'Can any of us at present hazard a guess as to how many marginal businesses there are in a trade, and as to how far profits over and above economic interest arise through disadvantages in situation, excessive capital expenditure, excessive distribution costs, and inferior organization respectively?'

VII. *Examples—relations between business factors.*

I will now take illustrations closely bearing upon these questions. A very excellent example, first, of what is possible in the field of definite investigation and, secondly, as to the practical position reached in the United States, is the work that is being done in the School of Commerce of the North-Western University under the direction of Professor Secrist. It is impossible for me to give you in detail the various monographs, but I will refer to one or two in particular. The inquiry into the expenses, profits, and losses in meat stores brings together 143 businesses rendering uniform monthly statements. Apart altogether from the valuable statistical constants and limits that are reached, the following conclusions of theoretical interest, which would not be obvious by the light of nature, emerge. The typical or modal ratio of costs to sales ranges from 73 to 78 per cent. The ratio of cost increases as stores increase in size. It is lower for stores making profits than for those incurring losses. Stores making a profit have higher margins than those suffering a loss, i. e. the former 23·85 and the latter 18·89 per cent. of sales. But it has to be noted that moderate margins are much more conducive to the realizations of net profits than those margins which are high. This conclusion might not easily be reached by purely deductive reasoning. The investigation brings out the main causes of high gross margins and low gross margins respectively. It confirms the view that stores which make a profit have lower operating expenses in terms of sales than those which experience loss. There