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Volume Title: Monitoring Growth Cycles in Market-Oriented Countries: Developing and Using International Economic Indicators

Volume Author/Editor: Klein, Philip A. and Geoffrey H. Moore

Volume Publisher: Ballinger

Volume ISBN: 0-887-30041-3

Volume URL: http://www.nber.org/books/klei85-1

Publication Date: 1985

Chapter Title: Front matter to "Monitoring Growth Cycles in Market-Oriented Countries: Developing and Using International Economic Indicators"

Chapter Author: Philip A. Klein, Geoffrey H. Moore

Chapter URL: http://www.nber.org/chapters/c4163

Chapter pages in book: (p. -27 - 0)

MONITORING GROWTH CYCLES IN MARKET-ORIENTED COUNTRIES

NATIONAL BUREAU OF ECONOMIC RESEARCH

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

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National Bureau of Economic Research Studies in Business Cycles No. 26

Published for the
NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.
by
BALLINGER PUBLISHING COMPANY
A Subsidiary of Harper & Row, Publishers, Inc.
Cambridge, Mass.
1985

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International Standard Book Number: 0-88730-041-3

Library of Congress Catalog Card Number: 85-1297

Printed in the United States of America

Library of Congress Cataloging in Publication Data

Klein, Philip A.
Monitoring growth cycles in market-oriented countries.

Bibliography: p.
Includes index.
1. Business cycles. 2. Economic indicators.
I. Moore, Geoffrey Hoyt. II. Title. III. Title:
Growth cycles in market-oriented countries.
HB3711.K58 1985 338.5'42 85-1297
ISBN 0-88730-041-3

