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Introductory: Traffic and Business

After many decades of industrialization, Britain still has fields and barns, and they continue to give forth crops and livestock. Men still cut timber in the shrunken forests. Great tonnages of goods emerge from mines and factories. Fish are landed from the environing sea, and imports come across it. The yield of all these sources combined may be called the flow of commodities. There are no long-run statistical measures of this grand composite, but if there were they would no doubt show it increasing at some times and diminishing at others, in waves like those we have in mind when we speak of business cycles. The transport enterprises in Britain participate in this flow, and their goods traffic is likely to rise and fall in similar cycles. Associated with these fluctuations, there must be changes in the occasions for business travel and the amounts people feel they can afford to spend for social and pleasure travel. The fluctuations in traffic affect in turn the economy and profitability of transport enterprises.

The variations in the aggregate flow of commodities must have paralleled in a general way the cycles that Burns and Mitchell have chronicled in British business activity at large. In this paper we shall investigate the relation between changes in traffic and the cycles in total business, which Burns and Mitchell call "reference" cycles. In the process we shall find cycles in traffic itself; later we shall trace the effect of these traffic cycles on other aspects of transport operations, including their cost and profitability.

We can observe these interrelations chiefly in the working of railways; the statistical record of other transport enterprises is less abundant. Even the record for railways, through 1913, is confined to annual data on the more salient aspects of their operations. No statistics were published for the war years 1914-18. Beginning in 1920 or later, ending temporarily in the middle of 1939, and resuming in 1944, there are monthly or quarterly figures on many aspects of operation: for the study of cycles they are preferable to annual figures, and we shall use them whenever possible. Because of these breaks in the data, the various charts and tables we present necessarily cover varying periods of time.

The responses of transport officials and employees to fluctuations in traffic and earnings have repercussions on the rest of the economy; thus they are one of the many interwoven aspects of business cycles. Other aspects have been or will be described by various investigators in the course of the National Bureau's comprehensive inquiry into business disturbances. The transportation studies have been planned as a part of that inquiry.[1]

[1] A different approach may be found in C. Douglas Campbell's *British Railways in Boom and Depression* (P. S. King, London, 1932). Campbell fitted trend lines to annual data on the percentage of workers employed in industry, 1878-1912, and to data for the same period on various aspects of railway activity -- goods carried, passengers, revenues, expenses, train miles, etc. He computed the year-by-year deviations from each trend, found cycles in the deviations, and made comparisons among the various kinds of data with respect to the timing and amplitude of their deviation cycles. This method was not applied to later periods; for the postwar years, Campbell felt that a comparison with prewar levels, and an analysis of the rate-making provisions in the Railways Act, 1921, from a cyclical point of view, would be more pertinent and illuminating.