

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Explorations in Economic Research, Volume 2, number 2

Volume Author/Editor: NBER

Volume Publisher: NBER

Volume URL: <http://www.nber.org/books/moor75-2>

Publication Date: 1975

Chapter Title: Front matter to "Explorations in Economic Research, Volume 2, number 2"

Chapter Author: NBER

Chapter URL: <http://www.nber.org/chapters/c7406>

Chapter pages in book: (p. -6 - 0)

EXPLORATIONS IN ECONOMIC RESEARCH



Occasional
Papers of the

NATIONAL
BUREAU OF
ECONOMIC
RESEARCH

volume 2
number 2

spring 1975

**SLOWDOWNS, RECESSIONS,
AND INFLATION:
SOME ISSUES AND ANSWERS**
Geoffrey H. Moore

**INFLATION AND MARKET
STRUCTURE, 1967-1973**
Phillip Cagan

**ON THE CLASSIFICATION OF
ECONOMIC FLUCTUATIONS**
John R. Meyer and
Daniel H. Weinberg

**THE FINANCES OF
AMERICAN UNIONS,
1962-1969**
Leo Troy



Occasional Papers of the **NATIONAL BUREAU OF ECONOMIC RESEARCH** **volume 2 number 2** **spring 1975**

ORIGINAL COPY

Editor's Overview	v
SLOWDOWNS, RECESSIONS, AND INFLATION: SOME ISSUES AND ANSWERS Geoffrey H. Moore	125
ON THE CLASSIFICATIONS OF ECONOMIC FLUCTUATIONS John R. Meyer and Daniel H. Weinberg	167
INFLATION AND MARKET STRUCTURE, 1967-1973 Phillip Cagan	203
THE FINANCES OF AMERICAN UNIONS, 1962-1969 Leo Troy	217
ASA/NBER Business Outlook Survey: First Quarter 1975	252

NATIONAL BUREAU OF ECONOMIC RESEARCH

OFFICERS

Arthur Burns, *Honorary Chairman*
 J. Wilson Newman, *Chairman*
 Moses Abramovitz, *Vice Chairman*
 John R. Meyer, *President*
 Thomas D. Flynn, *Treasurer*
 Douglas H. Eldridge, *Vice President-Executive Secretary*
 Gary Fromm, *Director, NBER Washington*

Victor R. Fuchs, *Vice President-Research; Co-director NBER-West*
 Edwin Kuh, *Director, Computer Research Center*
 Robert E. Lipsey, *Vice President-Research*
 Harvey J. McMain, *Vice President, Director, NBER New York*
 Sherman J. Maisel, *Co-director NBER-Palo Alto*
 Geoffrey H. Moore, *Vice President-Research*
 Edward K. Smith, *Vice President*

DIRECTORS AT LARGE

Atherton Bean, *International Multifoods Corporation*
 Andrew F. Brimmer, *Harvard University*
 Arthur F. Burns, *Board of Governors of the Federal Reserve System*
 Wallace J. Campbell, *Foundation for Cooperative Housing*
 Erwin D. Canham, *Christian Science Monitor*
 Emilio G. Collado, *Exxon Corporation*
 Solomon Fabricant, *New York University*
 Frank L. Fernbach, *United Steelworkers of America*
 Eugene P. Foley, *Montrose Securities, Inc.*
 David L. Grove, *International Business Machines Corporation*
 Walter W. Heller, *University of Minnesota*
 Vivian W. Henderson, *Clark College*

John R. Meyer, *Harvard University*
 Geoffrey H. Moore, *National Bureau of Economic Research*
 J. Wilson Newman, *Dun & Bradstreet, Inc.*
 James J. O'Leary, *United States Trust Company of New York*
 Rudolph A. Oswald, *Service Employees International Union*
 Alice M. Rivlin, *Congressional Budget Office*
 Robert V. Roosa, *Brown Brothers Harriman & Co.*
 Eli Shapiro, *The Travelers Corporation*
 Arnold M. Soloway, *Jamaicaway Tower, Boston, Massachusetts*
 Lazare Teper, *International Ladies' Garment Workers' Union*
 Theodore O. Yntema, *Oakland University*

