New York Metropolitan

October 24: "Some Debated Questions in the Use of Group Incentives" by C. C. Balderston.

November 21: "Scientific Management as a Philosophy of Optimism", by Harlow S. Person, Frank B. Copley and Robert W. Bruère.

University of Pennsylvania

November 14: "The New Day in Management" by Henry P. Kendall.

Reviews

An Approach to Definite Forecasting. By Lincoln W. Hall, The University of Pennsylvania Press, Philadelphia, 1929, pages ix, 142.

Using a number of constructed and observed series, the author describes with considerable repetition a method of determining the principal components of a time series, viz., the cyclical fluctuation, the seasonal variation, and the secular trend, all of which are carefully defined for his purposes. Following this there is set forth in some detail a method by which these components and their relative intensities can be made to indicate the future aspects of the series. Quoting the author, "the purpose of this study is to expound a methodology which is readily adaptable to any and all types of public and private business for their own private use, the data to be expressed in the terms of the units which the particular company supplies to the world."

It is somewhat difficult for the reader to comprehend how the method of forecasting described can be applied first-hand for the ready determination of the future trend of some of the more common and everyday types of industrial commodity statistics. This may be due to the fact that underlying theory is subordinated to exposition of technique while the examples used, being limited to the more fundamental type, do not serve to illustrate adequately the application of this method to products that are beset with greater ranges of short time modifying influences.

For instance, how would the sales director of the X Y Z Motors Corporation use this method to forecast his 1930 and 1931 sales? According to it, he would have to depend for his results on analyses of previous sales of automobiles, both for the industry as a whole and for his company, segregated according to types and models manufactured. These analyses would reveal, possibly, the existence of certain cycles and other components which, with their relative intensities, could be used to set up what might be called a reasonable sales expectancy.

But the sales director must go beyond a reasonable expectation and definitely forecast a sales schedule that can be translated into terms of a definite production schedule. To do this, he may possibly have to take into consideration the probable effect of a poor cotton year in one section of the country, a good wheat year elsewhere, strikes and suspended industrial activity in certain areas, to say nothing of possible heavy market losses in most urban areas.

It might be argued that previous sales figures are the resultant of all phenomena that ever operated positively or negatively on the industry and, consequently, are a tested measure of what is likely to happen in the immediate future. This inclines toward action and reaction theory. But it is not sufficient for really definite forecasting, and to complete the picture one must study the relationships that exist between the various forces that have resulted in establishing certain figures. In other words, it is difficult to escape the necessity of using correlated data to interpret and crystallize into a definite numerical forecast the results obtainable by the the author's method.

Because of its novelty, this book should be of considerably more than ordinary interest to statisticians and others confronted with the necessity of forecasting the movements of time series. While monotonous at times, the expository style employed lends itself well to the subject.

T. R. Snyder[1]

The Useful Art of Economics. By George Soule, The Macmillan Company, New York, 1929, pages 250.

It is never fair to criticize an author for not doing what he does not intend to do. Mr. Soule has here aimed by a brief resumé of some outstanding economic problems, to show that the use of a fresh outlook and the newer methods in economics can probably point the way to improvements in the conduct of economic affairs. And in so far he has succeeded well. But Mr. Soule is an economist of unusual acumen and uncanny insight into the newer attack on economic theories and maladjustments. And those familiar with his shorter writings will, I believe, be a little disappointed that his theme is not a broader one, and his analysis not more inclusive. His aim is frankly popular, yet the effort at simplification has not resulted in a treatise which shows how the study of the newer economics can make sense and point or direction out of the plurality of economic activities. The plurality of problems is well suggested but the synthesizing effort seems to me to be left more to the reader than it should in view of the author's profound understanding of his subject. My own hope is that this volume is but the preface to a more inclusive statement of a new outlook on economic science and events, which Mr. Soule will presently give us. Meanwhile this book will serve a useful purpose, especially to business readers.

Ordway Tead[2]

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How to Solve Typical Business Problems. By William R. Basset, The B. C. Forbes Publishing Company, New York, 1928, pages ix, 223.

