total 3.6 percent rise, but inventory change is stated as "not available," so there is no immediate way to judge whether the new orders are reflected in sales or are going into inventory. But from available auto production and sales figures through the first three weeks of February, we see that a very large inventory accumulation is occurring in that industry, which represents a substantial portion of the new orders index, and whose saleability is in doubt (see *EIR*, March 8).

The next indicator is amusing. Measuring the length of freight delivery time to companies, it assumes that the longer the delay, the stronger the economy. Disregarded is the fact that, because of trucking deregulation, delivery time has been lengthened by the bankruptcy of hundreds of freight carriers. Strikes, storms, extended winter cold, and railway abandonments or accidents will also make this indicator rise.

The indicator estimating contracts and orders for plant and equipment is indeed a useful measure of economic activity. This was the only measure that fell in January's index, declining by 0.26 percent. But there was a huge real decline from $13.82 billion in December orders to $11.75 billion in January. How could this 15.0 percent plummet have only a −0.26 percent impact on the overall index while a 2.1 percent increase in the work week produced a 0.76 percent increase in the index?

The reason, according to Mr. Tamm of the BEA, is that all indicators are weighted for seven different factors among which are "economic significance," "timing," "conformity to business cycles," "smoothness," "currency," and "other statistical properties." Each indicator is "scored" using whole and fractional points and calculated to the thousandth place.

After this alchemy is complete, the resultant percentage values are added and then multiplied by a "trend factor," which increases the final index figure.

The index also includes the Standard & Poor's 500 stocks and money supply (M-2) among its indicators. But while all other price or output indicators are legitimately deflated to 1972 dollars, stock prices are listed in current dollar values. What would the magic S&P number look like in 1972 dollars and what would that do to the value of the index?

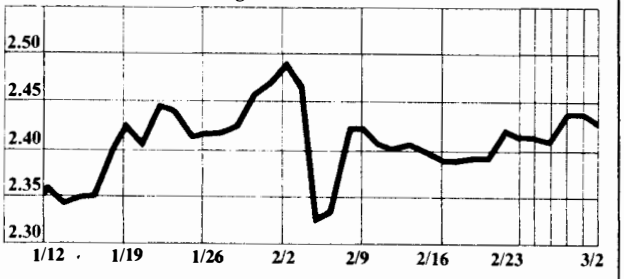
Under procedures for the index, a sizeable increase in the money supply (M-2) would create a recovery. One-quarter (0.86 percent) of the January index jump came from a 2.2 percent increase in the money supply, an increase that was produced by revising the December M-2 figure downward from $853.4 billion to $836.8 billion. Had that figure not been revised, the increase in M-2 would have been 0.3 percent.

The last indicator, building permits issued, showed a very healthy jump in the basic data, resulting in a big 0.44 percent contribution to the index. Building permits are issued for all new construction from $2 billion power plants to $2,000 swimming pools, and in most major cities, for any alterations made where doors or walls are to be moved. Thus this index, reflecting construction activity whose cost range is very large, cannot legitimately be used without some cost factor being included.

Currency Rates

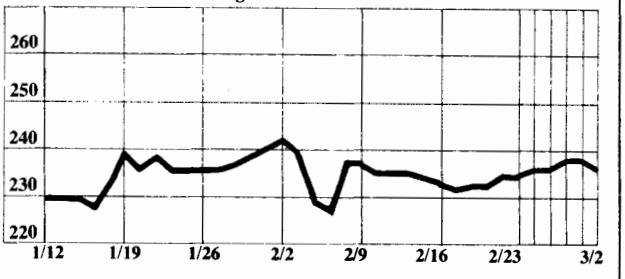
The dollar in deutschemarks

New York late afternoon fixing



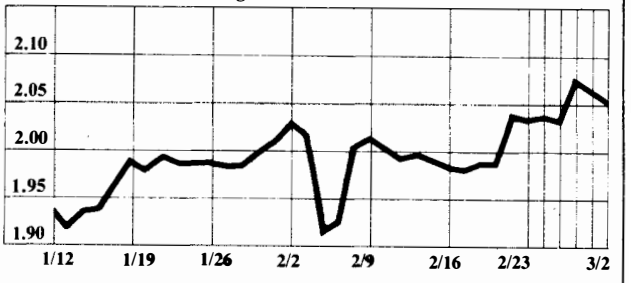
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing