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in the Exports
of the United States
Since 1879

by ILSE MINTZ, *Columbia University*



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Contents

Acknowledgments	xvii
Preface	xviii
1. Traditional Versus Expansionist Views on Export Changes During Business Cycles	3
1. The Influence of Foreign Business Cycles on the Relation Between Exports and Domestic Business Cycles	4
2. The Impact of Exports on Domestic Business Cycles	6
3. The Impact of Domestic Business Cycles on Exports: The Traditional View	8
a. The Traditional View as Reflected in Economic Literature	10
b. The Traditional View as Reflected in Comments on Current Events	13
c. Empirical Studies	15
4. The Impact of Domestic Business Cycles on Exports: The Expansionist View	18
5. Validity of Traditional and Expansionist Views	20
Note on the Validity of the Expansionist View for the Long Run	23
6. Conclusion and Plan of Study	25
2. Data and Methods	27
1. Source and Nature of U.S. Export Data	27
2. Quality of U.S. Export Data	30
3. World Imports as an Indicator of Foreign Demand	32
4. Relation of World Import Cycles to U.S. Business Cycles	34
5. Trends in the Ratio of U.S. Exports to World Imports	36
6. The Method	39
a. The Burns-Mitchell Technique and Rank Correlations	39
b. The Use of Matching Quantities and Prices	41
3. Instability of U.S. Exports: Comparison of Prices, Quantities, and Values	63
1. General Views on Export Instability	68
2. Instability of Manufactures and Primary Goods Exports: Our Findings	70
3. Instability of Manufactures and Primary Goods Exports: Findings of Others	74

4. Instability of Total Exports: Our Findings	81
5. Instability of Total Exports: Findings of Others	82
6. Rise in Export Instability	84
7. Summary of Findings on Export Instability	86
4. Fluctuations in World Imports and Their Effects on U.S. Exports	88
1. Export Quantities	88
2. Export Prices and Values	97
3. Summary	110
5. When and Why Exports Reverse Their Course	115
1. The Problem and the Method	115
2. Foreign Demand as Cause of Export Turns	117
a. Association of Export Turns with Turns in World Imports	117
b. Leads and Lags of Exports at World Cycle Turns	119
c. Differing Secular Trends as Main Cause of Timing Differences Between Classes	121
d. Conclusion	122
3. Domestic Business Cycles as Cause of Export Turns	122
4. Failure of DBC Turns to Bring About MEQ Turns	135
5. Peaks and Troughs in Domestic Business Matched by Opposite Turns in Crude Materials Exports, 1879-1913	137
6. Effect of Cotton Crop on Turns in Crude Materials Exports, 1879-1913	145
7. Diminishing Impact of Turns in DBC on Those in Exports of Crude Materials and Semimanufactures After World War I	148
Note on Semimanufactures Export Turns in 1960-61	156
8. Relation Between Food Export Turns and Domestic Business Cycle Turns, 1879-1913	158
9. Relation Between Food Export Turns and Domestic Business Cycle Turns, 1920-59	164
10. Explanation of Timing of Turns in Total Exports, 1879-1913	168
11. Explanation of Timing of Turns in Total Exports, 1920-60	173
6. The Effect of U.S. Business Cycles on the Quantity of U.S. Exports	180
1. Measuring the Relation of U.S. Export Quantities to U.S. Business Cycles	181
a. Tendency of Export Quantities to Rise More in Business Ex- pansions Than in Contractions, 1921-61	181
b. Tendency of Export Quantities to Rise More in Business Con- tractions Than in Expansions, 1879-1913	185
c. Severity of U.S. Business Cycles and Export Changes: Ampli- tude Correlations, 1879-1961	187

