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**BUSINESS CYCLES
AND FORECASTING**

BUSINESS CYCLES AND FORECASTING

By

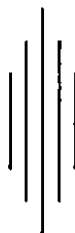
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BUSINESS PUBLICATIONS, INC.

CHICAGO

1937

X:74

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11344

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TYPOGRAPHY, PRINTING, AND BINDING BY
KINGSPORT PRESS, INC., KINGSPORT, TENNESSEE

PREFACE

THE purpose of this book is to provide an explanation of the nature of the economic change taking place at any given time. Economic change is one of the most vital and all-pervading of economic problems. The understanding of economic change is often the critical factor determining success or failure in business. Purchasing power of the money income of consumers is partially dependent upon the action taken in prosperity and in depression. If we understand the significance of low prices and of low production, we can use better judgment in the purchase of goods and investments when depressions occur. If we understand the significance of high prices and of high production, we can spend our incomes more advantageously in prosperity. Of even more importance, an understanding of economic change is essential to the development of a sound social policy. Much of the effort of society is now directed to the development of a social policy, and unless this development rests upon an understanding of economic change, not only will the effort be wasted but it is apt to impair seriously the efficiency of the economic system.

Economic change can be logically explained. If economic activity tends to be higher at one time of the year than at another, there are very good reasons for the difference. It is possible to state the factors responsible for economic growth. The alternations from prosperity to depression and from depression to prosperity become explainable if we are willing to take cognizance of all of the forces acting upon these changes. Even common stock prices move according to an ill-defined regularity. Explanations of these statements are given in detail in this book.

To explain economic change six major analytical steps are requisite, and are carried out to the extent of the author's ability with presently available knowledge. First, the reasons for the existence of economic change are presented. Second, the statisti-

cal methods available for measuring economic change are outlined briefly. Third, the extent to which economic change can be prevented by forethought is stated. Fourth, methods of forecast and their adequacy are analyzed. Fifth, an answer is given to the question: what function, if any, does the forecast perform? Sixth, the book describes the available data which may be used to indicate what is currently happening.

But little can be accomplished by applying this analytical technique to an integral of economic change. As developed in Chapter I, we must consider separately the seasonal variation, the long-time trend movement, and the business-cycle fluctuation. The requisite analysis can best be made somewhat differently for each of these three component movements. The seriation of the analytical steps and the emphasis upon each step is adapted to each of the three component movements. A detailed statement of how this is carried out is given in Chapter I. Consideration of the business-cycle fluctuation is most urgent, and the major part of the book is concerned with it.

This book is written for use as a text for college courses in business cycles. The writer acknowledges his indebtedness to the many students in his classes in business cycles at Lehigh University during the past seven years. Without the opportunity to present this material to them, the book would have been impossible at this time. The material was used in mimeographed form in 1936, and the students in that year are to be specially acknowledged for their interest and for the many criticisms they offered.

While the needs of the college student have been constantly in mind, it is to be doubted if his needs in this type of analysis differ greatly from the needs of anyone desiring to understand economic change. The language has been kept as non-technical as possible, and the writer has endeavored to express the ideas in a succinct form.

The courtesy of various publishers in permitting the reproduction of published charts is appreciated. Many materials and ideas are used for which specific acknowledgement is impossible. Specific obligation, whenever this appears possible, is recognized at various points in the book.

PREFACE

vii

The author is deeply indebted to several scholars for suggestions made regarding the material presented here. Professor Roy B. Cowin of Lehigh University made detailed suggestions on the entire manuscript during the initial stages of writing. Professor Harry Jerome of the University of Wisconsin supplied comments on Chapter XV. Professor Frederick A. Bradford of Lehigh University supplied comments on Chapter XVII. Professor Edgar Z. Palmer of the University of Kentucky furnished specific comments and a general appraisal based on a careful study of an earlier mimeographed edition. The author's wife has contributed by rendering a measure of constant and generous assistance during the various stages of the book's development.

Bethlehem, Pennsylvania

ELMER C. BRATT

CONTENTS

CHAPTER	PAGE
I. INTRODUCTION	1
II. SEASONAL VARIATIONS IN INDUSTRY	7
1. Factors responsible for the seasonal variation. 2. Measurement of the seasonal and measurement of its adequacy. 3. Attempts to iron out the seasonal variation. 4. Technique of seasonal forecasting.	
III. NORMAL LEVELS OF INDUSTRY	34
1. Meaning of normal. 2. Nature of the long-time trend. 3. Measurement of the long-time trend. 4. The long-time trend of total industry. 5. Factors determining the long-time trend of total industry. 6. Need for forecasting the long-time trend. 7. Technique of forecasting the long-time trend.	
IV. STATISTICAL METHODS FOR MEASURING AND ANALYZING THE BUSINESS CYCLE	70
1. Method of measuring the business cycle. 2. Method of making mechanically comparable the average cyclical fluctuation of two or more series. 3. Deflation technique. 4. Method of mechanically eliminating erratic fluctuations. 5. Techniques used in forecasting cyclical movements. 6. Contribution of statistical analysis to the study of business cycles.	
V. FACTORS RESPONSIBLE FOR THE CYCLICAL NATURE OF BUSINESS	84
1. Originating causes. 2. General consideration of the causal position of various factors. 3. Certain characteristics of the business system which assist in explaining business responses.	
VI. FACTORS RESPONSIBLE FOR THE CYCLICAL NATURE OF BUSINESS (<i>Continued</i>)	114
1. The nature of business responses to originating causes. 2. Business responses during the phase of incline. 3. Business responses during the phase of decline.	
VII. BUSINESS CYCLE THEORIES	141
1. Originating cause theories. 2. Episodic theories. 3. Theories based on the self-generating cycle. 4. Uncertainty as cause of the business cycle.	
VIII. BUSINESS CYCLE HISTORY	156
1. The records of business cycles. 2. Average length of the cycle. 3. Length of cycle phases. 4. Amplitude of the cycle. 5. International agreement of cyclical movements.	
IX. BUSINESS CYCLE HISTORY (<i>Continued</i>)	181
1. Influence of specific originating causes at various times. 2. Effect of originating causes on the cycle.	

CHAPTER	PAGE
X. FACTORS RESPONSIBLE FOR LENGTH AND SEVERITY OF THE "GREAT" DEPRESSION	212
1. Self-limiting factors in the preceding phase of incline. 2. The phase of recession—June, 1929 to June, 1932. 3. The phase of trough—July, 1932 to March, 1933. 4. Initiation of the phase of recovery.	
XI. FACTORS RESPONSIBLE FOR LENGTH AND SEVERITY OF THE "GREAT" DEPRESSION (<i>Continued</i>)	248
1. Maladjustments tending to produce a severe depression. 2. Originating causes reacting on the great depression. 3. Relation of the great depression to the economic outlook.	
XII. SCHEMES PROPOSED FOR ARTIFICIAL CONTROL OF CYCLICAL MOVEMENTS	264
1. Criteria for judging proposed schemes. 2. Merciless price cutting without artificial protection of vested interests as a cure for depressions. 3. Changes in the distribution of income. 4. Institution of a cost accounting system whereby depreciation is currently charged on only the part of capacity currently used. 5. Unemployment insurance. 6. The planning of public works. 7. Federal subsidies to new construction in depressions.	
XIII. SCHEMES PROPOSED FOR ARTIFICIAL CONTROL OF CYCLICAL MOVEMENTS (<i>Continued</i>)	284
1. Stabilization of prices by bank policy. 2. One hundred per cent money. 3. Creation of government deficits in depressions. 4. Establishment of a state supervised semi-communistic system for the unemployed in depressions. 5. Authoritative central business planning. 6. Private business planning. 7. Supplementary plans to assist recovery.	
XIV. BUSINESS STABILIZATION AND THE DESIRABILITY OF MODERATE CYCLICAL MOVEMENTS	310
1. Growth and progress are dependent upon the cyclical movement. 2. Need for correction of unbalance produced by originating causes. 3. Self-generating forces and need for the business cycle. 4. Stabilization, prevention of deflation, and vested interests.	
XV. BUSINESS BAROMETERS: INTEGRAL MEASURES OF GENERAL BUSINESS CONDITIONS	321
1. Nature of business barometers. 2. Character of available data. 3. Data needed for understanding current economic change. 4. An integral measure of business conditions. 5. Criteria of a sensitive measure of general business conditions. 6. Available measures of physical production, employment, electric power production, carloadings, and bank debits as sensitive indicators of integral business conditions. 7. Prompt monthly indexes of business activity. 8. Weekly indexes of business activity. 9. Indexes of regional business conditions.	
XVI. BUSINESS BAROMETERS: MEASURES OF BUSINESS PROCESSES AND COMPONENT PARTS OF BUSINESS CHANGE	354
1. Measures of the production of durable and of short-lived goods. 2. Measures of the component processes of economic activity. 3. Measures of prices of various factors. 4. Measures of prices at different points in distribution. 5. Measures of the flow of goods to the consumer. 6.	

CONTENTS

xi

CHAPTER		PAGE
	Measures of payments and income. 7. Measures of the growth of productive factors. 8. Measures of the unemployment of productive forces. 9. Measurable effects of originating causes.	
XVII.	BUSINESS BAROMETERS: CREDIT AND FINANCIAL CONDITIONS	393
	1. Secondary credit. 2. Ratio of bank liabilities to the money base. 3. The extension of bank credit. 4. Investments of commercial banks. 5. Rate of use of bank credit. 6. Volume of long-term debt. 7. Increase in capital investment. 8. Measures of business insolvency. 9. Measures of business confidence.	
XVIII.	CHARACTERISTIC FLUCTUATIONS OF THE BUSINESS CYCLE	413
	1. The timing of economic processes. 2. The amplitude of economic processes. 3. Relation of the characteristic fluctuations of the business cycle to the cyclical nature of business.	
XIX.	THE FORECASTING OF BUSINESS CYCLES	432
	1. The logical basis for business-cycle forecasting. 2. Forecasting by the method of cross-cut analysis. 3. Forecasting by use of the three markets chart. 4. Methods of determining and mechanical significance of timing relationships. 5. Forecasting use of critical levels and of differences in cyclical amplitude. 6. Other methods of forecasting business cycles. 7. The forecasting of the cyclical movement in individual industries. 8. Nature of useful business-cycle forecasting and need for business-cycle forecasting. 9. Adequacy of business-cycle forecasts. 10. Extent to which forecasting the business cycle would eliminate it.	
XX.	PROBLEMS OF FORECASTING ECONOMIC CHANGE	472
	1. The forecasting of agricultural-commodity prices. 2. The forecasting of common stock prices. 3. Social need for the forecasting of various types of economic change.	

CHARTS

I. SEASONAL MOVEMENT OF PRODUCTION AND TRADE	11
II. SEASONAL VARIATION AS SHOWN BY FREIGHT CARLOADINGS	16
III. CHART ILLUSTRATING THE METHOD OF TESTING FOR CHANGING SEASONAL	18
IV. EFFECT OF DIVIDING SERIES BY THEIR OWN MEASURES OF DISPERSION	77
V. TEST OF THE PERIODICITY OF THE BUSINESS CYCLE	85
VI. INVESTMENTS AND SAVINGS OF BANKS	111
VII. CONSPECTUS OF BUSINESS CYCLES IN VARIOUS COUNTRIES, 1790-1925	160
VIII. PERSONS' INDEX OF INDUSTRIAL PRODUCTION AND TRADE FOR THE UNITED STATES	162
IX. INDEX OF BRITISH BUSINESS CYCLES	164

	PAGE
X. DURATION OF BUSINESS CYCLES AS SHOWN BY BUSINESS ANNALS	166
XI. INDUSTRIAL PRODUCTION, TEN YEARS—1925—1934	179
XXII. PRODUCTION, EMPLOYMENT, MONEY PAYROLLS, AND PURCHASING POWER OF PAYROLLS FOR ALL MANUFACTURING INDUSTRIES 1926—1934	213
XIII. SOME PRICE CHANGES IN THE GREAT DEPRESSION	214
XIV. CREDIT CONDITIONS IN THE GREAT DEPRESSION	215
XV. FAILURES IN THE GREAT DEPRESSION	216
XVI. RELATIVE CHANGES IN INDUSTRIAL PRODUCTION IN FIVE COUNTRIES	217
XVII. STOCK PRICES DURING THE GREAT DEPRESSION	220
XVIII. THE CORN-HOG CYCLE	303
XIX. INDUSTRIAL PRODUCTION AND VOLUME OF TRADE INDEXES	329
XX. COMPARATIVE MOVEMENT OF SERIES USED TO REPRESENT BUSINESS CONDITIONS	345
XXI. METROPOLITAN REGIONS	348
XXII. ECONOMIC REGIONS	349
XXIII. DURABLE AND CONSUMERS GOODS IN DEVIATIONS FROM NORMAL PRODUCTION	355
XXIV. PRICE AND PRODUCTION OF DURABLE AND NON-DURABLE GOODS	356
XXV. STEEL PRODUCTION COMPARED TO THE VOLUME OF TRADE	358
XXVI. STOCKS OF ZINC COMPARED TO INDUSTRIAL PRODUCTION	362
XXVII. MACHINE TOOL ORDERS AND INDUSTRIAL PRODUCTION	364
XXVIII. LONG- AND SHORT-TERM INTEREST RATES	367
XXIX. RELATIVE VIOLENCE OF WHOLESALE PRICE INDEXES	371
XXX. THE HARVARD SENSITIVE PRICE INDEX	373
XXXI. PLURALITY OF PRICE CHANGES COMPARED TO A WHOLESALE PRICE INDEX	374
XXXII. DEPARTMENT STORE SALES COMPARED TO L. C. L. CARLOADINGS	377
XXXIII. NATIONAL INCOME PRODUCED BY INDUSTRIAL DIVISIONS	380
XXXIV. NATIONAL INCOME PRODUCED COMPARED TO NATIONAL INCOME PAID OUT	381
XXXV. SECONDARY CREDIT IN THE UNITED STATES	395

