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Inflation, and
Forecasting

NATIONAL BUREAU OF ECONOMIC RESEARCH

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Geoffrey H.
Moore

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Second Edition

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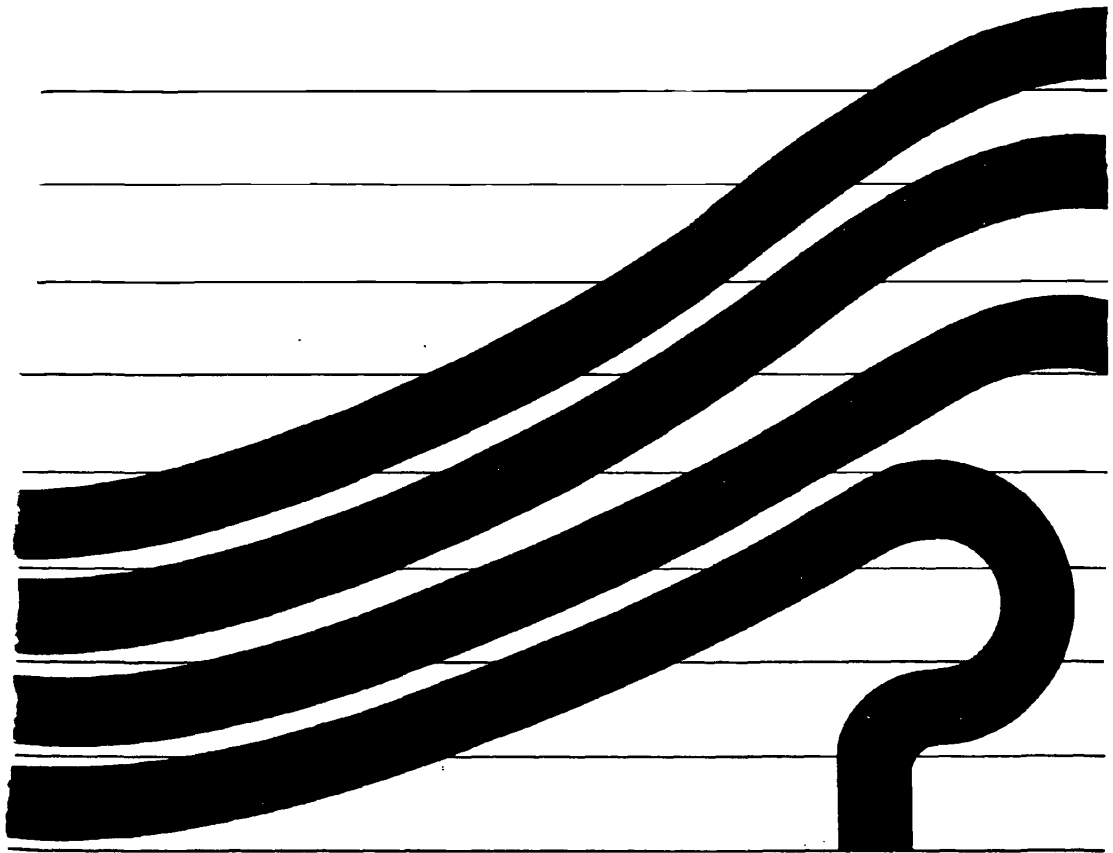
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Second Edition

GEOFFREY H. MOORE

**NATIONAL BUREAU OF ECONOMIC RESEARCH
STUDIES IN BUSINESS CYCLES, NO. 24**



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Preface to Second Edition

Those who have the fortitude to compare this book with the previous edition, published in 1980, will find:

- More up-to-date information on recent business cycles (Chapters 2, 3; Appendix Tables A-1 to A-6).
- A signaling system to identify the beginning and ending of recessions (Chapter 4).
- New findings on inflation (Chapters 15, 16, 18-20; Appendix Tables A-5, A-6).
- An update on leading indicators for the "big seven" countries (Chapter 6).
- A new leading index of employment and unemployment (Chapter 22).
- Three essays on current problems with our economic statistics (Chapters 18-20).

Some new material has been added in the form of postscripts to previously published chapters, drawing on current work at the Center for International Business Cycle Research. The assistance of Chantal Dubrin, Jean Maltz and other associates at the Center is gratefully acknowledged.

Several of the new chapters are the joint product of work with colleagues: Victor Zarnowitz, University of Chicago (Chapter 2 and 4);

John P. Cullity, Rutgers—The State University of New Jersey (Chapter 16); and Phillip Cagan, Columbia University (Chapter 20). I am doubly in their debt, first for the opportunity to work with them on the research, and now for their permission to use the results in my book.

Some of the essays reprinted here have not been up-dated. I can hardly claim that this was deliberate, nor will I admit to laziness, but I do want to suggest that the reader can take advantage of the deficiency. There is no better way to test the validity of an economic hypothesis or finding than to see whether it is confirmed by subsequent data. The title of Chapter 14, for example, says "Recession Slows Inflation." That was written in 1979. Has it continued to be true? Chapter 24, on the "Forty-Second Anniversary of the Leading Indicators" (which occurred in 1980), compares the performance of indicators between 1948 and 1975 with their performance prior to 1938. This kind of test of consistency can now be extended beyond 1975. From such an exercise students can learn not only what has happened in recent business cycles but also what is worth remembering. Again, the reader of Chapter 9, "Security Markets and Business Cycles," which was written before 1975, may be disappointed to find nothing about what happened to stock prices and interest rates since 1970. But what an opportunity to see whether they have continued to interact in the manner to which we became accustomed in the fifty years before then!