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Cyclical Fluctuations in the Exports of the United States Since 1879

by ILSE MINTZ, *Columbia University*

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Cyclical Fluctuations

in the Exports

of the United States

Since 1879

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Preface

Since its founding in 1920, the National Bureau has done pathbreaking 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.

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