

for instance, to conditions of equilibrium, and that these forces, inter-related with the fortunes of business, are operating in the same direction at a given time in all parts of the country. They need measures of the nature and of the degree of the inter-relation of banking processes, representative of groups broad enough to give them statistical significance. They should welcome facts which indicate for groups of banks the combinations of conditions concerning the composition of their earning assets and of their deposits, and so forth, tending to be associated with relatively high or low gross earnings, expense and net earnings. It is facts of this and of other types which the study discloses, partly as a direct and partly as a by-product of its major purpose—the search for order in our economic system."

The author shows, among others, ratios of loans and investments separately to total earning assets, of deposits to earning assets, of gross earnings to earning assets, and of expenses, both in total and detail, to earning assets; and he then gives correlated relationships between fluctuations in different ratios, so as to measure the inter-relationships of standards and trends in two or more series at the same time. For example, when the ratio of loans and discounts to earning assets is rising, the gross earnings with relation to earning assets will also rise; so it is with total deposits to earning assets which, if relatively large, are apt to be associated with a large ratio of total expenses to earning assets. The converse in each case is of course also true.

The various charts and tables show convincingly that there is a tendency for ratios in the different Federal Reserve districts to move in consonance with the respective ratios of the country as a whole. They also show that the different series of ratios are related to each other as to deviation from type, as to change from year to year, and as to their tendency to regress to the average.

The author shows among other things that the direction of change from year to year for thirty-four large cities in the average money rate charged to customers is the same on four major types of loans: commercial loans, interbank loans, those secured by Liberties, and loans secured by other bonds and stocks.

He points out further that there are geographic differentials in interest rates which tend to persist, but he states also that the rates of interest charged to customers depend among other things upon (1) the personal relation between a bank and the borrower; (2) the collateral offered as security; (3) the time which a loan is to run; (4) the purpose for which it is to be used; and (5) the demand for and the supply of funds available in different parts of the country. He says that the most influential differential operating to make rates differ geographically is the financial and industrial specialization characterizing different parts of the country.)

Throughout the work the author guards himself carefully against drawing inferences which are not supported by his figures.

Operating ratios have been used by accountants and by managers for some years, but this work is at the same time one of the most audacious and complete presentations of the facts of accounting which the reviewer has seen.

Yet the author has it is believed, chosen one of the most promising fields in which to present his theories—namely, commercial banking.

The charts which the author uses are among his most valuable contributions in this work. They are both clear and convincing, and they show that there is a surprising similarity of tendency in various Federal Reserve districts during the same period.

While the following should not be construed as an attempt to detract from the merit of this work, it should be noted that large banks have foreign, trust, and bond departments, the earnings of which modify the picture as a whole and throw individual bank comparisons somewhat out of line. The author is moreover obliged to use gross deposits in many of his comparisons, rather than the net deposits, which would show more truly the available funds obtained from depositors. Net deposits are, however, not generally obtainable.

Gross deposits in large centers are also rather notably higher on the condition statement dates which the author uses, namely, June 30 and December 31, so that the average of all condition reports for a year might be a little better, though the ratio relationships would not be notably changed thereby.

From the standpoint of the individual bank, it is regrettable that the work does not also encompass the net loss ratio, which might be significant considered in comparison with net earnings of the respective years; and that, due to the enormous amount of work involved, this valuable data cannot be prepared more currently, so as to be of maximum corrective value in individual bank comparisons.

The reviewer desires to say finally that this work is a piece of pioneering that commands respect, and that the author has presented the data in a very clear and readable form, considering the involved nature of the matter with which he has had to deal.

ARTHUR K. SCHULZ*

"Factory Labor Turnover" by O. W. Blackett and "Business and the Young Accountant—Vocational Experiences of the College Graduate," by Clarence S. Yoakum, are now available under the Michigan Business Studies. Those interested in securing copies should address the Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, Mich.

Two publications of the World Peace Foundation, 40 Mt. Vernon Street, Boston, Mass., will be of interest to followers of the development of the International Labor Office. "Industry, Governments and Labor" is a record of the International Labor Organization from 1919 to 1928 and the *I. L. O. Illustrated* entitled "Governments, Employers and Workers" adds some interesting illustrative material to the body of actual material contained in the other pamphlet. They may be secured for \$1.40 and \$1.25 respectively from the World Peace Foundation.

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Incentive Wage Systems

By H. K. HATHAWAY

Testimony of Carl G. Barth Before the
Special Committee of the House of
Representatives, 1912

A Boston Section Symposium on the
Older Worker in Industry

Engineering Societies Building
29 W. Thirty-Ninth St.
New York

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