

Figure 6.

the normal growth line is assumed to be horizontal and the plus and minus units are shown above and below this normal line.

But now to return to discussion of the third section of Figure 7, the advantage of using standard units is to enable direct comparison of our order cycle curve with external barometer cycle curves, which are customarily shown in standard units. As a general analysis policy, considerable attention is given to the selection of the combination of external barometers for each particular unit's or group's cycle curve, which will give the best comparison with that curve. Thus, for this cycle curve in the third section of Figure 7 covering combined works orders, we have shown an external barometer composed of an average of New York bank debits and of United States building in square feet (Dodge figures for twenty-seven states). Each external index has been adjusted, of course, to eliminate its own seasonal variations, and these indices have been averaged in standard units for true comparison of only the business cycle fluctuations.

It is observed at once that, ever since the close

of the war, in all the general and even in many of the intermediate cycle movements, our monthly order line has either exactly correlated with the external barometer, or else it has for one or two months run below it, only to be followed by a period of one or two months running above it. A possible exception to be noted is in early 1922 when our order line did not rise as rapidly as the external index. Possibly the reason is this: at that time building was predominately of the residential type. The full expansion of building would be reflected in the external index, although the bulk of building—that is, the residential—would contribute but a disproportionately small stimulus to increased demand for our product. Another possible exception to a good correspondence of the curves occurs in early 1923. Then for four months, our cycle index was at abnormally high levels; in only two of these months did the external barometer approach our high levels. Possibly our index indicates that we secured early in the year orders which normally would have been received later in the year. This probability seems confirmed by the fact that buyers, having overanticipated their needs

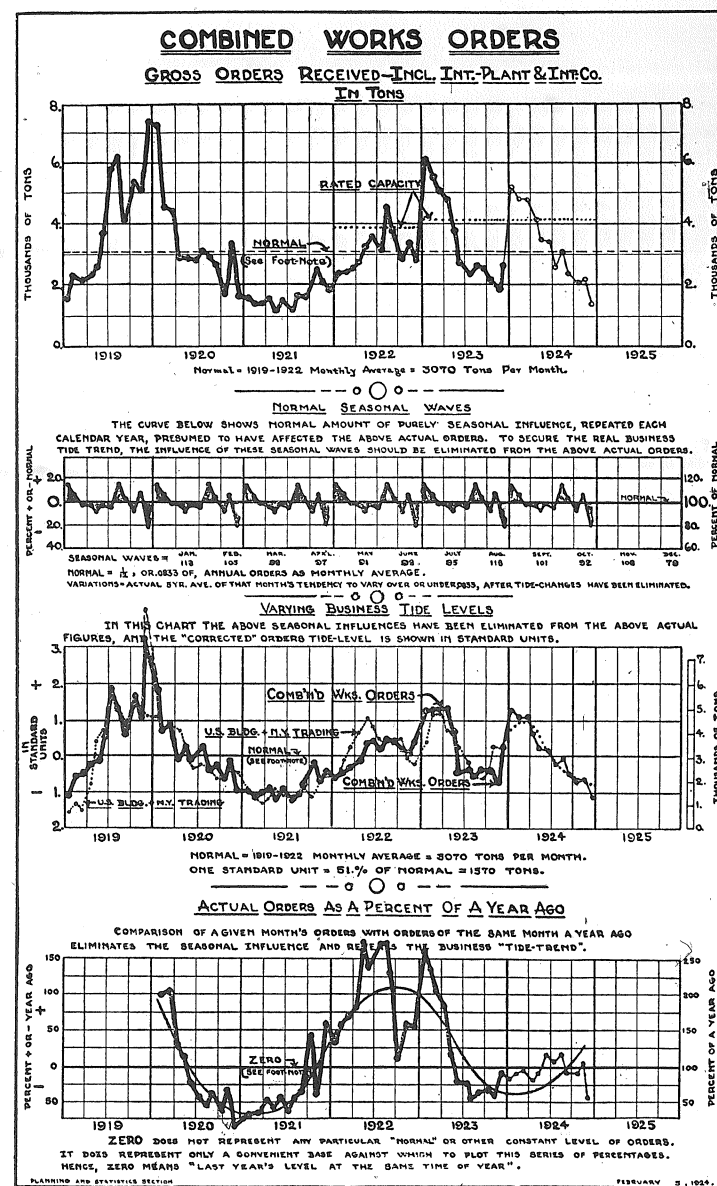


Figure 7.