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APPRAISAL

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MANY of the papers reflect much too extreme an interpretation of the subject matter of the Conference. The purpose of the Conference was to evaluate the potentialities of further research into private action as a means of assisting in the solution of the problem of economic stability. Because there are many kinds of action that might be taken and because it would be impossible to cover all of them, the Conference was limited for practical purposes to what might be done in the field of regularizing private investment. In order to limit the area of investigation still further, it was decided to confine the examination to the possible actions of private business firms acting singly.

Within this field of the possible contribution by individual firms to investment regularization, the Conference was to examine both existing lines of action and the possibility of developing new means. The purpose of the examination was to see whether firms might increase their contribution to the solution of the problem of economic stability. It was not contemplated or suggested that this contribution would be of such strength as to involve the abandonment of governmental contracyclical policies.

A number of the papers and comments reached conclusions that are based upon an evaluation of whether action by individual firms could secure absolute stability of total private business investment. Others reached conclusions that assumed either complete cartelization of American industry or complete elimination of the government from the field of economic stabilization. It is my impression that there would have been much more agreement among the papers and discussants had it been more commonly understood that the objective of the Conference was to investigate the desirability of further research into the problem of increasing the contribution of the individual firm in the regularization of business investment. The desirability of this further research was to be measured, not by the ability of firms to solve the problem by themselves, but by the possibility of their contributing significantly more than they do now.

I wish also to comment upon some of the specific points made during the Conference.

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1. Several of the participants expressed a belief that the stabilization problem was one that fell solely within the province of government and that businessmen should forget about stabilization and "behave like businessmen." The implication here is either that businessmen are unable to do anything to reduce business fluctuations or that the action they might take would be contrary to their self-interest. There was a further implication that economic progress would be reduced by anything the businessman might do.

It seems to me this argument is indefensible for a number of reasons, among which the following might be included:

a. Government action is frequently taken to induce some particular response by business organizations. If this response can be induced only by government action, then, of course, the device lies outside the sphere of private action. It seems clear, however, that much the businessman can do to regularize investment may come about by voluntary action. To the extent this is possible the stabilization device is within the powers of private activity.

b. The self-interest of private business may be served by reducing the magnitude of business cycle fluctuations. Business firms have found it both profitable and possible to deal successfully with some forms of instability, such as seasonal fluctuations. Although these devices probably apply only in part to cyclical movements, they do demonstrate that finding solutions to the problem of instability is in part at least within the interest and capacity of individual business firms.

2. In judging the postponability of business investment expenditures, it is necessary to recognize that some portion of these investments does not directly affect the immediate competitive position of the firm. This would appear to be so both because the area over which expenditures are made includes many items not directly related to or reflected in the cost of production and distribution, and because the individuals making investment decisions are motivated by forces other than cost reduction and competitive position. Even for that portion of investment that is properly included in the "competitive" category, it is necessary to remember that expenditures may be pulled forward as well as delayed.

3. In judging the ability of individual business firms to increase their contribution to solution of the problems raised by cyclical fluctuations, it is necessary to go beyond existing techniques of, and existing criteria for, business action. We should not, for example, conclude that existing bases for investment judgments are unalter-

able. It may be possible to introduce new factors into these judgments and to change the methods of calculation or principles upon which existing calculations are made. A great variety of actions and devices were described in the papers. The full potentialities of even these devices are not yet known. More important is the fact that new devices may be invented or discovered. The possibility of increasing the contribution of the individual firm is not limited, in other words, by existing devices and techniques or by existing bases for management decisions.

4. It is also important to keep in mind the fact that the implementation of management decisions is frequently thwarted by laxity or inability to work out effective techniques. Inventory accumulation, for example, is sometimes involuntary, not only because of a decline in sales but because of a failure to apply existing control devices or an inability to devise effective control devices. To the extent that it is possible to eliminate this laxity or work out better devices, the contribution of the firm might be increased. Furthermore, the incentive to do this might be provided by a fuller recognition of the problem.

In general, it is my impression that the papers and discussion at the Conference indicated both the need and usefulness of additional research in the field of private action and the probability that such research might result in an increase in the contribution of the firm to a solution of the problem of cyclical instability. The available information does not seem to permit a quantitative measurement of the extent to which this contribution might be increased. However, the potentiality of increasing the contribution of the firm seems indisputable, particularly if the area of potential action is considered in terms broader than those of investment decisions alone and in terms of new devices and a modification of existing criteria upon which management judgments are based. Still further possibilities of private action are available when consideration is given not alone to the individual firm but to private individuals and other non-governmental groups.

