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MONITORING
GROWTH CYCLES IN
MARKET-ORIENTED COUNTRIES

NATIONAL BUREAU OF ECONOMIC RESEARCH

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Monitoring Growth Cycles In Market-Oriented Countries: Developing and Using International Economic Indicators

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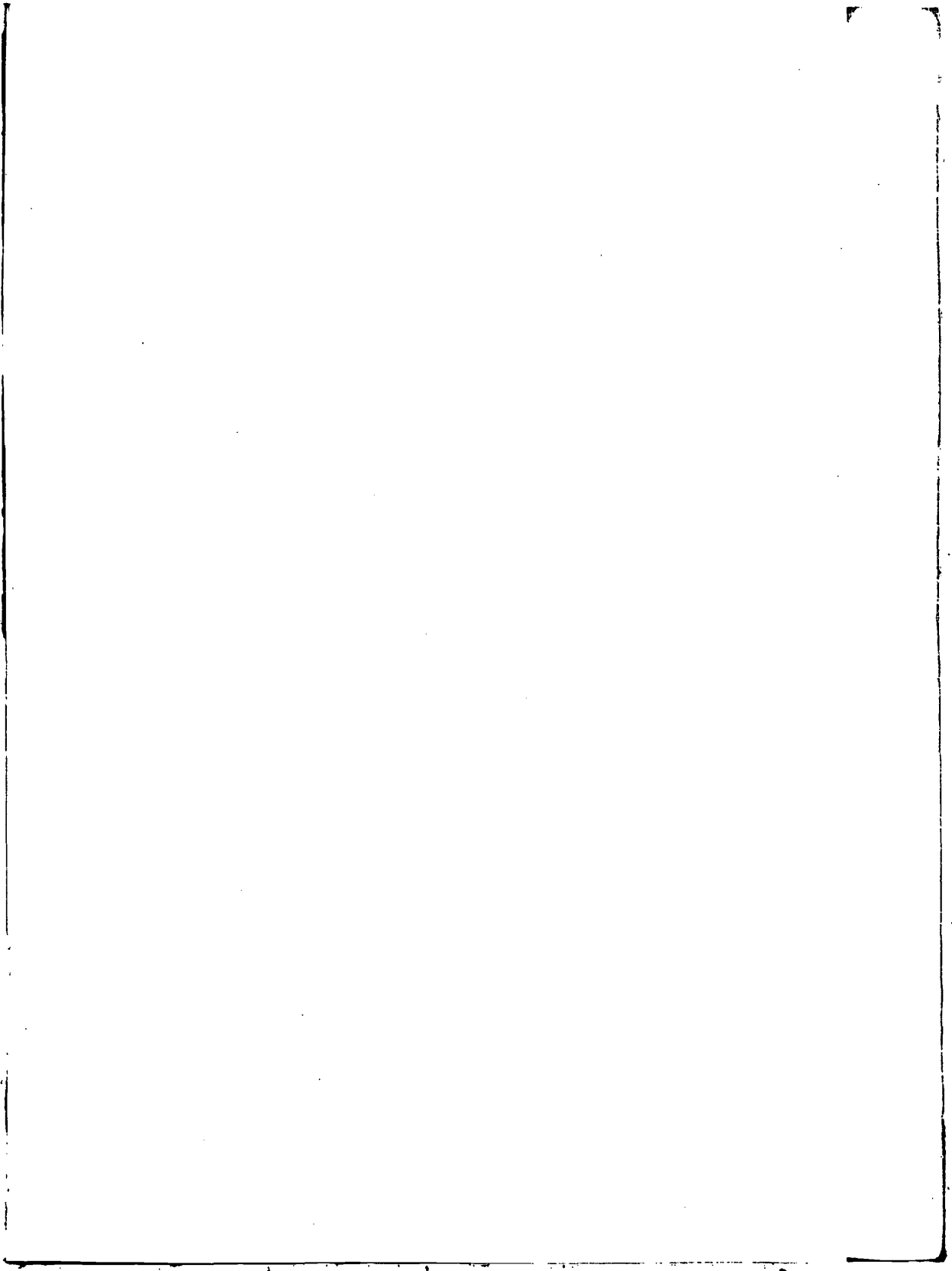
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To the memory of
Ilse Mintz, who pioneered the development of growth cycle analysis
and
Beatrice N. Vaccara, who strove always to make economic indicators
a more useful tool.
Their professional standards were surpassed only by their warmth
and worth as human beings.



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PREFACE

The primary objective of this volume is to show that the system of economic indicators developed over the past fifty years and based on Wesley Mitchell's and Arthur Burns' early work can be successfully applied to the study of growth cycles as well as classical cycles in various world markets. Growth cycles are fluctuations in growth about a long-run trend; classical cycles are up and down movements in the level of activity. We believe that our use of Mitchell and Burns' original methodology in meeting these new objectives is clearly demonstrated in the historical analysis of the ten countries presented here.

We have traced the performance of these indicators through 1980 wherever possible, but readers will inevitably wonder how the indicators have been used most recently and how they might contribute to our understanding of the recession and recovery patterns in various countries during the early 1980s. The temptation of including such an up-to-date assessment has been resisted, however, for, in the perceptive phrasing of Burns and Mitchell, business cycles are phenomena in which "one phase merges into the next." At whatever point one chooses to publish one's findings, therefore, another cycle phase will be in the process of making itself manifest.

The events of 1973-75 and since have suggested in all the countries included in this volume, as well as in many more, that along with attention to the growth cycle, we must continue to pay attention to classical or conventional cycles. It is no doubt somewhat con-

fusing and partly redundant to monitor instability in both growth cycle and classical cycle form. For the immediate future, however, we see no alternative. Were classical cycles to be really in the process of disappearing, as many experts appeared to be convinced was the case in the 1960s, it would be possible to switch entirely to the growth cycle approach, and be thankful that the indicators developed over the long years of research on classical cycles proved to be sufficiently sensitive to enable us to apply them to growth cycles. Many countries do concentrate attention now on growth cycles. Unfortunately, the classical cycle has not disappeared. Whether the years immediately ahead will bring more classical recessions, more growth recessions, more of both, or neither, no one can say for certain. The historical record strongly suggests, though, that instability in one or the other of these forms will be a characteristic of all market-oriented economies in the future as it has in the past. We must be prepared in the future, as we have tried to be in the past, to study emergent instability with appropriate techniques. We hope and believe this volume will play a useful part in that preparation.

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