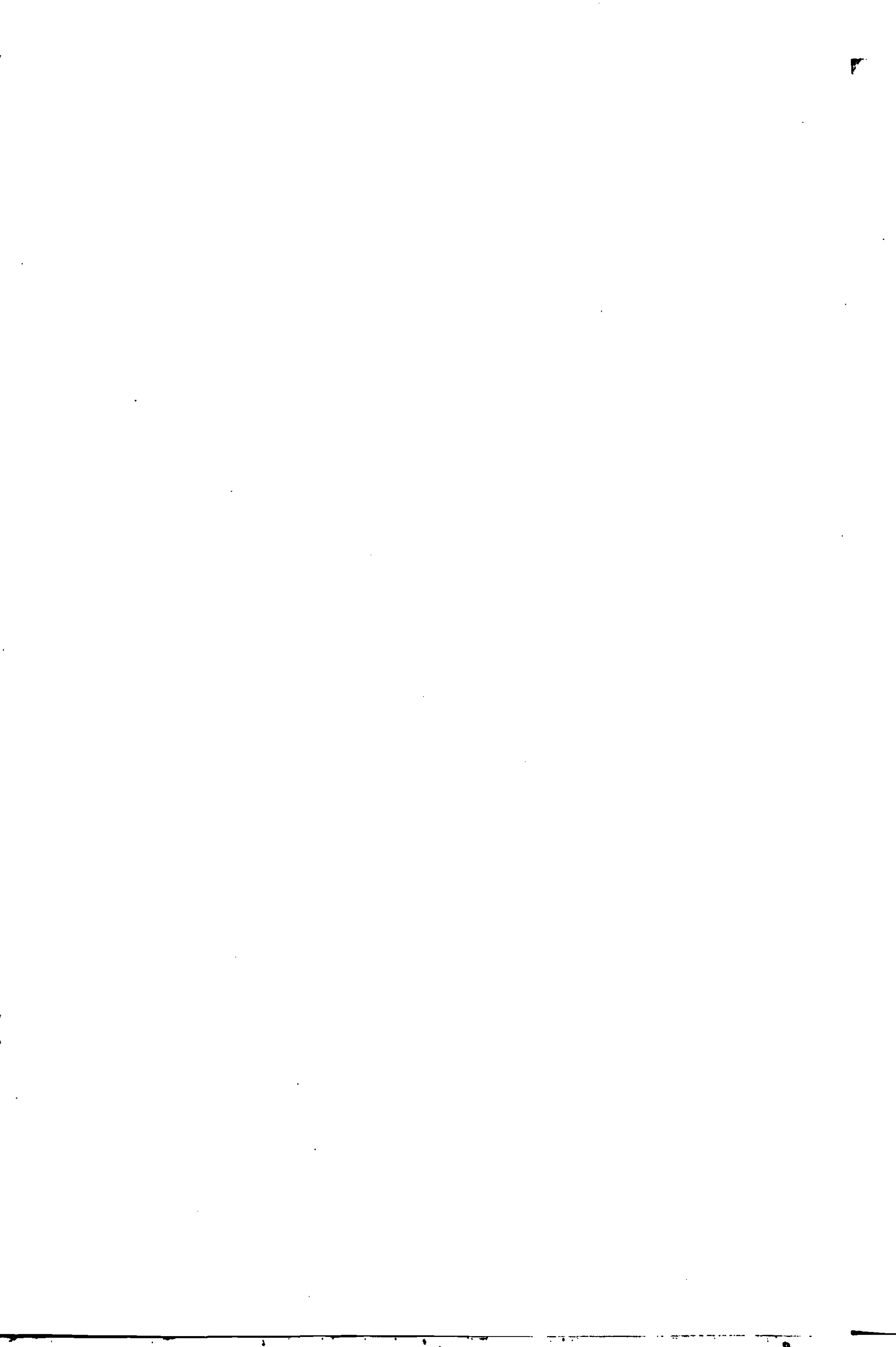
To the memory of

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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CONTENTS

List of Figures xiii

List of Tables xvii

Preface xxiii

PART I INTERNATIONAL ECONOMIC INDICATORS: A TRACKING AND EARLY WARNING SYSTEM

Chapter 1
Introduction 3

Mitchell's View of Business Cycle Analysis 4
The Indicator System 8
From Classical Cycles to Growth Cycles 16
Previous Work on International Indicators 18
Plan of the Book 22

Chapter 2
Developing Growth Cycle Chronologies for Market-Oriented Countries 29

Methodology 29
Ten Growth Cycle Chronologies 41

Other Growth Cycle Chronologies 49
Assessing the IEI Growth Chronologies 55
Appendix 2A: Current Sources of International Economic Indicators 61
Appendix 2B: Growth Cycle Chronologies for Four Countries, 1948–83 63
Appendix 2C: U.S. Cyclical Indicators and Rough Equivalents, Nine Other Countries 63

Chapter 3
Summary Measures of Leading, Coincident, and Lagging Indicators in Ten Countries 71

Composite Indexes 71
Median Timing of Indicators 83
Appendix 3A: Summary Measures of Smoothness and Amplitude for Composite Indexes, Ten Countries 94
Appendix 3B: Numerical Analysis of Sequences of Turns in Composite Indexes, Ten Countries 96

PART II PERFORMANCE OF INDIVIDUAL INDICATORS IN TEN COUNTRIES

Chapter 4
Performance of Individual Indicators: Behavior at Successive Turning Points 109

The United States 110
Canada 115
The United Kingdom 116
West Germany 119
France 121
Italy 123
Belgium 125
The Netherlands 127
Sweden 131
Japan 133
Summary and Conclusions 135
Appendix 4A: Indicators for Ten Countries 141
Appendix 4B: Timing of Growth Cycle Turns, Individual Indicators for Ten Countries 203

Chapter 5
Qualitative Indicators of Growth Cycle Developments 225

Methodological Problems 228
Order Books 231
Finished Goods Inventories 245
Profits 253
Production Expectations 262
Selling Prices 267
Business Confidence 271
Conclusions 276

PART III APPLYING THE INDICATOR SYSTEM: WORLD CYCLES, INTERNATIONAL TRADE AND INFLATION

Chapter 6
Is There a World Cycle? 285

Introduction 285
Alternative International Growth Cycle Chronologies 287
Utilizing World Cycle Chronologies 290
Leading and Lagging Indicators of International Cycle Turns 297

Chapter 7
Monitoring International Trade Flows with Leading Indicators 305

The Use of Leading Indicators in Forecasting Changes in Trade Flows 309
Using World Imports to Forecast U.S. Exports 312
Conclusions 325

Chapter 8
Monitoring Inflation Rates During Growth Cycles 333

Chapter 9
Toward an Improved International System of Business Cycle Indicators 347

Measurement and Theory: The Appropriate Mix 353
Classical Cycles and Growth Cycles 354
Agenda for the Future 357

Bibliography 363

Index 371

About the Authors 381

LIST OF FIGURES

How to Read Figures 2-1 and 2-2, see page 33

2-1	U.S. Index of Industrial Production: Original Data and Trend	34
2-2	U.S. Index of Industrial Production: Deviations from Trend	35
2-3	Growth Cycle Chronologies for Ten Countries, and Leads (-) and Lags (+) vis-à-vis the U.S. Chronology	46
2-4	Coincident Composite Indexes, Deviations from Trend for Ten Countries	47
2-5	Coincident Composite Indexes, Six-month Smoothed Rates of Change for Ten Countries	48
3-1	Composite Indexes for Ten Countries	72
4A-1	United States, Components of Leading Index	142
4A-2	Canada, Components of Leading Index	150
4A-3	United Kingdom, Components of Leading Index	158
4A-4	West Germany, Components of Leading Index	165
4A-5	France, Components of Leading Index	173
4A-6	Italy, Components of Coincident Index	177
4A-7	Belgium, Components of Leading Index	181
4A-8	Netherlands, Components of Leading Index	185
4A-9	Sweden, Components of Leading Index	191
4A-10	Japan, Components of Leading Index	198

5-1 West Germany, Timing at Growth Cycle Turns, Level of Order Books, Total (1.1), Survey Net Balance, 1968-79 232

5-2 West Germany, Timing at Growth Cycle Turns, Change in Level of Order Books, Total (1.2), First Difference of Survey Net Balance, 1968-79 233

5-3 West Germany, Timing at Growth Cycle Turns, New Orders, Total Trend-Adjusted (1.2.3), Quantitative Series, 1968-79 234

5-4 West Germany, Timing at Growth Cycle Turns, Levels of Export Order Books, (1.1), Survey Net Balance, 1968-79 236

5-5 West Germany, Timing at Growth Cycle Turns, Change in Level of Export Order Books, (1.2), Survey Net Balance, 1968-79 237

5-6 United Kingdom, Timing at Growth Cycle Turns, Changes in Volume, Index of New Orders, (3.1.1), 1958-79 244

5-7 West Germany, Timing at Growth Cycle Turns, Change in Finished Goods Stocks, (2.2), First Difference of Survey Net Balance, 1968-79 246

5-8 West Germany, Timing at Growth Cycle Turns, Level of Finished Goods Stocks (2.1), Survey Net Balance, 1968-79 248

5-9 United States, Past and Expected Changes in Profits, (3.1.1), Dun & Bradstreet Survey vs. Actual Change in Corporate Profits after Taxes, (3.1), in Current Dollars, Department of Commerce, 1948-81 255

5-10 United Kingdom, Price/Labor Cost Differential, Net Balances (Price less costs), Trend in the Past Four Months and Expected Trend in the Next Four Months, (3.1), 1958-81 259

5-11 West Germany, Timing at Growth Cycle Turns, Expected Change in Production, (3.1), Survey Net Balance, 1968-79 263

5-12 West Germany, Timing at Growth Cycle Turns, Percent Change in the Index of Industrial Production, (3.1), 1968-79 264

5-13 West Germany, Timing at Growth Cycle Turns, Level of Production Expectations, Cumulated Survey Net Balance, (3.2), 1968-79 266

5-14 West Germany, Timing at Growth Cycle Turns, Level of Industrial Production, (3.2.1), 1968-79 267

5-15 West Germany, Timing at Growth Cycle Turns, Expected Changes in Selling Price (3.1), Survey Net Balance, 1968-79 270

5-16 West Germany, Timing at Growth Cycle Turns, Percent Change in Producer Price Index, (3.1.1), 1968-80 271

5-17 United Kingdom, CBI Business Confidence Index, Cumulated Net Balance, (3.2.1), 1958-78 276

6-1 International Composite Indexes, by Timing 288

7-1 Annual Percentage Changes in World Imports, U.S. Exports, and Six-Country Leading Index 313

7-2 Import Diffusion and Rates of Change in U.S. Exports and in Six-Country Leading Index 315

