

ade (1959-68), the subject of special attention here, and the previous period, which is presented for contrast.

A quick glance at the three diagrams composing this chart discloses two distinct and remarkable different periods. In the first, which extends to late 1958, orders swung in major cycles alternately far above and far below shipments, producing in consequence two major swings in the backlog. In the decade since 1958, the orders-shipments relation has been much closer, with no clearly defined backlog cycle. Over this period, there have been in fact only two sustained intervals when orders exceeded shipments by more than 5 percent, and none when they fell short by that ratio.²

Comment

One reason for this relative stabilization of the orders-shipments ratio is apparent at once. The flow of orders in the past decade has itself been fairly regular, in contrast to the wide swings of the earlier cycles.

In the Korean war boom, the upsurge was fantastic, the flow of placements more than doubling in a year's time from a starting position already above shipments. In the 1955-57 boom, it rose 70 percent in a year and a half and more later (though in this case from a starting position below shipments). In the recovery from the 1958 recession, the rise was about 30 percent over a year's time.

There have been no equivalent surges in the past decade. Following the completion of the 1958 recovery, the orders flow moved generally sidewise until mid-1961, when it began a gradual and relatively steady expansion at an average annual rate of about 12 percent. The pace quickened after mid-1965, and ran for a year at nearly 25 percent, but this was followed by an irregularly sidewise movement until the spring of 1968, when a new rise got underway.

The 1965-66 surge was the nearest thing to an oldtime orders stampede the decade provided, and it is interesting to note that like the blowup of 1950 it was associated with a sudden expansion of military requirements. There is good reason to believe that had it not been for the Vietnam buildup the previous orders-shipments pattern would have been maintained, and that this blemish on an otherwise exemplary record would have been avoided.

One of the factors tending to regularize the flow of orders has been an improvement in the capacity of equipment manufacturers relative to requirements. The long climb of orders from mid-1961 to mid-1965 appears to have met a reasonably prompt production response. Shipments remained generally 95 percent or more of current bookings, and the rise of the relative backlog (the backlog stated in months' shipments) was moderate. By contrast, the surge of 1965-66 clearly outran the response capability of the equipment suppliers. Shipments lagged bookings by 10 percent for 6 months, and by more than 5 percent for a year and a half, building the backlog from 3.8 months' shipments in early 1965 to 4.3 months in late 1966, the highest ratio of the decade.

² The first such period of excess, in 1964, was essentially a fluke, reflecting the bunching of some large shipbuilding contracts.