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Other investigators findings on German business cycle turning dates

It is interesting to compare our results to the views of other investigators. Such views, in most instances, refer to only one particular cycle or cycle phase. Therefore, they will be quoted cycle by cycle.

First, however, we note findings covering a longer period, the Wharton Index of Capacity Utilization, 1955-67. This quarterly index is supposed to "give a good picture of the business cycles which have occurred since 1955."³² Actually, the turns in the index agree closely with our turns. In three instances (1959, 1961 and 1963) our turning month is within the Wharton turning quarter. In the fourth instance, the Wharton index turns in the fourth quarter of 1955, while our date is January 1956. (It may be recalled that the downturn of the step cycle diffusion index came in December 1955.) A real discrepancy, however, occurs in 1965 when the Wharton downturn comes in the first quarter and ours only in December. This downturn was difficult to set because there were double peaks in a number of indicators. Industrial production - which is what the Wharton index reflects - turned in January 1965 according to deviation cycles, but in June 1966 according to step cycles. German observers also disagree on this date as will be seen below. However, they select dates between mid-1965 and mid-1966 rather than the earlier date of the Wharton index.

In the absence of other quarterly or monthly chronologies our dates may be compared to those implied in comments on the state of the German economy. The following is a tiny sample of innumerable remarks of this kind. It is meant to convey their flavor and to show where observers agree or disagree with our dating.

That three cycles in German business activity have occurred since 1954 is widely accepted. In terms of years, upturns seem to be placed most often in 1954, 1959 and 1963-64; downturns are thought to have taken place in 1955-56, 1961 and 1965 or 1966. All of our turns occur within these years. Where they are paired, as in 1955-56 and 1965-66, the step cycle turns in one year and the deviation cycle in the other. The exception is 1964 where we find no evidence indicating that the slowdown extended into this year.

³²Wharton School of Finance and Commerce, *Wharton Economic Newsletter*, University of Pennsylvania, Spring 1968, pp. 11 and 15.

In some instances analysts have designated a half-year or even a quarter as a turning date. Understandably, opinions regarding such more specific dates tend to differ among experts. Monthly dates are not discussed as far as I know.³³

1. The Business Cycle: January 1954-February 1956-March 1959

a) Speed up in 1954-55

“Last year [1954] West Germany basked in the sunshine of international prosperity. It was able to increase its GNP growth rate significantly (by almost 25 per cent) compared to the preceding year.”³⁴

b) Slowdown in 1956-58

“Output in Germany has been growing more slowly since 1955 The investment goods sector experienced a noticeable slackening of home demand in the second half of 1956.”³⁵

“Output and incomes of the West German economy experienced continuous decline of growth rates since the boom year 1955 [through 1958].”³⁶

“No doubt, therefore, the present [1958] sluggishness of the production index is also due to the slackening tendencies which, as has been repeatedly shown in these columns, have for some time been apparent in a part of the economy.”³⁷

³³Because of the tentative nature of the 1951 downturn, the following references do not cover the contraction 1951-54.

³⁴“Westdeutschland stand im vergangenen Jahr auf der Sonnenseite der internationalen Konjunktur. Es konnte seine Fortschrittsrate in der Sozialproduktentwicklung gegenüber dem Vorjahrsfortschritt . . . beträchtlich, um fast ein Viertel . . . steigern . . .” Deutsches Institut fuer Wirtschaftsforschung, *Vierteljahrshefte zur Wirtschaftsforschung*, Berlin, 1955, Erstes Heft, p. 14.

³⁵Organization for European Economic Cooperation Bulletin, *Economic Conditions in the Federal Republic of Germany*, Paris, 1957, pp. 9 and 15.

³⁶“Während die Gueter- und Einkommenseite der westdeutschen Wirtschaft seit dem Boom-Jahr 1955 ihren Zuwachs stetig verringerte, . . .” Deutsches Institut fuer Wirtschaftsforschung, *Vierteljahrshefte zur Wirtschaftsforschung*, Berlin, 1959, Erstes Heft, p. 14.

³⁷Deutsche Bundesbank, *Monthly Report*, June 1958, p. 23.

2. *The Business Cycle: March 1959-January 1961-February 1963*

a) **Speedup in 1959-60**

"The new upswing of economic activity began in the third quarter of 1958, at first stimulated mainly by an increase in construction and rising foreign demand, but more recently by restocking throughout industry and trade and by increased government expenditure."³⁸

The lead of the OECD's upturn relative to ours does not signify a real contradiction. The OECD refers to leading activities which, in our terminology, precede an upturn.

"An important feature of the situation was that the culmination of the basic surplus in late 1960, coincided with a pronounced investment boom, which had already lasted a year and a half, and rapidly rising private and public consumption. The labour market was tight and the degree of utilisation of industry capacity very high. The rise of prices and wages had steepened in the second half of 1960 and the growth of productivity had slowed down. . . . Under these conditions revaluation of the DM appeared to be the most appropriate remedy. The DM was revalued by 5 per cent in early March 1961."³⁹

"Economic trends in the Federal Republic during 1960, and in the [three] months of 1961 so far surveyable, were marked by a continuing upswing. With the continuance of business activity at the highest level. . ."⁴⁰

b) **Slowdown in 1962-63**

"The weakening of the expansionary forces which prevailed from 1959 to 1961 has caused problems The retardation in the West German GNP shows up very clearly. In a significantly weakened state of the economy which shows a tendency for further weakening. . ."⁴¹

"The features of the economic situation in the Federal Republic during 1961 and the first months of 1962 continued to be full employment, a

³⁸ OECD, *The Federal Republic of Germany*, Paris, 1960, p. 6.

³⁹ OECD, *Economic Surveys, Germany*, Paris, December 1964.

