Economists Fit Theories To World

By JERRY MANHEIM

According to Dr. Ferdinand Levy of the Rice Economics Department, economists are most useful to businessmen in solving what he termed “unstructured problems.”

Speaking at Wiess last Wednesday, Dr. Levy suggested that these include such problems as the measurement of budget for and returns from advertising, training, and research and development programs.

“Whether you work for business as an accountant or an economist,” Dr. Levy advised, “you’ve got to put things in the simplest terms.”

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He noted that most economists who take day to day jobs in business or industry are usually burdened with little more than statistical paperwork. Many economists prefer to remain in academic fields and to participate in business only in cases where specific aid is needed.

According to Dr. Levy, most economists have little working knowledge of the actual internal operations of a business. “Most economists I know are policy economists,” he stated. This vacuum has led to the rise of the field known as “operations research.” Economists working in this field have developed sophisticated means of forecasting sales to aid in budgeting of the work force and materials.

Practical Economics

Economists with a background in behavioral sciences are currently trying to fit theory to the actual operations of firms in the real world. In particular they study the “transfer pricing problem,” which deals with balancing sales with regard to the general good of the firm as opposed to the good of the individual parts.

While advanced mathematical techniques have been developed to obtain optimal solutions, to various problems such as warehousing, economists currently approximate these solutions in a manner designed to put the solution within the financial reach of business by means of “Heuristic Programming.”