And last but not least, we must have more daring. The textile industry has lacked daring. Other industries have scrapped their old machines, even though it has cost them a lot of money. Old models must be scrapped and scrapped quickly, if industry is to survive. It takes daring and money to entrench oneself with the consumers. And in order to do it successfully, advertising and promotion schemes must be truthful.

If I have emphasized the fact that the major distribution problem is the appreciation of these problems by the leaders of industry, I have perhaps added something to this discussion.

Charles H. Chase.[4] I am not in business but there are some questions I should like to ask. We have been presented with several solutions for the sales problem of 1930 and the following years. It has been suggested that the merchant by a coordinated program within an industry can solve the problem. Mr. Lewis says that if we measure our markets out correctly we are going to get on with the problem satisfactorily, and Mr. Goodell approaches it by saying that the real trouble is buying fatigue. If you keep up with consumer demand you will not have that fatigue. But there is a problem raised by the forward-looking automobile manufacturers mentioned by Mr. Lewis. If they are going to refuse to burden their dealers with more cars than they can sell, they may solve the dealer problem but will they not create another? Will they not add to that unused plant capacity which has been mentioned here and at the same time to unemployment? We may also solve the dealer problem by refusing to produce unless we can make an adequate profit. Profits are considered the all important thing; Leonard Ayres says they increased by 78 per cent in the four years prior to 1929. But have wages or any other form of income increased at any such rate during the same period? And yet we are urging here that profits be increased. Mr. Hoover tells us we should not use these profits to buy more manufacturing plants, of which we already have too many. If we are going to reduce the number of people who receive these profits how are we going to manage to sell the products of those who are making the profits? I am trying to find out what is going to happen in 1931.

I should like to see this session carried on in the way that Napoleon carried on his sessions. Everyone should be set to work and no adjournment permitted until a solution is reached. The usual method is to get part of a solution and let it go at that. We pound at a swelling until it disappears, but unfortunately it crops out in another place.

How would all the speakers prevent buying fatigue under present conditions? Suppose you price a certain commodity at $1000 and distribute $300 of that $1000 for raw materials, $300 for wages, $100 for selling equipment, $100 for overhead, $100 for dividends and $100 for undivided surplus. How can the distributive purchasing power released in the production of this product ever come back and buy the $1000 product? Some organizations that are producing out-of-date stuff are releasing purchasing power to buy Mr. Kendall's products. They are not getting it back themselves. Another part of the surplus is going into the building of these excess plants which should not be built. But if these plants are not built how is our Ohio ceramic industry, for example, to survive? How are profits going to be spent unless they are spent in this extension of plant and machinery which has been decried? Could they be expended in a way that would create a more potent market force? The consumptive force that is created by undivided surplus eventually finds its way back into the hands of the dealers, and are not 25 or more per cent of them eventually going to be forced into bankruptcy because a sufficient amount of purchasing power has not been distributed to purchase their products?

Frederick L. Lamson.[5] Mr. Chase objects to profits. I think we should keep in mind, however, that it is no longer a few people who own industry and get these profits. American Telephone and Telegraph stock is owned today by 496,000 shareholders. The profits that this company makes are distributed to all these shareholders who therefore have a greater purchasing power than they otherwise would have had. We could still further increase this purchasing power if we would invest our surpluses where there are inventive brains. It is not necessary that the profits of individual industries should be built up. When markets and people are studied new things are discovered which satisfy new wants. Brains in management mean better wages, more purchasing power and more enjoyment of life. I think we should go further and see that more satisfactory dividends are paid on the investment of stocks in the industries of this country.

There seems to have been an assumption here that when money is received in profits it is in some way taken out of circulation. As a matter of fact, as well as going back to stockholders, it goes into wages, interest, the cost of materials, etc. It seems to me, also, that the laws of economics will take care of this investment of capital in unused producers' goods. People will not continue indefinitely to invest in unprofitable projects. Obsolescence of course complicates the matter.

Frank R. Goodell. I think Mr. Chase, being a young man, may not have given as much consideration as he should to the time factor in all these questions that he has raised. In George Washington's time they used to bleed people who were ill. Instead of doing that today they tell the story of the Scotchman with a nose bleed who ran ten blocks to sell the blood to a New York hospital for blood transfusions. Some remarkable cures were worked in the old way but more remarkable ones are worked in the new. We make some progress all the time. There are Kendalls in business today. It is our problem to get rid of the others who are unfit. Twenty-five years ago plants were shut down and wages reduced without any attempt to find out a better way to handle the problem. While the wage earner's situation may not be ideal today, he is better off than he was in those days. The philosophical and patient person is fairly content if over every ten-year period he sees a material improvement in the distribution and quality of goods. I am satisfied with the general trend which I believe to be wholesome. Industry is more and more going into the hands of ordinary people, many of them workers. Not 1 per cent of the American Telephone and Telegraph stock, owned by 496,000 stockholders, is owned by one man. Capitalism is not what it should be but it is no longer the bugaboo it used to be.

TURNING from the production of goods to their distribution, we can find a vast field for the exercise of more rational methods. Indeed, many students of the subject are convinced that it is in this direction that the largest wastes in our present economic system are to be found. Already in the United States of America the existence of an ample domestic market, coupled with the problem of great distances, have given an impetus to experiments in methods of distribution which may well revolutionise our practice in this respect. The arrangement by which the manufacturer sold his product to a wholesaler or agent, who again distributed it either through a further wholesaler or direct to a retailer, who finally passed the goods to the consumer, has already been modified in many directions. The necessities of modern large-scale production and competitive demands for immediate delivery, have forced the manufacturer to secure for himself more stable and reliable markets than could be obtained through fortuitous purchasing by the wholesaler. This has led to more scientific study of the actual demand for his goods expressed in the buying capacities of the final consumer, to campaigns of national advertising, to the branding and packaging of proprietary goods, and in certain cases to the combination of retail and manufacturing activities. While the small retail establishment is still dominant in the field of distribution and may yet have a long and useful service to perform, it is clear that the individual retailer cannot command those specialised services which are available to larger undertakings. This difficulty may be overcome . . . but (the means) are as yet comparatively undeveloped. (L. Urwick, *The Meaning of Rationalisation*, p. 36-37.)

[4]Professor, Sales Management, Ohio State University, Columbus, Ohio.

[5]Assistant to the President, The Kendall Company, Boston, Mass.