The reader of this book is particularly impressed by the variety of solutions to business problems, solutions which require analytic study of the conditions surrounding the many aspects of such problems. Mr. Basset's solutions are quite usual and conservative in industrial engineering practice and are given in a manner which is calculated to impress upon the executive the importance of clear-sighted policy and energetic practice.

The author is on the lookout for maximum profits in all cases as is evidenced by his investigations to obtain such profits on all classes of sales and on what he calls the "outside dollar" of sales. By this latter term, Mr. Basset means those sales which are hard to secure after most of the business in a particular field is obtained. The reviewer is well aware of the fact that maximum earnings generally go hand in hand with variable sales policies which are not always sound policies in building for the future. There are many companies operating on the principles of insurance associations; they know that they cannot make a profit on each sale, but by standards of operation see to making a profit on their entire volume of business. Strict cost accounting is not an economic tool in all cases, neither is standard cost accounting. Their application depends on the nature of the business.

On the economic aspects of industry, Mr. Basset writes that industrial leaders do not consider the relationship between maintaining wages and their sales, in actual practice. Business depressions might more easily be avoided if the close relationship were fully recognized. The reviewer recognizes this relationship and attributes the fact that it is not more generally in effect to the industrial leader whose business does not immediately depend upon the wages he pays. On a broad scale the relationship is important and would require a co-operative industry for its utilization. In the example the author takes, the Ford organization, the management has evidently experienced a closer relationship between its payroll and sales than is the case with most concerns.

The matter of the division of profits into increasing wages for labor and a fair return for the functions of industry presents one of the most serious problems of our economic structure. The author correctly points out that better management methods with increased control over operations will do much toward meeting the problem. Industrial development in the United States particularly has demonstrated that unit costs of labor in production have decreased while wages have increased. In many industries, workers are being paid bare living wages because the managements have not secured a good control over their operations. What such managements save on labor goes into the costs of inefficient management and net profits.

In the matter of sales, the author presents a clear-sighted view of a matter which is very difficult of presentation. The matter of marketing, particularly marketing based on advertising appeal is still far from the scientific stage of measurement. There are times when the courageous application of advertising does not secure the hoped for sales. With the most conservative of the large companies, the relationship between sales and advertising is one of cause and effect. They note from past experiences, that for given expenses of advertising in certain mediums, a satisfying increase of sales and an added assurance of their good-will are secured. The author presents the importance of supplementing advertising with personal salesmanship and he makes the sound suggestion that the work of developing sales and of holding the developed sales should be given to types of men best suited for each kind of sales work. The reviewer makes the suggestion, based on his observation that the buyer does not like an abrupt change in salesmen particularly just after his first order is in, that both the "pioneer" and the "holder" types of salesmen go around together in developing new business and become acquainted with the trade.

In his chapter on purchasing, Mr. Basset presents for consideration the idea that it is just as ethical for the purchasing agent to show competing concerns the prices he is paying as it is to publish selling prices. Undoubtedly savings may be secured in this way, but the method in general practice has been found to lead to cut-throat competition. In instances, competing concerns do not object to the buyer's publishing their quotations.

In his concluding chapters, the author points out the trend of industrial development and its resultant economies. The large industrial organization is in a better position to furnish service because it has the facilities to constantly improve its methods and furnish its services at diminishing costs to the public. The importance of government supervision for fair business practice must be considered in this connection.

Altogether, Mr. Basset has courageously set forth his solutions to business problems, and he will be subjected to the criticism of men who have dealt with the same problems in other ways. The fact that he has secured beneficial results for his clients, entitles his solutions to the interest of executives who are on the lookout for savings.

George G. Berger[3]

A Text Book on Law and Business. By William H. Spencer, The University of Chicago Press, Chicago, 1929, pages ix, 1116.

Professor Spencer, who is Dean of the School of Commerce and Administration of the University of Chicago, several years ago published a three volume work under the title of "Law and Business." That book, though a collection of cases, contained also a considerable amount of interspersed textual matter and a large number of "Problems" or brief statements of facts. It presented the fundamental principles of law in those subjects especially related to business. It is used in various schools of business of university grade.

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