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Arthur F. Burns

THE BUSINESS CYCLE *in a* CHANGING WORLD

ESSAYS reprinted to honor Dr. Burns for his 38 years of active involvement in the research and administration of the National Bureau of Economic Research and on the occasion of his election as Honorary Chairman of the Bureau's Board of Directors.



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I owe the publication of this volume to the urging of two friends—Gottfried Haberler and Geoffrey Moore. I did not give my consent quickly. But when I finally agreed, I did so with the conviction that even a collection of scattered essays such as this may convey something of the spirit that has long marked the National Bureau's effort to inform public policy through the disinterested study of business cycles.

The present essays are concerned with the business cycle in our rapidly changing world. They were written during a stage of life when, finding myself heavily engaged in administrative work and public affairs, I took advantage of special occasions to sum up or draw upon my scientific studies. All were written in the unique environment for business-cycle research that my revered friend and teacher, Wesley Clair Mitchell, created nearly fifty years ago, at the National Bureau. All therefore bear the imprint of his thinking and that of my other colleagues—particularly Moses Abramovitz, Solomon Fabricant, Milton Friedman, Ruth Mack, Geoffrey Moore, Anna Schwartz, and Leo Wolman—as well as my own labors. I acknowledge with gratitude the debt of learning and fellowship I owe to each of them, and also to my devoted assistants across the years—Irving Forman, Jane Kennedy, Edward Kilberg, Joyce Rose, Sophie Sakowitz, Louise Smith, and Johanna Stern.

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These resurrected essays are presented as they were originally published, except for a few minor stylistic changes and several deletions to avoid any mischievous crossing of the boundary line between economic diagnosis and policy prescription. Mrs. Joan Tron assumed full responsibility for all printing arrangements and Mrs. Rose helped with the proofs. I extend my thanks to them and also to the original publishers who generously consented to the reprinting.

April, 28, 1969

Arthur F. Burns

Foreword

The essays in this volume draw upon the research and thinking of an economist who has devoted his life to study of the nature and causes of prosperity and depression. The first essay, written originally for the new *International Encyclopedia of the Social Sciences*, captures the essence of the phenomenon of the business cycle as we now know it. The other essays illuminate that sketch, by illustrating more specifically many of its propositions and findings.

Arthur Burns has put his knowledge to the hard test of formulating business-cycle policies at the highest levels of responsibility in government. As Chairman of President Eisenhower's Council of Economic Advisers from 1953 to 1956, and as counselor to both the Executive and Legislative branches of the Federal Government since then, he has had to diagnose and to recommend. The essays in this book, therefore, represent a distillation of the factual information and insights that he brought with him to this task, as well as what he learned from it, and hence have many implications for policy. But they do not include Burns' many writings on the course he believed government should currently pursue. Thus the book seeks to diagnose, interpret, and report upon economic problems, but in keeping with the National Bureau's tradition it avoids recommending specific courses of action by

government, business, trade unions, or any other social groups.

Indeed, the reader will observe, I believe, that the book is itself a tribute to the value and practicability of subjecting economic policies to scientific scrutiny. For it demonstrates that one intensely concerned with policy can also write objectively and dispassionately about the factors that have, over a long history, brought about inflation or depression, rapid growth or economic sluggishness. It is a tribute as well to the scientific and scholarly qualities of the author.

While the reader, therefore, will not find here a specific policy pronouncement on how to achieve rapid economic growth and a high level of employment without inflation, he will become better educated about the factors that need to be considered in shaping policy toward this goal. This in fact was the fundamental purpose of a grant made to the National Bureau by the Alfred P. Sloan Foundation in 1964, which has been drawn upon to finance the publication of this report.

It is a privilege to write the foreword to a book that goes so far to achieve this purpose.

Geoffrey H. Moore

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