CONTENTS

xiii

	PAGE
XXXVI. GROWTH OF LONG-TERM DEBT IN THE UNITED STATES	405
XXXVII. BOND PRICES, STOCK PRICES, AND BUSINESS ACTIVITY	419
XXXVIII. THE PRE-WAR HARVARD INDEX CHART	438
XXXIX. THE POST-WAR HARVARD INDEX CHART	440
XL. RELATION OF PRODUCTION AND PRICE OF POTATOES	474

TABLES

I. FREQUENCY TABLES, ARRANGED BY MONTHS, OF RELATIVES FOUND BY EXPRESSING THE ITEM FOR EACH MONTH AS A PERCENTAGE OF THE ITEM FOR THE PRECEDING MONTH	14
II. ASSUMPTIONS MADE BY EQUATIONS COMMONLY USED TO MEASURE THE LONG-TIME TREND	43
III. HYPOTHETICAL ILLUSTRATION OF DERIVED DEMAND	100
IV. A LIST OF CRISES IN ENGLAND FROM 1558 TO 1720	158
V. LENGTH OF BUSINESS CYCLES IN THE UNITED STATES	165
VI. LENGTH OF CYCLE PHASES IN THE UNITED STATES	169
VII. LENGTH OF CYCLE PHASES RELATED TO MAJOR AND MINOR DEPRESSIONS	170
VIII. AMPLITUDE OF BUSINESS CYCLE FLUCTUATIONS	174
IX. DATES OF THE BEGINNING OF BUSINESS RECESSION	177
X. UNITED STATES CYCLES COMPARED TO THOSE OF OTHER COUNTRIES	178
XI. WEIGHTS USED IN INDEXES OF BUSINESS ACTIVITY	344
XII. THE NEW YORK TIMES WEEKLY BUSINESS INDEX	346
XIII. TYPICAL TIMING RELATIONSHIPS	425

INDEX

A

- Accounting system, proposal for change, 275-276
- Adams, A. B., 145, 149-150, 154
- Aftalion, Albert, 148, 151, 154
- Agricultural Adjustment Act, 245
- Agricultural conditions
depressed, 184, 190
effect on the business cycle, 389
- Agricultural cycle, 150
- Agricultural maladjustment, 250-251
- Agricultural overproduction, 87
- Agricultural price forecasting, 472-476
need for, 484-485
- Agricultural prices, amplitude of movement, 428
- American Telephone and Telegraph Co., 349, 361n
Index of General Business Conditions, 343-345
- American Tobacco Co., 197
- Amplitude
adequacy of measurements, 426
compared to timing relationships, 429-431
measurements of, 354-360, 426-429
use in forecasting, 449-450, 458-459
- Andrew, S. L., 465, 466n, 467, 484n
- Angell, J. W., 290n
- Annalist Index of Business Activity, 343-345
- Annalist Index of Sensitive Prices, 373
- Annalist Weekly Index of Wholesale Commodity Prices, 370-372
- Anti-trust legislation, 302
- Arnold, J. R., 405n
- Automobile models, effect on business index, 23n
- Automobile production
seasonal in, 23
timing of, 416, 425
- Axc, E. W., 139
- Ayres, L. P., 68, 84n, 139, 161, 179-180, 241, 242, 256n, 262, 307, 354-355, 357

B

- Babson, R. W., 210, 390, 410, 470
- Babson Statistical Organization, 436-437, 465
- Balance, lack of, 58-60
- Bank clearings, 379, 438-439
- Bank credit soundness, 402
- Bank debits, 350, 379, 382, 439
as a measure of business activity, 341-342
timing of, 422
- Bank deposits
timing of, 422, 425
turnover, 403, 404
as a measure of confidence, 409-410
- Bank failures, 232, 234, 238, 240-243, 260, 408
in 1930, 228
in 1931, 231
- Bank investments, 402-403, 423
timing of, 422-423, 425
- Bank loans, 204-205, 217-218, 225, 228, 249, 305, 399-402
classification of, 399-401
timing of, 422, 425
- Bank reserves, excess, 397
- Bank suspension, unlawful, 186
- Banking holidays, 241-243, 260
- Baranovski, M. Tugan, 147
- Barber, J. H., 470
- Baring crisis, 191-192
- Barometers, business, 321 ff.
defined, 321-322
- Basle conference, 235
- Bean, Louis, 91n
- Bency, M. A., 375n
- Bercaw, L. O., 488
- Berle, A. A., 262, 307
- Bernays, E. L., 409
- Bernheim, A. L., 488
- Bland-Allison Act, 188
- Bliss, C. A., 217
- Blodgett, R. H., 362n
- Bond prices, 367-368 (*see also* Bond yields)
during depression, 133-134
timing of, 442-443
- Bond refunding, 133-134, 136
- Bond yields, 77-78, 418-419, 425
amplitude of movement, 427
timing of, 429, 442-443
- Borden Company, 24
- Bouniatian, Mentor, 148, 154, 159n
- Bradford, F. A., 237n, 393n, 398n, 411
- Brady, R. A., 307
- Bratt, E. C., 45n, 49n, 63n, 68
- Brety, P. R., 488
- British business cycles, index of, 163, 164
- Broker's loans, 400-401

- Brookmire Economic Service, 438, 446, 465
- Brumbaugh, M. A., 75n
- Budget forecasting, 462
- Building boom of the twenties, 214, 248
- Bullock, C. J., 390n
- Bureau of Labor Statistics Index of Factory Employment, 336-338, 345, 360
- Bureau of Labor Statistics Index of Wholesale Commodity Prices, 369, 370-373
- Burns, A. F., 46-48, 68, 78n
- Bursk, J. P., 32
- Business Annals, 159 ff.
- Business conditions, criteria of a sensitive measure, 329-334
- Business confidence, measures of, 409-410
- Business cycle(s)
- amplitude of, 56-57, 172-174
 - average, 413
 - beginning of, 159
 - characteristic fluctuations, 413-431
 - conditioning causes, 99n
 - confused with crises, 97
 - contribution of statistical analysis, 81-82
 - control of, 264 ff.
 - defined, 84
 - desirability of, 296-297, 310 ff.
 - factors determining violence, 261-262
 - fluctuation, mechanical comparability, 76-78
 - future of, 260-261
 - industrial developments responsible, 156
 - international agreement, 178
 - in various countries, 177-179
 - length of, 163 ff.
 - length of phases, 167 ff.
 - method of measuring, 70-76
 - effect of specific seasonal on, 75
 - relation to forecast of trend and seasonal, 75-76, 486-488
 - originating causes, 86 ff.
 - phases, 115-116
 - of decline, 128-136
 - of incline, 116-128
 - psychological theories, 114-115, 142, 146, 435-436, 467
 - violence of, 101, 328-329
- Business cycle forecasting
- adequacy of, 464-467
 - basis of, 432-435
 - meaning, 432
 - nature of useful, 457-461
 - relation to stabilization, 457-458
 - to eliminate the cycle, 467-470
 - use of, 461-463
 - use of mechanical techniques, 80-81
- Business cycle forecasting, methods of
- by forecasting outlet industries, 452-454
 - critical levels, 448-449
 - cross-cut analysis, 435-437
 - cycle hypothesis, 450, 460
 - cyclical sequence, 437
 - demand and supply, 453-454, 455
 - differences in amplitude, 449-450
 - historical comparison, 437-443
 - law of action and reaction, 437, 469, 486
 - most adequate, 458-460
 - prediction by analogy, 437
 - prediction by formula, 437
 - specific historical analogy, 450-451
 - steel industry forecast, 451
 - summary of individual industries, 451
 - three markets chart, 437-443
- Business cycle theories, 90-94, 114-115, 137, 141 ff., 271-275, 284 ff., 389-390, 420-421, 429-430, 432-434
- classification of, 153
- Business failures, 122, 136, 138, 467
- as a measure of business confidence, 410
 - measures of, 408-409
 - timing of, 423, 425
- Business insolvency, measures of, 408-409
- Business responses to originating causes, 85-86, 97, 114 ff., 433-434
- Buy now campaigns, 304-305

