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Dates of Peaks and Troughs

Any attempt to determine how early forecasters gave warning of a particular turn and how prompt they were to confirm it requires knowing when the peak or trough of the business cycle came. The NBER chronology of reference cycle peaks and troughs serves this purpose well, despite the uncertainty attaching to particular dates. In some cases, such as 1932–33 and 1949, the NBER had to make a close decision because the trough was double-bottomed. In other cases, the decision was close, as between two or more contiguous months, because the turn was flat. On the basis of the revised NBER date for the 1929 peak (August), the recognition performance looks much better than it would have on the basis of the original date (June) given by Burns and Mitchell.⁵ A more recent example is the August 1954 trough, where consideration of revised statistics may justify selection of an earlier date. In appraising recognition performances, account must be taken of all such circumstances. Table I-1 lists alternatives for fourteen peaks and troughs. Chart I-1 shows the behavior of five series representing economic aggregates in the vicinity of the eight peaks and troughs from 1948 through 1961. Note particularly the double bottom in 1949, the flat bottom in 1954, and the flat top in 1960. There are other circumstances making some turns inherently harder to recognize than others, but they are best discussed in the historical survey below.

⁵ *Measuring Business Cycles*, p. 78.

TABLE I-1

Alternative Dates of Business Cycle Peaks and Troughs, 1919-61

NBER Date ^a (1)	Alternatives ^b (2)	References ^c (3)
Feb. 1961 (T)	None suggested	Zarnowitz, p. 189
May 1960 (P)	July	Cloos (cf. Zarnowitz, p. 188n)
Apr. 1958 (T)	None suggested	Zarnowitz, p. 189
July 1957 (P)	August	Trueblood, pp. 19 and 20n; Moore; Zarnowitz, p. 189
Aug. 1954 (T)	May-July	Trueblood, pp. 18-19; Zarnowitz, pp. 198-99
July 1953 (P)	None suggested	Zarnowitz, p. 189
Oct. 1949 (T)	July	Trueblood, pp. 17-18; Moore; Zarnowitz, pp. 186-88
Nov. 1948 (P)	October	Trueblood, p. 17; Moore; Zarnowitz, pp. 188-89
June 1938 (T)	May	Burns and Mitchell, p. 78
May 1937 (P)	June-August ^d	Burns and Mitchell, pp. 83 and 87
Mar. 1933 (T)	Summer 1932	Burns and Mitchell, p. 82
Aug. 1929 (P)	June	Burns and Mitchell, p. 78; Cox, p. 31
Nov. 1927 (T)	December	Burns and Mitchell, p. 78; Cox, p. 31
Oct. 1926 (P)	March 1927	Cox, p. 31
July 1924 (T)	None suggested	Cox, p. 31
May 1923 (P)	None suggested	Cox, p. 31
July 1921 (T)	March; September	Cox, p. 31; Burns and Mitchell, p. 78
Jan. 1920 (P)	March	Cox, p. 31
Mar. 1919 (T)	None suggested	Cox, p. 31

