BUSINESS CYCLES

CHAPTER I.

THE PROCESSES INVOLVED IN BUSINESS CYCLES.

I. The Plan of Attack.

As knowledge of business cycles grows, more effort is required to master it. Formerly, an attack upon the problem required no special preparations. Early writers upon "commercial crises" could assume that they and their readers were familiar with the phenomena to be explained and the methods to be used. They felt no need of collecting statistics, of compiling business annals, of comparing the amplitude and the timing of cyclical fluctuations in different activities, of developing and defining technical concepts. After the briefest of introductions, they plunged into a discussion of the cause of crises, and worked such evidence as they cited into their argumentation. In consequence, their discussions had an agreeable directness, which our generation may envy, but cannot wisely imitate.

Elaborate preparations have become necessary, not because the direct attacks upon the problem proved futile, but because they won so many and such different results. Every investigator of the cause of commercial crises seemed to make out a case for the hypothesis he favored. In trying to prove their divergent explanations correct, successive theorists did prove that business cycles were more intricate phenomena than any of them had surmised. These cycles turned out to be complexes, made up of divergent fluctuations in many processes. Familiarity with the phenomena to be explained came to mean familiarity with the interrelations among cyclical fluctuations in the production of raw materials, industrial equipment and consumers' goods; in the volume of savings and investments; in the promotion of new enterprises, in banking, in the disbursement of incomes to individuals and the spending of incomes, in prices, costs, profits and the emotional aberrations of business judgments. However