2. World Import Cycles Counteract the Negative Effect of U.S. Business Cycles on Export Quantities	191
a. Conformity of World Imports to U.S. Business Cycles	194
b. Eliminating the Effect of World Import Cycles Through Partial Correlations	195
c. Effect of Domestic Business Cycles on Export Quantities Inferred from Price Changes	198
d. Comparison of Rates of Change in Export Quantities, 1879-1961	204
3. Search for Explanations of Positive Relation of Manufactures Exports to U.S. Business Cycles	205
a. Recapitulation of Findings	205
b. Expansionist Explanation	206
c. Faultiness of the Data an Explanation?	208
d. Statistical Technique an Explanation?	209
e. World Imports of Manufactures an Explanation?	212
f. Conclusions on Manufactures Exports	216
4. Summary of Findings on Export Quantities in U.S. Business Cycles, 1879-1961	217
7. Export Prices and Export Values in Domestic Business Cycles	221
1. Domestic and Foreign Influences on Export Prices	221
2. Close Agreement Between Movements of Total Export Prices and Domestic Business, 1921-61	225
3. Confirmation of Preceding Findings by Amplitude Correlations	228
4. Export Prices About as Closely Related to World Import Cycles as to U.S. Business Cycles, 1921-61	232
5. Lags of Export Prices at U.S. Business Cycle Turning Points, 1879-1913	236
6. Common Features in Behavior of U.S. Export Prices in Domestic Business Cycles Before and After World War I	242
7. Values of U.S. Total Foreign and Domestic Sales Move Together, 1921-61	245
8. Cycles in Total Export Value Traced Back to Cycles in Total Quantity and Total Price, 1921-61	251
9. Cycles in Total Export Value Traced Back to Cycles in Commodity Classes, 1921-61	252
10. Cycles in the Values of Export Commodity Classes Traced Back to Class Quantities and Prices, 1921-61	255
11. Value of U.S. Exports in Expansions and Contractions, 1879-1913	257
12. Cycles in Total Export Value Traced Back to Cycles in Total Quantity and Total Price, 1879-1913	260
13. Cycles in Total Export Value Traced Back to Cycles in the Values of Commodity Classes, 1879-1913	261

14. Cycles in the Values of Commodity Classes Traced Back to Class Quantities and Prices, 1879-1913	264
8. Summary	267
<i>Appendixes</i>	
A. The Export Data	281
B. The Commodity Composition of U.S. Exports	308
C. The World Import Data	312
D. The Method	318
Author Index	325
Subject Index	327

Tables

1. Percentage of Quarters in Like Cycle Phase: Domestic Business and World Imports, Quarterly, 1883-1961	35
2. Trends in the Share of U.S. Exports in World Imports, 1885-1963	37
3. Cycles in U.S. Export Quantities: Duration and Amplitude, 1880-1961	65
4. Cycles in U.S. Export Prices: Duration and Amplitude, 1880-1961	66
5. Cycles in U.S. Export Values: Duration and Amplitude, 1880-1961	67
6. Fluctuations in Exports of Primary Producing Countries and Industrial Countries, 1900-58	75
7. World Import Cycles: Change in U.S. Export Quantities, 1881-1959	90
8. U.S. Export Quantities: Comparison of Rates of Change During U.S. Business Cycles, World Import Cycles, and Quantity Cycles, 1880-1961	93
9. World Import Cycles: Direction of Stage-to-Stage Change in U.S. Exports and in Domestic Wholesale Prices, 1881-1959	96
10. World Import Cycles: Change in U.S. Export Prices and Domestic Wholesale Prices, 1881-1959	99
11. World Import Cycles: Change in U.S. Export Values and World Imports, 1881-1959	101
12. U.S. Export Prices and Domestic Wholesale Prices: Comparison of Rates of Change During Domestic Business Cycles, World Import Cycles, and Price Cycles, 1880-1961	105
13. U.S. Export Values: Comparison of Rates of Change During Domestic Business Cycles, World Import Cycles, and Value Cycles, 1880-1961	107
14. Timing of Twenty-Eight Turns in World Import Cycles Related to Turns in Export Quantities and Export Values, 1880-1963	118
15. Leads and Lags of Peaks in U.S. Export Quantities at Peaks in Domestic Business Cycles and World Import Cycles, 1880-1913	124
16. Leads and Lags of Troughs in U.S. Export Quantities at Troughs in Domestic Business Cycles and World Import Cycles, 1880-1913	125
17. Leads and Lags of Peaks in U.S. Export Quantities at Peaks in Domestic Business Cycles and World Import Cycles, 1920-63	126
18. Leads and Lags of Troughs in U.S. Export Quantities at Troughs in Domestic Business Cycles and World Import Cycles, 1920-63	127

