THE EXTENT THAT VARIOUS BUSINESS PUBLICATIONS PREDICT OR FORECAST THE UPTURN AND DOWNTURN OF THE BUSINESS CYCLE

A Thesis Presented to The Graduate Division Drake University

In Partial Fulfillment of the Requirements for the Degree Master of Arts in Economics

by Douglas L. Cocks August 1965
THE EXTENT THAT VARIOUS BUSINESS PUBLICATIONS
PREDICT OR FORECAST THE UPTURN AND DOWNTURN
OF THE BUSINESS CYCLE

by

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Statement of the problem. The purpose of this study was to determine the extent to which various business publications are able to forecast or predict the upturn and downturn of the aggregate business cycle. This involved primarily the ascertainment of the accuracy of the forecasting methods used by these business publications. It was also the purpose of this study to see if publications in specific business areas were aware of the fluctuations that existed in their fields of interest. Finally, it was the purpose of this study to determine, if possible, if there are some psychological effects that these predictions have on determining the actual phases of the cycle. In other words, it was the purpose to determine how these predictions might affect the thinking of the businessman and how this in turn might bring about the anticipated phase of the cycle.

Importance of the study. Economic activity in the United States is carried on primarily by a person or groups
CHAPTER I

THE PROBLEM AND DEFINITIONS OF TERMS USED

I. THE PROBLEM

Statement of the problem. The purpose of this study was to determine the extent to which various business publications are able to forecast or predict the upturn and downturn of the aggregate business cycle. This involved primarily the ascertainment of the accuracy of the forecasting methods used by these business publications. It was also the purpose of this study to see if publications in specific business areas were aware of the fluctuations that existed in their fields of interest. Finally, it was the purpose of this study to determine, if possible, if there are some psychological effects that these predictions have on determining the actual phases of the cycle. In other words, it was the purpose to determine how these predictions might affect the thinking of the businessman and how this in turn might bring about the anticipated phase of the cycle.

Importance of the study. Economic activity in the United States is carried on primarily by a person or groups
of persons who organize themselves into individually
initiated businesses. This is opposed to societies, other
than capitalism, in which economic activity is dominated
by someone other than individuals. It is in the capital-
istic type of society that cyclical fluctuations take place,
for it is only in capitalism that the business cycle is
found.¹ "For our Western capital-using economies, the
record is one of recurring patterns of prosperity-depres-
sion-prosperity-depression."² The basis of the business
cycle is that its source is based on entrepreneurial
decisions in an environment that includes the profit
motive, individual initiative, and competition.³ For
governmental policy decisions and business decisions, it
is useful to forecast the fluctuations that take place
within the economy.

Business cycle theory has been a relatively recent
development in economic thought. In the nineteenth century
much was written about business cycles, but there was no

¹Dr. W. E. Alley, of Drake University, in a lecture
on Economic Fluctuations and Business Forecasting, Fall 1964.
Permission to use secured.

²Maurice W. Lee, Macroeconomics: Fluctuations, Growth,
and Stability (Homewood, Illinois: Richard D. Irwin, Inc.,

³William N. Loucks, Comparative Economic Systems
significant attempt at a theoretical analysis of the cycle. This was true for the first decade of the present century as well. This was basically due to the emphasis placed on long-run analysis by the earlier economists.

Sismondi, Malthus, and Marx all suggested that a business cycle might exist. Sismondi and Marx felt that this was one factor which made capitalism suspect.

For the most part business cycle theory is a phenomenon of the twentieth century. As such the theories of the business cycle may be classified in various ways. These classifications are mainly along the lines of an explanation based on innovation, psychological, monetary, monetary overinvestment, underconsumption, and savings and investment causes. It is now most generally agreed that an explanation of the business cycle embraces all of these facets.¹

The development of business cycle theory in this century has been enhanced by two factors. First of all, techniques have been developed which have facilitated the collection of data. Secondly, noteworthy economists have become interested in the study of the business cycle.

The sophistication of business cycle study and the collection of data have made it possible to make more accurate economic forecasts. Economic forecasting is of importance to anyone who makes decisions and sets policy within our economy.¹

There are four areas which rely heavily on the forecasting of the businesses cycle. These are businesses in general, those who set fiscal policy, those who set monetary policy, and individuals who may use forecasts in determining their own economic activity. The need for accurate forecasting is important for both monetary and fiscal policy. It is of special importance in the area of fiscal policy determined by congressional action, for, since Congress cannot respond immediately to a changing environment, it is imperative that Congress have accurate forecasting to make effective policy.²

Bach pointed out the importance of forecasting to the businessman:

He must forecast years ahead if he is to do long-range planning for the company--facilities planning (when to build new plant and equipment), personnel planning (when he will need how many of what classes

¹Lee, op. cit., p. 547.

of skilled workers and managers), financial planning (when the firm may need to go into the market for external funds), and so on. And in most cases his company's outlook is closely or indirectly related to the general level of business activity, its growth and fluctuations. The businessman has to make economic forecasts, explicitly or implicitly, whether he likes it or not. Sometimes he forecasts without recognizing what he's doing.¹

Business publications are a valuable source of information to the businessman in the area of forecasting. Many businesses do not have the resources to establish their own economic research departments, so various business publications serve as their forecasting departments. For those firms that have their own economic research departments, business publications serve as a source of data for their own forecasts. In general, the business publication serves as a valuable tool to the businessman in making business forecasts.

Bach alluded to the use of business publications as one of several sources of information to be used in business forecasting.² A recent article in the Saturday Review showed the importance that the business press has in many areas of business. "To wage earners and board

¹Ibid., p. 751.
²Ibid., p. 752.
chairman alike the business press is becoming increasingly essential." Business publications are becoming more and more important in the areas of planning, as a main line of communications to business, as a transmitter of much information, and finally, as an influence on executives who make decisions affecting millions of workers.  

The forecasting of the business cycle is brought out in the literature of many areas of business administration: management, marketing, retailing, and financial management. Terry felt that economic forecasting is useful for, among other things, it enhances thinking ahead and it may reveal areas where improved management is necessary. To Newman and Logan it was important for the administrator to take note of the changes in the business environment. He must regard these as opportunities to make his business more useful and more profitable. In making decisions the administrator must consider several forces: (1) the general over-all economic outlook; (2) the outlook for the particular industry; (3) the position

---


2Ibid. 

of the company in that industry. They pointed specifically to the importance of business cycle theory as a part of forecasting, both for the long-run and short-run aspects.¹ Summer and Newman point out the importance of forecasting for an organization in a dynamic society. By accurate forecasting a company can adapt to the frequency and magnitude of the changes in its environment and it may be able to adjust the activities of its organization to this environment.²

In the area of financial management Johnson brought out the importance of the general economic level and the business cycle in regard to the available flow of funds to a business.³

Beckman and Davidson showed the importance of economic forecasting in their definition of marketing research:

... any purposive investigation which has as its objective the obtaining of knowledge of any business activity necessary to ascertain the needs and wants


of markets, plan product availability, effect transfer in ownership of products, provide for their physical distribution, and facilitate the entire marketing process.¹

Accurate economic forecasting is of great importance to many sectors of our economy, and the many business publications that are available perform a valuable service by attempting to provide forecasts for businessmen.

II. DEFINITIONS OF TERMS USED

Business cycle. This study will be considering two areas. The general cycle— that of the aggregate economy, and the specific indicators which cover special areas of the economy. Many of the specific indicators make important individual contributions to the total general cycle.²

In the United States, the most common cycle—the modal cycle— is one of 3-4 years' duration.

Only in the United States does a cycle of given length appear to dominate completely the frequency distribution, and this is a cycle of just slightly more than 4 years' length.³

The "business cycle" is a general movement of aggregate business activity which deviates up and down around

²Lee, op. cit., p. 65. ³Ibid., p. 36.
a secular trend. The importance of this idea is that the business cycle is a general movement in the business environment.¹

The business cycle is considered to have four phases. These phases and their positions of occurrence are shown in Figure 1. The four phases of the business cycle are overlapping.

This study will be using the three most recent periods of expansion and contraction as ascertained by the National Bureau of Economic Research (See Table I). Thus, for the purposes of this study the NBER definition of the business cycle will be used, and it embodies most of the ideas already mentioned.

Business cycles are a type of fluctuation found in the aggregate economic activity of nations that organize their work mainly in business enterprises. A cycle consists of expansions occurring at about the same time in many economic activities, followed by similarly general recessions, contractions, and revivals which merge into the expansions phase of the next cycle; this sequence of changes is recurrent but not periodic . . . ²

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Figure 1. The four phases of the business cycle.¹

¹Dr. W. E. Alley, of Drake University, in a lecture on Economic Fluctuations and Business Forecasting, Fall 1964.
TABLE I

THE THREE MOST RECENT PERIODS OF EXPANSION AND
CONTRACTION SHOWING THEIR PEAKS AND TROUGHS

<table>
<thead>
<tr>
<th>Troughs</th>
<th>Peaks</th>
<th>Months of Duration of Expansion</th>
<th>Contraction</th>
<th>Whole Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct., 1949</td>
<td>July, 1953</td>
<td>45</td>
<td>13</td>
<td>58</td>
</tr>
<tr>
<td>Aug., 1954</td>
<td>July, 1957</td>
<td>35</td>
<td>9</td>
<td>44</td>
</tr>
<tr>
<td>Apr., 1958</td>
<td>May, 1960</td>
<td>25</td>
<td>9</td>
<td>34</td>
</tr>
<tr>
<td>Feb., 1961</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


There are two problems in the explanation of the business cycle which are important to this study. (1) The description of the cumulative process which works upon the upturns and downturns. (2) The ascertainment and meaning of the turning points.1

The specific indicators. The specific indicators which have been chosen are those which cover certain industries within the economy which are believed to have significance with regard to the economy as a whole. These were based on the selection of important economic indicators which were chosen by the Federal Reserve Bank of New York.2


TABLE I

THE THREE MOST RECENT PERIODS OF EXPANSION AND
CONTRACTION SHOWING THEIR PEAKS AND TROUGHS

<table>
<thead>
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<th>Peaks</th>
<th>Months of Duration of Expansion</th>
<th>Contraction</th>
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<td>July, 1957</td>
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<td>44</td>
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<tr>
<td>Apr., 1958</td>
<td>May, 1960</td>
<td>25</td>
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<td>Feb., 1961</td>
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</tr>
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These specific indicators, as shown in Tables II-XXII, will be compared with the articles in the various journals to determine to what degree these publications were aware of the fluctuations which took place in specific areas. These indicators, as well as the aggregate cycles, were studied starting six months prior to the peaks, through the contraction periods, and six months following the troughs. Thus, the two years of 1953-1954 were studied; the two years of 1957-1958, and the last two months of 1959 through August 1961 were also studied.

The indicators which have been chosen include: total industrial production index, steel production index, electric power distributed, total new construction, consumer prices index, wholesale prices index, and stock prices index. These will be related to the specific publications chosen later on in the study.

**TABLE II**

1953-54 TOTAL INDUSTRIAL PRODUCTION INDEX
(1947-49=100, SEASONALLY ADJUSTED)

<table>
<thead>
<tr>
<th></th>
<th>1953</th>
<th>1954</th>
</tr>
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<tbody>
<tr>
<td>January</td>
<td>134</td>
<td>125</td>
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<tr>
<td>February</td>
<td>134</td>
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<td>March</td>
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<td>April</td>
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<td>May</td>
<td>137</td>
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<td>June</td>
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<td>October</td>
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<td>126</td>
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<tr>
<td>November</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td>December</td>
<td>126</td>
<td>---</td>
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TABLE III

1953-54 STEEL PRODUCTION
(THOUSANDS OF NET TONS)

<table>
<thead>
<tr>
<th></th>
<th>1953</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>2,234</td>
<td>1,795</td>
</tr>
<tr>
<td>February</td>
<td>2,233</td>
<td>1,771</td>
</tr>
<tr>
<td>March</td>
<td>2,295</td>
<td>1,646</td>
</tr>
<tr>
<td>April</td>
<td>2,225</td>
<td>1,625</td>
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<tr>
<td>May</td>
<td>2,257</td>
<td>1,687</td>
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<tr>
<td>June</td>
<td>2,192</td>
<td>1,716</td>
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<tr>
<td>July</td>
<td>2,099</td>
<td>1,499</td>
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<tr>
<td>August</td>
<td>2,123</td>
<td>1,505</td>
</tr>
<tr>
<td>September</td>
<td>2,076</td>
<td>1,591</td>
</tr>
<tr>
<td>October</td>
<td>2,136</td>
<td>1,738</td>
</tr>
<tr>
<td>November</td>
<td>2,026</td>
<td>1,882</td>
</tr>
<tr>
<td>December</td>
<td>1,798</td>
<td>1,958</td>
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TABLE IV

1953-54 ELECTRIC POWER DISTRIBUTED
(MILLIONS OF KILOWATT-HOURS)

<table>
<thead>
<tr>
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<th>1953</th>
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<tr>
<td>January</td>
<td>8,156</td>
<td>8,918</td>
</tr>
<tr>
<td>February</td>
<td>8,136</td>
<td>8,576</td>
</tr>
<tr>
<td>March</td>
<td>8,116</td>
<td>8,526</td>
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<td>April</td>
<td>8,018</td>
<td>8,347</td>
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<tr>
<td>May</td>
<td>7,956</td>
<td>8,406</td>
</tr>
<tr>
<td>June</td>
<td>8,279</td>
<td>8,684</td>
</tr>
<tr>
<td>July</td>
<td>8,238</td>
<td>8,841</td>
</tr>
<tr>
<td>August</td>
<td>8,488</td>
<td>9,122</td>
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<tr>
<td>September</td>
<td>8,552</td>
<td>9,040</td>
</tr>
<tr>
<td>October</td>
<td>8,331</td>
<td>9,124</td>
</tr>
<tr>
<td>November</td>
<td>8,352</td>
<td>9,240</td>
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<tr>
<td>December</td>
<td>8,502</td>
<td>9,612</td>
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### TABLE V

1953-54 TOTAL NEW CONSTRUCTION
(MILLIONS OF DOLLARS, SEASONALLY ADJUSTED)

<table>
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**SOURCE:** Council of Economic Advisors, *Economic Indicators*

### TABLE VI

1953-54 CONSUMER PRICES INDEX
(ALL ITEMS, 1947-49=100)

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**SOURCE:** Council of Economic Advisors, *Economic Indicators*
### TABLE VII

1953-54 WHOLESALE PRICES INDEX  
(ALL COMMODITIES, 1947-49=100)

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**SOURCE:** Council of Economic Advisors, *Economic Indicators*  

### TABLE VIII

1953-54 STOCK PRICES INDEX  
(COMPOSITE INDEX, 1939=100)

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**SOURCE:** Council of Economic Advisors, *Economic Indicators*  
TABLE IX
1957-58 TOTAL INDUSTRIAL PRODUCTION INDEX
(1947-49=100, SEASONALLY ADJUSTED)

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<tr>
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TABLE X
STEEL PRODUCTION INDEX
(1947-49=100)

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### TABLE XI
1957-58 ELECTRIC POWER DISTRIBUTED
(MILLIONS OF KILOWATT-HOURS)

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SOURCE: Council of Economic Advisors, Economic Indicators

### TABLE XII
1957-58 TOTAL NEW CONSTRUCTION
(BILLIONS OF DOLLARS, SEASONALLY ADJUSTED)

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SOURCE: Council of Economic Advisors, Economic Indicators
### TABLE XIII
1957-58 CONSUMER PRICES INDEX
(ALL ITEMS, 1947-49=100)

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<td>121.1</td>
<td>123.7</td>
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### TABLE XIV
1957-58 WHOLESALE PRICES INDEX
(ALL COMMODITIES, 1947-49=100)

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<tr>
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### TABLE XV

**1957-58 STOCK PRICES INDEX**  
*(COMPOSITE INDEX, 1939=100)*

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**SOURCE:** Council of Economic Advisors, *Economic Indicators*  

### TABLE XVI

**1960-61 TOTAL INDUSTRIAL PRODUCTION INDEX**  
*(1957=100, SEASONALLY ADJUSTED)*

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<tr>
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<td>114.2</td>
</tr>
<tr>
<td>December</td>
<td>103.0</td>
<td>115.6</td>
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**SOURCE:** Council of Economic Advisors, *Economic Indicators*  
### TABLE XVII

#### 1960-61 STEEL PRODUCTION INDEX

(Billions of tons, 1957-59 = 100)

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<th>Month</th>
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<td>94.9</td>
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**SOURCE:** Council of Economic Advisors, Economic Indicators


### TABLE XVIII

#### 1960-61 ELECTRIC POWER DISTRIBUTED

(Millions of kilowatt-hours)

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<thead>
<tr>
<th>Month</th>
<th>1960</th>
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<td>15,089</td>
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<td>14,122</td>
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<td>September</td>
<td>14,014</td>
<td>15,518</td>
</tr>
<tr>
<td>October</td>
<td>14,172</td>
<td>15,146</td>
</tr>
<tr>
<td>November</td>
<td>14,394</td>
<td>15,576</td>
</tr>
<tr>
<td>December</td>
<td>15,086</td>
<td>16,287</td>
</tr>
</tbody>
</table>

**SOURCE:** Council of Economic Advisors, Economic Indicators

### TABLE XIX

1960-61 TOTAL NEW CONSTRUCTION  
(BILLIONS OF DOLLARS, SEASONALLY ADJUSTED)

<table>
<thead>
<tr>
<th>Month</th>
<th>1960</th>
<th>1961</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>54.7</td>
<td>56.0</td>
</tr>
<tr>
<td>February</td>
<td>54.9</td>
<td>55.7</td>
</tr>
<tr>
<td>March</td>
<td>54.4</td>
<td>55.8</td>
</tr>
<tr>
<td>April</td>
<td>54.2</td>
<td>55.5</td>
</tr>
<tr>
<td>May</td>
<td>55.3</td>
<td>57.2</td>
</tr>
<tr>
<td>June</td>
<td>55.2</td>
<td>57.0</td>
</tr>
<tr>
<td>July</td>
<td>55.4</td>
<td>54.0</td>
</tr>
<tr>
<td>August</td>
<td>55.3</td>
<td>58.9</td>
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<tr>
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<td>55.3</td>
<td>58.9</td>
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<tr>
<td>October</td>
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<td>November</td>
<td>54.7</td>
<td>60.7</td>
</tr>
<tr>
<td>December</td>
<td>54.8</td>
<td>59.0</td>
</tr>
</tbody>
</table>


### TABLE XX

1960-61 CONSUMER PRICES INDEX  
(ALL ITEMS, 1947-49=100)

<table>
<thead>
<tr>
<th>Month</th>
<th>1960</th>
<th>1961</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>125.4</td>
<td>127.4</td>
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<tr>
<td>February</td>
<td>125.6</td>
<td>127.5</td>
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<tr>
<td>March</td>
<td>125.7</td>
<td>127.5</td>
</tr>
<tr>
<td>April</td>
<td>126.2</td>
<td>127.5</td>
</tr>
<tr>
<td>May</td>
<td>126.3</td>
<td>127.4</td>
</tr>
<tr>
<td>June</td>
<td>126.5</td>
<td>126.6</td>
</tr>
<tr>
<td>July</td>
<td>126.6</td>
<td>128.1</td>
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<tr>
<td>August</td>
<td>126.6</td>
<td>128.0</td>
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<tr>
<td>September</td>
<td>126.8</td>
<td>128.3</td>
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<tr>
<td>October</td>
<td>127.3</td>
<td>128.5</td>
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<tr>
<td>November</td>
<td>127.4</td>
<td>5567</td>
</tr>
<tr>
<td>December</td>
<td>127.5</td>
<td>5567</td>
</tr>
</tbody>
</table>

### TABLE XXI

**1960-61 WHOLESALE PRICES INDEX**  
*(ALL COMMODITIES, 1947-49=100)*

<table>
<thead>
<tr>
<th></th>
<th>1960</th>
<th>1961</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>119.3</td>
<td>119.9</td>
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<tr>
<td>February</td>
<td>119.3</td>
<td>120.0</td>
</tr>
<tr>
<td>March</td>
<td>120.0</td>
<td>119.9</td>
</tr>
<tr>
<td>April</td>
<td>120.0</td>
<td>119.4</td>
</tr>
<tr>
<td>May</td>
<td>119.7</td>
<td>118.7</td>
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<tr>
<td>June</td>
<td>119.5</td>
<td>118.2</td>
</tr>
<tr>
<td>July</td>
<td>119.7</td>
<td>118.6</td>
</tr>
<tr>
<td>August</td>
<td>119.2</td>
<td>118.9</td>
</tr>
<tr>
<td>September</td>
<td>119.2</td>
<td>118.3</td>
</tr>
<tr>
<td>October</td>
<td>119.6</td>
<td>118.7</td>
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<tr>
<td>November</td>
<td>119.6</td>
<td>118.8</td>
</tr>
<tr>
<td>December</td>
<td>119.5</td>
<td>-----</td>
</tr>
</tbody>
</table>

**SOURCE:** Council of Economic Advisors, Economic Indicators  

### TABLE XXII

**1960-61 STOCK PRICES INDEX**  
*(COMPOSITE INDEX, 1957-59=100)*

<table>
<thead>
<tr>
<th></th>
<th>1960</th>
<th>1961</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>117.6</td>
<td>120.9</td>
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<tr>
<td>February</td>
<td>114.1</td>
<td>125.4</td>
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<td>March</td>
<td>112.1</td>
<td>129.8</td>
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<tr>
<td>April</td>
<td>113.5</td>
<td>133.0</td>
</tr>
<tr>
<td>May</td>
<td>113.2</td>
<td>134.9</td>
</tr>
<tr>
<td>June</td>
<td>117.0</td>
<td>132.8</td>
</tr>
<tr>
<td>July</td>
<td>114.5</td>
<td>132.7</td>
</tr>
<tr>
<td>August</td>
<td>115.6</td>
<td>136.2</td>
</tr>
<tr>
<td>September</td>
<td>112.1</td>
<td>138.0</td>
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<tr>
<td>October</td>
<td>109.1</td>
<td>144.0</td>
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<tr>
<td>November</td>
<td>112.6</td>
<td>144.0</td>
</tr>
<tr>
<td>December</td>
<td>115.2</td>
<td>145.8</td>
</tr>
</tbody>
</table>

**SOURCE:** Council of Economic Advisors, Economic Indicators  
Tables II through XXII are the specific indicators which have been chosen to determine if the various publications are aware of the fluctuations which took place in these areas.

**Forecasting.** Forecasting, which is based primarily on business cycle research, is the determination of future economic activity. There are two objectives of forecasting which have been referred to concerning business cycle theory: (1) To isolate the turning points—the peaks and troughs—which is the determination of the time at which a change in the movement of economic activity can be expected, and (2), to attempt to determine the magnitude of the forecasted movement.¹

**Business publications.** Table XXIII lists the periodicals consulted, which are directed to the businessman in general, as well as those in specific areas. One government publication is included as well as one weekly news publication which is considered to have an excellent business section. The articles in the publications were all compared with the aggregate cycle; where applicable, specific publications were correlated with the specific indicators. The publications and their circulation figures, which give some idea as to the influence of these journals, are presented in Table XXIII.

¹Lee, *op. cit.*, p. 547.
### TABLE XXIII

THE BUSINESS PUBLICATIONS STUDIED 
AND THEIR CIRCULATION FIGURES

<table>
<thead>
<tr>
<th>Publication</th>
<th>Area of Concentration</th>
<th>Circulation¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Week</td>
<td>General Business</td>
<td>4,333,826</td>
</tr>
<tr>
<td>Printer's Ink</td>
<td>General Business</td>
<td>41,117</td>
</tr>
<tr>
<td>Nation's Business</td>
<td>General Business</td>
<td>760,021</td>
</tr>
<tr>
<td>Survey of Current Business</td>
<td>General Business</td>
<td>none</td>
</tr>
<tr>
<td>U. S. News &amp; World Report</td>
<td>General Business</td>
<td>available</td>
</tr>
<tr>
<td>Dun's Review &amp; Modern Industry</td>
<td>General Business</td>
<td>1,330,791</td>
</tr>
<tr>
<td>Fortune</td>
<td>General Business</td>
<td>123,220</td>
</tr>
<tr>
<td>Harvard Business Review</td>
<td>General Business</td>
<td>408,541</td>
</tr>
<tr>
<td>Automotive Industries</td>
<td>Industry</td>
<td>75,240</td>
</tr>
<tr>
<td>Iron Age</td>
<td>Steel Industry</td>
<td>10,685</td>
</tr>
<tr>
<td>Electrical World</td>
<td>Electric Power Industry</td>
<td>23,935</td>
</tr>
<tr>
<td>Architectural Record</td>
<td>Construction Industry</td>
<td>29,207</td>
</tr>
<tr>
<td>Journal of Marketing</td>
<td>Marketing</td>
<td>38,262</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,727</td>
</tr>
</tbody>
</table>

All of the publications were consulted to determine their forecasts of the general business level. Many of the publications in the area of general business made forecasts in special areas, and these are noted in the study. The publications in special areas were consulted to determine if they were aware of the fluctuations in their special areas of interest.

¹Audit Bureau Circulation Publishers Standard Rate & Data (February, 1965); Consumer Magazine Standard Rate & Data (February, 1965).
III. APPROACH TO THE REMAINDER OF THE THESIS

The remainder of the thesis is devoted to the comparison of the articles in the publications mentioned in Table XXIII with the aggregate cycles as shown in Table I and with the specific indicators as shown in Tables II-XXII. This comparison is directed to the accuracy with which these publications were able to determine the economic outlook, and the accuracy with which they were able to determine the aspects of the various indicators.

Chapter V is directed to the psychological implications the various publications might have concerning economic activity.
CHAPTER II

THE FORECASTS OF 1953-54

Within the period of 1953-1954 there were the trough and peak phases of the business cycle. As is shown in Table I, there was a trough reached in October of 1949. This was followed by an expansion which lasted some forty-five months with the peak being reached in July 1953. This peak was followed by a contraction of thirteen months with the trough being reached in August 1954. This represents a cycle of fifty-eight months.

I. THE FORECASTING OF THE AGGREGATE CYCLE

Forecasts prior to the July 1953 peak. As shown in Table I the 1953-1954 peak was reached in July 1953. This study consulted the periodicals beginning six months prior to this peak.

The January-February, 1953 issue of the Harvard Business Review declared that it was the consensus of business opinion that toward the end of 1953, or perhaps in early 1954, a recession was anticipated. This was a very broad prediction for it was felt that it would fall somewhere in the interval between the third quarter of 1953 and the beginning of 1955. It gave no indication as to when a peak would be reached nor when the lowest level of
business activity would be reached. As such this was a good prediction, but the broadness of this forecast does not lend easily itself as a guide for business. The January, 1953 issue of Fortune gave a forecast for the year of 1953. It predicted that the level of business would be high throughout 1953, but in the second half of that year there would be a downward movement in the trend of business. This proved to be an accurate forecast.

The January, 1953 issue of Nation's Business had an article written by John D. Clark, the vice chairman for the Committee for Economic Development. Clark predicted a high level of business activity for 1953 with no estimate as to when the peak in business activity would occur.

U.S. News & World Report reported a general business outlook for 1953 and 1954 in its January 2, 1953 issue. This article stressed greatly the importance of government spending in maintaining the high level of activity at that time. The article predicted that business

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would remain good in 1953. It was felt that there was a real possibility for a downturn in 1954. The author did not choose to put a time factor on this because it was too far in advance. The article did stress the point that the total market demand, investment, durable goods, and a decrease in defense spending would bring strong pressure on a business downturn within the next four years.¹ This, like the forecast made by the Harvard Business Review, is so broad that its accuracy is almost assured.

Two periodicals in special areas, Electrical World and Automotive Industries, made predictions in January, 1953 concerning aggregate business. "The current high level of business activity could slip noticeably by this summer."² This, again, was a very general forecast but it was precise enough to be of some value to business planning.

The January 15, 1954 issue of Automotive Industries brought out that there were two possibilities in the forecast for 1953. One possibility was that there would be a general downturn in mid-1953, while the other possibility stressed that business might hold through 1953.³ This

type of prediction can be made by almost anyone, for it takes no real talent to say that business will remain the same or it will change. The only value in this type of forecast is that it gives the businessman two choices in which a flip of a coin can decide the better, or he can evaluate the evidence in each forecast for himself.

In February 14, 1953 Business Week had two articles which anticipated that the boom was receding. Business Week felt that management would have to sharpen its tactics because of this.¹ "Business activity probably is approaching that long-predicted plateau--if it hasn't already just about reached it."² If this is interpreted to mean the peak, then this is a forecast which is predicting the peak before it actually occurs.

The February 6, 1953 issue of Printer's Ink reported that "the current situation in new orders for steel indicates that economists who predicted a business dip in the last half of 1953 may be wrong."³ This statement was later proven to be false.

In March Business Week made these statements concerning business activity:

1"Companies Size Up the Problems Ahead," Business Week (February 14, 1953), 27.


3"Staff Report," Printer's Ink, CCXLII (February 6, 1953), 9.
You can't, even now, rule out any decline in business activity in the last half of the year.

The over-all level of business for 1953 will be very satisfactory (even if there is a second-half tapering.)¹

The March 6, 1953 issue of U. S. News & World Report told of the high level of business activity at that time. It predicted that this would continue for some months. It did foresee a slackening by the end of the year in some areas with a downturn coming in 1954. It predicted the maintenance of a high level of activity through the first six months of 1953 with a leveling-off coming at mid-year; a decline might begin by the fourth quarter of 1953. The article concluded with this statement: "The general business situation suggests that the boom is near its peak but will carry through much of the year."²

This was a fairly accurate forecast, but it did not precisely pinpoint the month when this peak would be reached.

The April, 1953 issue of Fortune made this prediction: "After an intensely active spring, business in general, and industrial production in particular, are likely to turn down--slightly, but more than just seasonally--


around the middle of the year."¹ Both of these predictions were fairly accurate for the turn in general business came in July, and there was a significant change in the total industrial production index in September of 1953. This is shown in Table II where the index changed from 136 in August to 133 in September.

The May 16, 1953 issue of Business Week felt that the peak of the boom was near, or it could already have been present.² This conclusion was actually predicting the peak some two months before it occurred.

In the June 15, 1953 issue of Automotive Industries this statement was made:

Business activity is generally holding at near-record levels, and there is every indication that the under-
lying momentum in the current situation will carry trade and industry along, on a very high plane for several months at least.³

This statement does not give any indication of a peak being reached.

The June, 1953 issue of Fortune indicated that the peak of the boom had been reached with this statement:

"The 1953 downturn is more likely to be a 'mild if pro-

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¹"Business Roundup," Fortune, XLVII (April, 1953), 27.

²"Is This the Top of the Boom," Business Week (May 2, 1953), 26-27.

³"The Business Pulse," Automotive Industries, CVII (June 15, 1953), 70.
longed readjustment,' extending into 1954."¹ This was actually a month too early.

The July 4, 1953 issue of Business Week graphically showed that the peak of 1953 had been reached in April. It was its contention that the last half would have high business activity, but it would be declining.² It is apparent that this analysis is inaccurate, for the peak was not actually reached until the month in which this article was written.

The July, 1953 issue of Fortune pointed out that July was a turning point in that it marked a period of adjustment within the economy. Its outlook for the second half of 1953 was a downturn which would continue into 1954.³ The prediction of the turning point in this instance is not significant because the article was actually stating where business stood at that specific time. Its forecast for the declining trend into 1954 is more commendable.

There are three aspects which must be noted concerning the forecasts prior to the 1953 peak. First, there is a generality about these forecasts in which the actual

¹"Business Roundup," Fortune, XLVII (June, 1953) 27.
month that the peak is supposed to come is not forecast. Business Week did the best job in this respect with its mid-year downturn forecasts. Secondly, there is some variance in these forecasts. Some predicted a downturn while others felt that business would remain high with no significant change in the future. Thirdly, there was a tendency for the periodicals to make predictions that were too early. This was noticeable in Business Week, in which it changed its mid-year downturn prediction and stated that the peak had been reached in April.

Forecasts from the July 1953 peak to the August 1954 trough. The August 7, 1953 issue of U. S. News & World Report emphasized the fact that business was so good at that time that the only place it could go was down. It predicted a general downturn in the last three months of 1953.¹ It did not predict the bottom of this downturn.

The August, 1953 issue of Dun's Review & Modern Industry pointed out that it was expected that business activity would remain high for the fourth quarter of 1953.² This article gave no indication as to when a


peak, which had already been reached, would be reached, or when business would start to decline.

The August, 1953 issue of Fortune made the forecast that business would continue downward until the end of 1954.¹ This missed the actual upturn by five months, for the trough was reached in August, 1954 and not at the end of the year.

Business Week in its October 17, 1953 issue pointed out that the Eisenhower economic advisors were on the lookout for weak spots in business activity. "But so far the weak spots are isolated. There's no sign of a general approach to peril points that would indicate a broad downturn."² This article implied that the downturn was not too general and that it would be short-lived, but this optimism did not hold true.

The October 2, 1953 issue of U. S. News & World Report predicted that the current drop in business activity would reach bottom by the end of 1954. It is interesting to note the optimism in this article which pointed out that even if this drop occurred, 1954 would be the second best year in history.³ This, like the August issue of

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Fortune, was somewhat off in the prediction of the trough, missing it by five months.

The November 13, 1953 issue of U. S. News & World Report reported that the first signs that the boom had ended came in September.¹ This assumption was actually two months past the actual turning point, and it is really of no value because it is made in retrospect. Its only real value is in an historical sense.

The January, February, 1954 issue of the Harvard Business Review pointed out the fact that business had been declining since March of 1953 and that in 1954---the time seems ripe for a period of diversification, readjustment, and realignment, which would bring economic activity to a substantially reduced level (from which, in turn, an advance might be made.)²

The article did not predict when this readjustment would take place.

The January 30, 1954 issue of Business Week reported that the Eisenhower Administration did not foresee a recession in 1954, and that there would be a continuance of growth in 1954.³ This article was somewhat too optimistic because the downturn did continue until August 1954.


In the February 5, 1954 issue of *U. S. News & World Report* it was reported that President Eisenhower and his Council of Economic Advisors felt that the business downturn was over and that a period of economic expansion was ahead.\(^1\) This, again, must have been a move to generate optimism, because the trough was not actually reached until August.

The February, 1954 issue of the *Survey of Current Business*, in retrospect, pointed out that the peak had been reached in July of 1953.\(^2\) This was very accurate, but again, it was a matter of history which is of no value in business planning.

*U. S. News & World Report* in the February 26, 1954 issue, felt that there was enough optimism being generated to halt the downturn and 1954 would bring an upturn. It was stated that it was the consensus of businessmen that the upturn would come by mid-1954.

The business community in general, however, seems to have shifted definitely from caution and doubt to optimism. This attitude prevails among manufacturers in various lines, as well as among the larger retailers.\(^3\)


This article was a little too optimistic in that its prediction was two months off, for the trough was not reached until August and business did not really start expanding until at least September.

The March 20, 1954 issue of Business Week felt that there was the possibility that the bottom of the dip may have already been reached.\(^1\) This again, was too early a prediction by some four months.

The March 19, 1954 issue of U. S. News & World Report predicted an upturn in business activity for the spring of that year. The article pointed out the continuing boom in building which was the "prop" for other areas.\(^2\) This article shows the early optimism which is incorporated in these articles which predicted the upturn a few months too early.

In the April 9, 1954 issue of U. S. News & World Report, A. W. Zelomek predicted an upturn in business activity within ninety days of that date. He believed that general business activity, based on gross national product as well as on total production, should reach a low point not later than the second quarter or early third quarter of 1954.\(^3\) The ninety day prediction was a little


early, but the low point forecast as coming in the late second or early third quarter was an excellent prediction. Business Week in the May 8, 1954 issue felt that most businessmen were of the opinion that the bottom had been reached. It did point out the fact that there was no definite upturn in sight.\(^1\) This was some three months too early.

The May, 1954 issue of Nation's Business noted the continuing low level of business, but it did not forecast when the bottom would be reached.\(^2\)

There was one article in a special area magazine, Electrical World, which did not bring out the optimism that was being expressed in other publications. "The decline in business activity will continue for some months--perhaps through the year."\(^3\) This article proved to be quite wrong for the bottom was reached in August and business moved upward thereafter, and not downward until the end of the year.

In July, 1954 Fortune reported that the business trend was up and that it would continue up for the next


twelve months. It did feel that there would be a double bottom to the recession coming in July.\(^1\) This prediction was one month early.

The July 10, 1954 issue of Business Week stated that most economists felt that an upturn would come in August. They pointed out that this was a double bottom recession with the initial low point being from April to July and the second bottom being reached in August.\(^2\)

This was an accurate piece of analysis, but since it was so close to the actual trough this makes it more of a statement of current conditions than a forecast.

The July, 1954 issue of Nation's Business gave this analysis of business activity:

> This is plus, minus of business picture for coming weeks. It's from business men coast to coast, economists, financial analysts. Plus: Sixty per cent of those interviewed see continued upturn. Forty per cent say dip's over, but won't start "till year end . . . . Over-all: It's plus for most indicators, minus in few.\(^3\)

This article gave no indication when the trough was reached, but it did show the type of pulse-taking some of the periodicals engage in.

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The August 12th and 19th issues of Iron Age carried articles concerning the over-all economy. "Over-all economy has absorbed the shock of readjustment plus summer slump, and climate seems favorable for general business improvement."1 It was also reported that Eisenhower looked for an upturn in general business for the second half of 1954.2 This was a rather general forecast, but it was fairly accurate.

The August 1954 issue of Nation's Business gave this report on the economy. "Prospect, over-all: Fair to good recovery, no sharp upturn until after Labor Day."3

There are two prominent factors concerning the forecasts from the peak to the trough of 1953-54:
(1) The early predictions of when the low point would be reached were such that these predicted the low point after it really occurred; most of the articles predicted the low point would come at the end of 1954 while it actually came four months prior to that. (2) By the first part of 1954 most of the articles became more optimistic, and these began predicting that the low

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points would come earlier than their previous forecasts. These forecasts were too early by one to five months. 

**Articles following the August 1954 trough.** The October 15, 1954 issue of *U. S. News & World Report* felt that the upturn in business had finally begun.¹ This was an accurate bit of analysis, but it really was a statement of current activity.

The remainder of the articles in 1954 were primarily concerned with predictions of 1955 and the level of current business.

To summarize, there are several aspects coming out of the forecasts of general business in 1953-1954. The forecasts of the peak tended to be somewhat general in their approach. The articles had a tendency not to be too specific in their predictions. In forecasting the peak many of the predictions were too early, this was especially more noticeable the closer they came to the peak. In forecasting the trough the articles in the early phases of the downturn made predictions that came after the trough had actually been reached, but about six months after the peak had been reached the articles had a tendency to make predictions that were too early. It must also be emphasized that there was quite a bit of variance in the predictions of the peak and the trough.

This was noticeable among the various publications as well as with different articles in the same publication.

II. THE FORECASTS OF SPECIFIC INDICATORS

In forecasting the fluctuations in specific areas only one publication surveyed made an effort to keep a continuous watch on its industry. That was Iron Age of the steel industry. Electrical World also made several forecasts as to the level of business in electric power output. There are many examples of forecasts in special areas, but there was not an effort to make these regular features of the publications studied.

Forecasts for the steel industry. The January 1, 1953 issue of Iron Age predicted that the demand and supply for steel would be fairly balanced by July, 1953. "The business outlook is extremely promising for at least the next 6 months." It did point out the possibility of trouble beyond this point. This was a rather general forecast, but it can be seen in Table III that steel production did not change too significantly until 1954.

The March 19, 1953 issue of Iron Age predicted that the steel business would be excellent for the next six

months. This was an accurate forecast, for steel did hold up for at least eight months.

The June 11, 1953 issue of Iron Age predicted that the cease fire in Korea would not cause a decline in the steel market. It was stated that there would be a high level of steel business through the third quarter of 1953 with a possible decline in the last three months of 1953. This was a fairly broad forecast which can be considered to be only partially correct, for it predicted a decline in steel in the last three months and this came in December, 1953.

In the July 23, 1953 issue, Iron Age changed its forecast for steel: "Steel business looks good for the rest of this year at the rate orders are being booked." This was a comparatively accurate forecast for as is shown in Table III there was no significant change in steel until December of 1953.

The August 27, 1953 issue of Iron Age changed its forecast for steel again: "Without question, the overall steel market will decline in the fourth quarter of

1"Peace in Korea Will Not Herald Decline in Steel," Iron Age, CLXXI (June 11, 1953), 149.

2"Quick Pace of Orders Belies Any Early Steel Slacking," Iron Age, CLXXI (July 23, 1953), 133.

1953."¹ Again, this must be considered to be partially correct for the decline did come in December. The changing of the forecasts by this publication did not help the effectiveness of its predictions because if any plans were made on the previous forecast they would subsequently have to be changed which would be hard to do for those in the steel industry.

**Iron Age** in the December 24, 1953 issue had this general forecast for steel: "The market should remain at a good level through the first half of the next year. After that, it's a good bet there will be a slump."² This was a good forecast for steel remained steady for the first half of 1954 with somewhat of a decline coming in the second half of that year.

The January 28, 1953 issue of **Iron Age** changed its forecast again, and predicted that there would be an upturn in steel business in March.³ This was an inaccurate forecast for steel remained rather steady for the first six months of 1954, and then it declined somewhat in July of 1954.

The June 24, 1954 issue of **Iron Age** made this pre-

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¹"The Iron Age Summary," **Iron Age**, CLXXII (August 27, 1953), 121.

²"The Iron Age Summary," **Iron Age**, CLXXII (December 24, 1953), 90.

diction for steel for the month of July: "Watch for a moderate dip in the steel market during July."\(^1\) As shown in Table III this dip did come for it dropped from 1,716 thousands of net tons in June to 1,499 in July.

The July 1, 1954 issue of *Iron Age* felt that the steel business would be stimulated in August.\(^2\) This did not happen for steel production increased only slightly in the month of August.

The July 22, 1954 issue of *Iron Age* predicted an upturn for the steel industry in the fall of 1954.\(^3\) This was a fairly broad forecast, but it was accurate in that a fairly significant increase did occur in October of 1954.

In its July 29, 1954 issue, *Iron Age* predicted that this fall upturn in steel would come in September.\(^4\) This forecast was fairly accurate for steel began an upward trend in September of 1954.

The October, 1954 issue of *Nation's Business* pre-

\(^1\) "The Iron Age Summary," *Iron Age*, CLXXIV (June 24, 1954), 243.

\(^2\) "The Iron Age Summary," *Iron Age*, CLXXIV (July 1, 1954), 145.

\(^3\) "The Iron Age Summary," *Iron Age*, CLXXIV (July 22, 1954), 145.

dicted an upswing in steel production for that month. This was an accurate forecast for the index in Table III shows that steel production increased from 1,591 thousands of net tons in September to 1,738 in October.