DIRECTORS BY UNIVERSITY APPOINTMENT

Moses Abramovitz, *Stanford*
 Gardner Ackley, *Michigan*
 Charles H. Berry, *Princeton*
 Francis M. Boddy, *Minnesota*
 Otto Eckstein, *Harvard*
 Walter D. Fisher, *Northwestern*
 R. A. Gordon, *California, Berkeley*
 J. C. LaForce, *California, Los Angeles*

Robert J. Lampman, *Wisconsin*
 Maurice W. Lee, *North Carolina*
 Almarin Phillips, *Pennsylvania*
 Lloyd G. Reynolds, *Yale*
 Robert M. Solow, *Massachusetts Institute of Technology*
 Henri Theil, *Chicago*
 William S. Vickrey, *Columbia*

DIRECTORS BY APPOINTMENT OF OTHER ORGANIZATIONS

Eugene A. Birnbaum, *American Management Associations*
 Thomas D. Flynn, *American Institute of Certified Public Accountants*
 Nathaniel Goldfinger, *American Federation of Labor and Congress of Industrial Organizations*
 Harold G. Halcrow, *American Agricultural Economic Association*
 Walter E. Hoadley, *American Finance Association*

Philip M. Klutznick, *Committee for Economic Development*
 Paul W. McCracken, *American Statistical Association*
 Roy E. Moor, *National Association of Business Economists*
 Douglass C. North, *Economic History Association*
 Willard L. Thorp, *American Economic Association*
 Robert M. Will, *Canadian Economics Association*

DIRECTORS EMERITI

Percival F. Brundage
 Frank W. Fetter
 Gottfried Haberler

Albert J. Hettinger, Jr.
 George B. Roberts

Murray Shields
 Boris Shishkin
 Joseph H. Willis

SENIOR RESEARCH STAFF

Gary S. Becker
 Charlotte Boschan
 Phillip Cagan
 Stanley Diller
 Solomon Fabricant
 Milton Friedman
 Gary Fromm
 Victor R. Fuchs
 J. Royce Ginn

Raymond W. Goldsmith
 Michael Gort
 Michael Grossman
 F. Thomas Juster
 John F. Kain
 John W. Kendrick
 Irving B. Kravis
 Edwin Kuh
 William M. Landes

Hal B. Lary
 Robert E. Lipsey
 Sherman J. Maisel
 Benoit B. Mandelbrot
 John R. Meyer
 Robert T. Michael
 Jacob Mincer
 Ilse Mintz
 Geoffrey H. Moore

M. Ishaq Nadiri
 Nancy Ruggles
 Richard Ruggles
 Anna J. Schwartz
 Robert P. Shay
 Edward K. Smith
 George J. Stigler
 Robert J. Willis
 Victor Zarnowitz

RELATION OF THE DIRECTORS TO THE WORK AND PUBLICATIONS OF THE NATIONAL BUREAU OF ECONOMIC RESEARCH

1. The object of the National Bureau of Economic Research is to ascertain and to present to the public important economic facts and their interpretation in a scientific and impartial manner. The Board of Directors is charged with the responsibility of ensuring that the work of the National Bureau is carried on in strict conformity with this object.
2. The President of the National Bureau shall submit to the Board of Directors, or to its Executive Committee, for their formal adoption all specific proposals for research to be instituted.
3. No research report shall be published by the National Bureau until the President has sent each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the principles of the National Bureau. Such notification will include an abstract or summary of the manuscript's content and a response form for use by those Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied, the character of the data and their utilization in the report, and the main conclusions reached.
4. For each manuscript so submitted, a special committee of the Directors (including Directors Emeriti) shall be appointed by majority agreement of the President and Vice Presidents (or by the Executive Committee in case of inability to decide on the part of the President and Vice Presidents), consisting of three Directors selected as nearly as may be one from each general division of the Board. The names of the special manuscript committee shall be stated to each Director when notice of the proposed publication is submitted to him. It shall be the duty of each member of the special manuscript committee to read the manuscript. If each member of the manuscript committee signifies his approval within thirty days of the transmittal of the manuscript, the report may be published. If at the end of that period any member of the manuscript committee withholds his approval, the President shall then notify each member of the Board, requesting approval or disapproval of publication, and thirty days additional shall be granted for this purpose. The manuscript shall then not be published unless at least a majority of the entire Board who shall have voted on the proposal within the time fixed for the receipt of votes shall have approved.
5. No manuscript may be published, though approved by each member of the special manuscript committee, until forty-five days have elapsed from the transmittal of the report in manuscript form. The interval is allowed for the receipt of any memorandum of dissent or reservation, together with a brief statement of his reasons, that any member may wish to express; and such memorandum of dissent or reservation shall be published with the manuscript if he so desires. Publication does not, however, imply that each member of the Board has read the manuscript, or that either members of the Board in general or the special committee have passed on its validity in every detail.
6. Publications of the National Bureau issued for informational purposes concerning the work of the Bureau and its staff, or issued to inform the public of activities of Bureau staff, and volumes issued as a result of various conferences involving the National Bureau shall contain a specific disclaimer noting that such publication has not passed through the normal review procedures required in this resolution. The Executive Committee of the Board is charged with review of all such publications from time to time to ensure that they do not take on the character of formal research reports of the National Bureau, requiring formal Board approval.
7. Unless otherwise determined by the Board or exempted by the terms of paragraph 6, a copy of this resolution shall be printed in each National Bureau publication.

