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# Appendix C

## Change in Exports and World Imports During Segments of Individual Business Cycle Phases

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The evidence on which the conclusions in Chapter 7 are based will be given here in greater detail.<sup>1</sup>

Beginning with the contractions of the earlier period, the patterns showed a vigorous rise in U.S. exports in the first segment and a steep fall in the second segment and similar but much smaller changes in world imports. This peculiar pattern holds for individual contractions, as Chart 9 shows quite impressively. In the first half of one contraction after another, U.S. exports grew and in most instances they grew rapidly, while increases in world imports were smaller and less regular. In the second half of contractions, this was reversed and considerable decreases in U.S. exports were accompanied by small declines or even small rises in world imports. Hence the large intraphase decline in the average rate of change of U.S. exports and the smaller decline in that of world imports are really characteristic of the behavior of the series (Chart 11).

For the contractions after World War I, the averages indicate a mild decline of U.S. exports followed by a steep fall. Chart 9 shows that this description fits well for the second half of contractions, when exports, indeed, declined sharply every time except 1953-54. For the first half, a mild decline may be considered fairly typical since it occurred after the peaks of 1937, 1948, and 1953, while the 1957-58 contraction was clearly exceptional and those of the 1920's may be regarded as marking a period of transition. The large drop in the average rate of change between the two segments of contractions holds for all cycles through 1948-49

<sup>1</sup> The cycle 1929-37, which was excluded from the averages, is also excluded from the following discussion.

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(Chart 11). But in 1953-54 and 1957-58 exports showed, for the first time since 1882 (except for the Great Depression), the opposite pattern.

The corresponding movements of world imports (Charts 9 and 11), on the contrary, are not described by averages which indicate mild declines in both segments. Actually world imports expanded slowly or even at medium pace in some contraction segments and declined rapidly in others. The averages indicate correctly, however, that the decline of world imports in the second half of contractions was typically much milder than that of U.S. exports.

In regard to the decline in the rate of change between first and second contraction halves, the averages exaggerate the contrast between U.S. exports and world imports. The rate of change of world imports did decline, though much less rapidly, in three of the four contractions in which the rate of U.S. exports fell. The divergent movement occurred in 1924-25 when world imports rose rapidly due to the restoration of the German economy. The reversal of the U.S. export pattern which we found in the two contractions of the 1950's is also repeated in the pattern of world imports.

Altogether we can say then that the acceleration of decline which characterized U.S. exports in the contractions of the interwar period and in 1948-49 may be partly attributable to world imports though this is not shown by the latter's average pattern. Another part—probably the major one—of the deterioration of U.S. exports in the later stages of contractions, however, must be due to forces which depressed them more than world imports in these stages.

The findings on the average patterns for expansions are, on the whole, supported by the record of individual phases, except that certain qualifications for the period 1921-58 are necessary.

According to the pattern, U.S. exports rose rapidly in the first stages of expansion during the full period. The rate of growth of world imports, on the other hand, was far below that of U.S. exports before World War I but equaled it in the later period. Chart 8 shows this picture to be valid on the whole. There are many instances of large U.S. export rises and only one of a more than nominal decline during the full period. The slower growth of world imports in these cycle stages before World War I is also found to be typical. It holds for every expansion but the two last ones when both rates were roughly equal. That the rate of increase of world imports was higher in 1921-58 than in 1881-1913 is another valid generalization. It holds for four out of five instances. The similar rates of change for both series, however, which the averages show, conceal two large offsetting discrepancies. For the second half of expansions the patterns are, by and large, acceptable. Before World War I, the rate of

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change of U.S. exports was either approximately the same or lower than that of world imports; after World War I, the two rates were similar.

According to the pattern, the rate of change of U.S. exports fell and that of world imports rose from the first to the second expansion half before World War I. This again is confirmed by Chart 10 though the contrast between the two series appears somewhat exaggerated by one steep export drop.

For 1921-58, however the picture given by the averages must be qualified. They present world imports as having come to behave like U.S. exports, rising rapidly in the first and slowly in the second half of expansions, and thus possibly accounting for the export pattern in this period. Inspection of individual cases shows, however, that the difference between rates in early and late stages of expansions was similar for both series in three instances only (and of these only two were retardations) and dissimilar in the remaining two cases. In 1923 U.S. exports accelerated while world imports retarded, and in 1929 the opposite was true. Thus the similarity of the average decline in the rate of change of the two series is due in part to offsetting differences.

In sum, the review of individual expansions indicates that the rate of change of U.S. exports tended to fall in the later halves throughout the full period. Before World War I, the retardation cannot be ascribed to world imports which, on the contrary, accelerated. For the period 1921-58, the evidence is inconclusive. Some U.S. export retardations are paralleled by world imports, but others are not.