7-3 Forecast and Actual Percent Changes in U.S. Exports of Manufactured Goods to Western Europe, Quantity, Using Leading Index for Four Countries, 1964-76 317

7-4 Forecast and Actual Percentage Changes in Quantity of United Kingdom Exports of Manufactured Goods to Six Countries, 1965-77 318

7-5 Forecast and Actual Percentage Changes in Quantity of West German Exports of Manufactured Goods to All Countries, 1965-77 319

7-6 Forecast and Actual Percentage Changes in Quantity of Japanese Exports of Manufactured Goods to All Countries, 1965-77 320

7-7 Forecast and Actual Percent Changes in Quantity of Exports of Developing Market Economies to All Countries, 1964-77 321

7-8 Quarterly Forecast and Actual Percent Changes, U.S. Exports of Manufactured Goods, Quantity 322

7-9 Actual and Forecast Rates of Changes in U.S. Exports of Goods and Services (in 1972$), 1956-78 324

7-10 Actual and Forecast Rates of Changes in U.S. Imports of Goods and Services (in 1972$), 1956-78 325

7-11 Actual and Forecast Changes in U.S. Net Exports of Goods and Services (in 1972$), 1957-78 326

7-12 Actual and Forecast Levels of U.S. Net Exports of Goods and Services (in 1972$), 1957-78 327

8-1 Inflation Rate Cycles and Growth Cycles in Seven Market-Oriented Economies, 1948-80 337

LIST OF TABLES

1-1	Cross-Classification of U.S. Indicators by Economic Process and Cyclical Timing	10
1-2	Leads and Lags at Growth Cycle Peaks and Troughs: Two Sets of Trend-Adjusted Composite Indexes, 1948-75	14
2-1	United States, Comparison of Growth Cycle and Classical Cycle Turning Points, 1948-80	38
2-2	Growth Cycle Chronologies for Ten Market-Oriented Economies	43
2-3	United Kingdom, Six Alternative Growth Cycle Chronologies	50
2-4	Japan and Canada, Comparison of Growth Cycles and Classical Cycles, 1954-71	52
2B-1	Growth Cycle Chronologies for Four Countries, 1948-83	63
2C-1	U.S. Cyclical Indicators and Rough Equivalents, Nine Other Countries	64
3-1	Median Lead or Lag of Composite Indexes at Growth Cycle Peaks and Troughs, Ten Market-Oriented Economies, 1948-81	78
3-2	Extra and Skipped Growth Cycles in the Composite Indexes	81

3-3	Summary of Sequence of Turns in Composite Indexes at Growth Cycle Turns in Ten Countries	82
3-4	Lengths of Median Lead or Lag of Individual Indicators at Growth Cycle Peaks for Ten Countries	84
3-5	Consistency of Timing of Indicators in Ten Countries, 1948-80	90
3A-1	Summary Measures of Smoothness and Amplitude for Composite Indexes, Ten Countries	93
3B-1	United States, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	96
3B-2	Canada, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	97
3B-3	United Kingdom, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	98
3B-4	West Germany, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	99
3B-5	France, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	100
3B-6	Italy, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	101
3B-7	Belgium, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	102
3B-8	Netherlands, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	103
3B-9	Sweden, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	104
3B-10	Japan, Analysis of Sequence of Turns in Composite Indexes, at Growth Cycle Turns	105
4-1	Leads and Lags at U.S. Growth Cycle Turns, Three Groups of U.S. Indicators, 1948-81	112
4-2	Leads and Lags at Canadian Growth Cycle Turns, Three Groups of Canadian Indicators, 1951-81	116
4-3	Leads and Lags at British Growth Cycle Turns, Three Groups of British Indicators, 1951-81	118
4-4	Leads and Lags at West German Growth Cycle Turns, Three Groups of West German Indicators, 1951-81	120
4-5	Leads and Lags at French Growth Cycle Turns, Three Groups of French Indicators, 1957-81	122
4-6	Leads and Lags at Italian Growth Cycle Turns, Three Groups of Italian Indicators, 1956-81	124
4-7	Leads and Lags at Belgian Growth Cycle Turns, Three Groups of Belgian Indicators, 1964-81	126

