

Conclusion

The comparatively orderly behavior of equipment demand over the past decade, and the generally excellent response to suppliers, represent a remarkable and gratifying achievement.⁴

It may not be amiss to point out that if the pattern continues it will have an interesting effect on the economy. With only a working backlog on the books of equipment manufacturers, the cushioning effect of its absorption is limited and brief. Any downturn in orders is followed rather promptly by declining production and shipments. Contrast this with the pattern for the two cycles in the early part of the period reviewed. In the first, shipments rose for 2 years after orders began to recede. In the second, they were relatively stable for a year thereafter. No comparable lag is in prospect with a working backlog only.

However generous the capacitation of the equipment industries, it can never be sufficient to keep abreast of the kind of wild surges in orders experienced so often in the past. While the existence of generous capacity can contribute to the abatement of these flare-ups, the fundamental remedy is a more enlightened procurement policy on the part of the customers. As we have shown elsewhere, the traditional cyclical pattern of commitments is bad for both producers and users of equipment.⁵ We may add that it is bad also for the country. Regularization of the orders flow can make a major contribution to economic stabilization policy. It is to be hoped, therefore, that the gratifying record of the past decade will not only be maintained but bettered in the years ahead.

⁴ It is an interesting fact that the production of business capital equipment was more regular and stable over the decade than that of consumers' durable equipment. See "Comparative Variability of Producers' and Consumers' Fixed Capital Formation in the Post-war Period," *Review* No. 72.

⁵ *Review* No. 55.