**Forecasts of industrial production.** The January, 1953 issue of *Fortune* felt that industrial production would turn down prior to the general level of business. According to their graph this would come in about May of 1953.\(^1\) This prediction was off quite a bit for, according to Table II, the industrial production index did not change significantly until November or December of 1953.

The March 21, 1953 issue of *Business Week* predicted that industrial production was probably as high as it was going to go.\(^2\) This was not a completely accurate forecast for, as seen in Table II, the industrial production index did increase by two points after March. It does appear, however, that this was the beginning of the period in which production did begin to level off.

The May 2, 1953 issue of *Business Week* felt that


in April the industrial production phase of the boom had been topped.\(^1\) This was not precisely accurate for the index rose from 136 to 137 both in May and July of 1953. It must be pointed out again that it appears that industrial production did level off at these 136, 137 figures.

The July 4, 1953 issue of Business Week predicted that "there will be a dip in the July production index . . ."\(^2\) This was not an accurate forecast, and even if it were, it would not have been of too much value to the businessman who had to do his planning for July.

The November 7, 1953 issue of Business Week predicted a sharp decline in industrial production for that month.\(^3\) This was a fairly accurate forecast for, as shown in Table II, the industrial production index declined from 132 in October to 129 in November.

Business Week, in the November 14, 1953 issue, forecasted that: "Industrial production, by next summer, may quite possibly be as much as 20% below this year's


peak."¹ As shown in Table II the highest point reached was 137 while the lowest point in the summer of 1954 was 123. This represents a decrease of 11%, not the forecasted 20%. The forecasted decline did happen, however.

The December, 1953 issue of Fortune stated that in the first or second quarter of 1954 industrial production might temporarily level out, or even rise a bit.² As can be seen in Table II, production did level out fairly well for it fluctuated only from 123 to 125 during this period.

Fortune in the September, 1954 issue made this prediction for industrial production: "The production upturn, in consequence, may come fairly suddenly in the last two months of 1954, and be somewhat sharper than previously expected."³ This was an accurate forecast for as can be seen in Table II the production index increased rather sharply from October to November.

The October 15, 1954 issue of U. S. News & World Report pointed out that total industrial production had

¹"Business Roundup," Fortune, XLVII (December, 1953), 22.
been averaging around 124 of the 1947-49 level since April and that in the months ahead it would show moderate increases. As Table II shows, this did happen in November of 1954.

The November, 1954 issue of Fortune reported that production had turned the corner and was on the rise. This was accurate but, like many of the predictions, was made at the time the forecasted event was occurring, which does not help the businessman make his plans because such forecasts come too late.

Forecasts of the stock market, electric power output, construction, consumer prices. The January 3, 1953 issue of Business Week, a general business publication, held that confidence would dominate the stock market throughout 1953. As shown in Table VIII, this was not too accurate for the stock market prices index did decrease a fairly great amount during 1953. It decreased from 204.7 in January to 181.0 in September.

The June 8, 1953 issue of Electrical World made the direct connection between electric power output and

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production. It made this comment about the trends in these areas:

Industrial use of electric power is probably close to its peak for 1953. The trend in industrial production—and hence power use—is likely to be down from here through the rest of the year.¹

This prediction for both of these areas was fairly accurate for, as can be seen in Tables II and IV, both of these areas seemed to level off and then decline somewhat through the rest of 1953.

The December 21, 1953 issue of Electrical World predicted a downward trend in both electric power and industrial production from then until at least June of 1954.² This was a fairly accurate forecast in that, as shown in Tables II and IV, the trend was declining. There is one exception to this: electric power output. This did show a significant increase in January of 1954.

The November 23, 1953 issue of Electrical World had this broad forecast for construction: "Construction will run high in 1954. But prospects now are that the total will be lower than this year."³ As can be seen

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¹"Electrical Business Outlook," Electrical World, CXXXIX (June 8, 1953), 50.


by a scan of Table V, this was not too accurate because total production was greater in 1954 than it was in 1953. This was also an example of one special area publication making a prediction in another area without too much success.

The March, 1954 issue of Nation's Business predicted that consumer prices would be cut soon. They stated that these might level off and then begin to rise by mid-1954.\(^1\) This prediction was not reflected by the consumer price index, as is shown in Table VI, for the index dropped only .2 from March to April and then increased from 114.6 in April to 115 in May.

**Conclusions of the specific indicator forecasts for 1953-1954.** The most prominent factor concerning the forecasts of the specific indicators was the lack of forecasts by several publications in special areas. In the period that was studied and the publications that were studied, Iron Age and Electrical World were the two periodicals which devoted space to predicting the activity of their industries. It must be pointed out, however, that in all of the special area publications studied, except the Journal of Marketing, there were

sections of these magazines which gave the current figures in these specific industries as well as those in other industries. The general business publications also endeavored to present these figures to the public, as well as making forecasts in specific industries which could be of value to these industries.

There was also some variance in the forecasts made by these publications. There were instances of changing the forecasts; this was especially noticed in the predictions of the steel industry by Iron Age.

III. EVALUATION OF THE FORECASTS OF 1953-1954

The comparative effectiveness of the various publications in predicting the turning points of the aggregate cycle is shown in Table XXIV.

TABLE XXIV

COMPARISON OF THE FORECASTS AS THEY RELATE TO THE TURNING POINTS OF THE AGGREGATE CYCLE

<table>
<thead>
<tr>
<th>Periodical</th>
<th>Predicted Month of Peak</th>
<th>Deviation from Actual Peak in Months</th>
<th>Predicted Month of Trough</th>
<th>Deviation from Actual Trough in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Week</td>
<td>Feb., 1953</td>
<td>+5</td>
<td>May, 1954</td>
<td>+3</td>
</tr>
<tr>
<td></td>
<td>Apr., 1953</td>
<td>+3</td>
<td>Aug., 1954</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>May, 1953</td>
<td>+2</td>
<td>Mar., 1954</td>
<td>+5</td>
</tr>
<tr>
<td>Report</td>
<td></td>
<td></td>
<td>Apr., 1954</td>
<td>+4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>July, 1954</td>
<td>+1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Aug., 1954</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dec., 1954</td>
<td>-4</td>
</tr>
<tr>
<td></td>
<td>June, 1953</td>
<td>+1</td>
<td>July, 1954</td>
<td>+1</td>
</tr>
<tr>
<td>----------------</td>
<td>------------</td>
<td>-------------</td>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Fortune</strong></td>
<td>July, 1953</td>
<td>0</td>
<td>Dec., 1954</td>
<td>-4</td>
</tr>
<tr>
<td><strong>Electrical</strong></td>
<td>June, 1953</td>
<td>+1</td>
<td>Dec., 1954</td>
<td>-4</td>
</tr>
<tr>
<td><strong>World</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Automotive</strong></td>
<td>July, 1953</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** The plus preceding the number of months means the forecast predicted the peak or trough before it actually occurred. The minus indicates a prediction that fell after the actual peak or trough.

Table XXIV shows that those periodicals making concrete predictions of the peak or trough did not have too much success. The 0 indicates that the prediction was correct, and out of the nineteen predictions only four were correct.
CHAPTER III

THE FORECASTS OF 1957-58

Within the period of 1957-58 there were the trough and peak phases of the business cycle. As is shown in Table I, there was a trough reached in August, 1954. This was followed by an expansion which lasted some thirty-five months with the peak being reached in July, 1957. This peak was followed by a contraction of nine months with the trough being reached in April, 1958. This represents a cycle of forty-four months.

I. THE FORECASTING OF THE AGGREGATE CYCLE

Forecasts prior to the July, 1957 peak. As shown in Table I, the 1957-1958 peak was reached in July, 1957. This study consulted the periodicals beginning six months prior to this peak.

The January, 1957 issue of Fortune predicted a high level of business for 1957. It did predict that the "pace" of business might slow down in 1957.\(^1\) It gave no indication as to when a peak in business would be reached.

The January 15, 1957 issue of Automotive Industries stated there was the possibility of a general business

downturn in 1957. 1 When this would happen the article
did not predict.

The February, 1957 issue of Fortune definitely
stated that there would be a slow-up in business in
1957. 2 As in its earlier prediction, Fortune did not
predict when business would reach a peak.

The February 1, 1957 issue of U. S. News & World
Report stated that the boom was leveling out. It pointed
out that the "boom was slowing down." 3 If this is
interpreted to mean the peak this prediction is five
months too early.

The February 22, 1957 issue of U. S. News & World
Report stated that a downturn was coming; this would not
be the 1929 depression type, however. The article compared
this downturn with the 1953-54 recession. 4 The article
did not predict when the downturn would happen.

The March, 1957 issue of Nation's Business made
a general forecast that "the over-all prosperity which

1"The Business Pulse," Automotive Industries,
CXVI (January 15, 1957), 98.

2"Business Roundup," Fortune, LV (February, 1957),
35-42.

3"Signs of a Shift in Business," U. S. News &
World Report, XLII (February 1, 1957), 23-25.

4"1957: No Boom and No Depression?," U. S. News
& World Report, XLII (February 22, 1957), 34-36.
the nation now enjoys, the Council, says, can extend into the months ahead."¹ This optimism was not warranted for the peak was reached in July with the contraction period following.

In its March 30, 1957 issue, Business Week made this statement: "First quarter business hasn't been altogether satisfactory, and there are no present indications that the second quarter will be better."² If this is interpreted to mean that the peak would be reached then, it was a broad but accurate forecast.

The April 5, 1957 issue of U. S. News & World Report reported that there would be a plateau reached in 1957, but by the end of 1957 or early 1958 an upturn would be evident.³ The article did not predict when this plateau would be reached which renders this type of prediction not very useful. Its prediction of the upturn was also inaccurate.

The April 13, 1957 issue of Business Week predicted that business would hold firm at its present level and

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¹"Tighter Profit Squeeze Ahead," Nation's Business, XLV (March, 1957), 14-16.
and that it would begin to rise at year end.¹ This forecast was inaccurate for business did not reach its peak until July, and after that it began to decline.

In its May 3, 1957 issue, U. S. News & World Report made this statement:

Businessmen appear to have discarded their suspicion that 1957 might be a year of setback and now are counting on continued good times. That attitude is strengthened by many earnings reports for this year's first quarter and by the strength shown recently in the stock market.²

This indicates that there will not be a peak reached in 1957 with the following contraction phase which is not accurate.

The May 4, 1957 issue of Business Week made this statement concerning business for 1957: "A fair degree of stability through the summer months is indicated, followed by at least a moderate upturn in the fall."³ This was an inaccurate forecast for the peak was reached in July with a contraction period following which lasted until April, 1958.

The May, 1957 issue of Fortune reported that business activity had been running slower than expected,


but it was stated that this was not a harbinger of worse to come.¹ This was not completely true.

The June 29, 1957 issue of Business Week made this statement: "Prospects still are that business will hit its low in the third quarter, then rise in the fourth."² The low point prediction was broad but accurate. The prediction of the rise in the fourth quarter was inaccurate.

The July 6, 1957 issue of Business Week noted the check on business which had been occurring since the start of the year. It stated that the spring and summer dip was near bottom. It stated that by the fourth quarter business would take an upturn.³ This article made no mention of a peak, and its fourth quarter upturn prediction did not happen.

The July 26, 1957 issue of U. S. News & World Report pointed out that the boom was leveling-off in some parts of the country while in other parts it was continuing upward. It stated that there was sufficient con-

²"Business Outlook," Business Week (June 29, 1957), 35.
fidence, however, that a general decline would not occur.\textsuperscript{1} If the leveling meant that this was the peak this was an accurate statement. The prediction that there would not be a decline was not accurate.

The July, 1957 issue of Nation's Business predicted that the second half of 1957 would be good for business. Forty-three per cent of the businessmen surveyed expected conditions in their industries to be better in the last six months of 1957 than in the comparable period of 1956. Fifty per cent looked for conditions to be about the same. Seven per cent thought conditions would be less favorable. Sixty-six per cent anticipated an increase in volume of sales for the last half of 1957.\textsuperscript{2} The optimism generated in this article was not an accurate predictor of what would happen in business for there was a downturn in the last half which continued until April, 1958.

The July, 1957 issue of Fortune predicted that "the current cyclical expansion of the economy, which began in mid 1945, will continue."\textsuperscript{3} The article did


\textsuperscript{3}"Business Roundup," Fortune, LV (July, 1957), 41.
state that the economy was going through "gentle adjust-
ment" which would lead to the predicted expansion.¹ The
gentle adjustment the article referred to was actually the
peak of the boom, and the continued expansion turned out
to be a contraction.

Forecasts from the July, 1957 peak to the April,
1958 trough. The August 24, 1957 issue of Business Week
indicated that there was a pause occurring in business.
The article was pessimistic about upturn predictions
for the fourth quarter which were being made by some.
The article stated that the stock market might be an
accurate indicator of the general business trend. It
stated there was anxiety in the stock market and it would
decline. The article saw no indication of a recession,
however.² This downturn in business prediction was
accurate, but it missed the severity of it for this down-
turn has been considered to be of recessionary proportions.

The September 13, 1957 issue of U. S. News & World
Report made this statement: "The slowdown is under way
in business. The decline in activity, thus far, points
to a leveling-off, not a setback of important propor-

¹Ibid., pp. 41-48.
²"Appraising the Fourth Quarter," Business Week
(August 24, 1957), 168.
tions."¹ This prediction was not too accurate for business continued on a declining trend until April, 1958.

The October 4, 1957 issue of U. S. News & World Report made this statement concerning the condition of business:

Businessmen and bankers from one end of the country to the other now have their doubts about the future of business. They are almost unanimous in the opinion that the boom started in 1954 is at end. None of them expects a sharp upsurge in activity either this year or next. The most optimistic expect little improvement over current levels. Many look for a mild downturn. But none sees a genuine recession ahead.²

This missed the peak by three months. The downturn was also considered to be of recessionary proportions.

The October 5, 1957 issue of Business Week reported that the anticipated autumn upturn was not being realized.³ This was an accurate observation.

The October 15, 1957 issue of Automotive Industries indicated that a plateau in business had been reached, and this could be the cyclical turning point.⁴ This actually missed the turning point by three months for the peak was

reached in July.

The November 23, 1957 issue of Business Week pointed out that the U. S. economy went into a downward trend some two to four months ago. "The turnabout in business will come somewhere in the middle of 1958." The article's pinpointing of the peak was fairly accurate, but its value is only in an historical sense. Its prediction of the trough was off by some three months.