19. Leads and Lags of Peaks in U.S. Export Values at Peaks in Domestic Business Cycles and World Import Cycles, 1880-1913	128
20. Leads and Lags of Troughs in U.S. Export Values at Troughs in Domestic Business Cycles and World Import Cycles, 1880-1913	129
21. Leads and Lags of Peaks in U.S. Export Values at Peaks in Domestic Business Cycles and World Import Cycles, 1920-63	130
22. Leads and Lags of Troughs in U.S. Export Values at Troughs in Domestic Business Cycles and World Import Cycles, 1920-63	131
23. Leads and Lags of <i>Peaks</i> in U.S. Export Quantities and Values at <i>Troughs</i> in Domestic Business Cycles, 1880-1913	132
24. Leads and Lags of <i>Troughs</i> in U.S. Export Quantities and Values at <i>Peaks</i> in Domestic Business Cycles, 1880-1913	133
25. Leads and Lags of Turns in Selected Series at <i>Peaks</i> in U.S. <i>Crude Materials</i> Export Quantity, 1879-1913	140
26. Leads and Lags of Turns in Selected Series at <i>Troughs</i> in U.S. <i>Crude Materials</i> Export Quantity, 1879-1913	142
27. Leads and Lags of Turns in Selected Series at <i>Peaks</i> in U.S. <i>Crude Materials</i> Export Quantity, 1920-63	150
28. Leads and Lags of Turns in Selected Series at <i>Troughs</i> in U.S. <i>Crude Materials</i> Export Quantity, 1920-63	151
29. Leads and Lags of Turns in Selected Series at <i>Peaks</i> in U.S. <i>Semi-manufactures</i> Export Quantity, 1920-63	154
30. Leads and Lags of Turns in Selected Series at <i>Troughs</i> in U.S. <i>Semi-manufactures</i> Export Quantity, 1920-63	155
31. Leads and Lags of Turns in Selected Series at <i>Peaks</i> in U.S. <i>Foods</i> Export Quantity, 1879-1913	160
32. Leads and Lags of Turns in Selected Series at <i>Troughs</i> in U.S. <i>Foods</i> Export Quantity, 1879-1913	161
33. Leads and Lags of Turns in Selected Series at <i>Peaks</i> in U.S. <i>Foods</i> Export Quantity, 1920-63	166
34. Leads and Lags of Turns in Selected Series at <i>Troughs</i> in U.S. <i>Foods</i> Export Quantity, 1920-63	167
35. Leads and Lags of Turns in Selected Series at <i>Peaks</i> in U.S. <i>Total</i> Export Quantity, 1879-1913	169
36. Leads and Lags of Turns in Selected Series at <i>Troughs</i> in U.S. <i>Total</i> Export Quantity, 1879-1913	170
37. Leads and Lags of Turns in Selected Series at <i>Peaks</i> in U.S. <i>Total</i> Export Quantity, 1920-63	175
38. Leads and Lags of Turns in Selected Series at <i>Troughs</i> in U.S. <i>Total</i> Export Quantity, 1920-63	176
39. Domestic Business Cycles: Change in U.S. Export <i>Quantities</i> , 1879-1961	182
40. Individual Domestic Business Expansions and Contractions: Amplitude of Change in U.S. Export Quantities, World Imports, and Domestic Business, 1882-1913	189

