departs, labor becomes drudgery. When exhaustion enters, labor becomes slavery.

IN spite of our remarkable technological advance, the problem of what to do with displaced and unused labor still remains. The statement is true that never before have so many laborers received such high wages, if you add the clause—"while they are working." When they are not working (which is frequent), the situation for them soon becomes critical. This is the heart of the problem. Probably never before in the history of civilized mankind, has the job of the unskilled laborer been more a matter of hazard than it is today. Loss of his job may be exacted at any moment. He holds it from day to day and from hour to hour. He is usually replaced with ease by hundreds of others, anxious to supplant him. The nature of present-day industry is such as to make large scale unemployment almost inevitable. Labor is grouped into gigantic, independent units and into sub-division of processes so that a collapse in one unit or a slowing down in another can cause widespread dislocation of employment. Periods of prosperity and depression are general, not local. What chances has the individual, unskilled laborer to cope with conditions such as these? Managers are vitally interested in these conditions as a business problem *per se* because laborers are consumers as well as producers. When the worker's income ceases, the country's buying power is, by that amount, impaired.

Marketing management has passed through the same cycle toward closer control and more scientific co-ordination as have manufacturing and business administration. Selling costs have increased, to be sure, but largely because of more extensive research and more refined analysis of selling territories as well as because of keener competition.

The number of mergers has increased, especially since 1922, but there is no evidence to show that large-scale operation is as effective in bringing about economies as has been claimed. The facts appear to indicate that often these potential economies are more than offset by losses in efficiency.

SOME of Mr. Dennison's conclusions have been arrived at by other routes. Professor Dexter S. Kimball's chapter on Changes in New and Old Industries and Professor Willard F. Thorp's section on The Changing Structure of Industry set forth in elaborate detail many of the facts which Mr. Dennison merely mentions or discusses at considerable length. It all comes to the same result. Producing and marketing management have been profoundly influenced by the aftermath of war and the change in the price curve that came as one of the war's results.

The survey covers a wide variety of other trends, particularly those in advertising as a whole, merchandising, office management, personnel work, association activities, employe stock representation, and the like. They raise too many queries to be discussed in my allotted space.

There is one criticism—and only one—which I am able to make of this survey. It is that the emphasis has been placed almost entirely upon the favorable aspects of business management. There is little or no discussion of strikes, of unfair practices by certain types of employers, or even a short mention of such break-downs in management as now exist in the coal and other industries. Our prosperity has its darker side. If we managers are to be scientists in the best sense of the word, we must face the shadows as well as bathe in the sunlight of our good deeds. Only so can we cut our way to the core of each difficulty.

Even if this criticism is valid, it affects only to a slight degree all the illuminating experience which has been crowded into the pages of this chapter. No one can read these pages without being acutely aware of the fact that business management is taking its rank among the important arts of today and tomorrow. Management, "the continuous adjustment and steering of our business machinery," is becoming more complex, more concerned with conflicting needs and purposes. If that means anything, it means that a higher and higher order of intelligence is necessary to cope with the type of problems with which managers are now faced.

WHETHER we like it or not, we might as well admit that industrialism is here to stay, at least during our lives, and the face of the world will be made over in accordance with the trends of a more or less mechanized society. We still have it within our power to steer these trends toward a more happy and creative life for huge masses of mankind, or let the wheels revolve at will and the devil take the hindmost.

Honestly thoughtful people are at our heels, questioning, criticizing, condemning us. If management is to come of age and rank with other noble arts, we must recognize our obligation. This is no time to pursue entirely our selfish ends while practices, foreign to our aspirations, are becoming crystallized in the business fabric. We must plunge ourselves wholeheartedly into the rough-and-tumble struggle and hope that, by our efforts, there may emerge a fairer world in which to live and move and have our being.

