Volume Title: Imports of Manufactures from Less Developed Countries

Volume Author/Editor: Hal B. Lary

Volume Publisher: NBER

Volume ISBN: 0-870-14485-5

Volume URL: http://www.nber.org/books/lary68-1

Publication Date: 1968

Chapter Title: Indices

Chapter Author: Hal B. Lary

Chapter URL: http://www.nber.org/chapters/c4987

Chapter pages in book: (p. 282 - 286)

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not only in textiles, food products, and processed materials but also in a wide variety of miscellaneous manufactures.

Though the United States is by far the largest importer of labor-intensive manufactures from less developed countries, these imports still play a very small role in the U.S. economy; in 1965 they were less than 1 per cent as large as total sales by U.S. manufacturers. This comparison suggests that, with continued economic growth in the developed countries, the room for expansion of their imports of manufactures from less developed countries is very great.

The study concludes with a discussion of the debate over commercial policy and, in particular, the demands of the less developed countries for tariff preferences by the developed countries. Mr. Lary suggests that the trade policies of the developed countries vis-à-vis the less developed countries are likely to continue to be very diverse. "It would be important," he says, "to make sure that these policies are at least consistent with the results aimed at and, therefore, to express the results anticipated in explicit quantitative terms with regard to the level and growth of imports of manufactures from the less developed countries."

Thirty-two tables and fourteen charts illustrate the text.

Hal B. Lary is associate director of research of the National Bureau of Economic Research. His last previous study for the National Bureau, *Problems of the United States as World Trader and Banker*, concerned this country's recent balance-of-payments problems.

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BY THE SAME AUTHOR

PROBLEMS OF THE UNITED STATES AS WORLD TRADER AND BANKER

By

Hal B. Lary

NATIONAL BUREAU OF ECONOMIC RESEARCH
STUDIES IN INTERNATIONAL ECONOMIC RELATIONS 1

This book is "an exploratory essay on problems arising out of recent changes in our international trade and payments position." The author recalls the variety of propositions advanced only a few years ago to explain the "dollar shortage," and observes that some of them have now been reversed to explain the present deficit. He gives reasons for thinking that there may again be a risk of "overexplaining the disequilibrium and of neglecting forces working in the opposite direction."

Among the problems considered is that of improving processes of adjustment in international trade and payments. The study finds that these processes are limited in number and in the certainty of their effects. This makes it all the more important to understand and use such means of adjustment as are available, if stability of the dollar is to be retained as a prime objective of policy. The study also examines the problem of reconciling domestic and foreign economic objectives, given the constraint on monetary policy at a time when private capital has become highly mobile.

Another problem discussed is the special need of the United States for large reserves because of certain distinctive features of its economy compared with countries more closely integrated into international trade. This problem could be eased by reform of the international monetary system, but proposals to this end encounter a "familiar and stubborn difficulty"—that of reconciling views among countries on the amount and automaticity of the financing which they may be entitled to receive or called upon to extend. The study notes that this is a question on which countries in balance-of-payments surplus are likely to hold more restrictive views—and stronger bargaining positions—than those with balance-of-payments deficits. The United States may therefore need to persevere in the adjustments which it is making to the point of achieving not just a balance but a surplus in its international transactions.

"The book is a first rate research study, blending economic analysis with the empirical sophistication that is the standard of the NBER. The empirical aspects of the study indicate Lary's familiarity with, and judicious use of, available data. The references are excellent."—*Kyklos,* no. 4, 1963

$6.00

Columbia University Press

New York and London