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# 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**  
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**THE FINANCES OF  
AMERICAN UNIONS,  
1962-1969**  
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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**

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

NOTE: M/W = Meyer/Weinberg (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)

<sup>a</sup>Starting dates for these stages.

<sup>b</sup>The peak month is here defined as the month before the start of a recession.

<sup>c</sup>The trough month is here defined as the month before the start of a recovery.

<sup>d</sup>Or July 1974. See Meyer/Weinberg article in this issue.

<sup>e</sup>Revised. See Moore in this issue, footnote 2. Note that in two instances, 1957 and 1969, the revisions are confirmed by Meyer/Weinberg.