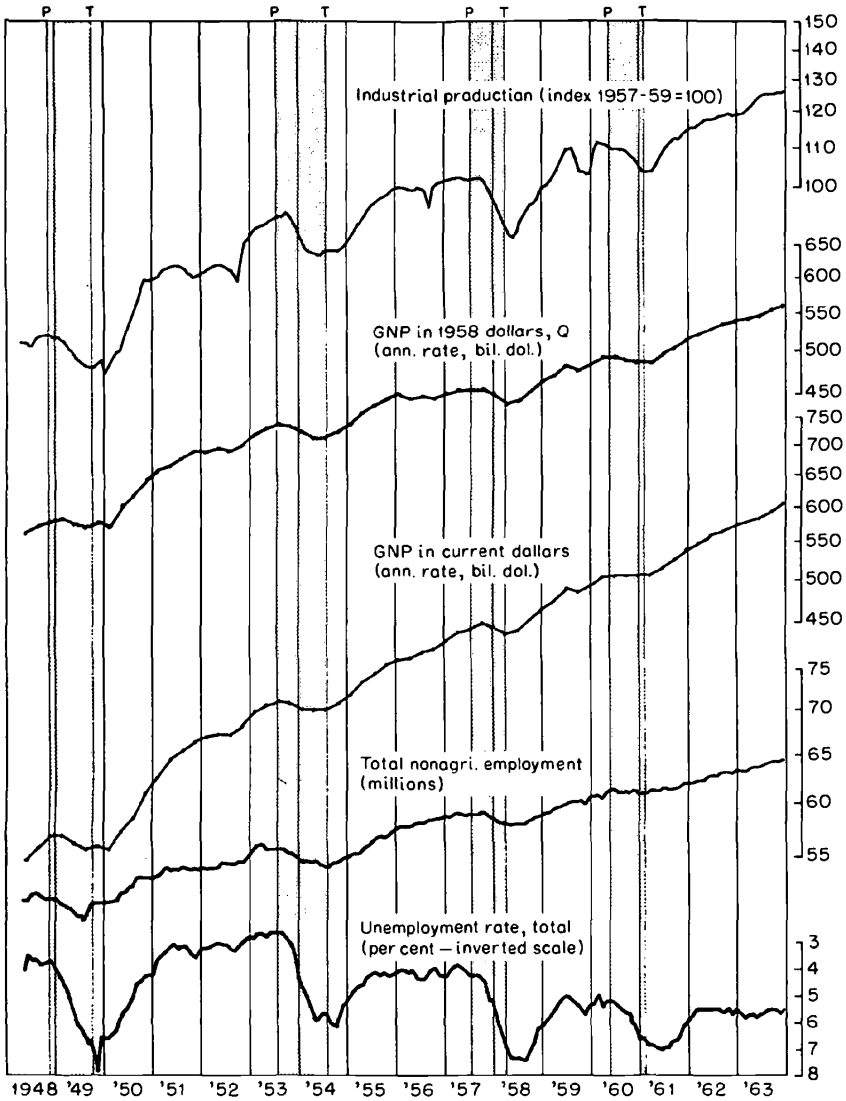
^a *Business Cycle Developments*, September 1966, p. 65. This table omits the NBER peak of February 1945 and trough of October 1945.

^b For 1938, 1929, 1927, and 1921, col. (2) includes the original dates given by Burns and Mitchell, p. 78, the corresponding dates in col. (1) being later revisions. Other dates in col. (2) are alternatives that have been suggested in the literature (except 1937, on which see note d). The older literature referred to by Burns and Mitchell on p. 108 has not been utilized, since it is not of interest for present purposes. This omission should be borne in mind in interpreting the entries for pre-World War II dates.

^c Victor Zarnowitz, "On the Dating of Business Cycles," *Journal of Business*, April 1963, pp. 179-199; George W. Cloos, "How Good Are the National Bureau's Reference Dates?" *Journal of Business*, January 1963, pp. 14-32; Lorman C. Trueblood, "The Dating of Postwar Business Cycles," *Proceedings of the Business and Economics Section of the American Statistical Association*, Washington, D. C., 1961, pp. 16-26; Geoffrey H. Moore, "Discussion," *Proceedings of the Business and Economics Section of the American Statistical Association*, Washington, D. C., 1961, p. 34; Arthur F. Burns and Wesley C. Mitchell, *Measuring Business Cycles*; Garfield V. Cox, *An Appraisal of American Business Forecasts*, rev. edition, Chicago, 1930.

^d The Barger-Klein estimate of GNP (available in Geoffrey H. Moore, ed., *Business Cycle Indicators*, Vol. II, p. 133) rose 5 per cent in the third quarter of 1937. Such a large rise is inconsistent with a date for the cyclical peak earlier than June. Since the quality of the GNP estimate is not high, there is no presumption that the NBER date is wrong, but for purposes of the present study the fact that two competent investigators long after the event produced such an estimate demonstrates how difficult it was for contemporary observers to recognize the turning point promptly.

CHART I-1
Five Aggregate Series, 1948-63



Shaded areas represent business cycle contractions (NBER dates).

SOURCE: Federal Reserve System; Department of Commerce; Bureau of Labor Statistics.