

need for a book that demonstrates the practical application of economic principles and analysis in the making of managerial decisions and the formulation of top-management policy, then this book can fulfill that need to a great extent.

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FAULKNER, HAROLD U. *The Decline of Laissez Faire, 1897-1917*. Vol. VII in "The Economic History of the United States." Pp. xiv, 433. New York: Rinehart & Company, 1951. \$6.00 trade; \$4.50 text.

Professor Faulkner, with his habitual thoroughness and balance, has given us an admirable account of a period of singular significance. More than most junctures in American economic history a study of the period from 1897 to 1917 enables us to understand previous tendencies and to appreciate the force of subsequent developments. This volume, like others in the series to which it belongs, demonstrates the advantage of portraying the growth of our economic life by stages. This method combines, in great part, the benefits of the specialized monograph and the generalizations of over-all treatments without the disabilities of the minute study or the summary view. The span of twenty years, properly chosen for dominant character, permits the blend of time and topic which is most revealing and gratifying to the student. The particular course of change is not disembodied or isolated from the broad cultural factors that influenced it, nor is the subject selected for emphasis lost in enviroing circumstance. Professor Faulkner's equipment in political and social, as well as in economic, history has well served him and his readers.

To this reviewer, who has had the slightest share in advocacy calculated to adapt public policy to the economics of large scale production, this historical recital is peculiarly satisfying. One often mistrusts his own arguments, as well he may, until he finds them confirmed or corrected in the event. This rehearsal shows how some champions and commentators were over-excited about the blessing or bane of business consolidation, finance capitalism, popu-

lation movements into and within the country, and how others guessed little of the meaning in current happenings. For that matter, the need for turning centralizing tendencies, in industry and government, to democratic purposes must remain a constant concern.

The author's knowledge—and use—of the bibliography of the subject and period is extraordinarily wide; the text is informed by it on every page, and the appended annotated list of sources will have the attention of wise students who want to be wiser.

In telling a full story of economic progress and lapse in two decades, all in some four hundred pages, the temptation to sacrifice interpretation to narrative must have been strong. This author has resisted it and has given us supported judgments which are compliments to his discernment. That the economist, as such, has his important office is evident in increasing recognition of his contribution to public opinion and administration. But the best workmen in the craft will be persuaded, in volumes such as this, how they may guide their scrutiny and apply their recommendations in the light of historical hindsight.

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MITCHELL, WESLEY C. *What Happens During Business Cycles: A Progress Report*. Pp. xxxi, 386. New York: National Bureau of Economic Research, 1951. \$5.00.

This posthumous volume, edited by Arthur F. Burns, brings to a close a lifetime of work in the field of business cycle research. One cannot turn to it, therefore, without respect for its author and for the monumental task which he set for himself. It is, as the title indicates, a progress report. Some of the writing is a little rough, some of the chapters rather difficult, especially to those who are not familiar with the peculiar methods and terminology of the National Bureau of Economic Research.

It is enlivened here and there with acute observations and dry comments characteristic of the author, and its conclusions are tentative, though firm. The title is perhaps

somewhat misleading: one might suggest somewhat maliciously that it might have been better entitled "What happens at the National Bureau." It represents a culmination, and a distillation of decades of research along highly special lines. The National Bureau collects time series much as entomologists collect bugs. It then proceeds to manipulate these time series in order to find some method for summarizing the information contained in them. The present volume is based on a maximum of 794 different time series of varying lengths and significance, with a more detailed analysis of smaller samples.

The essence of the method of analysis is the device of the "reference cycle," which is obtained by identifying the peaks and troughs (of three months duration) of the general business cycle, and dividing the period between trough and peak and between peak and trough into three equal periods, yielding nine points of reference in all. I and IX are the first and second troughs; V is the peak; II, III, and IV are stages on the way up; and VI, VII, and VIII are stages on the way down. By this device the *shape* of cycles can be described roughly without going into too much detail.

In a sense this assumes the existence of a cycle right at the beginning of the argument, which is one of the hypotheses the study sets out to prove. Nevertheless, no serious logical fallacy is involved: the conformity of the specific series to the reference cycle is great enough to dispel any doubts one might have about the existence of a business cycle.

What the study is looking for is an "average" cycle, and the reference cycle device is introduced, one suspects, to get around the fact that the periodicity of cycles is so irregular as to make averaging meaningless. The book therefore concentrates on the problems of conformity (the extent to which particular cycles conform to the reference cycle), amplitude (especially of reference cycles), dispersion of the individual cycles about the average, and timing (the extent to which particular cycles lead or lag behind the reference cycle). The evidence presented is at least sufficient to justify the belief that there is a "creature" which might be called the

business cycle, and that we have some kind of universe of these "creatures" from which samples can be taken.

One wonders if the present volume does not go about as far as the methodology of time series description can profitably go. That it makes a contribution is unquestionable; that the contribution is very large may be doubted. It would seem as if future research into this field would do better to get down to the microeconomic level and to study the decision-making process itself. The National Bureau approach is the astronomy of economics—the painstaking charting of the courses of its 794 planets across the statistical heavens. But no law of gravity emerges to reduce the Ptolemaic epicycles to a grand Newtonian scheme, probably because there is no such law. It may be that the most fruitful direction of economic research for the future lies in the world of men rather than of time series.

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STOCKING, GEORGE W., and MYRON W. WATKINS. *Monopoly and Free Enterprise*. With the report and recommendations of the Committee on Cartels and Monopoly. Pp. xv, 596. New York: The Twentieth Century Fund, 1951. \$4.00.

*Monopoly and Free Enterprise* is the third and last volume in a series of studies on cartels and monopoly prepared by Messrs. Stocking and Watkins in recent years under the auspices of the Twentieth Century Fund. Their factual findings, embraced in Chapters 1–15, are followed by a report and recommendations of the Committee on Cartels and Monopoly appointed by the Twentieth Century Fund. Unlike the preceding studies in this series, however, this volume deals exclusively with the American scene. How to foster an effectively competitive economy is its major theme.

Free competition is both an essential ingredient and a palladium of a democratic society. In a private enterprise economy, competition, via the democratic and impersonal forces of free markets, organizes economic activity. It is relied on to