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percent in the late twenties to 30 percent in the sixties. Indeed, union activities (except guarantees as a start-up cost) are not a major explanation of the dilemma. Instead the directors, at least those of proved success, and the successful authors have obtained the most sharply rising percentages of receipts. But all of these data showing average items of cost as percentages of revenue are misleading in an important regard. In the 1920s many more productions had limited runs, say for a season, but none for more than 440 performances. In the late 1950s a substantial portion of new productions closed in a few weeks while 10 percent ran for more than 450 performances! Often, too, these long-run plays, and particularly musicals, have been sold for moving-picture production.

The dilemma of costs rising faster than revenues is then examined by the author as a problem requiring adjustments in product, production costs, and pricing. Rejecting subsidy, he finds that producers have tended to "concentrate on fewer and longer-running plays and musicals" (p. 134). The better selection has reduced the threshold cost barrier. Otherwise, little is suggested about avoiding the labor-intensive character of the industry. The major proposals have to do with seat prices. At least for part of the house, the prices could be raised, for the author finds demand to be inelastic. Even more important would be varying prices by days of the week, and quick adjustment of prices to reflect consumers' rising or falling preference for a particular production. But state and federal laws stand in the way of price flexibility, a misguided attempt to get justice at the expense of the economic health of this major cultural industry.

With a substantial volume of new data, used to engage in a systematic analysis of an industry and its market, the author has provided an able economic analysis of a type of enterprise not ordinarily of professional concern to economists.

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Public Policies and Private Investment. By JOHN F. HELLIWELL. Oxford: Clarendon Press, 1968. Pp. xiii + 238. $7.00.

"This study attempts to develop a coherent view of the investment process" (chaps. 1–4) "in order to analyze the effects of a number of monetary and fiscal policies designed to influence investment by corporations" (chaps. 5–9).

Professor Helliwell pursues the two tasks that he has thus set himself from both the deductive and the inductive ends. Along each route he gives ample proof of analytical skill and methodological sophistication. Yet, he does not succeed in making the two ends meet. This is the main problem with the book.

In large part this is due to the kind of empirical material utilized. It consists of responses to mail questionnaires and interviews of large Canadian corporations, and of data from detailed case studies of some of the largest. It was originally gathered in connection with studies made for the Canadian Royal Commissions on Banking and Finance and on Taxation. Helliwell was the coauthor of the first and the author of the second of these studies.

To link data of this type with an 'a priori' investment model, such as the one constructed in the book's first two chapters, is clearly a very ambitious undertaking. Most often it is skipped altogether. In econometric studies of investment "all" that is sought is a predictable relation between parametric stimulus and industry response. Quite abstract models guide the search for hypotheses. There is no pretense at giving a realistic description of what actually happens inside the individual firm. The author wants to find out also what goes on inside this Black Box. His book makes very clear the magnitude of the research effort needed to accomplish such a task (for partial glimpses of the box's contents are likely to be more misleading than informative). Will it be worth the cost? Readers with primarily macroeconomic interests will be plagued with doubts—the more so the more Friedmanian their epistemological predilections. More business-oriented readers, who will value the information on decision making in corporations that studies of this sort provide for its own sake, may well feel differently.

In the investment model of chapters 1 and 2, firms are seen as choosing between subjectively perceived, uncertain cash-flow distributions. Helliwell's procedure of using "risk-standardized mean value" as a scalar representation of an uncertain prospect, I find a pedagogically promising innovation, less crude than the use of certainty equivalents. The model is developed

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in a strictly positive, rather than normative, spirit. When the author ends up assuming what normative theory recommends, namely maximization of present market value, he arrives there, not by simply postulating profit maximization, but after an interesting and judicious discussion of the consequences for management of applying other investment criteria.

Chapter 3 reports on the varying procedures whereby investment decisions were reached in the corporations studied. Needless to say, this piece of raw life bears little resemblance to the desiccated skeleton of the model. Yet, not even the crudest of these procedures seems on its face inconsistent with the model, given the amount and kind of information from which decisions have to be wrought. Chapter 4, which discusses investment in the acquisition of information (and in R & D) as an integral part of the firm's optimization problem, therefore becomes (in the reviewer's opinion) quite crucial to the structure of the book. The mere inclusion of a sensible discussion of where the probability distributions among which firms choose come from is a big plus. Indeed, just pointing out that they are not brought by the stork helps to put some life into the static choice model. But the unsolved (and neglected) problems in this area are formidable, and the brief treatment here does not suffice to bridge the gap between model and reality. It is here that induction and deduction should have met—if it could have been done.

Of the policy chapters, chapters 5–7 deal mainly with stabilization and chapters 8 and 9 with allocation problems. Chapters 5, 6, and 9 are almost completely a prioristic; chapters 7 and 8 empirical.

In chapters 5 and 6, the "usefulness" for stabilization purposes of a variety of, mostly fiscal, instruments is discussed in terms of the elasticity of present value of cash flow with respect to each of the policy variables in question. I found chapter 6 ("Tax Allowances for Depreciation") the more interesting of the two. The author consistently takes care to distinguish between the effects of measures thought to be permanent and temporary, respectively. Whether control of private investment will mean reliable control of aggregate demand is a question not asked, and the possible longer-run costs of a lot of "innovation" and "imagination" in budget policy, after the British pattern, are not discussed. Chapter 7 deals with monetary policy, specifically with the effects of three episodes of Canadian monetary restraint as perceived by corporations and reported in the Royal Canadian Banking and Finance survey. It contains some interesting material on the effects by industry, by size of firm, and by foreign versus Canadian ownership. Responses stress changes in availability rather than in interest rates. For readers who are not much more familiar with the Canadian economy and its cyclical history than this reviewer, it will be very difficult to distill any conclusions about the overall effectiveness of monetary policy from this chapter.

Chapters 8 and 9 discuss special tax privileges for R & D expenditures and for the extractive industries. Chapter 8 shows the Canadian subsidy to R & D to have been an effective incentive, but is skeptical about whether its size is justified. Chapter 9 is a well-written and to-the-point critical analysis of the Canadian oil depletion allowances and the similar benefits rendered unto Canadian mining.

In summary: This book impresses one more with the good sense and craftsmanship of the author than with the contribution to our knowledge that he has achieved between these particular two covers.

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Economic Aspects of Pensions: A Summary Report. By ROGER F. MURRAY. New York: Columbia University Press (for the National Bureau of Economic Research), 1968. Pp. xv + 32. $4.50.

In 1957, the National Bureau of Economic Research inaugurated a prolonged and far-reaching program with publication of *Suggestions for Research in the Economics of Pensions.* The book reviewed here represents in several respects the fruition of this program. A number of studies were completed and published during the period since 1957, each contributing in different ways and in different measure to the base from which Roger Murray draws in this capstone volume. Notable among them were the contributions of Philip Cagan and Daniel Holland. *Economic Aspects of Pensions: A Summary Report*, its full title notwithstanding, is more than a summary because its author ranges widely for support of his themes and draws for

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