41. Individual Domestic Business Expansions and Contractions: Amplitude of Change in U.S. Export Quantities, World Imports, and Domestic Business, 1921-61	190
42. Rank Correlation Coefficients Measuring Relations Between Amplitudes of U.S. Export Quantities, Domestic Business Cycles and World Import Cycles, 1882-1961	192
43. Number of U.S. Business Cycles with Indicated Conformity of U.S. Exports and World Imports, 1882-1961	195
44. Rank Correlation Coefficients Measuring Relations Between Amplitudes of U.S. Export Quantities, U.S. Export Prices, Domestic Business Cycles, and World Import Cycles, 1882-1961	199
45. Simultaneous Conformity of U.S. Export Prices and Quantities to Domestic Business Cycles, 1879-1961	201
46. Domestic Business Cycles: Change in Subdivisions of U.S. Finished Manufactures Export Quantities and Prices, 1879-1913	210
47. Share of U.S. Finished Manufactures Exports in Total U.S. Exports to European and Non-European Countries, Selected Years, 1905-61	213
48. Domestic Business Cycles: Change in U.S. Export Prices and Domestic Wholesale Prices, 1921-61	226
49. Rank Correlation Coefficients Measuring Relations Between Amplitudes of U.S. Export Prices, Domestic Wholesale Prices, Domestic Business Cycles, and World Import Cycles, 1882-1961	229
50. Domestic Business Cycles: Change in U.S. Export Prices and Domestic Wholesale Prices, 1879-1913	237
51. Summary of Total Export Prices in Two Periods, 1879-1961	243
52. Summary of Finished Manufactures Export Prices in Two Periods, 1879-1961	244
53. Domestic Business Cycles: Change in U.S. Export Values and World Imports, 1879-1961	246
54. Rank Correlation Coefficients Measuring Relations Between Amplitudes of U.S. Export Values, Domestic Business Cycles and World Import Cycles, 1882-1961	248
A-1. U.S. Export Values, Quarterly at Annual Rates, 1879-1963	284
A-2. U.S. Export Quantities, Quarterly Indexes, 1879-1963	292
A-3. U.S. Export Prices, Quarterly Indexes, 1879-1963	300
B-1. Percentage Share of Commodity Classes in U.S. Total Export Value, Selected Periods, 1881-1960	308
B-2. Percentage Share of Commodities in Major Classes of U.S. Exports, Selected Years, 1879-1960	309
C-1. World Imports Excluding U.S. Imports, Quarterly at Annual Rates, 1880-1965	315

Charts

1. Trends in the Share of U.S. Exports in World Imports, 1885-1961	38
2. U.S. <i>Total Exports</i> During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1879-1914	45
3. U.S. <i>Finished Manufactures</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1879-1914	46
4. U.S. <i>Crude Materials</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1879-1914	47
5. U.S. <i>Foods</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1879-1914	48
6. U.S. <i>Total Exports</i> During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1920-38	49
7. U.S. <i>Finished Manufactures</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1920-38	50
8. U.S. <i>Semimanufactures</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1920-38	51
9. U.S. <i>Crude Materials</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1920-38	52
10. U.S. <i>Foods</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1920-38	53
11. U.S. <i>Total Exports</i> During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1945-63	54
12. U.S. <i>Finished Manufactures</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1945-63	55
13. U.S. <i>Semimanufactures</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1945-63	56
14. U.S. <i>Crude Materials</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1945-63	57
15. U.S. <i>Foods</i> Exports During Cycles in World Imports and Domestic Business: Values, Quantities, and Prices, Quarterly, 1945-63	58

Charts

xv

16. U.S. Total Export Value and *World Imports* During Cycles in World Imports and Domestic Business, Quarterly Totals at Annual Rates, 1879-1914 59
17. U.S. Total Export Value and *World Imports* During Cycles in World Imports and Domestic Business, Quarterly Totals at Annual Rates, 1920-38 60
18. U.S. Total Export Value and *World Imports* During Cycles in World Imports and Domestic Business, Quarterly Totals at Annual Rates, 1945-63 61
19. Schematic Relations Among Turning Points in Domestic Business Cycles, World Import Cycles, and Crude Export Quantity, United States, 1879-1913 143
20. European and Non-European Imports During Cycles in World Imports and Domestic Business, Quarterly Totals at Annual Rates, 1922-29, 1948-63 215
21. U.S. Domestic Wholesale Prices and Total Export Prices, Quarterly, 1920-38, 1945-62 234
22. U.S. Domestic Wholesale Prices and Total Export Prices, Quarterly, 1879-1914 240