The Merchant—and His New Plural Forms

By ROBERT W. BRUERE

THE merchant opens the door to Mr. Copeland's section on Marketing. He is not the merchant of the dictionary. He is the quite recent merchant, or "merchandiser," evolved out of the science of management as applied to the problems of distribution. By definition he is Henry S. Dennison's merchant and therefore a "functional" merchant. His role in the marketing process is at once so important and so recently recognized that Mr. Copeland hails him as "one of the most noteworthy marketing developments during the period."

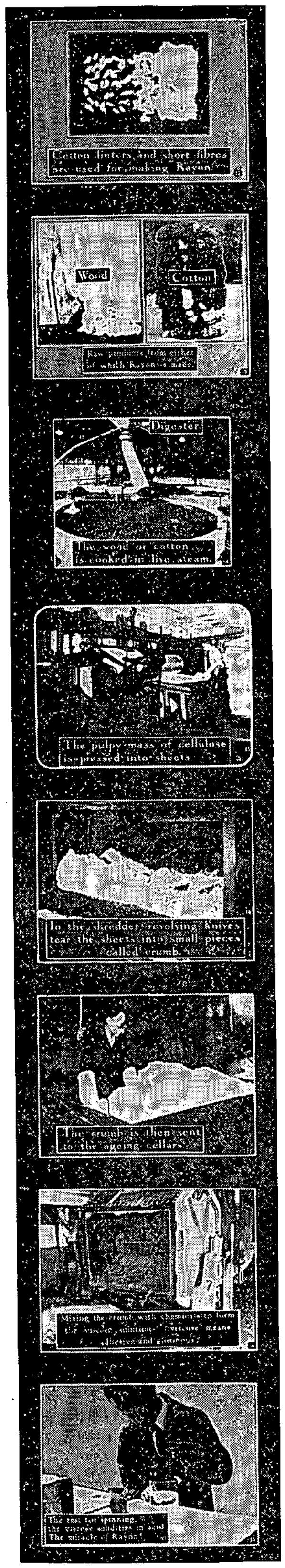
Certainly he is by all odds the most interesting development recorded in the pages of this study, for he is the only one discussed in terms of function. We shall find records of new commodities that have come into the market, from radio sets to electrical refrigerators, of shifts in fashions, of installment selling and hand-to-mouth buying, of chain stores and cooperative marketing associations; but with incidental exceptions they will be purely quantitative records,—numbers of refrigerators, numbers of bushels or pounds sold, percentage of commodity distributed by chain and unit stores; but not again shall we be told what special function in the national marketing organism installment selling, or cooperative marketing associations, or chain stores subserve. Never again shall we have time in the hurried marshalling of quantitative statistics out of trade journals, research studies and government reports, to stop and ask this or that variant from the art of the primitive bartering trader: What do you do and how did you get that way?

Mr. Copeland, in his definition, paraphrases Mr. Dennison. But I particularly like those sentences in Mr. Dennison's statement before the Taylor Society in December, 1927, in which he lets you see his merchandiser in process of evolution:

In the history of the professions there is a noticeable trend from generalization to specialization and ultimately to coordination of the two. Thus years ago the field of engineering consisted of only one branch. In time civil engineers were separated from the main branch purely as a matter of convenience, to distinguish the activities of surveyors in civil life from surveyors who were part of the military. And then the Industrial Revolution, and later the recognition of the line and staff principle as applied to the factory system, broke up the engineering profession into about as many units of specialization as there are staff functions to be performed. . . .

Sales management has repeated the essentials of the history of engineering. Out of the functions that have evolved from the general field of management, there is to be recognized one as standing as a coordinating force between the job of selling goods and the job of manufacturing the goods to be sold. The function which has been so separated is, in general, to provide that the goods manufactured are of proper quality and in proper varieties, in sufficient quantities, and sold at prices best suited to the market. This is the function which we of the Dennison Manufacturing Company term merchandising.

If one could penetrate the wall of quantitative statistics and get at the *why* of the existence of cooperative marketing associations, chain stores and the like in terms of economic functions, we should be able to judge in what direction and to what purpose recent economic changes are tending. Certainly the development of the "merchandiser," in terms of Mr. Dennison's definition, is clear gain and justifies Mr. Copeland's observation that it is a noteworthy development in the field of marketing. I have a feeling that some analogous and equally significant functional developments account for the growth of installment selling and of chain store distribution. But to foot up the mere volume of installment buying, or of chain store sales, leaves us in the dark as to whether we are confronting real advances in the functional evolution of the marketing organism, or whether it is again a case of mere bigness trampling down quality.



Strip of the first film—about rayon—of the National Retail Dry Goods Association for training the salesforces of its member stores

By his early recognition of the economic and social importance of the rise of the merchant as already defined, Mr. Copeland has himself prompted these observations. Taking his collection of materials on marketing as a whole—and it is an impressive collection—one is struck by the absence in the available literature of data which would permit the appraisal of recent economic changes in the field of commodity distribution in terms of function. Here the merchandiser stands alone. After introducing him, Mr. Copeland is constrained by the limitation of time and material to tell us *what* has happened rather than why.

There are the spectacular changes in demand which have come with spectacular invention. "Radio sets furnish the outstanding example of a new type of merchandise placed on the market with an almost phenomenally rapid increase in demand." From the roofs of tenements on New York's lower East Side as well as from ranches and towns, radio antennae proclaim the magic of a new art and a new industry. On the other side of the ledger stands the record of the declining fortunes of one of the oldest of industries. In woolen and worsted factories, equipped to manufacture enough cloth for ankle-length garments, machines stood idle as women raised their skirts from ankle to knee. Furs came in with silk hosiery and further curtailed the demand for woolens. In 1927 the consumption of woolen and worsted fabrics amounted to only $656,000,000 as compared with a manufacturing capacity of $1,750,000,000.

Between these extremes, electrical household appliances kept in steadily increasing demand. Here the electrical refrigerator was the most conspicuous boomer, increasing in numbers from 27,000 in January, 1923, to 755,000 in January, 1928. In spite of their equally great convenience, electrical cooking ranges have made no comparable advance. There is obviously here some unrevealed correlation between appliances in use and the cost of electricity to the domestic consumer. Electricity as a commodity and the methods and terms of its distribution do not come within the scope of Mr. Copeland's study.

The capacity of the American public to buy automobiles would seem to be limitless. In his study of transportation, W. J. Cunningham records that the public investment in motor vehicles and hard-surfaced roads now exceeds its investment in railways and railroad equipment. The number of employes in the automotive industry and highway transportation exceeds those engaged in railway service. Whatever tends to strengthen the automobile industry has very wide incidental effects on scores of other industries. Mr. Copeland notes as one of the outstanding marketing developments the shift from the open to the closed car and its all-year-round use, which have not only greatly increased the demand for plate glass, upholstery materials, gasoline, lubricants and tires, but have also created an almost new market for alcohol, glycerine and other non-freezing preparations.

INVENTION, of course, as in the case of the radio and the electric ice machine, is a foremost factor in developing new demands. It is the difficult business of the *merchant* to appraise the availability of such devices from the point of view of the consumer. But an element in the marketing situation which puts a severer test upon his skill as an appraiser and prophet of demand is that intangible, capricious thing, style or fashion. "Without belittling the need for economy in production, the experience of recent years has especially emphasized the fact that the first requisite to success for an individual company or an industry is to be able to cater effectively to the demands of customers." Let the tide of fashion begin to run against a commodity, neither price-cutting nor advertising can stop it. Once it began to run to fancy prints, gingham cloth became a drug on the market. Novelty styles in women's shoes swept black kid shoes into the discard. Mr. Copeland does not go into the question as to the extent to which these irrational shifts in demand are fostered by the manufacturer and merchant themselves. These whimsical changes in fashion may some day turn out to be less whimsical than to the uninitiate they now appear.

