New York Evening Post*, Dec. 20, 1921, p. 8. Reprinted here by permission of the latter.

² Arthur Cecil Pigou is one of the foremost British economists. He has been Professor of Political Economy at Cambridge University since 1908 and is the author of "The Riddle of the Tariff," "Unemployment," "The Economy and Finance of the War," and other notable volumes.

"stationary" state, every group would have exactly as much work to do as it wanted to have, and would obtain regularly, for the proceeds of that work, exactly the amount of other people's products that it had reckoned to obtain when it began its own work. The actual world, however, is not in a "stationary" state, and, consequently, these ideal conditions do not prevail.

WHY DEMAND SLACKENS

On occasions the output of one of the groups in the country, or of one of the groups outside which trade with the country, falls off in consequence of bad harvests, war, labor troubles, or some other cause. When this happens, the group affected will not offer so much of its product as before in exchange for the products of the other groups. Again, it will not offer so much, if, in the recent past, it has for any reason purchased exceptionally large stocks of the products of other groups and so does not, for the time being, need any more of them. In circumstances of this kind the real demand for the products of some, or all, of the other groups falls off, and, in general, therefore, they do not care to work so hard or produce so much of their own product as before.

These fluctuations are made larger than they would otherwise be, because in modern industry many processes of production take a long time, and so each group has to adjust its action, not so much to actual real demands from other groups as to forecasts of their real demands. The way is thus opened up for error. When there is an actual increase, or good ground for expecting an increase, in the real demand for its stuff, an industrial group, warmed in the rising sun of prosperity, often imagines that the outlook is better than it really is. This sort of error is infectious. Each of the groups severally becomes unduly optimistic about the future real demand of the others collectively. Each expects to get, say, twice as much of other people's stuff as before if it provides half as much again of its own; and it decides that this is worth while. When things have worked themselves out, however, it is