4-8	Leads and Lags at Dutch Cycle Turns, Three Groups of Indicators, 1950-81	128
4-9	Leads and Lags at Swedish Growth Cycle Turns, Three Groups of Indicators, 1965-81	132
4-10	Leads and Lags at Japanese Growth Cycle Turns, Three Groups of Japanese Indicators, 1953-81	134
4-11	Summary, Percent "Success" Rate in Median Timing of Growth Cycle Indicators, Ten Countries	137
4B-1	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, United States	204
4B-2	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, Canada	208
4B-3	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, United Kingdom	212
4B-4	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, West Germany	214
4B-5	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, France	216
4B-6	Lead (-) or Lag (+) at Growth Cycle Turning Points in Months, Italy	217
4B-7	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, Belgium	218
4B-8	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, Netherlands	219
4B-9	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, Sweden	221
4B-10	Lead (-) or Lag (+) at Growth Cycle Turning Points, in Months, Japan	222
5-1	Method of Treating Survey Statistics and Corresponding Quantitative Variables	230
5-2	West Germany, Timing at Growth Cycle Turns, Three Measures of Orders, 1968-79	235
5-3	West Germany, Timing at Growth Cycle Turns, Level of Export Order Books, (1.1), Survey Net Balance, 1968-79	238
5-4	West Germany, Timing at Growth Cycle Turns, Change in Level of Export Order Books, (1.2), First Difference of Survey Net Balance, 1968-79	238
5-5	France, Results of Survey Order Book Behavior at Growth Cycle Turns, 1968-79	239
5-6	Italy, Results of Survey Order Book Behavior at Growth Cycle Turns, 1968-79	241

5-7 United Kingdom, New Orders Behavior at Growth Cycle Turns, 1958-79 242
5-8 West Germany, Timing at Growth Cycle Turns, Levels of Finished Goods Inventories, (2.1), Survey Net Balance, 1968-79 247
5-9 West Germany, Timing at Growth Cycle Turns, Change in Finished Goods Inventories, (2.2), First Difference of Survey Net Balance, 1968-79 249
5-10 France, Inventory Behavior at Growth Cycle Turns, 1968-79 249
5-11 Italy, Inventory Behavior at Growth Cycle Turns, 1968-79 250
5-12 United Kingdom, Inventory Behavior at Growth Cycle Turns, 1968-79 251
5-13 United States, Timing of Three Measures of Profits at Growth Cycle Peaks and Troughs, 1949-80 256
5-14 United Kingdom, Timing of Price/Cost Changes at Growth Cycle Turns, Quantitative Series and Survey Results, Trend in Past Four Months and Expected Trend in Next Four Months, 1958-75 260
5-15 West Germany, Behavior of Production and Production Expectations at Growth Cycle Turns, 1968-79 265
5-16 Italy, Timing at Growth Cycle Turns, Actual and Expected Level of Production, 1970-78 268
5-17 France, Timing at Growth Cycle Turns, Level of Industrial Production, (3.2), Survey Cumulated Net Balance, 1974-79 269
5-18 West Germany, Timing at Growth Cycle Turns, Expected Change in Prices, Survey Net Balance, 1968-79 272
5-19 Italy, Timing at Growth Cycle Turns, Expected Change in Prices, Survey Net Balance, 1968-79 273
5-20 France, Timing at Growth Cycle Turns, Expected Change in Prices, Survey Net Balance, 1968-79 274
5-21 Summary of Cyclical Timing of Qualitative Indicators and Quantitative Equivalents, Market-Oriented Economies 278

6-1 Three International Growth Cycle Chronologies, 1954-80 290
6-2 Consilience of Cycle Phases in Ten Market-Oriented Economies with Cycle Phases in the International Chronology 291

6-3 Leads and Lags at Growth Cycle Turns in Ten Market-Oriented Economies at International Growth Cycle Turning Points, 1954-73 292
6-4 Sequence of Turns at International Growth Cycle Turning Points, Ten Countries, 1954-73 295
6-5 Leads and Lags of International Composite Indexes at their Respective Growth Cycle Turning Points 296
6-6 Timing at International Growth Cycle Turning Points, Composite Indexes of Leading, Roughly Coincident, and Lagging Indicators, Ten Countries 299

