Editors' Preface to Macmillan Studies in Economics

The rapid growth of academic literature in the field of economics has posed serious problems for both students and teachers of the subject. The latter find it difficult to keep pace with more than a few areas of their subject, so that an inevitable trend towards specialism emerges. The student quickly loses perspective as the maze of theories and models grows and the discipline accommodates an increasing amount of quantitative techniques.

'Macmillan Studies in Economics' is a new series which sets out to provide the student with short, reasonably critical surveys of the developments within the various specialist areas of theoretical and applied economics. At the same time, the studies aim to form an integrated series so that, seen as a whole, they supply a balanced overview of the subject of economics. The emphasis in each study is upon recent work, but each topic will generally be placed in a historical context so that the reader may see the logical development of thought through time. Selected bibliographies are provided to guide readers to more extensive works. Each study aims at a brief treatment of the salient problems in order to avoid clouding the issues in detailed argument. Nonetheless, the texts are largely self-contained, and presume only that the student has some knowledge of elementary micro-economics and macro-economics.

Mathematical exposition has been adopted only where necessary. Some recent developments in economics are not readily comprehensible without some mathematics and statistics, and quantitative approaches also serve to shorten what would otherwise be lengthy and involved arguments. Where authors have found it necessary to introduce mathematical techniques, these techniques have been kept to a minimum. The emphasis is upon the economics, and not upon the quantitative methods. Later studies in the series will provide analyses of the links between quantitative methods, in particular econometrics, and economic analysis.

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Trade Cycles: Theory and Evidence

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Macmillan Education

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Preface

The trade cycle has been a central feature of the history of capitalist economies; it is in the context of this experience that most of our knowledge of stabilisation policies has been developed; and the forecasts, made a few years ago, of the obsolescence of the cycle look rather dated in their optimism.

My main reason for writing this book is that much important work has been done in the last fifteen years, particularly on econometric models and on monetary factors in the cycle, which needs to be brought to the attention of a wider audience. But I have also two more general reasons. First, even third-year students in economics seem remarkably ignorant of dynamics; in Chapter 2 of this book I attempt to give an account of some standard macro-dynamic models which is reasonably simple without being grossly fallacious. Second, I hope that some students who regard applied and theoretical macro-economics as two quite distinct and unrelated subjects will be moved by this book to see the error of their ways.

Trade cycle textbooks in the 1950s tended to devote several chapters to national income accounting, consumption functions, and other topics now well treated in dozens of general textbooks on macro-economics. I have perhaps gone to the other extreme in eschewing 'general macro' subjects. The reader should note in particular that Chapter 5 discusses monetarism and its critics only in so far as the controversy is relevant to trade cycles.

The main economic prerequisite for reading this book is a basic grounding in macro-economics at about the level of D. C. Rowan's *Output, Inflation and Growth* (Macmillan, 1968; 2nd edn 1974) – in other words, slightly beyond the usual British first-year university course, but not much. The only mathematical prerequisites are simple algebra, the ability to handle inequalities, and patience. Chapter 2 states without proof, and explains, the relevant results on difference equations. Complex numbers and differential equations are not explicitly used. Some small knowledge of probability and statistics will be helpful for Chapter 4.

Professor G. R. Fisher and Mr D. W. Pearce read the first draft with great care, and I am grateful to them for numerous suggestions. I am indebted to Mrs I. M. Gayus for her very efficient typing of the manuscript. My greatest debt is to my mother, whose assistance with innumerable chores vastly increased my ability to concentrate on writing. This book is dedicated to her with love and gratitude.