The December 27, 1957 issue of U. S. News & World Report stated that most businessmen were looking forward to coming out of 1957 on a rising trend. This prediction was early by four months.

The December, 1957 issue of Nation's Business gave a general statement that businessmen felt that 1958 would be a good year. It did not predict a low or high point at that time.

The January 23, 1958 issue of Iron Age stated there would be a general business recovery in the third or fourth quarter of 1958. This prediction missed the


4"Wages, Prices Are Key to Recovery," Iron Age, CLXXXI (January 23, 1958), 41.
actual trough by three months.

The January 25, 1958 issue of Business Week made this statement about the recovery possibility for 1958: "There's a good case for business recovery by and before midyear." This was a very broad prediction but was accurate.

The January, 1958 issue of Fortune made this statement for the upturn in 1958: "Following the letdown at the end of 1957, which will carry over into the new year, the economy should level out and turn up in the spring." This was a fairly general forecast but business did reach its trough in April.

The February 15, 1958 issue of Automotive Industries reported that the recession had carried over into 1958, but sentiment was such that businessmen looked for the decline to end early. This was really too broad to be considered an adequate forecast.

The February, 1958 issue of Fortune made this statement concerning the trough: "The business letdown has hit bottom. A gradual recovery lies ahead." This

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predicted bottom missed the actual bottom by two months for it was reached in April.

The February, 1958 issue of Nation's Business compared the 1957-1958 period of contraction with the contraction of 1953-1954. The article implied that it was possible for the timing of the upturn to coincide with that of 1954.¹ This means that they anticipated the trough to occur in August. This prediction was off by four months.

In March, 1958 Fortune again stated that the bottom had already been reached.² This implies that the trough was reached in February, making the prediction two months off.

The March 8, 1958 issue of Business Week reported that the Washington policy makers were looking for the decline to be halted by the third quarter of 1958.³ This forecast was actually three months off, for the decline ended in the first month of the second quarter.

Articles following the April, 1958 trough. The May, 1958 issue of Fortune made this statement concerning


the recession: "The business recession has now reached its climactic stage."¹ This statement is one month away from the actual trough for it was reached the month before.

The May 3, 1958 issue of Business Week reported that the 1957-1958 recession was tapering off. The article stated that the bottom would be reached in late spring or early summer.² This was a broad but accurate prediction.

The May 9, 1958 issue of U. S. News & World Report stated that: "Some signs indicate that the recession may not go much farther."³ This implies that it is possible for the trough to be reached in May, when it was actually reached in April.

The May 15, 1958 issue of Automotive Industries reported that no "definite uptrend in business has yet developed."⁴ This was not true because the trough had already been reached in April and business was moving

into the expansion period.

The May 23, 1958 issue of U. S. News & World Report reported that the recession was "at or near bottom." September would be the month that the adjustment would be complete. The full upturn would not begin until Labor Day.¹ This was an inaccurate statement for business had already begun to expand after its trough in April. This prediction was off by four months.

A U. S. News & World Report survey in its May 30, 1958 issue showed that optimism was prevalent, and that many businessmen felt the bottom had been reached and business would be expanding.² This missed the actual bottom by a month.

The June, 1958 issue of Fortune made this statement: "The much looked-for 'bottom' has at last been reached, and some signs of recovery are visible."³ This statement was off by two months.

The June 6, 1958 issue of U. S. News & World Report predicted that the upturn would be confirmed in the


second half of 1958. This was an accurate statement for the upturn continued into 1960.

The July, 1958 issue of Fortune made this statement concerning the trough: "It is no longer a question of whether the recession has touched bottom--that happened some weeks ago." This was a very broad statement, but it was true. It was of no real value for it was reporting history.

The July 15, 1958 issue of Automotive Industries made this statement concerning the trough: "It seems quite possible that the second quarter of 1958 will go down in the annals as the low point of the current business cycle." This was a true statement, but again it is of no real value for it is telling of a past event.

The July 26, 1958 issue of Business Week stated: "Business improvement from August onward now seems a certainty." This implies that the trough would be reached in August which misses the actual trough by


four months.

The August 30, 1958 issue of *Business Week* pointed out that the economy had hit the bottom of a short, hard recession and was starting to climb.\(^1\) This prediction, like many of the others, stated that the trough had been reached in August when it actually had been reached four months earlier.

The September 19, 1958 issue of *U. S. News & World Report* made this statement: "Recession reached bottom last April. Recovery began in May. The rise started, then continued to go on and is gaining momentum."\(^2\) This was a very true statement, but again it is in retrospect which does not make it of too much value for business planning.

The October 4, 1958 issue of *Business Week* made this statement: "Recovery, whatever its handicaps, moves right along."\(^3\) This was really not a forecast, but it was an accurate statement of the situation in the economy.

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There are similarities in the aspects of the forecasts of the peaks and troughs in the periods of 1953-54 and 1957-58. Again in the period of 1957-58, the forecasts of the peak had a generality about them. There was also much variance in the predictions of the peak. In the predictions of the trough the periodicals had a tendency to predict the low point after it really occurred.

II. THE FORECASTS OF SPECIFIC INDICATORS

As in the previous period studied, the one specific area publication that kept a continuous watch on its industry was *Iron Age*. *Electrical World* had several articles throughout 1957 covering its industry, but it changed the format of the magazine in 1958 and it did not present concentrated forecasts.

**Forecast for the steel industry.** The February 14, 1957 issue of *Iron Age* made this statement concerning the steel industry: "A sharp decline in steel demand is out of the question this year."¹ This prediction was fairly accurate, but as is shown in Table X, the steel production index did drop considerably in the last month of 1957 from 121.9 in November to 104.3 in December.

¹"The Iron Age Summary," *Iron Age*, CLXXIX (February 14, 1957), 175.
The February 28, 1957 issue of *Iron Age* predicted that the outlook for steel for the second quarter of 1957 was good.\(^1\) This was fairly accurate for steel did remain reasonably steady throughout the three months of April, May, and June.

The March 21, 1957 issue of *Iron Age* stated that: "The steel market outlook is brighter this week."\(^2\) This, as a prediction, was broad, but it was accurate for steel did not change too much in March, 1957.

The April 19, 1957 issue of *Iron Age* made this statement about steel production: "There will be still further declines in April and early May."\(^3\) This was a true statement for as shown in Table X, steel production declined from 148.8 in March to 142.6 in April and it declined still further in May to 137.6.

The April 20, 1957 issue of *Business Week* predicted that steel would continue to decline.\(^4\) This was an accurate statement, but it is not of too much value for it did not predict how long it would decline, nor how far it would decline.

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The May 9, 1957 issue of *Iron Age* predicted that there was the possibility of an upturn in steel production in August of 1957.\(^1\) This was a fairly accurate statement for the steel production index did increase from 125.2 in July to 129.8 in August.

The May 18, 1957 issue of *Business Week* stated: "Steelmen look for their operations to drift lower, bottoming in July or early August."\(^2\) This was not a true statement for steel dropped considerably in December, and it continued to drop into 1958.

The May 30, 1957 issue of *Iron Age* also looked for July and August to be the bottom for steel, but like the *Business Week* prediction this was wrong.\(^3\)

The June 6, 1957 issue of *Iron Age* again predicted that steel output would bottom out in July, but again this was wrong. This article also predicted an upturn for September.\(^4\) As is shown in Table X steel production did reach the highest point of the second quarter at 130.4, but this trend did not continue for steel.

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\(^1\)"The Iron Age Summary," *Iron Age*, CLXXIX (May 9, 1957), 167.


\(^4\)"The Iron Age Summary," *Iron Age*, CLXIX (June 6, 1957), 147.
production declined to 104.3 in December.

The June 20, 1957 issue of Iron Age made this statement: "You can look for a pickup in steel demand in fourth quarter."\(^1\) This was completely untrue for steel declined considerably in the fourth quarter of 1957.

The June 27, 1957 issue of Iron Age predicted there would be an upturn in steel production in August.\(^2\) This was a true statement for steel did increase in August from the level of July.

In its July 11, 1957 issue, Iron Age reported that the August upturn was still expected.\(^3\) This again, must be considered to be true.

The August 1, 1957 issue of Iron Age stated: "It looks as though the steel market has finally turned the corner for the better."\(^4\) Although steel had increased from the level of July, the trend did not continue throughout 1957.

The August 22, 1957 issue of Iron Age predicted that the steel market would be strengthened by the

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\(^1\)"The Iron Age Summary," Iron Age, CLXIX (June 20, 1957), 143.

\(^2\)"The Iron Age Summary," Iron Age, CLXXIX (June 27, 1957), 147.

\(^3\)"The Iron Age Summary," Iron Age, CLXXX (July 11, 1957), 151.

\(^4\)"The Iron Age Summary," Iron Age, CLXXX (August 1, 1957), 131.
month of September.\textsuperscript{1} This, like the previous forecasts, was true, but this trend did not continue.

The August 29, 1957 issue of \textit{Iron Age} predicted there would be more than a moderate upturn in steel in October.\textsuperscript{2} This prediction did not come true for there actually was a slight decline in steel in October from September, from 130.4 to 129.3.

The September 5, 1957 issue of \textit{Iron Age} stated that September was the upward turning point for steel.\textsuperscript{3} This, like the other forecasts, did predict the trend in steel accurately.

The October 15, 1957 issue of \textit{Iron Age} pointed out that steelmen had given up on a sudden spurt in the steel business.\textsuperscript{4} This was a sound opinion for there was no real spurt in the steel business until 1958.

The November 14, 1957 issue of \textit{Iron Age} predicted a continuing, gradual downturn for steel for the rest of 1967.\textsuperscript{5} This was an accurate statement for there was a continuing downturn in 1957, but it was not too gradual.

\textsuperscript{1}"The Iron Age Summary," \textit{Iron Age}, CLXXX (August 22, 1957), 143.

\textsuperscript{2}"The Iron Age Summary," \textit{Iron Age}, CLXXX (August 29, 1957), 169.

\textsuperscript{3}"The Iron Age Summary," \textit{Iron Age}, CLXXX (September 5, 1957), 159.

\textsuperscript{4}"The Iron Age Summary," \textit{Iron Age}, CLXXX (October 10, 1957), 153.

\textsuperscript{5}"The Iron Age Summary," \textit{Iron Age}, CLXXX (November 14, 1957), 207.
in December.

The December 26, 1957 issue of Iron Age looked for a continued bad first quarter in 1958 for steel with no upturn until the second half of 1958. This was fairly accurate for the steel industry did not increase substantially until October, 1958.

In its January 16, 1958 issue, Iron Age predicted there would be a pickup in steel shipments in the second quarter, with a steady improvement in the industry in the second half of 1958. There was steady improvement in the steel industry in the second half of 1958 for the steel production index increased from 90.4 in July to 126.7 in December.

The January 23, 1958 issue of Iron Age indicated that the low point for the steel industry may have been reached. This was inaccurate for the low point was reached in April at 80.3.

In its February 6, 1958 issue, Iron Age reported that February would be the low point for steel with an upturn coming in March. This, again, was inaccurate

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1"The Iron Age Summary," Iron Age, CLXXX (December 26, 1957), 73.


4"The Iron Age Summary," Iron Age, CLXXXI (February 6, 1958), 139.
for the low point was reached in April.

In its March 11, 1958 issue, Business Week made this statement about steel: "This may be the week that steel turns the corner—though nobody is predicting a swift rise on these levels."¹ This was an inaccurate statement.

Iron Age made this statement for steel in its March 27, 1958 issue: "As yet there is no sign of even a moderate pickup for the second quarter."² This was an accurate prediction.

The April 3, 1958 issue of Iron Age predicted that there would be a definite upturn in May and June.³ This was an accurate forecast, for there were moderate increases in both May and June. The steel production index increased from the low point of 80.3 in April to 88.5 in May, and then it increased again in June to 103.4.

The April 10, 1958 issue of Iron Age reported that the steel industry would not be getting help from the automobile industry, and an upturn could not be

expected before August or September.\(^1\) This was fairly accurate for steel did increase from 90.4 in July to 102.4 in August and to 110.7 in September.

The April 17, 1958 issue of Iron Age reported that the bottom had been reached for the steel industry.\(^2\) This was accurate for April was the lowest point in the steel production index.

The June 12, 1958 issue of Iron Age reported that the steel industry would be up in June due to price hedging which would lead to a letdown in July. A general upturn for steel would not come until fall.\(^3\) This was accurate for steel was up slightly in June, with a decline in July. This was followed by a gradual uptrend that did not really get strong until October, 1958.

The July 10, 1958 issue of Iron Age forecasted a July dip and an August rise for steel.\(^4\) This, like the June 12 forecast, was accurate.

The July 24, 1958 issue of Iron Age made this statement: "Even if world tensions ease up, the market is likely to continue its upward trend."\(^5\) This was

\(^1\)"The Iron Age Summary," Iron Age, CLXXXI (April 10, 1958), 129.

\(^2\)"The Iron Age Summary," Iron Age, CLXXXI (April 17, 1958), 145.

\(^3\)"The Iron Age Summary," Iron Age, CLXXXI (June 12, 1958), 125.

\(^4\)"The Iron Age Summary," Iron Age, CLXXXII (July 10, 1958), 139.

\(^5\)"The Iron Age Summary," Iron Age, CLXXXII (July 24, 1958), 105.
an accurate statement of the trend in the steel business.

Iron Age in its August 14, 1958 issue predicted that August would be as good as June for steel. This was a fairly accurate forecast for the steel production index was 103.4 in June and it was 102.4 in August.

The September 25, 1958 issue of Iron Age reported that steelmen were looking for continued rising business in the fourth quarter of 1958. This was an accurate statement of the condition of the steel industry for it did continue to rise through the rest of 1958.

Forecasts of industrial production. The June 22, 1957 issue of Business Week predicted that the industrial production trend would turn up in the fall of 1957. This was not an accurate forecast, for as shown in Table IX, the industrial production index did not begin to rise until the fall of 1958.

The July 18, 1957 issue of Electrical World made this statement concerning industrial production: "Industrial production has now hit the summer doldrums and will remain there for the next few months." This was not too accurate

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2"The Iron Age Summary," Iron Age, CLXXXII (September 25, 1958), 137.


a description of what was taking place in industrial production, for as is shown in Table IX, the index varied only one and two points in the summer of 1957 from the high points in January and February.

The July 27, 1957 issue of Business Week made this statement concerning industrial production: "Production now seems to have passed its low point for this year."\(^1\) This was an inaccurate prediction for the industrial production index was 144 in July and it fell to 136 by December.

