

major changes in distribution of purchasing power have an important bearing on the problems of merchandising," we note first that the increased use of the automobile and the creation of a system of improved highways have produced and are producing a revolutionary shift of purchasing power from smaller to larger centers. The small country town loses trade to the county seat. The county seat, in turn, loses trade, especially in style goods, to the larger towns within automobile radius. The average trading area for consumers outside the urban area has been increased from five or six miles to thirty to 150 miles. The shift of trade away from the smallest communities has made it easier for chain stores to cover the field and is also, in the opinion of Professor Copeland, largely responsible for the weakened position of the wholesalers, many of whom did not realize that their small-town retailer customers were passing out of the picture and that their retailer customers in the larger centers were more easily accessible to their competitors than they used to be.

Another change in the distribution of purchasing power results from the increase in real wages. Workers who before the war had no margin for expenditures above necessities, are now able to secure a more varied diet, better housing, silk stockings and radios. In the period 1913 to 1926, the report states that real wages, that is to say, wages adjusted for changes in the purchasing power of the dollar, rose 18 per cent for wage-earners and real salaries rose 9 per cent. It should be noted in considering these figures that the adjustment for varying purchasing power of the dollar is based on out-of-date analysis of workmen's budgets. Most careful studies of the effect of wage increases on purchasing power would not use these percentages of increase in real wages as an exact quantitative guide. The total number of salaried workers has grown more rapidly than the number of wage-earners. Business men, producing necessities suited to the lowest incomes, find that their market has increased no more than in accord with the population increase, perhaps less, while those producing goods and services of the seminecessitous or comfort grade find a greatly enlarged field.

Another change in type of demand that may be noted is a continued decline in the agricultural population and an increase in the numbers engaged in government work and merchandising.

The above comments are taken from the second section, "Changes in Retail Trading Areas," of Professor Melvin T. Copeland's chapter on Marketing, and from Mr. Morris A. Copeland's chapter on the National Income and its Distribution, supplemented by material in Mr. Wolman's chapter on Consumption and the Standard of Living. I commend all three chapters to the attention of any business man who has found his market weaker than he can explain or is looking for new fields to explore.

6. Another question which I listed was "What methods are proving successful in the personnel management of large corporations?" "Personnel management today," says Mr. H. S. Dennison, in the chapter on Management, "is tending to emphasize the responsibility of line officers for sound relationships, but to give staff personnel men the task of analyzing and criticizing personnel results and devising and installing measures to make them progressively better. The main items of a sound personnel program are:

a. Wages and salaries adjusted to the fair average market level for the type of work done, with due recognition of growing skill, greater responsibility and unusual abilities.

b. An adequate procedure for selecting applicants well suited to the particular job to which assigned. This involves physical examination, in the case of some companies, trade tests or mental tests, and personal interviews.

c. Good system for training, usually, in part by rotation to various related jobs, either in accordance with a schedule or as opportunity offers. Good systems also include conferences, out-of-hour courses, company, department or plant magazines containing some personal notes, some entertaining and some instructive articles, and many illustrations.

d. A regular plan for adjusting compensation at regular intervals, with promotion in rank as well as in pay the normal result of demonstrated excellence.

e. Regularity of employment, with efficiency and length of service important factors when lay-offs are necessary.

f. Sickness disability allowance, death benefits and/or group insurance and/or salary deduction insurance.

g. Pensions on reaching certain specified ages and completing a specified period of service. A pension

Discussion

C. B. Hammond.¹ I am going to confine myself quite rigidly to three points in the paper, selected arbitrarily, which seem to me of particular importance. The first is research, the second the high wage doctrine, and the third is the question of the relation of size to efficiency.

Terminology and habit seem to get in the way of the proper development of research in the field of management. When people speak of research they ordinarily have in mind physical and chemical laboratories and are very enthusiastic. When they speak of research in a business or financial organization they ordinarily mean studies of a statistical nature concerning things that have already occurred, and they are not nearly so enthusiastic about this sort of thing. Research should be just as inventive in the field of management as in the field of the physical sciences, and it will have to be before the problems of management can be adequately solved.

The second point relates to the high wage doctrine. There is a suggestion of inflation in the statement of the doctrine as it is given in the books and as Mr. Burgess has paraphrased it in his paper. Because of my connection with a bank I suppose it is natural that I should react unfavorably to any such suggestion. I think the primary significance of the doctrine of higher wages is social. It is only secondarily that it concerns the individual employer as a practical problem. It might be stated as follows. There is a full volume of purchasing power when a large proportion of employable consumers are at work and receiving good wages; this full volume of purchasing power sustains a full volume of production, and this full volume of production wholly absorbs the cost of active employment at good wages. Since this is the case in general, it is to the interest of the individual employer to govern his own practice, insofar as possible, accordingly. The corollary is, of course, that there is a diminished purchasing power when a large proportion of employable consumers is out of work and receiving low wages; this diminished purchasing power reduces the volume of production, and this reduced volume of production can absorb the cost of only partial employment or of only low wages. When this is the case in general, it is to the interest of

¹Irving Trust Company, New York.

system is a matter of sound managerial policy to promote efficiency by providing suitably for the retirement of employees after they reach an age at which many are less efficient than the men available to move up into their places. From the company point of view, pensions are at least as important for vice-presidents as for watchmen.

h. In many cases, a plan by which employees can purchase the preferred, or sometimes common stock of the corporation, in order to give the employee an opportunity to save for old age to supplement his pension, and to give him the point of view of the stockholder as well as that of the working force.

As the object of this paper has been to suggest what kind of use can be made of the committee's report, and to formulate some of the questions it raises, a peroration or even a concluding summary seems inappropriate. I prefer instead to suggest further discussion, by closing with several additional questions which I have not time to discuss, but noted as I analyzed the various chapters of the report.

Additional Questions

7. To what extent are relative price changes, as between different commodities, influenced by the possibilities of applying to their production and distribution mechanical aids and scientific discoveries? It seems obvious that costs will be so changed; should the benefits of such mechanical aids and scientific discoveries be retained by the producer, the maker of the equipment or the discoverer of the principles, or by the consumer of the goods?

8. Is it to the best interests of corporations to lend their surplus funds in the call money market in such a way as to facilitate speculative booms in the stock market?

9. What steps, such as spreading information and stimulating ambition, should be taken to induce no-profit or small-profit enterprises, with poor prospects, to liquidate?

10. On what basis can a fair distribution of profits be made between the various factors which deal with a given product or service—designing, manufacturing, selling, financing?

11. What net rate of return per annum should be considered requisite for launching a new enterprise or for purchasing new equipment to reduce operating costs?