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Summary

A large variety of merchandise and a market which spans the globe have not prevented substantial fluctuations in the total value of United States exports. Periods of growing exports have always alternated with lean months of shrinking sales. Swings of 18 per cent per year, such as the widely noted rise and fall in 1954-59, have been typical as far back as our records go. The duration of these swings averages about three and a quarter years, two years of expansion and one and a quarter of contraction. In view of the far-reaching changes in the international role of the United States during these eighty years, the consistency of these cycles is noteworthy.

Countercyclical policies and other developments which have recently succeeded in reducing fluctuations in most national economies have not so far been effective in international trade. War and cold war may be to blame for this. At any rate, U.S. exports in 1945-59 have tended to be more, not less, unstable than previously.

Before World War I, export cycles did not conform in a simple way to business cycles in the United States. Exports rose about as often and as much whether business in general was prosperous or depressed. This result is the more plausible as foreign business cycles—and thus demand for exports—were not synchronous with American business cycles. And the large role of agricultural products in the United States exports of that time no doubt also contributed to their irregularity.

Yet, our examination discloses that exports did follow a consistent, though rather complex, pattern during the business cycles of 1879-1913. They rose in the first half of business expansions, were retarded or fell in the second half, grew rapidly in the early part of business contractions, and turned down in the later part. This peculiar, M-shaped pattern appears, of course, as irregular behavior when full expansions are compared to full contractions. Disclosure of the systematic character of export changes in this period has enabled us to define their role in business cycles. They must have contributed to the fall and rise of total output from about midcontraction to midexpansion. But their effect was countercyclical during the later part of expansions and the earlier part of contractions.

Recent export patterns have retained some important features of the pre-1914 period. Exports still rise in the first half of expansions and decline in the second half of contractions, and they still develop less favorably (or more unfavorably) in the later than in the earlier half of both phases. The stability of these relationships over such a long period again seems noteworthy.

Other characteristics, however, changed after World War I and thus caused a shift in the relation of exports to business cycles: exports now conform more fully to the tides in business, rising during expansions and falling during contractions. The difference between the two periods is chiefly in the movements of exports during the earlier part of business contractions. Before World War I they grew unfailingly and rapidly at this cycle stage, in the later period they declined. Thus the shift from nonconformity to conformity is not a shift from irregularity to regularity as previously believed. It is due, rather, to the disappearance of the perfectly regular and large export movement of the earlier period which had been inverse to the business cycle in the vicinity of business cycle peaks.

Since exports, as a rule, now conform to business cycles, they usually account for a share in the rise and fall of total output during full cycles or cycle phases. But it is still only a moderate share, although it has increased somewhat of late as exports have become more variable while other components of gross national product have become more stable. The share is modest mainly because of the relatively small size of exports in the American economy, but also because their relation to business cycles is still not as close as that of many domestic activities. About 6 per cent of the change in output during the three cycles since 1945 and 5 per cent of that in the interwar period have taken the form of export movements. The importance of exports, like that of investment, appears far greater when contractions, instead of full cycles, are considered. During the three recessions since 1945, they accounted on the average for over one-sixth of the total output drop.

The timing of export turns must, according to the pattern, appear as irregular by the usual standards. It is systematic over the full period, insofar as peaks occur typically near the center and troughs near the turns of business cycle phases. Since World War I, in the period of export conformity, peaks are most frequent at the center of expansions and troughs at or slightly after business cycle troughs.

The dominant factor behind export changes, and hence the first examined, is foreign demand. It is represented in our analysis by the total imports of all nations outside the United States. The relations of these world imports to U.S. exports have been examined in three different ways. We measured U.S. export movements during periods bounded by turns in world imports. We measured world import movements in U.S. business cycles and compared them to U.S. export movements. Finally, we observed both U.S. exports and world imports in periods characterized by the coincidence of a certain world import cycle phase and a given stage of the domestic business cycle.

The simplest and most impressive result of these explorations is that the direction of U.S. export movements hardly ever deviates from that of world imports. U.S. exports rise and fall without fail in expansions and contractions of world import cycles. There has not been a single turn in the latter, over the entire period since 1883, which did not have its counterpart in exports, often in the same quarter, otherwise shortly before or after. This conformity is particularly striking in our subdivisions of world import cycles, many of which are so brief that random forces could be expected to prevail. Yet, as we found in Chapter 8, there has not been a single instance when U.S. exports rose in early or late domestic expansions or contractions while world trade declined; and among fifty-three cycle segments with world expansion, we count only nine with falling exports.

Though U.S. exports move in the same direction, they often do not move at the same rate as world imports. In some periods and cycle stages there are large and systematic differences between the rates of change of the two series. These differences suggest the impact of other, probably domestic, forces on exports. For a full understanding, it is, therefore, necessary to determine as precisely as possible which features of U.S. export behavior can and which cannot be due to similar behavior of world imports. The results of this analysis vary with the period and the cycle stage under consideration. But a summary view of the extent to which world import movements parallel U.S. export movements can be had from the patterns of the share of exports in world imports (Chart 7). A glance at these patterns shows their flatness relative to those of exports proper. No doubt a large part—in the later period the major part—of export changes can be traced back to changes in world imports. This conclusion is not based merely on the evidence of these patterns, of course, but on the whole analysis, which includes examination of individual cycles.

The above-mentioned shift, after World War I, from nonconformity to conformity of U.S. exports also turns out to be accompanied by a similar, though less drastic, shift in world imports. In other words, it was largely the greater consilience in the timing of foreign and United States business cycles which brought exports in line with domestic business.

Insight into the relations of U.S. exports to world imports enables us to formulate some questions for further analysis. The main aspect of export behavior which prevailed over the full period and remains to be explained is the unfavorable development of exports in the later part of domestic contractions. Further, there are the large inverse movements from midexpansion to midcontraction before World War I which have to be accounted for. Preliminary results suggest that they may be due, in part at least, to the inelasticity of the supply of agricultural commodities, primarily cotton. Changes in the domestic consumption of such goods caused large fluctuations in their prices and these again may have caused foreign sales to move opposite to domestic ones.

Further investigation will reveal whether this is correct and will also provide answers to other open questions. These questions could not have been asked without the knowledge gained from the analysis of the relations among exports, world trade, and business cycles in the present study.