C

- Calendar,
- International fixed, 9
 - World, 9
- Calendar reform, 9
- Callander, W. F., 473n
- Campbell, C. E., 488
- Campbell Soup Company, 25
- Canadian Wheat Pool, 227, 229
- Cannan, Edwin, 51n
- Capacity production, 275-276
- measures of, 387-388
 - unused, 102-103, 122
- Capacity to produce, 49
- Capital, time concentration of production, 111-113, 122-123
- Capital charges, 103-106
- Capital goods production, 103, 313-314
- (see also Durable goods production)
- cyclical amplitude, 354-360
 - subsidizing, 281-283
 - timing of, 423
- Capital life, length of, effect on depressions, 104-105
- Carloadings, 16
- as a measure of business, 339-340
 - merchandise, 377-378
- Carothers, Neil, 262
- Case, W. W., 421n
- Cassel, Gustav, 319
- Catchings, Waddill, 149, 154
- Cause, meaning of, 97-98

- Census of manufactures, incompleteness of, 337
- Central bank, general purpose of, 393-394
- Central Statistical Board, 372
- Chaddock, R. E., 186n
- Chain store sales, 377-378
- Chase, Stuart, 300, 301
- Chawner, L. J., 359n
- Clark, Evans, 404, 405n
- Clark, J. M., 86, 99n, 139, 210n, 275n, 307, 414n, 417n, 418n, 423, 431
- Clarke, Hyde, 317-318
- Clearing house certificates, 187-188
- Clothing industry, seasonal variation in, 13
- Coefficient of expansion, 285-286
- Cole, A. H., 210
- Cole, G. D. H., 307
- Columbia University Commission, 262
- Comer, H. D., 466n
- Commercial loans, 401
- Common stock prices, 368-369
- Communitistic communities as a cure for depressions, 294-296
- Competition in industry, disadvantages of, 301-302
- Compound interest curve, 43
- Confidence, measures of, 409-410
- Construction, tax exemption of, 306
- Construction contracts, 350, 359
- Construction cost indexes, 359n
- Construction industry, seasonal variations in, 12
- Consumer purchases, measures of, 376-378
- Consumer wants as cause of the business cycle, 91-92
- Consumers' goods
cyclical amplitude, 354-360
timing of, 423
- Consumption habits, 123-126
- Contraction Law of 1866, 187
- Control of cyclical movements, 264-266
and forecasting, 432, 463
- Coolidge-Smith Committee, 240
- Copeland, M. A., 382n
- Corn-hog cycle, 302-303
- Correlation, use in determining lags, 416
- Correlation coefficients, use in forecasting, 443-444
- Cost of living index, 375-376
- Costs compared to prices, 218-219
- Costs, variable, 120-122
- Cowden, D. J., 17n
- Cowin, R. B., 34n
- Cowles, Alfred, 484n, 488
- Cox, G. V., 82, 139, 350n, 352, 378n, 391, 411, 431, 435, 437n, 438n, 439n, 446n, 450n, 465-466, 467, 470
- Credit as cause of the business cycle, 108-111
- Credit control, 284 ff., 394 ff., 441
measure of effectiveness, 403-404
- Credit expansion, 123, 148, 316
- Creditanstalt Bank in Austria, 230
- Crises, early, 157-158
- Crises, nineteenth century concept of, 97
- Crisis of 1931, 254
- Critical levels, 81, 448-449
use in forecasting, 458-459
- Crops
favorable, 185, 189, 192, 194, 202, 207
unfavorable, 184, 205, 205-206, 227, 228-229, 233, 254
- Cross-cut analysis, 435-437
- Crowder, W. F., 166n
- Croxton, F. E., 17n
- Crum, W. L., 79n, 452
- Curves, trend
free-hand, 40-41
mathematical, 43
- Cycle hypothesis, 450, 460
- Cycles
in individual processes, 302-303
of various lengths, 150-151, 254-255
- D
- Data
type available, 322-324
value of in studying economic change, 324-325
- Davies, G. R., 166n, 263, 416n
- Day, E. E., 46n, 437n
- Deficit savings, 110-111, 123
- Deficits, government, 292-294
- Deflation
as cure for depressions, 267-271, 436
forced, 5
prevention of, 138, 223 ff., 257, 304, 312-313, 316-319, 428-429
- Deflation technique, 37n, 79, 328, 341-342, 475
- Demand
nature of, 53-54
sufficiency of to create prosperity, 131-133, 134-135
- Dennis, S. J., 373, 421n
- Dennison, H. S., 147, 154
- Department store sales, 14-15, 350, 376-377
- Depreciation
effect on production of capital in depressions, 104-105
effect on financial markets, 134-135
- Depression(s)
control of, 223 ff.
depth of, 57
description of, 181 ff.
effects of tariffs on, 95-96
forces making for, 119-128
major, 170-172
minor, 170-172
of 1884-85, 451n

