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The Problem and Its Setting

WESLEY C. MITCHELL

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7. A copy of this resolution shall, unless otherwise determined by the Board, be printed in each copy of every National Bureau book.

*(Resolution adopted October 25, 1926 and revised February 6, 1933
and February 24, 1941)*



PREFACE

Much has been learned about business cycles since 1913, when my first book on that problem was published. Economic theorists have been studying the phenomena with increasing energy and thoroughness—Albert Aftalion and Jean Lescure in France; Mentor Bouniatian and S. A. Pervushin in Russia; Gustav Cassel in Sweden; John Maurice Clark, William T. Foster, Waddill Catchings, Alvin H. Hansen, and Henry L. Moore in America; R. H. Hawtrey, John A. Hobson, A. C. Pigou, and Dennis H. Robertson in England; Emil Lederer, Joseph Schumpeter and Arthur Spiethoff in Germany, to name but a few. Economic statisticians have made rapid progress in analyzing time series—witness the accomplishment of Warren M. Persons and his many co-workers here and abroad. Most important of all in promise for the future, the leading commercial nations are learning to keep more adequate records of their economic activities. Of the extraordinary business fluctuations through which the world has been passing of late, we have fuller knowledge than of any earlier cycles.

For perhaps ten years my unwieldy quarto has been out of print. At least as long it has been out of date. Nor could it be brought abreast of current research by mere revision. It became plain that if I could add anything of value to the work in process it would be only by writing a new book. But single-handed, I could not manage the wealth of new materials, or apply the improved methods of statistical analysis. From this quandary I was rescued by the National Bureau of Economic Research, which offered to collect and analyze the data I needed, and to supply the gaps in my equipment.

Despite the National Bureau's efficient aid, my resurvey of the field is taking more time than the first survey took. This work has been my chief concern since 1923, yet only one volume is ready for publication. It deals, as the sub-title indicates, with "The Problem and its Setting." A second volume on "The Rhythm of Business Activity" will follow as soon as I can finish it.

The present treatise resembles its forerunner in general plan. But the statistical data prove so extensive that they must be pub-

lished separately in a series of volumes, instead of being included as before with the theoretical discussion. There is the more reason for this change in that the National Bureau's collection of tables promises to be a source book of great value to many workers concerned with other problems than business cycles. Also, the collection of annals, which in the earlier treatise covered only four countries and 23 years, has grown into a survey embracing 17 countries and extending back to 1790 in the United States and England. That collection, made by Dr. Willard L. Thorp, has already appeared in print.

I have not been able to devise a new way of conducting the inquiry which seemed better than the way followed in 1913. My earlier impressions that business cycles consist of exceedingly complex interactions among a considerable number of economic processes, that to gain insight into these interactions one must combine historical studies with quantitative and qualitative analysis, that the phenomena are peculiar to a certain form of economic organization, and that understanding of this scheme of institutions is prerequisite to an understanding of cyclical fluctuations—these impressions have been confirmed by my efforts to treat the subject in a simpler fashion. Hence the new version is not shorter or easier than its predecessor. Much to my regret, it makes even heavier demands upon a reader's time and effort.

From the Staff and the Directors of the National Bureau of Economic Research I have had most generous help. Among the staff members Drs. Frederick C. Mills, Willford I. King, Willard L. Thorp and Simon S. Kuznets have put their technical skill freely at my disposal. Among the Directors, Professor Allyn A. Young and Colonel Malcolm C. Rorty have made especially searching criticisms of the first draft. Dr. Edwin F. Gay, Director of Research, has been my mainstay for counsel from the beginning of the undertaking. Several other friends have read parts of the manuscript and suggested improvements—Messrs. Carl Snyder and Karl Karsten, Professors Walter F. Willcox, Warren M. Persons, Vladimir G. Simkhovitch, and James W. Angell. The Harvard Committee on Economic Research through its chairman Professor Charles J. Bullock, the American Telephone and Telegraph Company through its statistician Mr. Seymour L. Andrew, Sir William Beveridge, Mr. Snyder, and Dr. Dorothy S. Thomas have kindly consented to the free use I have made of their contributions. Miss Edith Handler of the National

Bureau has made most of the charts. My secretary, Miss Catherine Lochhead, has shared in the labors of proof reading and indexing.

To all these men and women, and to the many co-workers by whose criticisms and constructive suggestions I have sought to profit, my hearty thanks are due.

WESLEY C. MITCHELL

New York City, June 1st, 1927.

P.S. Inasmuch as the National Bureau hopes to publish a second volume of this treatise at no distant date it seems time to place the words Volume I upon the title page. A few typographical errors have been corrected in this printing but no thorough revision has been undertaken.

W. C. M.

December 1, 1936.

Note to the Nineteenth Printing

This edition is an offset reproduction of the 1936 reprinting of this volume. The list of National Bureau officers and directors has been brought up to date. Following page 489, National Bureau publications especially concerned with business cycles are listed.



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