⁴⁰ Deutsche Bundesbank, *Report for the Year 1960*, p. 9.

⁴¹ "Die Verringerung der 1959 bis 1961 wirksamen konjunkturellen Aufschwungskräfte hat . . . Probleme aufgeworfen . . . Die Verlangsamung im Wachstum des westdeutschen Bruttosozialprodukts ist . . . sehr deutlich zum Ausdruck gekommen. In einer merklich abgeschwächten und sich eher weiter abschwächenden Konjunkturlage . . ." Deutsches Institut fuer Wirtschaftsforschung, *Vierteljahrshäfte zur Wirtschaftsforschung*, Berlin, 1963, Erstes Heft, pp. 16, 17.

notable rise in production (although at a slower rate than in 1960) and an upward price trend. Nevertheless the course of the business cycle in that period differed in many respects from that in 1960."⁴²

"The main factor in the slower expansion of overall demand in 1962 was investment."⁴³

3. The Business Cycle: February 1963-December 1965-June 1967

a) Speedup in 1963-64-65

"Economic activity expanded substantially faster in the second half of 1963 than in the first half. . . . The acceleration of economic growth since autumn 1963 . . ."⁴⁴

Our evidence regarding the February 1963 upturn is very strong. Yet, the OECD places the date into the third quarter of 1963. This discrepancy may be due to the exceptionally rigorous winter of 1963. Our procedures which eliminate extreme values may correct more for the effects of the weather than the OECD's.

"The year 1964 brought an acceleration of the cyclical expansion in the West German economy."⁴⁵

"In the spring of 1964 . . . the economy of the Federal Republic was in the phase of an accelerating export-induced expansion."

"Measured by the rate of capacity utilization the upper turning point was reached in the first half of 1965."⁴⁶

b) Slowdown 1966-67

The date of the latest downturn is still controversial. Some would place it as early as about mid-1965, others decide for 1966. The ambiguity of the

⁴²Deutsche Bundesbank, *Report for the Year 1961*, p. 46.

⁴³OECD, *Economic Surveys, Germany*, Paris, January 1963, p. 22.

⁴⁴OECD, *Economic Surveys, Germany*, Paris, January 1964, p. 13; and December 1964, p. 21.

⁴⁵"Das Jahr 1964 hat der westdeutschen Wirtschaft eine Beschleunigung der Konjunkturellen Expansion gebracht." IFO, *Wirtschaftskonjunktur*, December 1964, p. 2.

⁴⁶"Im Fruehjahr 1964 . . . befand sich die Wirtschaft der Bundesrepublik in der Beschleunigungphase eines export-induzierten Aufschwungs."

"Die Konjunktur erreichte ihren oberen Wendepunkt—gemessen als hoechste Kapa-zitaetsauslastung—im ersten Halbjahr 1965." Sachverstaendigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, *Stabilitaet im Wachstum*, Stuttgart und Mainz, 1967/68, pp. 116, 117.

Other Investigators' Findings

evidence is also reflected in our analysis where deviation cycles give December 1965 and step cycles March 1966 as the downturn.

An early turn was selected, for instance, by the IFO Institut. "The tapering-off period of the growth cycle which had reached its peak in 1965 continues. Like the preceding acceleration, the retardation of growth is weaker than in 1959-63."⁴⁷

Similarly the OECD: "As the year [1965] wore on, some slackening appeared in the rate of growth of all main types of expenditure, except building. . . . Expansion of demand had begun to slow somewhat in the course of 1965. The first half of 1966 saw little further deceleration and the weakening became marked in the second half."⁴⁸

The German Economic Institute favors the later date: "This argues against dating the downturn in 1965 and for selecting the center part of the likely turning period, i.e., the beginning of the year 1966."⁴⁹

The difficulty of classifying the first quarter of 1966 is reflected in this description by the Federal Minister for Economic Affairs: "The prosperity in the Federal Republic was very uneven during the first quarter of 1966, with a slight preponderance of tendencies towards cooling off."⁵⁰

Finally, regarding the end of the slowdown: "In the summer of 1967 it became obvious that domestic demand, at least so far as it came from enterprises, was beginning to rise on a broad basis. In June for the first time a nonseasonal growth of orders from the home market was recorded by all industries, not only those producing capital goods, where the reversal had already begun earlier, but also the basic and consumer goods industries. The new upswing continued, although with slight fluctuations, until the first months of 1968 surveyable as this Report goes to press."⁵¹

⁴⁷"Die Auslaufperiode des Wachstumszyklus, der im ersten Halbjahr 1965 seinen Hohepunkt erreicht hatte, haelt an. Wie die vorangegangene Beschleunigung, so ist auch die Verlangsamung des Wachstums nicht so stark ausgepraegt wie im Zyklus 1959-63." IFO Institut fuer Wirtschaftsforschung Muenchen, *Wirtschaftskonjunktur*, April 1966, p. 7.

⁴⁸OECD, *Economic Surveys, Germany* December 1965, p. 6, and March 1967, p. 5.

⁴⁹"Dies spricht dafuer, die Markierung des Wendepunktes nicht in das Jahr 1965 zu setzen, sondern in den mittleren Teil der fraglichen Strecke, also an den Jahresanfang 1966." Deutsches Institut fuer Wirtschaftsforschung, *Vierteljahrshefte zur Wirtschaftsforschung*, Berlin, 1966, Drittes Heft, p. 255.

⁵⁰"Die Konjunktur in der Bundesrepublik war im ersten Quartal 1966 bei einem leichten Ueberwiegen der Entspannungstendenzen stark differenziert." Der Bundesminister fuer Wirtschaft, *Die Wirtschaftliche Lage*, Erstes Vierteljahr 1966, p. 1.

⁵¹Deutsche Bundesbank, *Report for the Year 1967*, p. 10.