- of 1893-95, 175-176, 195
of 1903-04, 176, 195-196
of 1908, 176, 196
of 1921, 176, 200-201, 450
of 1930-36, 212 ff.
phase defined, 167, 168
relation of length to price level, 94
severity of, 101
world wide, 175-180
- Derived demand for durable goods, 99 ff., 126
- Derived effects of schemes for artificial control, 264 ff.
- Devaluation, profit from, 397
- Dewey, D. R., 210
- Dewing, A. S., 233n
- Difference series, 102, 445-448
- Dividend payments
amplitude of movement, 428
measures of, 383
timing of, 422, 425
- Dividend yields, cyclical variation, 105
- Dodge Co., F. W., 350n, 359
- Douglas, Paul, 148-149, 203n, 262, 286n, 307
- Dow theory, 481-482
- Dunnigan, William, 431, 481n, 483, 488-489
- Durable consumers' goods, increase in, 202
- Durable goods production, 57, 252-253, 301, 313-314
accentuated cyclical fluctuation, 272-273
amplitude of movement, 426-427
and credit expansion, 109-110
compared to short-lived goods production, 125-126, 131-133, 354-360
cyclical amplitude, 354-360
importance in the cycle, 118
in 1930, 224
intensified fluctuation of derived demand, 61
measures of, 354-360, 407
speculative production, 103
subsidizing, 281-283
timing of, 416-417, 423
violence of fluctuation, 146-147, 148-149, 354-360
- Durand, E. D., 210
- E
- Eastman, R. M., 347n, 349n
- Easy money policies, 284 ff., 462
test of, 403-404
- Eberle Economic Service, 349n
- Economic activity, processes of, 360-366
- Economic change, types of, 1-2, 5-6
- Economic councils, 298-299
- Economic plans for the United States, 299 ff.
- Economic progress, 310-314
- Edie, L. D., 404, 405n
- Efficiency of labor, 126-127, 135, 331
- Efficiency of selling and distribution, 55-56
- Electric power production as a measure of business, 338-339
- Ellsworth, D. W., 483n
- Emotional aberration, 114-115, 142, 146, 435-436, 467
- Employables, measures of, 387
- Employment
amplitude of movement, 428
as affected by the price seasonal, 23, 28
as a measure of business, 330-331
index of, 336-338
- Employment bureaus, national, 305
- Engel's Law, 124
- England, Minnie T., 144, 154, 319
- English crises, early, 158
- English economic council, 299
- Episodic theories of the cycle, 145-146
- Equation of exchange, 403
- Erratic fluctuation, mechanical elimination of, 79-80
- European crisis of 1931, 229-232, 254
- Excess reserves of member banks, 397
- Excess savings, 110-111, 123
- Exhortation, to produce recovery, 303-305
- Exports, 390
as a measure of business conditions, 89
- F
- Failures (*see* Business failures, Bank failures)
- Fairchild's Index of the Price of Department Store Articles, 376
- Farm machinery forecasting, 476
- Farm marketings
cash income, 389
quantity of, 389
- Farm Mortgage Act, 246
- Farm price forecasting, 472-476
- Farrell, J. A., 457n
- Feldman, H., 8, 32
- Federal Reserve Board, 17n
control of prices, 284 ff., 394 ff., 441
Index of Industrial Production, 334-336, 345, 360
- Fetter, F. A., 307
- Financial houses in the twenties, 249
- Financial organizations in 1929, 216-218
- Financing business in depression, 103-106
- Fisher, Irving, 139, 145, 154, 262, 370, 403, 444
- Fisher's Wholesale Price Index, 370, 374
- Fletcher-Rayburn Bill, 246
- Flinn, H. M., 465, 466n, 467, 484n
- Fluctuations in economic processes, amplitude of, 426-429
- Flynn, J. T., 300n
- Food industries, seasonal variations in, 12

Forecasting

- adequacy of, 31
- agricultural prices, 472-476
- business cycles, 432-471
- by business men, 31, 457-458, 467
- stock prices, 476-484
- effect on business cycle, 457 ff., 486-488
- effect on seasonal, 27-29
- eliminating the cycle by, 467-470
- individual industries, 452-455
- long-time trend, 62 ff.
- need for, 460-463, 484-488
- prevention by, 27-28, 467-470, 485-488
- testing, 464
- with new orders data, 454-455
- Forecasts in 1923, 466-467
- Foreign business conditions, 89-90, 389-390
- Foreign investment, 199 ff., 249-250
- Foreign trade, 57-58, 249
- Foreign trade restrictions, 94-96
- Foster, W. T., 149, 154
- Frank, L. K., 147, 154
- Frederick, J. G., 299n, 307
- French economic council, 299
- Frigidaire Corporation, 26
- Frisch, Ragnar, 75n
- Fritz, W. G., 141n, 153

G

- Gainfully employed relative to total population, 51-52
- Gayer, A. D., 278n, 307
- General Foods Corporation, 24
- German Stock Market Panic of 1899, 195
- Gestation, period of in production of capital, 111-113, 122-123
- Gideonse, H. D., 262
- Glass-Steagall Act, 237, 397-398
- Gold discovery, 185-186, 194
- Gold, maldistribution of, 201 ff., 251-252
- Gold Standard
 - abandonment of, 232, 233, 244
 - resumption of, 251-252
- Gompertz curve, 42-44
- Government deficits, 292-294
- Government loans to industry, 291
- Governmental measures, 94-96, 253-254
- Great Depression of the thirties, 212 ff.
 - and the capitalistic system, 257
 - and the cyclical movement of business, 258-259
 - maladjustments tending to produce, 249 ff.
 - phase of recovery preceding, 243-247
 - relative severity of, 173, 259-260
- Green, R. M., 476n
- Greenbacks, 186-187
- Gressens, Otto, 416n
- Griffin, C. E., 44n, 68

Growth bias

- downward, 46-47
- upward, 47
- Growth curve, 42-44
 - fitted to consumers' goods industries, 42-44
 - fitted to population, 44-45
 - fitted to raw material industries, 44
- Growth, economic, 310-314
- Growth of industry (*see* Trend, long-time)
- Growth, stages of, 42-44
- Guaranty Trust Company Wholesale Price Index, 370-371

H

- Handbooks of statistical sources, 324
- Haney, L. H., 34n, 82, 333n, 352, 391, 400n, 402n, 411, 435, 442n, 448n, 454n, 470, 478n, 489
- Hansen, A. H., 39n, 60n, 141n, 148, 153, 154, 262, 289, 307, 398n
- Hardy, C. O., 82, 139, 152, 154, 305n, 307, 350n, 352, 378n, 391, 411, 431, 435, 437n, 438n, 439n, 446n, 450n, 470
- Harvard Committee on Economic Research, 78n, 440-441, 465
- Harvard Index Chart of General Business Conditions, 438-442
- Harvard Sensitive Price Index, 373
- Harwood, E. C., 110-111, 139, 213n, 319, 411, 434n, 470
- Hastings, H. B., 149, 154
- Hatry failure, 222
- Hawtrey, R. G., 148, 154
- Hay, W. W., 44n
- Hayek, F. A., 148-149, 154
- Hepburn, A. B., 186n
- Hexter, M. B., 146, 154
- Hickernell, W. F., 210, 489
- Hill, H. C., 308
- Historical comparison, 435, 437 ff.
- Hoarding, 230, 232, 234, 238, 240-243
 - measures of, 388
- Hobson, J. A., 147, 154
- Homan, P. T., 307
- Hoover moratorium, 230-231, 235
- Hubbard, J. B., 262, 307
- Hull, G. H., 147, 154, 319
- Huntington, Ellsworth, 142, 143, 146, 154, 319n, 320

I

- Income, change in distribution of, 271-275
- Income, national, 380-382
 - amplitude of movement, 428
 - timing of, 422
- Individual industry forecasting, 452-457
- Industrial production and trade, index of, 162-163