(Resolution adopted October 25, 1926, as revised through September 30, 1974)

Editor's Overview

Vol. 2, No. 2

Since its establishment in 1920 by Wesley C. Mitchell and others, the National Bureau of Economic Research has been closely identified with business cycle research. Partly because of the Bureau's early and continuing prominence in the area and partly because no other body's findings have been accorded comparable acceptance, persons outside the National Bureau generally have deferred to it for the dating of cyclical peaks and troughs. Thus, Geoffrey Moore's lead article in this issue of *Explorations in Economic Research* will be interpreted by many as constituting official recognition by the National Bureau of Economic Research that the United States entered upon its sixth recession since World War II in November 1973.

Some persons may criticize the Bureau for its failure to "announce" the present recession earlier; others may criticize it for reaching such a conclusion now; still others may criticize it for presuming to decide so politically sensitive a question at all. All three criticisms are based on a common misconception that the National Bureau in fact performs either an official or a judicial function regarding the analysis of business cycles, the identification of cyclical phases and/or the dating of cyclical peaks and troughs. As the front matter of all NBER publications states, the National Bureau is a private, nonprofit research organization. The publications program of the NBER is keyed to the pace of its research program, which in turn is determined by needs for basic economic information, not day to day demands for guidance regarding the direction and pace of current economic activity.

There also may be some misunderstanding outside the National Bureau regarding the existence within it of an official, institutional position regarding the taxonomy of cyclical phases. The absence of such a position is evidenced by Bureau publications in this journal and elsewhere during the past year of papers by Ilse Mintz ("Dating United States Growth Cycles," *EER*, Summer 1974), Geoffrey Moore ("Productivity, Costs, and Prices: New Light from an Old Hypothesis," *EER*, Winter 1975 and "Slowdowns, Recessions, and Inflation: Some Issues and Answers," *EER*, Spring 1975) and John Meyer and Daniel Weinberg ("On the Classification of Economic Fluctuations," *EER*, Spring 1975) that reflect different approaches to and perceptions of the complex of interactions among constantly changing economic processes that constitute a modern business cycle.

The thought that one, tightly constructed, immutable model of the business cycle could, for all countries, uses and times, provide an analytically sufficient basis for measurement and prediction never has been accepted by the National Bureau or reflected in its work. The cycle itself, despite persistent traits, has been recognized throughout the Bureau's history to be a changing phenomenon. As Mitchell noted in *Business Cycles*, Vol. 3 (Berkeley: University of California Press, 1913), "Business history repeats itself, but always with a difference."

Mitchell and other Bureau researchers experimented constantly with different representations of cyclical fluctuations, including Mitchell's original four phase representation in 1913, namely: revival, prosperity, crisis, and depression; Mitch-

ell's substitution of "recession" for the "crisis" phase in 1926 [*Business Annals*, Willard Thorp, New York; NBER, 1926]; the nine phase reference cycle developed jointly by Mitchell, Burns, and Kuznets in the 1930s ["The National Bureau's Measures of Cyclical Behavior," Bul. 57, National Bureau of Economic Research, 1935] and the related two phase (expansion, contraction) representation.

