Book Reviews

Anderson, O. jun. (ed.): Quantitative und qualitative Konjunkturindikatoren. Sonderhefte zum Allgemeinen Statistischen Archiv, Heft 20, Vandenhoeck & Ruprecht, Göttingen 1983, 102 p. DM 25.—.

The five papers from a refresher course of the Deutsche Statistische Gesellschaft and the Bundesakademie für öffentliche Verwaltung on Nov. 19, 1981, deal with the application of qualitative indicators in business cycle analysis. It is worth having a look at the interesting and well-conceived essays no. 2 to no. 5.

Under the headline "Quantitative und qualitative Indikatoren" (O. Anderson, p. 23–38) the editor's own contribution to the booklet shows, by means of the "Ifo-Konjunkturtest", how to transform qualitative indicators into quantitative ones and how to create additional time series for econometric business cycle research. One aspect of great scientific importance is the reported aggregation effects. For example we can get ex post data perfectly consistent with ex ante expectations on a macro level inspite of the fact that there is not a single correct anticipation on the micro level (p. 37). There are stable correlations between statistical time series and qualitative indicators of the Ifo-Konjunkturtest. But stability breaks down in the neighbourhood of turning points and generally after a few cycles. So we also have specification errors and the need for re-specification because of structural changes with qualitative indicator systems (see p. 29, 32).

The essay „Zur Treffsicherheit und analytischen Bedeutung von qualitativen und quantitativen Planangaben“ (W. Gerstenberger, p. 39–68) concerns the main topic of all business cycle research – the private enterprise investment decisions. Besides the well-known explanatory variables of the investment functions we should rather pay attention to the impact of technical progress and elements of entrepreneurial targets, so that investment plans often contrary to market, political and other conditions. The analytical risks of decreasing accuracy of investment plans together with increasing planning periods can hardly be brought under control (p. 40, 68). Regression and simulation studies show (approaches p. 46) only slightly better results for quantitative data (p. 60). More important than the difference between qualitative and quantitative planning data are production and selling conditions or aspects of absolute and relative concentration in different economic sectors (p. 61 and p. 41).

Sectoral and international aspects of the indicator analysis are outlined in the final two papers: "Leading Indikatoren aus Konjunkturumfragen (Internationale Erfahrungen)" (G. Nerb, p. 69–83); "Branchenspezifische Konjunkturindikatoren" (H-J. Dormayer and J.-D. Lindlbauer, p. 85–102). They incidentally point to some unsolved problems of the opening lecture: Useful leading indicators have to show the advent of disequilibrium (p. 69). The forecast of business cycle trends by means of indicators is said to have gained ground because of the failure of turning point forecasts by means of econometric models (p. 86).

We now turn to the disappointing opening lecture "Konjunkturindikatoren: Ihre Stärken und Schwächen" (G. Poser, p. 7–22). Some linking to business cycle theory, growth theory and econometric macro models should have been considered indispensable. There is no satisfactory way of separating cycle and trend – neither from an economic viewpoint (see, for example, Schumpeter and Preiser) nor from an econometric point of view (see Menges 1978, Vol. 12 in the same series or – last not least – Anderson sen.). Econometric macro models embrace of necessity trend and cycle processes as well ("growth cycles"); upturns and downturns may be the outcome of multifarious constellations of facts. The business cycle analysis by indicators aims at and relies on only one element of econometric structure: the time pattern of leads and lags. In this respect indicator systems, diffusion indices and so on are truncated dynamic macro models. The central question is how to ensure and to arrive at empirical validity. There is no universal cycle theory without empirical tests. It is pointless to present a previous (!) model cycle of the Five Wise Men (p. 8–10).

A. Wagner, Marburg