- Inefficiency**
 cyclical elimination of, 310-311
 in 1929, 215-217
 of labor, 331
 subsidization of, 313-314
- Inflation**, 293-294
 as a method of financing wars, 88-89
 in 1815-19, 182-183
 in 1837-43, 183-184
 in Civil War period, 186 ff.
 in 1915-20, 199-200
- Innovation**, 144-145
 as cause of the business cycle, 92-94
- Installment sales**, 124-125
- Institutions responsible for cycle**, 156
- Integration of probability curve**, 43
- Interest charges, importance as a cost**, 286-287
- Interest payments**
 measures of, 383-384
 timing of, 422, 425
- Interest rates**, 77-78, 366-368, 418-420, 425
 amplitude of movement, 427
 in 1929, 219-221
 long-term, 103-106
 real, 106-108
 timing of, 438-442
- International Industrial Relations Institute**, 307
- Interrelation of the business system**, 96-99
- Interstate Commerce Act**, 190
- Invention and discovery**, 144-145
 commercial utilization, 134-135
 as cause of the business cycle, 92-94
- Inventories**, 362-363
 accumulation, 102, 119-120, 213-214, 469
 and credit, 110
 index of, 361
 index of change in, 401
 liquidation, 130-131, 200-201
 timing of, 417-418, 425
 use in forecasting, 454, 455, 473-474
- Investments**
 amplitude of movement, 427
 compared to savings, 110-111, 123, 133-134, 213, 291-292
 measures of, 406-409
- Italian economic council**, 299
- J**
- Jerome, Harry**, 12n, 17n, 40n, 73, 78n, 93n, 387n
- Jevons, H. S.**, 141, 154
- Jevons, W. S.**, 90, 141, 154
- Johnson, N. O.**, 273n
- Jordan, D. F.**, 470
- Joy, Aryness**, 336n
- Juglar, C.**, 150
- Juglar cycle**, 150
- K**
- Kahn, R. F.**, 278n, 433n
- Kantor, H. S.**, 488
- Karsten, Karl**, 391, 411, 431, 442n, 470, 489
- Keynes, J. M.**, 5, 149, 154
- Kemmerer, E. W.**, 262
- Kiekhöfer, W. H.**, 34n, 124n
- Killough, H. B.**, 488
- King, W. L.**, 68, 84-85, 381n, 405n
- Kinley, David**, 320
- Knight, P. H.**, 320
- Kolesnikoff, V. S.**, 46n
- Kondratieff cycle**, 150
- Kondratieff, N. D.**, 150
- Kurtz, E. B.**, 68
- Kuznets, Simon**, 9n, 10n, 11, 19n, 32, 68, 147, 150n, 154, 354-356
- L**
- Labor efficiency**, 126-127, 135
- LaFollette, Robert**, 300
- Lag, distributed**, 444-445
- Lags of series**, 416-426 (*see also* Timing)
- Leads of series**, 416-426 (*see also* Timing)
- Lederer, Emil**, 149
- Legal rules as cause of the cycle**, 94-96
- Length of working week**, 52-53
- Leong, Y. S.**, 355
- Lescure, Jean**, 146
- Leven, Maurice**, 273
- Lightner, O. C.**, 210
- Loan-deposit ratio**, 402, 448-449
- Logistic curve**, 42-44
- Long cycle in prices**, 94
- Long-term debt**, 404-406
- Long-time trend**, 34 ff. (*see also* Trend, long-time)
- Lorwin, L. L.**, 299, 307
- Lyon, L. S.**, 245n, 262, 307
- M**
- Macaulay, F. R.**, 75n
- Machine tool orders**, 364
- Maladjustment**, 81, 436
- Managed currency**, 284 ff.
- Mann-Elkins Act**, 197
- Marget, A. W.**, 464n
- Marginal cost of production**, 34-35
- Mata, C. Garcia**, 143, 155
- May, R. E.**, 149
- Meteorological theories of the cycle**, 141 ff.
- Metropolitan Life Insurance Co.**, 32
- Micoleau, H. C.**, 390n
- Mills, F. C.**, 57n, 252n, 261-262, 391
- Minimum wage laws**, 96
- Mitchell, T. W.**, 147, 155, 307

- Mitchell, W. C., 34n, 82, 84, 94n, 96n, 139, 141n, 145-146, 153, 156, 157n, 158n, 159n, 160n, 163, 164n, 165, 166, 177, 178, 181, 192n, 210, 211, 320, 333, 352, 381n, 391, 414-415, 431
 Mitchell's study of business cycles, 414-415
 Money in circulation, 395, 396
 Money, one hundred per cent, 290-292
 Money, scarcity of acceptable in 1784, 181-182
 Monopolistic agreements, 252
 Months of uniform length, proposals, 9
 Moody's Investors Service, 368, 465
 Moore, H. L., 90, 141-142, 155
 Morley, Felix, 262
 Moulton, H. G., 240n
 Mouzon, E. D., 416n
- N
- Narrow triangles, 482
 National Bureau of Economic Research, 17n, 380-381
 National Cash Register Co., 26
 National City Bank of New York, 465
 National Electric Light Association, 68
 National Industrial Recovery Act, 244-245, 246, 300, 302
 National Planning Board, 68
 National Resources Committee, 348-350
 Natural Resources, condition of, 55
 Necessary condition, 97
 New capital, efficiency of placing, 54, 61
 New Deal, 243-247, 253-254
 New Era philosophy, 208, 224
 New orders, use in forecasting, 454-455
 New York Times Weekly Business Index, 345-346
 Normal level
 applied to physical quantity, 37, 38
 meaning of, 34
 of individual industries, 36-37, 63
 of total industry, 34 ff., 45 ff.
 relation to habits and institutions, 38-39
 submerged, 58-59
 Northern Pacific corner, 195
 Nourse, E. G., 49n, 87n, 387n
 Noyes, A. D., 210-211
- O
- Odum, H. W., 307
 Ogburn, W. F., 164
 One hundred per cent money, 290-292
 Open market operations, 394
 Orders index, 361
 Orders, new, 363-364
 Orders, unfilled, 361, 365
 Originating causes, 141-145, 314-316, 432-433, 472
 effect of, 208-210
 influence of, 181 ff.
 influence on length of cycle, 209-210
 measurable effects of, 388-390
 Ottawa Conference, 239
 Overhead, change in charging for, 275-276
 Overproduction, general, 4-5
 Overproduction in 1929, 213-214
 Over-saving, 147-148
 Overstone, Lord, 97n
 Owen's cooperative communities, 294
- P
- Palmer, E. Z., 99n
 Panic
 of 1884, 190
 of 1931, 232-235, 254
 Parker, Frank, 470
 Parabola of logarithms, 43
 Payments, measures of, 379-385
 Payrolls, measures of, 384-385
 Pearl, Raymond, 41-42, 63-64
 Pearson, F. A., 46n, 391, 411, 488
 Periodicity of the business cycle, 84-85
 Periodogram analysis, 75n
 Persons, W. M., 46n, 116n, 139, 141n, 145, 153, 162, 163, 167, 168n, 169, 170, 194, 198, 211, 352, 391, 411, 438, 451n, 470
 Philips, C. A., 285-286
 Pigou, A. C., 114, 146, 155
 Piser, L. M., 174n, 327n, 352, 355n
 Powell, O. S., 476n
 Planning, central, 296-298
 Planning of public works, 276-283
 Planning, private business, 298-299
 Plurality of price changes, 373-375
 Polk Co., R. L., 350n
 Population forecasting, 44-45
 Population growth, 50, 63-64, 133, 251
 measures of, 385-386
 Population, optimum, 51
 Potato price forecasting, 474
 President's Conference on Unemployment, Committee of, 12n, 32
 President's Research Committee on Social Trends, 263
 Price-cutting, 267-271
 and wage earners, 268, 269-270
 in semi-monopolistic industries, 268-270
 Price cycle, effect on the business cycle, 94
 Price decline in prosperity, 191, 203, 208
 Price element, mechanical elimination of, 79, 328, 341-342, 475
 Price increase, relation to increase in production, 117 ff.
 Price maintenance, 205, 226-227, 428-429
 Price rigidity, 252
 Price rise, effect on society, 332
 Price-supply relationships, 473-476, 488
 Price wars, 270, 271