Automobiles and hard-surfaced highways are urbanizing the country-side, widening trading and shopping areas and changing the buying habits of consumers everywhere. The cross-roads and village stores are disappearing with the fourth-class post-offices. The average trading area for consumers outside of the urban districts has been increased by the automobile from five or six miles to thirty or one hundred and fifty miles. This widening of the shopping radius has tended to develop specialization in merchandising—using that term here in the ordinary dictionary sense—and has begun to give a metropolitan air to the main street in the county court-house town or other flourishing trade centers. Mail-order houses have felt the change as well as the cross-roads store to such an extent that the largest of them have recently launched chains of retail stores. Not only do the "chains" grow in response to the widening shopping radius, but they themselves are a factor in drawing customers from afar. Independent retailers are quoted as saying that their sales have increased and their customers have come from greater distances since the chains opened up shop.

MR. COPELAND discusses the chains at considerable length as among the most significant of recent marketing developments, although the oldest of the present chain store systems is more than fifty years old. He seems to share the apprehension of the small independent merchant that the chains are examples of size destroying quality. While "no data are available on the changes in the number of unit stores," he assumes that the chains have been displacing unit stores because they "have expanded more rapidly than general business." In accounting for this growth, he stresses the fact that the period since 1922 has been one of price competition and that chain stores have thrived on price competition. As their volume of sales increased, they were able, he says, to exert pressure on manufacturers in highly competitive markets and thus to secure special concessions and discounts, advertising allowances and the like. Among the external influences affecting their growth, he notes the influx of new capital resulting from the activity of investment bankers in promoting chains in order to obtain securities for sale during the stock market boom. This activity of investment bankers in the chain-store field was particularly great in 1926 and 1927, the years during which the growth of the chains was most rapid.

Do such inferences explain the growth of the chains? Or is that growth in part at least to be accounted for by the evolution in the chains of new functional developments such as that illustrated by Mr. Dennison's *merchant?* For example, I am told by the representative of a great chain that the functional specialization of the traffic department and traffic manager is one of the most striking developments in chain store distribution. The mastery of more than twenty thousand route and rate combinations for getting goods by the most direct and cheapest routes from the manufacturer to the ultimate consumer has resulted in vast economies in money and time. Similarly, Colonel Rorty in a footnote to Mr. Mitchell's review of Mr. Copeland's study, declares that "one of the most significant results arising from the improvements in the science of management has been an increasing ability to secure from large units, or chains, the type of individual efficiency that a few years ago could be secured only in the small organization working under the direct supervision of a competent employer-owner." Education and personnel training as well as accountancy supervision and control have been undergoing very highly specialized functional evolution. It is questions such as these that merely quantitative statistics of growth fail to answer. Yet one has the feeling that it is in this field of functional evolution that the important economic changes of recent years will, on further research, be found.

THIS feeling grows as one turns from changes in distribution as illustrated by the chains and the growth of agricultural cooperatives to such matters as installment selling and advertising. Here the figures of volume, even when due allowance is made for errors in estimates, are huge. But precisely what are the recent developments in installment selling and advertising as functions of distribution, these figures, of course, do not show. I stress this point not in criticism of Mr. Copeland. He has done a valiant job in bringing together so much "external" evidence of economic growth and change. If, however, this information is to have any practical value for those who are engaged in changing distribution as an essential functioning part of our body politic, it will have to be supplemented by a whole series of studies of the type illustrated by Mr. Dennison's paper on merchandising.

Mr. Cunningham, for example, in his luminous review of recent railroad history, notes as especially significant the better personnel practices which have resulted in better morale which in turn has resulted in greatly improved productive efficiency on the part of railroad employes. It is only recently that executives have come to appreciate the economic importance of psychology in the growth of the science and art of management. In industry as well as education we need to know more about intelligence and how it can be made to count in the development and social utilization of our economic and technical resources. We need to verify in detail Mr. Mitchell's general proposition that progress is the measure of our application of intelligence to the complex problems of organized living.