7-1 Changes in U.S. Exports and Imports During Growth Cycles: Monthly Data 307
7-2 Changes in U.S. Exports and Imports during Growth Cycles: Annual Data 308
7-3 Correlation of Forecast and Actual Changes in U.S. Exports of Individual Commodities to All Countries, Using Leading Index for Six Countries, GNP Weights 320

8-1 Inflation Rates in Seven Market-Oriented Economies 333
8-2 Inflation Rate Cycles in Seven Market-Oriented Economies vs. the United States, 1949-80 334
8-3 United States, Behavior of Inflation at Growth Cycle Turns 338
8-4 Canada, Behavior of Inflation at Growth Cycle Turns 339
8-5 United Kingdom, Behavior of Inflation at Growth Cycle Turns 340
8-6 West Germany, Behavior of Inflation at Growth Cycle Turns 341
8-7 Japan, Behavior of Inflation at Growth Cycle Turns 342
8-8 Italy, Behavior of Inflation at Growth Cycle Turns 343
8-9 France, Behavior of Inflation at Growth Cycle Turns 344

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.

The obligations we have incurred in researching this book are heavy indeed. Without the cooperation of many individuals in each of the countries under study the task of obtaining basic data would have been far greater. Much of the requisite material is simply not available in the United States. In 1973–74 the London School of Economics generously made space and facilities available to Klein as an Academic Visitor, thereby helping us to obtain European data. The computer facilities of the Central Statistical Office in London were indispensable in early experimentation leading to the methodology we ultimately adopted. For this, as well as making data available and much helpful advice on appropriate British turning points and idiosyncrasies of recent British economic experience, we are grateful to Owen Nankivell, Peter Kenney, John S. Dryden, Michael Murphy, and more recently, John Richardson, Michael Lockyer, and Sir Claus A. Moser, all of whom are or were associated with the Central Statistical Office. We also thank Desmond J. O'Dea, whose counsel, based on his early work on British indicators at the National Institute of Economic and Social Research, was of great help. The Director of the NIESR, Mr. G. D. N. Worswick, was generous in giving counsel and making the facilities of the institute available in the initial stages of our work. We acknowledge, too, the assistance of Michael Ryan of the London *Financial Times*.

In the Federal Republic of Germany we obtained much advice, as well as data, from the IFO-Institute of Munich. We are grateful to its

members, and in particular we thank Dr. Werner F. Strigel and Charles C. Roberts. Other data for West Germany came from the Statistisches Bundesamt in Wiesbaden. We are happy to acknowledge the assistance of this office and of the officials who cooperated with us: Dr. Hamer, Wolfgang Gloeckler, Ulrich Mauer, and Dr. Vermouth. We also acknowledge the assistance of the German Department of Labor in Nürnberg in providing data for the project.

In France we have incurred obligations to a number of individuals. Early in our work we received invaluable assistance from M. G. Vangrevelinghe, who was then head of the Business Cycle Unit at the Institut National de la Statistique et des Etudes Economiques (INSEE). Others who have provided advice and counsel or data include M. Jacques Plassard, who is head of the Société d'Etudes et de Documentation Economiques, Industrielles, et Sociales (SEDEIS) in Paris, M. S. Wickham, vice-president of the Centre d'Observation Economique (COE) of the Paris Chamber of Commerce and Industry, and M.B. Hugonnier, an economic consultant at the Chamber of Commerce.

In Italy our principal obligation is to Sig. Eugenio De Nicola and his associates at the Istituto Nazionale per lo Studio della Congiuntura (ISCO). ISCO is the premier agency studying business cycles in Italy, and it has been most helpful and generous in providing both advice and data germane to our efforts to develop Italian economic indicators. We also received invaluable assistance from Sig. Luigi Pinto and his associates at the Istituto Centrale di Statistica (ISTAT). We are also grateful to Dott. Franco Cotula of the Servisio Studi della Banca D'Italia and Sig. Luciano Lugli of the Administrazione Centrale of the Bank of Italy for providing initial data for us.