Moore's lead article in this issue employs the familiar two phase description of cyclical behavior, albeit in two alternative forms: business cycles and growth cycles. The following piece by Meyer and Weinberg reports on an experimental use of multivariate discriminant analysis to develop a four phase characterization of cyclical fluctuations over the post-World War II period. The four phases derived by the authors are: recession, recovery, demand-pull, and stagflation. (Forward extrapolation of Meyer/Weinberg analyses beyond September 1973 provides support for Moore's conclusion that the United States entered a new recession in November 1973, although July 1974 also appears a possible starting date for the current contraction.) Backward extrapolation to the period 1920-1951 suggests that the major difference between prewar and postwar U.S. business cycles is the apparent absence during the former of a stagflation phase.

Tabular comparisons of reference dates for business cycles over the postwar period derived from standard NBER criteria, the growth cycle criteria developed by Ilse Mintz for the first issue of *Explorations in Economic Research*, and the four phase taxonomy developed by Meyer and Weinberg for this issue are summarized in Table 1.

In the third paper in this issue, Philip Cagan continues his studies of the process of inflation by analyzing the effect on price behavior of industry structure. Through cross-section analyses of the behavior of prices in 86 industries, Cagan notes that prices advanced *less* rapidly in industries whose output is concentrated in a few large firms during periods such as 1967-1969 and 1973 when general price inflation was most rapid, and that prices advanced *more* rapidly in such concentrated industries during 1970-1971 when the general rate of inflation subsided.

In an interpretation that may generate controversy, Cagan concludes that large firms and concentrated industries do not spearhead inflation, but in fact lag and tend to delay the transmission of inflationary pressures.

In the final research paper in this issue, Leo Troy presents a systematic account and analysis of the financial resources of American labor unions, their wealth, investment policies, and sources and uses of funds over the period 1962-1969. Troy's paper grows out of and extends earlier research conducted by him as part of the National Bureau's contribution to the Securities and Exchange Commission's 1971 *Institutional Investor Study Report*, the Bureau's portion of which has subsequently been published separately as Raymond Goldsmith (ed.), *Institutional Investors and Corporate Stock: A Background Study*, New York, NBER, 1973.

The First Quarter 1975 ASA/NBER *Business Outlook Survey*, conducted jointly by the American Statistical Association and the National Bureau of Economic Research, completes this issue of *EER*.

The editors regret that the name of John Pencavel was inadvertently omitted from the acknowledgments to Victor Fuchs' article, "A Note on Sex Segregation in Professional Occupations," that appeared in Volume 2, Number 1.

TABLE 1 Comparative Reference Dates, NBER Business Cycle Studies of the Post-World War II Period

Demand-Pull ^a	M/W		Peak		Trough		
	Stagflation ^a	GC	NBER	M/W ^b	GC	NBER	M/W ^c
?	May 1948	July 1948	Nov. 1948	Nov. 1948	Oct. 1949	Oct. 1949	Oct. 1949
July 1950	Jan. 1951	June 1951	—	—	June 1952	—	—
—	—	March 1953	July 1953	Oct. 1953	Aug. 1954	May 1954 ^c	July 1954
March 1955	—	Feb. 1957	Aug. 1957 ^c	Aug. 1957	May 1958	April 1958	April 1958
—	—	Feb. 1960	April 1960 ^c	May 1960	Feb. 1961	Feb. 1961	Jan. 1961
—	—	April 1962	—	—	March 1963	—	—
May 1965	—	June 1966	—	—	Oct. 1967	—	—
—	Dec. 1967	March 1969	Dec. 1969 ^c	Dec. 1969	Nov. 1970	Nov. 1970	Nov. 1970
Jan. 1973	—	March 1973	Nov. 1973	(Oct. 1973) ^d	—	—	—

NOTE: M/W = MeyerWeinberg (*Explorations in Economic Research*, this issue)

GC = Growth Cycle (*Explorations in Economic Research*, Mintz, Summer 1974, and Moore, this issue)

NBER = NBER Business Cycle (*Explorations in Economic Research*, Moore, this issue)

^aStarting dates for these stages.

^bThe peak month is here defined as the month before the start of a recession.

^cThe trough month is here defined as the month before the start of a recovery.

^dOr July 1974. See MeyerWeinberg article in this issue.

^eRevised. See Moore in this issue, footnote 2. Note that in two instances, 1957 and 1969, the revisions are confirmed by MeyerWeinberg.