It is to such studies that one must hope this swift inventory of our economic resources and equipment may presently lead.

The Banker—and His Clientele

By MERRYLE STANLEY RUKEYSER

THE business man long ago accustomed himself to play second fiddle when the banker was around. Recent changes, however, have gradually lifted the business man to a plane of social and economic equality with the banker. For a time, the banker has found it necessary to get off his pedestal and accustom himself to go out and ring door-bells to invite the business man to come to the bank to borrow money. Big business men, more affluent than ever before, have learned to turn down the supplications of the eager lenders, informing them glibly that they have no use for the banker's commodity—credit.

With the tables turned, the prestige of the business executive has enormously increased. Instead of living, as in the past, by virtue of the favor shown by the banker, he now has the upper hand and feels that he is doing something for the banker in giving him an account. There is keen competition among banks to get the patronage of solvent, well-managed concerns.

One era is closed and a new one opened. A story is told of a would-be borrower of the former period who discovered that a banker on whom he called had a glass eye. A friend asked him how he detected it, and he replied: "That eye looked sympathetic." Between 1922 and 1927, however, with credit in superabundant supply, the banker looked pleadingly out of both eyes.

At the moment tighter money conditions are somewhat allaying the relative degradation of the banker, but only in respect to weaker and smaller business men. Big business anticipated future needs for capital when conditions were propitious for raising funds advantageously.

A variety of factors accounts for the emancipation of business from undue dependence on the banks. Greater skill in management in big corporations, which have taken over a larger share of the total volume of business, is perhaps the basic reason for the new independence. In former times, business got into the banker's hands during periods of stress and strain. After the deflation of 1920-21, large banks had to set up hospitalization departments to direct the affairs of emaciated debtor concerns which had been taken over. The spirit of the times was reflected in an oft-told anecdote. A hard-boiled banker remarked to a heavily involved borrower, a clothing man, that he did not like the clothing business. "If you refuse me the additional loan," the clothing man rejoined, "*you* will be in the clothing business tomorrow." Great banks in 1920 and 1921 found themselves not only in the clothing, but also in the fur, coffee, general export, and miscellaneous businesses.

"A far wider group of individuals than in the past have become capitalists." From a characteristic advertisement offering securities to the public, by A. C. Allyn & Company of Chicago

Premier corporations have so arranged their finances in recent years of favorable security markets that they are no longer borrowers of bank credit. Instead of making frequent short-term loans at the banks during periods of seasonal peak activity, such companies instead either sold long-term bonds or shares of capital stock to investors. They not only provided for their present requirements, but also anticipated future wants. For the time being, therefore, many corporate enterprises not only have sufficient cash to meet all their requirements, but have in the aggregate a vast surplus which they are lending out in the New York call money market in competition with the banks.

IN their contribution of a chapter on Capital Accumulation and Investment to the survey of Recent Economic Changes, O. M. W. Sprague, banking specialist of Harvard University, and W. Randolph Burgess, assistant federal reserve agent of the Federal Reserve Bank of New York, in alluding to the new independence of business concerns, say:

> . . . The positive control over the conduct of industry that bankers may exercise is determined more by the abundance or scarcity of capital relative to demand than by the actual amount of funds that are made available. A business that is in a weak position, whether from poor earnings or faulty financial structure, may be obliged to follow implicitly the suggestions of bankers. When investment funds are in ample supply, a strong business enterprise occupies a position of satisfactory independence.

And again:

> Business in this period has been financed less by borrowing from banks and more by borrowing in the capital market through issues of securities. In this way individual lenders of funds have loaned unusually large sums directly to industry and commerce without the funds going through the form of bank deposits. Industrial requirements for bank loans have also been lessened by the prevailing custom of reducing inventories to the lowest possible point.

The authors hold, however, that business has received credit indirectly through the banks through brokers' loans and other collateral loans. Their discussion of this subject is timely in view of the widespread debate in Congress and elsewhere as to