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Preface

Since its founding in 1920, the National Bureau has done path-breaking work in the exploration of business cycles. A series of reports has provided basic quantitative information on many branches of economic activity and on their role in the fluctuations of business at large. At an early stage, it was understood that the scope of the research should not be limited by national boundaries. Apart from what could be learned by comparing the experience of one country with another, knowledge of the interrelations among countries could contribute to an understanding of the cyclical fluctuations of each of them. As Burns and Mitchell put it: "A man interested solely in the business cycles of the United States could not understand them by studying American data alone; for they would not show the changes in foreign business conditions that stimulated or retarded American expansions, and mitigated or aggravated the contractions."¹

Recognition of the importance of events abroad is reflected in the major work on the international aspects of cycles in financial transactions by Oskar Morgenstern. As to foreign trade, its role in the cycle was treated by Mitchell in a chapter of his preliminary manuscript on business cycles. This chapter was the starting point of the present study and of the two Occasional Papers which preceded it.² Though Morgenstern's and my studies focus on business cycles, they also contribute to the general knowledge of the international economic relations of the

¹ Arthur F. Burns and Wesley C. Mitchell, *Measuring Business Cycles*, National Bureau of Economic Research, New York, 1946, p. 18.

² Oskar Morgenstern, *International Financial Transactions and Business Cycles*, Princeton University Press for National Bureau of Economic Research, 1959. My Occasional Papers are: *Trade Balances during Business Cycles: U.S. and Britain since 1880*, and *American Exports During Business Cycles, 1879-1958*, NBER, New York, 1959 and 1961. The latter uses some techniques and covers some topics not included in the present book. It contains, for instance, an evaluation of cyclical variations in exports compared with those in other U.S. economic activities during 1921-58 (section 2).

United States and thus form part of the National Bureau's program in this area as well.

The fortunes of exports have always attracted a good deal of interest on the part of economists, governments, businessmen, and the public at large. Hence the uninitiated who expects much information on this subject to have been gathered may be startled to discover the vast ignorance still prevailing. Even the most essential basic data have only been compiled quite recently by Robert Lipsey at the National Bureau.³ With their help, Lipsey was able to dispel many of the previous hazy notions about long-run trends in foreign trade and to replace them by solid facts. The present study has the same objective for export movements during the short periods encompassed by business cycles.

Is a flourishing home market an obstacle to, or a necessary condition for, a thriving export trade? Does it cut into the supply of export goods and lead to inflationary boosts in their prices? Or does it enhance productivity and hence competitiveness? How great is the impact of foreign cycles compared with that of domestic cycles? How much of the time do cycles in this and other countries run in the same direction? Does the combination of foreign and domestic forces result in export prices and export quantities moving together? Or do quantities shrink when prices rise? And if the latter is the case, what happens to export values, a factor of importance in the balance of trade and payments? Do the answers to these questions differ with the types of commodities exported? Do they depend on the time period under review?

By shedding light on these and many similar problems and by understanding the history of U.S. exports, I hope to contribute to the fund of objective knowledge which can form the basis of decisions on public policy.

With respect to such policy inferences, I wish to caution the reader, however, against an impression which he may unfortunately gain from some passages of the book but which was not intended. If it occasionally sounds as though I considered any increase in exports desirable and any decrease harmful, this should be attributed to the mercantilist bias of our language and not viewed as an expression of preference. Terms such as "growing," "increasing," and "more competitive" cannot be avoided, yet they convey a value judgment—a notion of some-

³ Robert E. Lipsey, *Price and Quantity Trends in the Foreign Trade of the United States*, Princeton for NBER, 1963.

thing good, approved, to be aimed for. In fact, export growth is neither favorable nor unfavorable per se. Maximization of exports should no more be a goal of economic policy than maximization of imports. The elementary truth that increased exports are economically desirable only when they buy imports of greater value than what the same resources could have produced at home should be kept in mind throughout this study.