

OXFORD ECONOMISTS RESEARCH GROUP

Suggestions for improvement of Questionnaire No. II, and for further activities, made at the *Meeting* of the Group held in Magdalen College, December 12th, 1936 (extracted from Mr. Meade's Report of the Meeting).

Question 1.

Dr. Marschak suggested asking business men in future interviews to give figures of relative changes in their output over the last ten years - possibly such a question should be put to them in writing after the interview.

Questions 2, 4(a), 4(b), 8(a) and 4(c).

(1) Mr. Harrod asked whether we could attempt to classify the psychological principles of different entrepreneurs - e.g. managers of old and of new businesses - as such psychological principles would be of great importance when business men seemed to behave as economic theory said they should not behave. He suggested three categories of economic rationality and irrationality:-
(1) Having full data, a man reacts rationally to it; (2) Having scanty data, a man acts in a way which appears irrational, because he lacks a rational basis for action; (3) a man acts according to tradition and so perhaps irrationally in opposition to known data.

(2) Dr. Marschak made a plea for a careful distinction in the investigations between "rational" and "traditional" behaviour - "traditional" to include only the third of Mr. Harrod's categories.

(3) Mr. Opie suggested that we should attempt to formulate a framework by means of which we could classify instances of rational and irrational behaviour.

(4) Mr. Hitch suggested that in future we ought to ask each entrepreneur directly whether (a) in the short run, and (b) in the

long run, he could increase his net revenue by raising prices.

Question 3.

(1) Mr. Opie suggested that Question 3 should be put after question 4 in order to get definitions of overheads and direct costs before asking for the quantitative relation between them.

(2) Dr. Marschak suggested that definite answers to Question 3 would be obtained in its present position, if it were altered to "What proportion of turnover goes (a) to labour, and (b) to raw material costs?"

Question 5(a).

(1) Mr. Harrod stated that in future interviews on this question we must be careful to distinguish between the three purposes of allowing for depreciation and obsolescence:-

(a) for balance sheet purposes; (b) for costing and pricing the product; (c) for determining the desirability of installing new plant.

(2) Dr. Marschak suggested that Inland Revenue Schedules could be used to answer this question, and promised a statistical report to form an Appendix to the Group's report.

(3) Dr. Marschak also suggested that, as many business men had volunteered information about the growing importance of overhead costs relative to direct costs, we should in future ask a question on this point.

Question 6(b).

It was suggested that in future we should ask (1) whether discounts were allowed off listed prices and how often such discounts were revised.

(2) How often retailers restock, in order to discover whether the existence of large retailers' stocks makes frequent price alterations difficult.

Question 6(c).

It was suggested that (1) the table on p.17 of the analysis in the reports should be revised;

(2) that the question should be put more definitely, so that we should know on what price the percentage margins were reckoned in each case.

Question 7.

Dr. Marschak suggested that (1) we should define more clearly what we mean by selling costs in this question.

(2) We might communicate with all the men interviewed to get more clearly defined information in answers to questions 6(c) and

7.

Question 10.

(1) Mr. Opie suggested that a question should be added as to whether there was any general tendency to reduce stocks.

(2) Messrs. Bretherton and Opie promised to prepare a statistical survey for the Group on stocks.

(3) Dr. Marschak suggested that a question should be put to firms similar to "Murphy", as to whether the transferability of spare parts to new models prevented the unwanted accumulation of stocks.

Question 12(c).

(1) Mr. Opie suggested that in future interviews we should get on to questions about the effect of the interest rates and the state of the capital market on the policy of issuing shares or debentures.

(2) Mr. Henderson suggested that in future we should ask whether the possibility of floating shares on favourable terms would influence the decision to invest.

(3) Mr. Opie suggested that we should also ask whether the re-funding of fixed loans and consequent reduction of fixed charges would increase the willingness to take risks and so stimulate investment.