The January 13, 1958 issue of Electrical World made this prediction for industrial production in 1958: "Industrial production will continue to drop off a bit in the next few months, reach a low in early summer, and then pick up gradually in the second half."\(^2\) This was a very accurate description of what took place for industrial production in 1958.

The May 9, 1958 issue of U.S. News & World Report reported: "And for four straight weeks, production has held steady—indicating that the next turn may be up."\(^3\) This prediction was broad, but it was inaccurate for the industrial production index continued downward until July, 1958.


The September, 1958 issue of Fortune predicted that industrial production would continue to rise. This was a very broad prediction, but it predicted accurately the trend in the industrial production index.

**Forecast of the construction industry.** The January 5, 1957 issue of Business Week made this statement concerning construction: "Construction in this country seems to be bumping the ceiling." This was a fairly accurate description, for as is shown in Table XII, construction did not change significantly until October, 1958.

The April 27, 1957 issue of Business Week predicted that an upturn in construction was near. This was a very broad forecast, and it was not too accurate for it was not until October, 1957 that construction changed appreciably, and this was only moderate.

The July 13, 1957 issue of Business Week made this statement concerning construction: "Construction gives more and more signs, if you study the trends, of bumping along under some sort of ceiling." This was a fairly

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accurate statement of the conditions in the construction industry.

The March 29, 1958 issue of Business Week made this statement concerning construction: "Now evidence accumulates that construction, over-all, is dipping."\(^1\) This was true for construction dipped from 48.0 billions of dollars in February to 46.5 billions of dollars in May.

**Forecasts of electric power output, wholesale prices, consumer prices, and the stock market.** The May 27, 1957 issue of Electrical World made this prediction for electric power output: "Reporting companies now expect a 113.4 million KW peak in December of this year . . . ."\(^2\) This was fairly close to the 12,129 millions of kilowatt-hours that is shown in Table XI.

The July 29, 1957 issue of Electrical World made this statement about 1958: "The outlook for 1958 is good for the electric utility industry."\(^3\) This was too broad a prediction to be of too much value for business planning.

The February 25, 1957 issue of Electrical World made this statement concerning wholesale prices: "Wholesale


\(^3\)"The Electrical Business Outlook," *Electrical World*, CXLVIII (July 29, 1957), 89.
price indexes are still pointing up."¹ This was not an accurate statement for the index dropped from 117.0 in February to 116.9 in March.

The March, 1957 issue of Dun's Review & Modern Industry reported that there was a downward trend in wholesale prices and an upward trend in consumer prices.² This statement was half correct, for as can be seen in Tables XIII and XIV, consumer prices continued upward, but the wholesale price index stayed rather stable.

The June, 1957 issue of Fortune made this statement concerning consumer and wholesale prices: "In short, wholesale prices are tending to stabilize, while consumer prices are not increasing as fast as in the past twelve months."³

The February 22, 1957 issue of U. S. News & World Report noted that a downturn occurred in the stock market on February 11. They predicted that the market would not decline too drastically.⁴ This was a very broad prediction but it was fairly accurate, for the market actually

³"Business Roundup," Fortune, LV (June, 1957), 47-54.
increased until August, 1957, as is shown in Table XV.

The October 4, 1957 issue of *U. S. News & World Report* reported that the stock market was declining because investors foresaw a business decline. It predicted the stock market would not show "real strength" until an end to the business slowdown became evident. The article made no prediction as to when this would occur.¹

The January 18, 1958 issue of *Business Week* indicated that the stock market was becoming stable.² This was fairly accurate, for the index leveled out at 304 in January and February of 1958, and after that it began to climb.

Conclusions of the specific indicator forecasts for 1957-1958. Again, as in 1953-54, there was the lack of forecasts by publications in specific areas. *Iron Age* did the most consistent job in forecasting its industry. Again, there was a great deal of variance in the forecasts of the specific indicators. The specific industry publications, as in 1953-54, did present the figures in the industries.

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III. EVALUATION OF THE FORECASTS OF 1957-1958

The comparative effectiveness of the various publications in predicting the turning points of the aggregate cycle in 1957-1958 is shown in Table XXV.

<table>
<thead>
<tr>
<th>Periodical</th>
<th>Predicted Month of Peak</th>
<th>Deviation from Actual Peak in Months</th>
<th>Predicted Month of Trough</th>
<th>Deviation from Actual Trough in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Week</td>
<td>July, 1957</td>
<td>0</td>
<td>July, 1958</td>
<td>-3</td>
</tr>
<tr>
<td></td>
<td>Feb., 1957</td>
<td>+5</td>
<td>Dec., 1957</td>
<td>+4</td>
</tr>
<tr>
<td></td>
<td>July, 1957</td>
<td>0</td>
<td>May, 1958</td>
<td>-1</td>
</tr>
<tr>
<td></td>
<td>Sept., 1957</td>
<td>-2</td>
<td>Sept., 1958</td>
<td>-5</td>
</tr>
<tr>
<td></td>
<td>Oct., 1957</td>
<td>-3</td>
<td>April, 1958</td>
<td>0</td>
</tr>
<tr>
<td>Fortune</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Feb., 1958</td>
<td>+2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>May, 1958</td>
<td>-1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>June, 1958</td>
<td>-3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Aug., 1958</td>
<td>-4</td>
</tr>
<tr>
<td>Nation's Business Automotive Industries</td>
<td>Oct., 1957</td>
<td>-3</td>
<td>July, 1958</td>
<td>-3</td>
</tr>
<tr>
<td>Iron Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: The plus preceding the number of months means the forecast predicted the peak or trough before it actually occurred. The minus indicates a prediction that fell after the actual peak or trough.

Table XXV shows that those periodicals making concrete predictions of the peak or trough did not have too much success. The 0 indicates that the prediction was correct, and out of the eighteen predictions only three were correct.
CHAPTER IV

THE FORECASTS OF 1960-61

Within the period of 1960-1961 there were the peak and trough phases of the business cycle. As is shown in Table I, there was a trough reached in April of 1958. This was followed by an expansion which lasted some twenty-five months with the peak being reached in May, 1960. This peak was followed by a contraction of nine months with the trough being reached in February, 1961. This represents a cycle of thirty-four months.

I. THE FORECASTING OF THE AGGREGATE CYCLE

Forecasts prior to the May, 1960 peak. As shown in Table I, the 1960-1961 peak was reached in May, 1960. This study consulted the periodicals beginning six months prior to this peak.

The 1960 and 1961 issues of the Harvard Business Review had no articles forecasting the movements of the business cycle.

The 1960 and 1961 issues of the Survey of Current Business in line with its usual format gave no predictions as to the level of business activity. It merely presented current data, but it also presented the past trends in business.
The October 31, 1959 issue of Business Week made this report on the economy:

Now let's look at the size--and shape--of the economy. A quick look provides the best clues to where we're going. New estimates, compiled by the President's Council of Economic Advisors, show that upward progress has been dented. This has resulted from the steel strike, of course and comes as no surprise. The dent, though, has been shallow, and little if any, represents permanent loss; most is just postponed recovery.¹

This article did not give any estimate as to when a peak would occur once this dent was corrected.

The December, 1959 issue of Dun's Review & Modern Industry made this statement about the economy: "After pre-strike peaks are matched, business expansion will be resumed and will continue through mid-year . . . ."² This predicted peak fell two months after the peak had actually been reached.

The December 5, 1959 issue of Business Week made this statement of the prospects for 1960: "Prospects for early 1960 are nothing short of spectacular based on automobile and steel industry output schedules."³ This did not predict a peak, but it was a fairly accurate description of the economy in early 1960.


The January, 1960 issue of Fortune predicted that the boom would last until a peak in mid-1960. It stated that there would be a slowing down going into 1961, but it would not be recessionary.\textsuperscript{1} This predicted peak was off by two months, and it is agreed that this contraction period was of recessionary proportions.

The January 2, 1960 issue of Business Week predicted that 1960 would be a year of rising business activity in the United States.\textsuperscript{2} It did not predict a peak, but it is implied that this would not be reached in the first half of 1960.

The January 9, 1960 issue of Business Week made this statement concerning business activity: "Business will go roaring ahead for at least several months."\textsuperscript{3} This was a very broad forecast, and it can be considered to be accurate or inaccurate depending upon the interpretation of the phrase "several months."

\textsuperscript{1}"Business Roundup," Fortune, LXI (January, 1960), 35-42.


The January 18, 1960 issue of *U. S. News & World Report* predicted that the highest level of business activity would be reached in the first half of 1960 with a leveling off in the last half.\(^1\) This predicted peak came two months after the actual peak.

The February 15, 1960 issue of *U. S. News & World Report* made the same prediction that was in its January 18th issue.\(^2\) This, again, was two months off.

The February, 1960 issue of *Fortune* stated that there would be a "plateau of prosperity" through the rest of 1960 and into 1961.\(^3\) This implies that the peak had been reached in February, 1960 when it was actually reached in May, 1960, as can be seen in Table I. This predicted peak of February is actually three months before the actual peak. The prediction that there would be a "plateau of prosperity" was also inaccurate, for after the peak was reached in May there was a contraction period which is considered to be of recessionary proportions.


The March 26, 1960 issue of *Business Week* pointed out the great uncertainty that existed in the business situation at that time. The article pointed out that some of the key indicators were weak.\(^1\) The article did not state whether the peak had been reached or whether it would be reached soon.

An article in the April, 1960 issue of *Nation's Business* predicted that the current boom would continue upward for at least a year.\(^2\) This prediction was completely off for business peaked out in May and went into a contraction period that lasted until February, 1961. This makes this prediction thirteen months off.

The April 30, 1960 issue of *Business Week* implied that April was the peak of the boom, and that May would be the month deciding whether there would be a recession. The article stated that the downward trend would only be temporary.\(^3\) The predicted peak was one month before the actual, and the downward trend was not temporary.

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The May 9, 1960 issue of U. S. News & World Report predicted that business would level out during the summer with a possible downturn coming in the fall which could extend into 1961.¹ This predicted peak fell four months after the actual peak of May.

The May 28, 1960 issue of Business Week pointed out that there would not be a recession and that the economy was starting to move up gradually.² This implies that there was a contraction of one month, for Business Week previously stated that the peak had been reached in April. This is also a trough that is nine months before the actual trough.

The June, 1960 issue of Fortune made this statement concerning the economy: "The economy is ready to renew its expansion."³ This is a predicted trough that is eight months before the actual trough of February, 1961.

The July 23, 1960 issue of Business Week made this statement concerning business activity: "Business


³"Business Roundup," Fortune, LXI (June, 1960), 53-60.
activity in July undoubtedly will be the lowest for the year to date—and should be the bottom of the saucer."¹ This trough prediction is seven months away from the actual trough.

Forecasts from the May, 1960 peak to the February, 1961 trough. The August, 1960 issue of Dun's Review & Modern Industry predicted that business for the rest of 1960 would show moderate gains from the plateau present at that time.² This implies that the peak was in August which makes it three months after it actually occurred.

The August, 1960 issue of Fortune made this statement concerning the economy: "An uptrend should therefore gradually develop in the economy, and there seems to be wide agreement about that."³ This implies that the trough was in August which is seven months off.

The August 15, 1960 issue of U. S. News & World Report reported that business was resting on a plateau. The article brought out the idea of a slight decline coming in the fall.⁴ This predicted peak is three months off from the actual in May.


The September 3, 1960 issue of Business Week stated that there would not be an upturn coming in the fall.\footnote{"Business Outlook," Business Week (July 23, 1960), 19.} This was accurate, but it gave no indication as to when the trough would be reached.

The October, 1960 issue of Dun's Review & Modern Industry predicted that business would not start upward until after the end of the year.\footnote{"The Trend of Business," Dun's Review & Modern Industry, LXXVI (October, 1960), 6-12.} This was accurate, but it implies that the trough will be reached at the end of the year. This predicted trough is three months before the actual trough which occurred in February, 1961.

The October 10, 1960 issue of U. S. News & World Report made this statement concerning the economy: "Signs of recession in business are now showing up in almost all of the important indicators . . . ."\footnote{"The Minus Signs Start to Show Up In Business," U. S. News & World Report, XLIX (October 10, 1960), 130-131.} This is a fairly accurate prediction for it is felt that this contraction was of recessionary proportions.

The October, 1960 issue of Nation's Business made this prediction concerning business activity:

Business activity is likely to remain at about its present level for the next several weeks and then
begin a moderate recovery which should continue during the early months of 1961.\(^1\)

The article did not predict a serious recession. This indicates that the trough was in October which is a predicted trough that is four months before the actual.

The November, 1960 issue of *Dun's Review & Modern Industry* predicted that a "perking up" of business could not be expected until after the early months of 1961.\(^2\)

This was a broad but accurate forecast, for it was after the early months of 1961 that business began to expand again.

The November, 1960 issue of *Fortune* made this statement: "The economy has now probably touched bottom in its industrial dip, or is very close to it."\(^3\) This trough is three months off the actual.

The December, 1960 issue of *Fortune* stated that the period of adjustment was just about over and there would be an upturn in early 1961.\(^4\) This trough is two months prior to the actual trough.


The January 5, 1961 issue of *Iron Age* predicted an upturn for business in the early fall of 1961.¹ This would make the trough coming in late summer which is six months after the actual trough was reached.

The January 14, 1961 issue of *Business Week* made this statement concerning business activity:

> The first full week of the new year turned up very few signs of any real business upturn. The mood most frequently encountered is that improvement can't be expected till late this quarter or early next—if, indeed, a turn can be anticipated that soon.²

This makes this prediction off by one to two months.

The January, 1961 issue of *Fortune* stated that the economy had completed its readjustment and would be in a period of expansion for the next eighteen months.³ This implies that the trough was reached in December which is two months before the actual trough in February, 1961.

The January, 1961 issue of *Dun's Review & Modern Industry* made this observation about business:

> The year 1961 has opened in the midst of a downturn in over-all business activity that will con-

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¹ "Recession That Wasn't There Should Fade in Early Fall," *Iron Age*, CLXXXVII (January 5, 1961), 89.


tinue at least through early spring, when some signs of recovery will begin to appear.¹

This trough prediction falls two months after the actual trough.

The February, 1961 issue of *Dun's Review & Modern Industry* predicted that an upturn in business could be expected before the second quarter of 1961.² This was a fairly broad but accurate prediction.

The February 14, 1961 issue of *Business Week* made this statement concerning business activity:

Optimism in Wall Street, which has resulted in the stock market averages regaining two-thirds of the 1960 loss in the last three months, isn't necessarily forecasting an immediate business upturn.