In Stockholm we would like to thank Mr. Ola Virin of the Swedish Federation of Employers and Mr. Ake̊ Lonnqvist of the Central Statistical Bureau for helping with data collection and analysis. We also appreciate the help of Mr. Sune Davidsson of the Ministry of Finance. In Belgium we had the assistance of Dr. Federico Prades and Professor Paul Lowenthal of the Institute for Economic and Social Research of the Catholic University of Louvain. We also acknowledge the help provided by M.R. Dereymaecker while he was Directeur Generale of the Institut Nationale de la Statistique in Brussels, H.J. Stokx of the Kredietbank, and E. Coenen and R. Elgem of the Banque Nationale de Belgique. In the Netherlands we appreciated the assistance of Mr. C. A. Oomens and his colleagues at the Netherlands Central Bureau of Statistics and Prof. P. S. Verdoorn of the Central Planning Bureau.

In Canada the following individuals were most helpful in consultation and in acquiring essential data: Peter G. Kirkham and P.N. Triandafillou of Statistics Canada; Robert de Cotret of the Conference Board; Ross Wilson of the Bank of Canada; David W. Slater of the Department of Finance; Charles Schwartz of the Department of Industry, Trade, and Commerce; R.A. Jenness of the Economic Council of Canada; and Roman Senkiw of the Royal Bank of Canada.

The excellent Japanese studies of business cycle indicators made our task of assembling appropriate data far easier than it otherwise would have been. For assistance in acquiring and interpreting the figures, we express our appreciation to Ryuji Mikita and Masaru Yanagisawa of the Japanese Economic Planning Agency and Yoshuaki Tsuroka of the Japan Trade Center in New York.

In the United States we, of course, utilized the National Bureau of Economic Research (NBER) Data Bank, under the direction of Charlotte Boschan and Josephine Su. We also acknowledge our indebtedness to the Bureau of Economic Analysis of the Department of Commerce, especially the late Beatrice Vaccara, and Feliks Tamm, Betty Tunstall, and Barry Beckman, for enabling us to utilize some of the material as well as the results of computer programs available from *Business Conditions Digest.* A number of others offered help of various kinds in this country. Among them we express particularly our obligation to Elmer S. Biles of the Bureau of the Census, Joseph W. Duncan of the Office of Management and Budget, Lester Tepper and Donald Niewiaroski of the Office of Competitive Assessment of the Commerce Department, and Sidney Zabludoff of the Council on International Economic Policy.

A number of individuals in international agencies have been of assistance to us, and we acknowledge particularly our gratitude to René Bertrand, Bernoit Reynaud, Randolf Granzer, John Dryden, Beatrice du Bois, and Jill Leyland of the OECD in Paris; Simon Goldberg of the UN Statistical Office in New York; Barrie N. Davies of the Statistical Division of the European Economic Community in Geneva; and Bernard Molitor and Tomas de Hora of the EEC in Brussels.

The research underlying the present volume was funded by grants from the U.S. Department of Commerce, the American Enterprise Institute, the Scherman Foundation, and the general funds of the National Bureau. In an age when research projects find funding an increasingly acute problem, our gratitude to these agencies is at once apparent. In this connection we also wish to acknowledge the support of those who have since joined the contributors to the larger project on International Economic Indicators—the Departments of

State, Treasury, Labor, Commerce, and Agriculture, the Federal Reserve Board and Reserve Banks, as well as several American enterprises—AT&T, Exxon, Eastman Kodak, International Paper, Ford Motor, and International Business Machines.

The work was begun at the National Bureau and completed at the Center for International Business Cycle Research now at Columbia University. As always, we have relied on the help of a number of people. The early computer analysis was conducted by Walter Ebanks, Elizabeth Wehle, and Susan Tebbetts, and subsequent work was done by Jean Maltz, Chantal Dubrin, Young Kwon, Theodore Joyce, Angela Femino, and Harvey Kaish. Joyce Geiger performed this work during the last year of our research and did far more than we had any right to expect. She has our special thanks.

Most of the manuscript was typed by DonnaMae Weber at The Pennsylvania State University and she has our appreciation. It is a pleasure to acknowledge also our debt to Mildred Courtney who in the first years of our work not only did a great deal of typing on various drafts, but also kept track of all the correspondence and other necessary materials that accumulated along the way. More recently this work was in the care of Lynn Hodges, Bertha Daniels and Stuart D'ver, and to them we express our thanks. Finally, we are grateful to Michael J.Halm, of Graphic Services at the Pennsylvania State University who was in charge of the drawing of all figures.