DISCUSSION

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Back in the fall of 1961, when Shiskin was preparing to begin regular publication of his Business Cycle Developments I was asked, among others, to give him my recommendations. I wrote him a long, carefully reasoned and well-documented letter recommending that BCD not be published. He, of course, went ahead and published it anyway and it has proved not only to be popular -- which I knew it would -- but also a great contribution to current economic understanding. Each issue brings together each month up-to-the-minute tables and charts on many of the most important, generally-watched current series. Moreover, these are organized in a highly useful format, whether or not one is addicted to the NBER business cycle.

So, apparently knowing my dyspepic nature, Pete Morton arranged to have me comment on this new work of Shiskin's -- hoping, no doubt, that if I were strongly against it, its publication also would be a resounding success.

However, I learned my lesson in 1961 and so this time, I am not going to recommend against publication of Long-term Economic Trends. Indeed, I am highly in favor of its publication,if for no other reason than to provide background for the St. Louis Federal Reserve Bank monthly releases of growth triangles. Consequently, the success of this venture will have to depend entirely on its own merits, of which I shall point out only a few.

Shiskin's paper is a preview and explanation of his soon to be published volume. That volume is like a dictionary -- it is full of good words, short words, long words, easy words, hard words, etc., but, except for saying it should have more words or less words, there is not a lot to say about it, assuming the words are all spelled right and defined correctly. The volume does not claim to, nor does it, contain any great new theories of growth, nor does it discuss at length the causes of growth. Rather it focuses on being a useful compendium or catalog of economic and demographic facts in table and chart form, with growth rates calculated on several bases, plus a do-it-yourself kit with which to calculate your own growth rates.

Even better than most catalogs, however, the volume warns you not to expect too much from the merchandise. Shiskin has developed an ingenious table which by coloring and shading warns you visually not to compare growth from depression years to prosperity years -- as nearly all political candidates like to do when they want to point with pride -- or, conversely, to calculate from peak to cycle trough when they wish to view with alarm. This table serves as a warning against that easy kind of misinformation.

More importantly, use of similar unemployment rates as the selection criterion is far from a really adequate guide to comparable periods of economic growth. Basically, the chart encourages comparing years in which unemployment rates are about the same. Unemployment, however, is an inadequate proxy even for the available labor supply alone, as Arthur Ross pointed out so well in his speech Tuesday night when he differentiated active job seeking from full labor resource mobilization and from full realization of human potential The current unemployment figure ignores the changing pool of eligible workers outside the work force. Similar unemployment rates can occur in a variety of economic environments and for quite different reasons, and can have quite different implications for over-all economic growth.

There is probably more "hidden" potential labor supply currently available than in other past periods of comparable over-all unemployment rates. This is due not only to the structure of the population increase, but also to the changing propensities of the population to work. There are more teenagers available to fill labor gaps. Technology in the home is releasing the housewife from the kitchen. She is less burdened with children and more in need of income to meet payments on consumer credit and mortgage debt. With more white collar and clerical jobs available, she is choosing labor force participation more often than before. Simply fitting a trend line through real GNP in past years of comparable unemployment rates might well tend to underestimate the potential future economic growth rate of the economy.

When Shiskin started publishing his BCD in 1961 we were not far above the bottom of the last recession. Hence, there was widespread and continuing interest in business cycles, which in this country -- though not abroad -- had been coming along more or less on schedule ever since the War. Their timing and their cure were matters of great public and political, as well as professional, interest. Ever since then we have not had a business recession So, the BCD publication might be thought to be less and less useful as we become more and more successful in dodging recessions. Meanwhile, highly-placed economic authorities have said we can have continued expansion without recession if we just apply appropriate fiscal and monetary policies -- hopefully, however, in somewhat more balanced proportions than recently.

Thus, interest in cycles -- until just recently -- has lagged and interest in growth has greatly increased for all kinds of policy purposes. No longer can we speak only about "record" levels or absolute changes in levels. As economic statisticians we must now always talk about changes in relation to rates of growth and conduct our debates mostly within the confines of 3 to 5 per cent per year for real GNP -- at least in this country. Facetiously, I hope that publication of this volume will not have the same effect on continued economic growth as the publication of BCD did on cycles and that, consequently, growth will stop or be much slower from here on.

It may be that interest in growth and comparisons of growth rates themselves are subject to cyclical fluctuations. Certainly, interest in trends and adjustment of time series for trend were keenest in the 1920's and dropped nearly to zero during the 1930's when growth was negative or so slow as to warrant the application of the term "stagnation" to the economy. Then leading economic theorists began to point to the loss of the Western Frontiers, the absence of new large capital-using innovations such as electric utilities and autos, the failure of new capital investment to increase at all for several years, and the curtailed rate of population growth as causes of the stagnation and to recomment newly-formulated fiscal policy measures as the cure for these conditions.

Since the 1930's, of course, much has happened. Fiscal policy as then outlined has become an accepted -- and in the view of many is the major instrument to be used in moderating economic fluctuations and stimulating the economy to grow at a rate more nearly consistent with full employment growth. Monetary policy too, has been adapting to the new world in which it operates and the Government generally has accepted far greater responsibility than before for employment and levels of living for all of its citizens.

I do not mean to suggest that all of our goals have been reached or that applications of the instruments of economic policy have been, or now are, perfectly timed or administered in just the right dosage. But great progress has been made and it is highly appropriate that the Census Bureau should now be racking up the score on our long-term growth experience and providing the framework and many of the facts needed by scholars and policy makers to formulate the policies and programs for further progress and, hopefully, for rapid and sustained economic growth. I suppose, if nothing else, the volume will be available and widely assimilated in time to provide ample ammunition for both parties in the next Presidential election.

Now I should like to make a few more specific comments:

I find the use of growth rates for projections of future developments some 5, 10, or 15 years ahead a highly dangerous business if not done with care. To be sure, economic policy must live in the future and measurement must come out of the past. But the future is never like the past. Hence, any mechanical or automatic projection of past trends into the future can have unfortunate results. As Shiskin points out in the section of his paper that he did not read, "analytical" projections, which allow explicitly for factors expected to affect future developments, have many advantages over "naive" projections which just carry forward past trends.

We hope in fact that the future will not be like the past -- including the wars, the deep depressions and the inflations. If we use our old, as well as our new, knowledge expertly we should be able to achieve and generally sustain much higher rates of over-all growth, although maybe not quite so high as those in the past 3 or 4 years when the unemployment rate was being significantly reduced.

Second, the selection of series is always a debatable matter but I have a bias in favor of physical measures such as employment and against dollar measures which embody varying prices. Prices, for example, can and do go down as well as up but over time may not and, on average, should not go up along with employment and physical output. But in so many value series the price component is hidden or difficult to really isolate statistically, as we learned in the Firestone session on prices and costs in research and development. As a result series relating to a variety of fields are often used without adequate regard for the price components. This is frequently the case with respect to monetary, credit, and debt figures where increases and decreases in values do not have the same meaning for living standards at home, for military power or for world prestige as those relating to physical measures.

Third, in spite of my bias in favor of physical measures, I think that the Shiskin volume needs to include many more financial series in it and also more price series. While they may require more care in their use than employment or tonnage figures, they do have great relevance for economic policy. I hesitate to express this view, however, because Shiskin is likely to ask me to provide the series.

All in all, as I think I have indicated, the Shiskin growth volume, and Shiskin's paper today advertising it, are both worthy of very serious attention by professional economists and statisticians and all those concerned with public and private policies. The volume does not answer all the questions you will have but, knowing Shiskin's willingness to accept suggestions and criticisms, I am sure we can look forward to steady improvement as each succeeding volume is issued. Whether publication should be annual, or less frequent or more frequent, I do not know. But judging by the frequency and extensiveness of the revisions of many of the basic figures, I would be inclined to a short period rather than a long one.

I should also like to congratulate Shiskin and the Census for giving attention to presenting data in an analytical form conducive to use by statistical consumers. Too often producers of data satisfy their professional consciences by reference to the purely statistical pedigrees of their series and surveys without adequate regard for how they will be used and misused and the implications they may have for policy. I am convinced there is great merit in having producers and users of economic statistics be embodied as much as possible in the same persons-- or lacking that in organizational structures which require both consumers and producers to work closely together in the collection process and in the final analyses. These publications of Shiskin's, while not ideal in this respect, are a major step in focusing the attention of the Census data producers on some of the major uses and interpretations of their data.