This was an inaccurate statement because the month the article was written was the trough month with the expansion following.

**Forecasts following the February, 1961 trough.**

The March 11, 1961 issue of *Business Week* made this statement concerning the trough: "Even small rays of hope get favorable notice now with everyone looking for signs that the recession may be seeking bottom."³

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This is an inaccurate statement for the bottom had already been reached.

The March 18, 1961 issue of Business Week reported that many businessmen felt the bottom of the recession had been reached and there would be an advance in the economy. It also pointed out that those who felt the bottom had not quite been reached felt there would be an upturn in April.\textsuperscript{1} This article implies that the bottom had been reached in February which is accurate.

The March, 1961 issue of Dun's Review & Modern Industry made this statement: "Four out of every five businessmen believe that the current recession has hit bottom or that the nation already is on the road to recovery."\textsuperscript{2} This, like the March 18th Business Week article, was accurate.

The March, 1961 issue of Nation's Business predicted that the upturn was three months away.\textsuperscript{3} This makes this prediction inaccurate by three months.

The April, 1961 issue of Fortune stated: "Forecasts of a business upturn became 'official' last month

\begin{footnote}
\textsuperscript{2}"Has Recession Hit Bottom?," Dun's Review & Modern Industry, LXXVII (March, 1961), 1.
\textsuperscript{3}"Nation's Business Editors Report On: Timetable for Upturn," Nation's Business, XLIX (March, 1961), 63-64.
\end{footnote}
when Secretaries Dillon and Hodges predicted better times immediately ahead."¹ The article also went on to say: "... but much more important, the upturn has now become a hard fact and not just a forecast."² These statements imply that the trough was reached in February which was true.

The April 1, 1961 issue of Business Week made this statement concerning the trough: "This week signs are multiplying that the recession has touched bottom."³ This makes the trough occurring in March which is one month after the actual trough.

The April 10, 1961 issue of U. S. News & World Report stated that: "It's real now--an upturn in business is clearly getting under way."⁴ This was an accurate statement of the condition of business.

The May, 1961 issue of Nation's Business reported that the business situation had started on its way to improvement.⁵ This implies that the trough was reached

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¹"Business Roundup," Fortune, LXIII (April, 1961) 47-54.
²Ibid.
in April, which makes it two months away from the actual.

The May, 1961 issue of *Fortune* made this statement concerning business activity: "The business upturn is developing into an exuberant swing toward prosperity."¹ This was an accurate statement for business continued expanding into its present high level of activity.

Again, there are similarities in the forecasts of 1960-1961 with those of 1953-1954 and 1957-1958. There is a generality about both the peak and trough predictions. There was also a great amount of variance in the predictions of the trough and peak. There, again, was a tendency on the part of the periodicals to predict a month for the trough which was actually after the month of the trough.

II. THE FORECASTS OF SPECIFIC INDICATORS

Again, it was *Iron Age* that made the most consistent forecasts concerning its industry. *Electrical World* had changed its format in 1958 so it merely presented the current figures in its industry rather than making concentrated forecasts.

Forecasts for the steel industry. The January 14, 1960 issue of *Iron Age* stated that steel production would be extremely high during the first half of 1960.\textsuperscript{1} This was not completely true for, as is shown in Table XVII, the steel production index decreased significantly to 141.9 in April from 162.5 in March. The index dipped to 89.4 by July.

The February 11, 1960 issue of *Iron Age* predicted that there would be a moderate easing of steel production in the second quarter of 1960.\textsuperscript{2} As shown in Table XVII, this did occur in the steel industry.

The February 25, 1960 issue of *Iron Age* stated that there would be a considerable cut in steel production by the third quarter of 1960.\textsuperscript{3} There was a considerable cut by the third quarter, but this actually was evident by the second month of the second quarter of 1960. As can be seen in Table XVII, the index dropped from 124.1 in May to 107.5 in June. The index did drop again in July to 89.4.

\textsuperscript{1}"The Iron Age Summary," *Iron Age*, CLXXXV (January 14, 1960), 97.

\textsuperscript{2}"The Iron Age Summary," *Iron Age*, CLXXXV (February 11, 1960), 197.

\textsuperscript{3}"The Iron Age Summary," *Iron Age*, CLXXXV (February 25, 1960), 119.
The March 10, 1960 issue of *Iron Age* revised its prediction for a letdown in steel production in the third quarter, and it stated that this letdown would come in May.¹ This was a reasonably accurate prediction for the index dropped 17.8 points in May.

The March 31, 1960 issue of *Iron Age* predicted that the letdown in the steel industry had not yet ended, and it predicted that steel production would drop sharply in April and May.² This, like the previous forecasts, was reasonably accurate.

The April, 1960 issue of *Dun's Review & Modern Industry* predicted a dip in steel production in the second quarter.³ This, like the *Iron Age* predictions, was broad, but it predicted the trend in the steel industry fairly accurately.

The April 21, 1960 issue of *Iron Age* predicted a fall upturn for the steel industry.⁴ This did not occur for steel declined from its August level of 96.1 to 93.9 in September. Steel continued to decline until

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December of 1960.

The April 28, 1960 issue of *Iron Age* predicted that the steel market would bottom out in June and it would see gains in the second half of 1960.\footnote{"The Iron Age Summary," *Iron Age*, CLXXXV (April 28, 1960), 139.} This was inaccurate for steel did not actually bottom out until December, as can be seen in Table XVII.

The May 26, 1960 issue of *Iron Age* revised its earlier prediction for the expected bottom for the steel industry. It predicted that it would come in July instead of June.\footnote{"The Iron Age Summary," *Iron Age*, CLXXXV (May 26, 1960), 143.} This prediction was inaccurate also.

The June 2, 1960 issue of *Iron Age* predicted that the upturn in steel would come in August, 1960.\footnote{"The Iron Age Summary," *Iron Age*, CLXXXV (June 2, 1960), 99.} This, again, was wrong.

The July 2, 1960 issue of *Business Week* pointed out that steel was at its lowest point of 1960 and that July would be even lower.\footnote{"Business Outlook," *Business Week* (July 2, 1960), 11.} Both of these statements were correct.

The August 4, 1960 issue of *Iron Age* predicted that
there would be a slight upturn in steel production in the fall.\textsuperscript{1} This was inaccurate for steel continued to decline after it had made a very slight increase in August.

The August 11, 1960 issue of \textit{Iron Age} stated that October would be the highest month in steel production for the second half of 1960.\textsuperscript{2} This prediction turned out to be inaccurate, for as can be seen in Table XVII, the highest point in the production index was reached in August at 96.1 while October registered 83.2.

The September 15, 1960 issue of \textit{Iron Age} stated there would not be an upturn in the steel industry in October as it had previously predicted.\textsuperscript{3} This was an accurate statement.

The October 27, 1960 issue of \textit{Iron Age} stated that steel production in November would be down from the October level.\textsuperscript{4} As is shown in Table XVII, this forecast held true.

\begin{flushright}
\begin{itemize}
\item \textsuperscript{1}"The Iron Age Summary," \textit{Iron Age}, CLXXXVI (August 4, 1960), 141.
\item \textsuperscript{2}"The Iron Age Summary," \textit{Iron Age}, CLXXXVI (August 11, 1960), 327.
\item \textsuperscript{3}"The Iron Age Summary," \textit{Iron Age}, CLXXXVI (September 15, 1960), 239.
\item \textsuperscript{4}"The Iron Age Summary," \textit{Iron Age}, CLXXXVI (October 27, 1960), 125.
\end{itemize}
\end{flushright}
The November 10, 1960 issue of *Iron Age* stated that steel production had hit bottom, but it would not be until March, 1961 that any real change would occur.\(^1\) The trough was actually reached in December, and steel did not change significantly until April, 1961 instead of March.

The December 1, 1960 issue of *Iron Age* changed its November low point to December.\(^2\) This was an accurate pinpointing, but it was really a little late to aid the businessman effectively.

*Iron Age*, in its December 8, 1960 issue, predicted a mild upturn for the steel industry in January, 1961.\(^3\) This was fairly accurate for as can be seen in Table XVII steel increased from 70.9 in December, 1960 to 77.7 in January, 1961.

The January 26, 1961 issue of *Iron Age* predicted there would be little improvement in the steel industry before March.\(^4\) This was a fairly accurate prediction.

The February 16, 1961 issue of *Iron Age* stated

\(^1\)"The Iron Age Summary," *Iron Age*, CLXXXVI (November 10, 1960), 235.

\(^2\)"The Iron Age Summary," *Iron Age*, CLXXXVI (December 1, 1960), 169.

\(^3\)"The Iron Age Summary," *Iron Age*, CLXXXVI (December 8, 1960), 153.

there would be no improvement in steel before April.\textsuperscript{1} This was reasonably accurate for steel did not increase significantly until April.

*Fortune*, in its February, 1961 issue, predicted there would be a continued upturn in steel.\textsuperscript{2} This was accurate for as is shown in Table XVII steel continued steadily upward with the exceptions of July and August.

The March 2, 1961 issue of *Iron Age* made this statement about the steel industry: "A gradual pickup in steel business is under way."\textsuperscript{3} This, again, was an accurate description of the condition of the steel industry.

The April 1, 1961 issue of *Business Week* predicted there would be an upturn in the steel business.\textsuperscript{4} This was a broad but accurate statement.

The June, 1961 issue of *Dun's Review & Modern Industry* made this very accurate statement concerning the steel industry:

\begin{itemize}
\item \textsuperscript{1} "The Iron Age Summary," *Iron Age*, CLXXXVII (February 16, 1961), 131.
\item \textsuperscript{2} "Business Roundup," *Fortune*, LXIII (February, 1961), 47-54.
\item \textsuperscript{3} "The Iron Age Summary," *Iron Age*, CLXXXVII (March 2, 1961), 129.
\item \textsuperscript{4} "Business Outlook," *Business Week* (April 1, 1961), 9.
\end{itemize}
After slackening a bit early this summer, steel output will probably return to current levels in August and move higher during the last quarter.¹

**Forecasts of industrial production.** The December, 1959 issue of *Dun's Review & Modern Industry* made this prediction for industrial production: "Total industrial production, slowed by the steel strike, won't reach its next peak until mid-1960."² This was fairly accurate for as can be seen in Table XVI the industrial production reached 110.0 which was second only to January which reached 111.0.

The January, 1960 issue of *Dun's Review & Modern Industry* made this statement concerning industrial production: "Total industrial production, now close to its pre-strike peak, will set new records through late spring and then begin to level."³ This was a reasonably accurate statement.

The March, 1960 issue of *Dun's Review & Modern Industry* made this statement concerning industrial production: "By mid-year, industrial production will hit its new peak and then drift along at a high level through most of the year."⁴ Again, the peak prediction was fairly

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accurate, but the prediction for a high level for the rest of the year was not too accurate for, as is shown in Table XVI, the industrial production index reached 103.0 by December, 1960.

The April, 1960 issue of *Fortune* predicted that the level of industrial output would level out through the middle of 1960.¹ This was accurate for the index was 110.0, 109.0, and 110 in May, June, and July respectively.

*Dun's Review & Modern Industry* in June, 1960 made this statement concerning industrial production: "Industrial production will edge up gradually all summer, matching its January peak some time in the fall."² This statement was inaccurate, which is evident in Table XVI.

The August, 1960 issue of *Dun's Review & Modern Industry* made a prediction similar to its June prediction: "Production will show little change either way until autumn but will drift to a new peak before yearend."³ The index did show a change and that was downward, and


it did not reach a new peak by year-end.

The October, 1960 issue of *Dun's Review & Modern Industry* made this statement: "Although production will move up in October, it is unlikely to match the peak of last January."¹ This prediction was inaccurate for, as can be seen in Table XVI, the index dropped to 106.1 in October from 107.0 in September.

*Fortune*, in its November, 1960 issue, made this statement concerning industrial production: "The economy has now probably touched bottom in its industrial dip, or is very close to it."² This was inaccurate for the index continued to drop until February, 1961.

The December, 1960 issue of *Fortune* stated that there would be an upturn in industrial production in two or three months.³ This was reasonably accurate for the index started its climb upward in March, three months after the article was written.

The December, 1960 issue of *Dun's Review & Modern Industry* made this statement: "In March or April


industrial output will hit a low point, about 10 per cent below the record of January, 1960.\(^1\) This was actually one month off for the low point was reached in February. The ten per cent figure was very accurate for the index was 111.0 in January and it was 102.1 in February, 1961 which is a nine per cent decrease.

The February issue of *Dun's Review & Modern Industry* made this prediction: "Industrial production will hit the low point of its current decline in April or May, with a drop of about 10 per cent from the pre-recession peak."\(^2\) This low point prediction is two months off, but like their earlier prediction, the ten per cent figure was very close.

Forecasts of the construction industry, wholesale and retail prices, and the stock market. The January 16, 1960 issue of *Business Week* made this statement concerning the construction industry: "Here's a hopeful note for construction: December seems at least to have checked the six-month-old decline."\(^3\) As can be seen in Table XIX, total new construction did increase slightly


The June 4, 1960 issue of Business Week made this statement: "Construction will be pushing higher throughout this year and, by the present look of things, well into 1961."¹ This was reasonably accurate for, as can be seen in Table XIX, construction made fairly steady gains throughout 1960 and 1961 with the greatest gains coming in the last half of 1961.

The August 15, 1960 issue of U. S. News & World Report pointed out that prices, both wholesale and consumer, were drifting lower.² This was not too accurate. As is shown in Tables XX and XXI, both consumer and wholesale prices remained rather stable.

The March 6, 1961 issue of U. S. News & World Report reported that at a time when business in general was declining the stock market was in an increasing trend.³ This was an accurate statement, for, as can be seen in Table XXII, the stock prices index increased substantially from March through the rest of 1961.

Conclusions of the specific indicator forecasts for 1960-1961. About the same conclusions can be reached for the forecasts in this period as those of 1953-54 and 1957-58. There was a lack of continuous forecasting by all of the specific publications, with the exception of *Iron Age* which most consistently made forecasts for the steel industry.

There was also a great deal of variance in the forecasts that were made by the periodicals. This variance was noticeable among the different publications, as well as with the articles in the same publication.

It must be pointed out, again, that most of the publications presented the current figures for the various industries, which sometimes could be of greater help than the actual forecasting activity.