- Prices
 amplitude of movement, 449-450
 and interest rates, 108
 as a measure of economic activity, 331-332
 declining in prosperity, 285
 measures of, 369-376
 prevention of decline, 287-288
 seasonal variation in, 28
 stabilization of by bank policy, 284-290, 394 ff., 441
 timing of, 438-442
- Production
 as a measure of business, 330, 334
 index of, 334-336, 342
 seasonal in, 11
 affected by price seasonal, 23, 28
 Production process, length of, 148-149
- Productivity, 93-94, 203
 measures of, 386
- Profits
 amplitude of movement, 428
 as a measure of economic activity, 333-334
 measures of, 382-383
 timing of, 422
- Proportionality, law of, 55
- Prospective profits, shift in, 146
- Prosperity
 effect of tariffs, 95-96
 of 1790-96, 182
 of 1849-53, 185-186
 of 1887-90, 190-191
 of 1891-93, 192-193
 of 1901-03, 195
 of 1915-20, 199-200
 of 1922-24, 201
 of 1925-26, 202-205
 of 1928-29, 207-208, 212 ff.
 uniformity of, 174
- Prosperity phase
 defined, 167, 168
 length of, 169-171
- Psychological theories, 114-115, 142, 146, 435-436, 467
- Public works, planning of, 276-283
- R**
- Railroad building, 185, 189, 190
 Railway Pension Act, 246
 Rally in the stock market, 480-482
 Raw material prices, 135-136
 Reaction in the stock market, 480-482
 Reading Railway failure, 193
 Real estate loans, 401
 Real interest rates, 106-108
- Recession phase
 defined, 168
 length of, 169-171
- Reconstruction Finance Corporation, 235, 237
- Recovery
 certainty of, 136 ff., 258
 forces making for, 130 ff.
 possibility of considering separately from reform, 266-267
- Recovery phase
 defined, 168
 length of, 169-171
- Reed, H. L., 308
 Reed, L. J., 41-42, 63-64
 Reforecasting, 457-458
 Regional divisions, 348-349
 Regional indexes, 347-352
 Renooiz, D. C., 324n
 Rental rates index, 366
 timing of, 418, 425
 Rent payments, 385, 422, 425
 Reserve bank credit, 393 ff. (*see also* Secondary bank credit)
 Reserve ratio, 398-399
 Residential building, 359, 368
 timing of, 416-417, 425
 Resistance levels, 482
 Resumption Act of 1875, 188
 Retail prices, 375-376
 amplitude of movement, 428
 timing of, 421, 425
- Retail trade
 amplitude of movement, 428
 timing of, 418, 421-422, 425
- Rhea, Robert, 481n, 489
 Rice, S. A., 352, 391
 Rich man's panic of 1903-04, 195-196
 Richter, F. E., 320, 437n, 471
 Rieffler, W. W., 77, 204n, 411
 Robb, T. B., 320
 Robbins, Lionel, 203n, 263, 308
 Robertson, D. H., 320
 Robey, Ralph, 263, 308
 Roos, C. F., 433n
 Rorty, M. C., 147, 155, 281-282
 Rose, D. C., 477n
 Royal Baking Powder Co., 24-25
 Russell, S. W., 303
 Russian economic council, 299
- S**
- Sasuly, Max, 68
- Savings
 amplitude of movement, 427
 and investment, 149
 compared to consumption, 123-126
 deficit, 110-111, 123
 deposits, 388
 during depressions, 133-134
 effect on the cycle, 272-274
 need for measure, 385
 relation to capital building, 54-55
 uninvested, 388, 407
- Say's Law of Markets, 49
 Schabacker, R. W., 489
 Schluter, W. C., 148, 155, 398n
 Schneider, M. G., 488

- Schultz, Henry, 488
 Schumpeter, J. A., 68, 144, 155, 311n, 320
 Scott, W. R., 157-159
 Seasonal index, statistical significance of, 19-20
 Seasonal unemployment, 277
 Seasonal variation
 and adaptation of product, 24-25
 and stabilizing production, 20-22
 changing or shifting, 17-19
 controlling the causes of, 26-27
 effect of length of months, 8
 correction for working days, 8-10
 effect of preservation of food, 24
 effect of refusing orders at peak, 21
 effect of social seasons, 7, 22
 effect of specialization of output, 8, 12
 effect of the weather, 7, 26-27
 factors responsible for, 7
 ironing out of, 20-29
 by building up stocks, 20-23
 by diversifying the market, 25
 by dovetailing, 25-26
 by changing the date of new models, 23
 by engineering control, 27
 by forecasting, 27-29
 by price changes, 23
 by regularizing consumption, 23-25
 by shifting employees, 26
 meaning, 7
 measurement of, 13-20
 by link-relative method, 17
 by ratio-to-twelve-months-moving-average method, 17
 by simple average method, 16
 normal or typical, 16, 75
 resulting from consumption, 10-13
 resulting from production, 10-13
 specific, 16, 17-19, 75
 statistical elimination of, 72-75
 by twelve-months moving average, 80
 technique of forecasting, 29-32
 Secondary bank credit, 393-398
 sources of, 394-395
 uses of, 395-396
 Second-degree parabola, 43
 Securities, undigested, 196
 Security issues, 406-407
 Self-generating cycle, 84-85, 114-140, 146-150, 316, 430-431, 433-434
 influence on length of business cycle, 210
 Self-limiting forces, 115
 during decline, 130-136
 during incline, 119-127
 Self-reinforcing forces, 115
 during decline, 129-130
 during incline, 117-119
 Sensitive commodity prices, 372-373, 421, 425
 Sensitivity of trade index, 329
 Service industries
 cycle in, 84-85
 increase in, 202-203
 Shaffner, F. I., 143, 155
 Sherman Silver Purchase Act, 191, 193
 Shirley, W. W., 263
 Short-lived goods
 amplitude of fluctuation, 131-133, 426-427
 and durable goods, 125-126, 131-133, 354-360
 timing of, 423
 Silberling Business Reports, 349n
 Silver agitation, 188-189, 193-194
 Simons, H. C., 290n
 Simpson, H. D., 308
 Sine curve, 445-446
 Slichter, S. H., 139, 263, 308
 Smith, B. B., 488
 Smith, E. S., 12n, 23n, 25n, 32
 Smith, J. G., 308
 Smith, L. C., and Corona Typewriter Co., 23
 Snider, J. L., 161n, 347n, 352, 378n, 391, 411, 431, 437n, 440n, 452n, 456n, 471, 476n
 Snyder, Carl, 46n, 79n, 173, 174n, 327-329, 332, 352, 355n, 357, 369, 391, 404, 405n, 411
 Snyder's-Index of General Prices, 369
 Snyder's Index of the Total Volume of Trade, 173-174, 327-329
 Social accounting, 275
 Social need for forecasting, 484-488
 Sombart, Werner, 150
 Soule, George, 299, 300, 301, 308
 Speculators' fluctuation, 478-479
 Spiethoff, Arthur, 147
 Sprague, O. M. W., 211, 263, 308
 Square root scale, 483-484
 Stabilization by engineering control, 27
 Stabilization of prices by bank policy, 284-290, 394 ff., 441
 Staggering employment, 305-306
 Standard deviation
 adjusted, 78
 effectiveness as a measure of dispersion, 78
 Standard of living, rapid changes in, 123-124
 Standard Oil Co., 197
 Standard Statistics Co., 361n, 391, 451, 457, 465
 Standard Statistics Index of Industrial Production, 334-335, 360
 Stand-still agreement, 231
 State socialism, 296, 298
 Statistics needed to understand economic change, 325 ff.