III. EVALUATION OF THE FORECASTS OF 1960-1961

The comparative effectiveness of the various publications in predicting the turning points, or the trough and peak, of the aggregate business cycle in 1960-1961 is shown in Table XXVI. This table also takes into consideration those predictions that were made in the last two months of 1959 which were studied because they were within the six month period preceding the peak.
### TABLE XXVI

COMPARISON OF THE FORECASTS AS THEY RELATE TO THE TURNING POINTS OF THE AGGREGATE CYCLE

<table>
<thead>
<tr>
<th>Periodical</th>
<th>Predicted Month of Peak</th>
<th>Deviation from Actual Peak in Months</th>
<th>Predicted Month of Trough</th>
<th>Deviation from Actual Trough in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fortune</td>
<td>Feb., 1960</td>
<td>-2</td>
<td>June, 1960</td>
<td>+8</td>
</tr>
<tr>
<td></td>
<td>July, 1960</td>
<td>+3</td>
<td>Nov., 1960</td>
<td>+3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dec., 1960</td>
<td>+2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Jan., 1961</td>
<td>+1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>March, 1961</td>
<td>-1</td>
</tr>
<tr>
<td>Nation's Business</td>
<td>April, 1961</td>
<td>-13</td>
<td>Oct., 1960</td>
<td>+4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>April, 1961</td>
<td>-2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>June, 1961</td>
<td>-4</td>
</tr>
<tr>
<td>Business Week</td>
<td>April, 1960</td>
<td>+1</td>
<td>May, 1960</td>
<td>+9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>July, 1960</td>
<td>+7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>March, 1961</td>
<td>-1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>April, 1961</td>
<td>-2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sept., 1961</td>
<td>-6</td>
</tr>
</tbody>
</table>

**NOTE:** The plus preceding the number of months means the forecast predicted the peak or trough before it actually occurred. The minus indicates a prediction that fell after the actual peak or trough.

Again, as was shown in Tables XXIV and XXV, Table XXVI shows that the periodicals making predictions did not have too much success. In the previous tables a 0 indicated a prediction that was correct. However, there are no correct predictions of those forecasts that were made in the 1960-1961 period.
CHAPTER V

PSYCHOLOGICAL IMPLICATIONS OF
BUSINESS CYCLE FORECASTING

Although it cannot be measured quantitatively, the various business publications have some effect upon the businessman and the consuming public. "The periodicals are almost invariably the best sources of information on latest developments in the ever-changing structure of economics and industry."\(^1\) Table XXII shows some of the influence that the publications in this study might have. The thirteen periodicals in this study represent a total circulation of 7,191,572, and this is just a few of the many business publications that are available.

Joseph Schumpeter, in his classic work on business cycles,\(^2\) gave some idea of the implications that business periodicals might have on economic behavior. Schumpeter alludes to the fact that human behavior is different from that of animal behavior in that humans do not merely react to "disturbances," but they try to interpret or anticipate--they try to diagnose their situation.

Real or supposed drifts and trends may count as much as or more than facts, threats as much as actions, indefinite threats more than specific

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ones, in creating the psychic environment in which the nation's work has to be done.\footnote{Ibid., pp. 418-419.}

It is the drifts and trends, the threats both definite and indefinite, that are reflected in the forecasting of the various business magazines.

Lee was also aware of the influence that the business publications have upon the behavior of the businessman. Lee was of the opinion that most businessmen are inclined to base the future upon their interpretations of the behavior of those who are supposed to be "industry leaders."

\footnote{Lee, \textit{op. cit.}, p. 368.}

When the newspapers carry announcements that leaders of the steel industry have embarked upon a program of plant expansion, there will be many others who interpret this as an omen of favorable expectations for the future. They thereupon cast an optimistic glow about their own immediate appraisals of prospective yields in their own segment of the economy and follow with investment expenditures of their own.\footnote{Ibid., p. 547.}

It is this optimism, or pessimism, that is reflected in the forecasts of the publications. These may also affect the investment procedures of the businessman in relation to the investment expectations of these "leaders."

Lee also pointed out that forecasts facilitate decisions which have an influence on the behavior of individual businessmen and of consumers.\footnote{Ibid., p. 547.}
George Katona\(^1\) gives some insight into the relationship of business decision making and economic trends. It is his contention that the anticipation of significant changes in business trends or costs may be an important cause that initiates business decisions. The study of decision making should involve the investigation of the various effects of business structure.\(^2\) The business publication is one of these effects of business structure. It is the forecasting of the turning points of the business cycle that must be regarded as a part of the anticipation of the changes in business trends.

Probably the most prominent factor coming out of this study is the amount of error in the forecasting process. This error is evidenced by the great variance in the forecasts, both among different publications and in the same publication. This amount of error is more clearly shown by a composite of Tables XXIV, XXV, and XXVI. In Table XXIV nineteen forecasts are shown, and out of these nineteen four were correct. In Table XXV eighteen forecasts are shown, and out of these three

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\(^2\)Ibid., pp. 236-237.
were correct. In Table XXVI twenty-five forecasts were made, and out of these none were correct. This is a total of sixty-two forecasts with seven being correct which gives a percentage of 11.2 per cent. If a one month deviation is considered to be accurate enough to be of some value, this would give an additional twelve accurate forecasts. This represents a percentage of accurate forecasts, out of the sixty-two, of 30.6 per cent. Thus there is a range from 11.2 per cent to 30.6 per cent chance of these forecasts being correct. A flip-of-a-coin-forecast might be more effective as a forecasting method when these chances are regarded.

James Estey\(^1\) presents some of the implications that these inaccurate forecasts give. It is his contention that the psychological causes of the business cycle, which is one of many, arises from the errors in forecasting.

Fundamentally, therefore, psychological causes arise from mistakes or errors of judgment. We get a wrong view of the facts, although the facts have not changed; and when the facts do change, our frame of mind is somehow so influenced that we cannot make correct judgments, as to the significance of the change.\(^2\)


\(^2\)Ibid., p. 197.
It is clearly evident that this error is very relevant concerning the forecasts of those publications in this study.

Estey elaborated further on the over-all economic implications of these errors in forecasting.

Not only does generalized error tend to arise from a common reliance upon what really is, at the moment, a faulty index, but, in addition to this, the emergence of an error in forecast in one quarter tends to cause similar errors in other quarters as well, and so on in a widening circle until whole areas of activity are being affected. In Pigou's language, what we have to deal with are 'waves of optimism and pessimism' generated by the nature of human beings and the conditions of modern business life.¹

John Maynard Keynes² in his The General Theory of Employment, Interest, and Money, presented some ideas that relate to the findings of this study. It was Keynes' contention that the level of the economy, which today with the national income accounts is represented by the Gross National Product or sometimes the Net National Product figure, was dependent upon the level of consumption and the level of investment. In today's mathematical terms this is represented by: \( Y = C + I \). The modern Keynesians have expanded this relation to include the

¹Ibid., pp. 206-207.

factors of government and sometimes the foreign balance. The equations which include these factors would be these: \( Y = C + I + G \) and \( Y = C + I + G + F \).

Keynesian analysis is concerned with these factors which make up the total production of goods and services within the economic system. There are many facets that must be considered when the levels of consumption, investment, and government expenditures are being examined. As such the various business periodicals and the articles presenting forecasts could affect each of the factors in a total product figure, but there is a more apparent effect upon the level of investment.

There are many factors that make up the level of investment. In part this investment is dependent upon the "state of long-term expectation."

The considerations upon which expectations of prospective yields are based are partly existing facts which we can assume to be known more or less for certain, and partly future events which can only be forecasted with more or less confidence.

Katona also considered the factor of expectation in the investment process. Katona feels that empirical investigations of investment decisions are important because businessmen's attitudes and expectations can be determined and can be related to their behavior. This

\[1\text{Ibid.}, \ p. \ 147. \quad 2\text{Ibid.}\]
involves the investigation of various sales and financial reports. It is also possible to do this with various "psychological variables:" (1) Information concerning sales and profit expectations. (2) Opinions about future trends. (3) Attitudes toward present and technological aspects. (4) Attitudes toward available capital and interest rates.¹

It is the second factor that can be related to this study for it is with the forecasts of the business publications that are really opinions about the future trends of business.

These expected trends are also important for Katona, for he believes that in many instances a businessman will bypass what he calls "habitual patterns" concerning business expectations and base his investment pattern on expected trends.²

Keynes considered two factors that affected the amount of investment. These two factors were the marginal efficiency of capital and the state of confidence. It is the state of confidence that is related to this study, for the forecasts made by business periodicals are one of the factors affecting the state of confidence. Keynes felt that the state of confidence was important because this affected the schedule of marginal efficiency of capital, "which is the same thing as the investment demand-schedule."³

"The outstanding fact is the extreme precariousness of the basis of knowledge on which our estimates of prospective yield have to be made."¹ This precariousness is very evident in the amount of error that was shown in the various forecasts of the publications studied.

Again, Keynes implies the influence that the business publication might have upon the state of confidence which in turn might affect the amount of investment within the capitalist society.

Thus the professional investor is forced to concern himself with the anticipation of impending changes, in the news or in the atmosphere, of the kind by which experience shows that the mass psychology of the market is most influenced.²

These impending changes were very evident in the forecasts in the three periods of 1953-54, 1957-58, and 1960-61.

Besides those articles presented in Chapters II, III, and IV there are examples of the expectations that were discussed by both Katona and Keynes. Nation's Business frequently engaged in what it called businessmen's surveys. These attempted to show what businessmen thought of the future. These articles showed what changes they expected, presented in percentages of those surveyed.

¹Ibid. ²Ibid., p. 155.
The March, 1958, like the March, 1957, issue of the *Survey of Current Business* expected that business capital investment for 1958 would be $32 billion which was reduced from the 1957 record of $37 billion.¹ This article shows the expectations that are presented by the publications which may influence the expectations of the businessmen. The forecasts of the peak and trough may also have the same effect.

The business publication in presenting forecasts or in presenting expectation surveys, may affect the attitudes of the businessman which in turn may affect the various phases of the business cycle. Katona feels that slumps in prices or business activity depend on both people's attitudes and the underlying economic processes. This means that in most instances there is an interaction and a mutual reinforcement of both the economic and psychological factors.²

John P. Lewis³ presents some of the factors that affect economic activity as it is related to business forecasting.


Lewis presented what he thought was the forecasting problem.

The economic forecaster's chances of success are sorely limited by the fact that what he is trying to predict is a complex of human decisions which are largely conditioned by human behavior, not by natural forces. And human behavior is such an enormously complex matter that science gives no near-term promise of rendering it wholly predictable.

Forecasting is inevitably more complex in a decentralized economy. For the relationship among the particular decentralized decisions that collectively determine over-all business conditions is not simply additive. Many cannot be accurately anticipated by decision makers themselves, since they will be responsive or reactive to other people's actions.¹

This forecasting problem is very clear in the forecasts of the three periods studied. The chances of success, ranging from 11.2 per cent to 30.6 per cent, are very limited. The complexity of the problem is evidenced by this lack of success.

To Lewis the business forecaster does affect the course of business activity.

... business forecasters can and do affect the future course of business activity. Those who make business decisions adjust them in the light of what they understand to be the general outlook for the economy. Thus, if the forecaster is one to whom decision makers listen, he affects the outlook itself in some measure.²

When a large number of forecasters are making the same prediction this will affect the trend of business.

¹Ibid., p. 344. ²Ibid., p. 345.
There are three main implications that the forecasting of these business publications have. First, there was a great amount of error in the forecasts of the various phases of the business cycle. These errors in judgment are the prime factors in the psychological causes of the business cycle, which is one of many.

Secondly, the business forecasting of these periodicals is a part of the state of confidence. This state of confidence is one of the factors affecting the amount of investment in the economy which in turn has an affect upon the level of the economy as a whole.

Thirdly, business forecasting is a problem because it is trying to predict human behavior contained in a decentralized and complex framework. Because of this, the forecaster in making his forecast has an affect upon the level of business activity.

Although there are many drawbacks to the forecasting done by these business periodicals, it is still important that this activity be carried on. The business forecaster gives the decision maker the economic tools to help make his planning more effective, both short-run and long-run planning.

These forecasts can also be active factors in generating pessimism or optimism when the general economy becomes too unstable in a period of expansion or in a period of contraction.
CHAPTER VI

SUMMARY AND CONCLUSIONS

I. SUMMARY

It was the purpose of this study to determine the extent to which various business publications are able to forecast or predict the upturn and downturn of the aggregate business cycle. It was also the purpose of this study to see if publications in specific business areas were aware of the fluctuations that existed in specific fields of interest.

The three most recent periods of expansion and contraction were studied. Thus, in 1953-1954 there was a peak reached in July, 1953 with a contraction that followed which lasted until the trough of August, 1954. In the period of 1957-1958 the peak was reached in July, 1957 and the trough was reached in April, 1958. In the 1960-1961 period the peak was reached in May, 1960 and the trough was reached in February, 1961.

There was a total of thirteen publications studied which represents a total circulation of 7,191,572.

In 1953-54 there was a total of nineteen predictions of both the peak and trough made. Out of these nineteen four were correct. In 1957-58 there were eighteen
predictions made and out of these three were correct. In 1960-61 there were twenty-five predictions and out of these none was correct.

This is a total of sixty-two forecasts with seven of these being correct. This is a percentage of 11.2 per cent correct. If forecasts that deviate by one month from the actual phase being predicted are considered to be correct, this adds an additional twelve accurate forecasts. This is a percentage of 30.6 per cent correct forecasts.

II. CONCLUSIONS

There are three conclusions that can be drawn from this study which relate to the effect that the forecasting of these business publications has upon economic activity in the United States. There is a great amount of error in business forecasting and this error is the main factor in the psychological cause of the business cycle. This cause is one of many. Also, business forecasting affects the state of confidence within the economic structure which in turn affects the level of investment which in turn affects the level of the economy. The business forecaster is faced with the problem that he is predicting human behavior in a complex situation.
As such, the forecasting activity is something in itself that will affect the level of business.

The last conclusion that must be made is that in those specific publications studied only one made a concentrated effort to forecast the activity of its industry, and that was Iron Age. It must be noted that many of the general business publications made forecasts for specific areas, however.

III. LIMITATIONS OF THE STUDY

The most prominent limitation of this study is that quantitative measures of the impact of these forecasts could not be employed. To actually ask the businessman the effect of these forecasts would call for introspection on his part which would not be too reliable especially since this introspection would be ex post.

It is also apparent that all of the publications engaging in business forecasting could not have been covered in this study. Even in those studied, not all of the predictions that were made could have been covered.
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Class Lecture Notes

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