- Statistics, regional, 348-350**
Steel ingot production
 as a measure of durable goods production, 358-359
 changing seasonal of, 18
 forecasting of, 451, 452-454
Sterilization of credit, 201, 278, 279, 280
Stevenson Plan, 205
Stine, O. C., 476n, 488
Stock prices
 amplitude of movement, 427
 as a forecaster, 419-420
 as a measure of confidence, 410
 business cycle in, 477-478
 chart readers of, 482
 comparison between high and low, 483-484
 forecasting, 476-484
 in 1929, 220-221
 long-time trend of, 476-477
 speculative stocks, 220-221
 timing of, 419-421, 425, 429, 438-442
 need for forecasting, 485, 487
Stock market
 maxims, 482-483
 technical fluctuations, 478-484
Stocks of goods (see Inventories)
Straight line trend, 43
Stress, economic, 58
Sufficient condition, 97
Summation series, 445-448
Sumptuary legislation, 96
Survey of Current Business, 323 ff.
Swope, Gerard, 299, 300, 302
Swope Plan, 300, 302
Szeliski, V. S., 483-484, 489
- T**
- Tabular standard, 290**
Tariff changes, 183, 186, 192, 193, 198, 201, 225, 239-240
 in a creditor nation, 95
Taussig, F. W., 36n
Tax exemption in depression, 306
Tebutt, A. R., 357
Technological ability to distribute goods, 55-56
Technological ability to produce, 54
Technological unemployment, 93-94
Textile industry cycle, 4>5
Thermometer, business, 321
Thomas, Dorothy, 163, 164
Thomas, Woodhief, 46n, 335n
Thompson, W. S., 44, 52n
Three markets chart, 438-443
Thorp, W. L., 94n, 159, 160, 161, 162, 163, 166, 177n, 211
Tier charting, 13
Tillman, C., 489
Time series
 component elements, 5-6
 correlation of, 80-81
 relation between component elements, 71-75
Timing of artificial control, 264 ff.
Timing of public works, 278-279, 280-281, 283
Timing relationships, 437-443, 443-448
 and amplitude differences, 149-150, 429-431
 consistency of, 423-425
 distributed lag, 444-445
 method of measuring, 443-444
 of short movements, 426
 relation to derived effects, 265
 use in forecasting, 424-425, 452, 458-459
Tintner, Gerhard, 71
Ton-miles of freight, 340-341
Total industry
 factors determining growth, 49 ff.
 future growth, 60-61
 growth-of, 48-49
 indexes of, 46-49
Trade associations, 302, 304
Trade index, 327-329
Trade, seasonal in, 11
Trading with the trend, 481
Transactions, volume of, 328-329
Trend, long-time, 34 ff.
 as representation of normal level, 37-39
 changes in, 65, 127-128
 computation of, 439-440
 divergent movements, 261
 dynamic, 261
 elimination of, 72-75
 equations of, 43, 63-65
 factors determining, 65-67
 forecasting
 effect on the business cycle, 486-488
 effect on the stock market, 487
 technique of, 62 ff.
 logical nature of, 37-39, 63-64
 measurement of, 42 ff.
 by free-hand curve, 40-41
 by use of mathematical equation 40 ff.
 length of period to use, 43-44
 need for forecasting, 72, 297-298, 301, 304, 461, 463, 468
 of total industry, 45 ff.
 factors determining, 49 ff.
 series used to represent, 62-63
 shift in level, 258-259
 variables making for an unreliable measurement, 45
Trough phase
 defined, 168
 length of, 169-171
Trust company failures in 1907, 196
Trust prosecutions, 197

- Trusts, maintenance of prices, 428-429
 Tucker, Donald, 466n
 Tugwell, R. G., 308
- U
- Uncertainty as cause of the cycle, 151-152
 Under-saving, 110-111, 123, 147
 Unemployed set to work for themselves, 294-296
 Unemployment
 measures of, 386-387
 permanent, 59
 Unemployment insurance, 96, 276-278
 Unfilled orders, 361, 365
 United States Steel Corporation, 197
- V
- Value of output as a measure of economic activity, 332-333
 Vance, Ray, 446n, 471
 Vanderblue, H. B., 442, 452
 Van Kleeck, Mary, 22
 Variation, mechanical equalization, 76-78, 343, 346
 Veblen, Thorstein, 145, 146, 155
 Verwey, G., 324n
 Vested interests, protection of, 316-319
 Viner, Jacob, 305n
 Volume of trade, index of, 174
- W
- Wage payments, 384-385
 amplitude of movement, 428, 430
 timing of, 422, 425
 Wage rates, 120-122, 135-136, 418, 425, 428, 462
 index of, 366
 maintenance as a cure for depressions, 137, 223, 226, 227, 274
 Wallace, H. A., 263
- War as a cause of the business cycle, 86-89, 145
 Wardwell, C. A. R., 150n
 Warren, G. F., 46n, 391, 411, 488
 Watkins, M. W., 308
 Watkins, R. J., 466n
 Waugh, F. V., 488
 Weather as cause of the business cycle, 90-91, 141-143
 Weekly business indexes, 345-347
 Whalen, G. A., 308
 Wheat price forecasting, 476
 Whelpton, P. K., 44, 52n, 386n
 White, C. P., 32
 White, Percival, 409
 Wholesale prices, 369-375
 amplitude of movement, 427-428
 timing of, 421-425
 Wholesale trade, 378-379
 amplitude of movement, 428
 timing of, 418, 421-422
 Wide triangles, 482
 Wiggin Committee, 231
 Willis, H. P., 243
 Winfrey, R., 68
 Working, Holbrook, 145, 474-475, 476n, 488
 Working hours, reduction of, 305-306
 World Calendar Association, 9
 World War, relation to Great Depression, 255-257
 Wright, P. G., 320
- Y
- Yoder, Dale, 263
- Z
- Zempel, Arnold, 347n, 351
 Zinc inventories, 362

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