

its prices and then cuts the value of its currency by 50 percent, the net export capacity should not be greatly influenced. But actually the depreciation or devaluation of exchanges has tended to lag behind the rise of prices and particularly since 1953. What is more, where a devaluation has tended to anticipate or come before a rise of prices in the period of high employment and elastic monetary supplies of the postwar, it was not long before prices became quickly adjusted to the fall in the exchange rate.²¹

Even from 1955 to 1958 the increase in wholesale price in the United States was not greatly out of line. The rise was 3 percent for the United States, 1 percent for Europe, 8 percent for the United Kingdom, 5 percent for Germany, 2 percent for Italy, and 3 percent for France, and no change for Japan. In the export area the increase from 1955 to 1958 was 6 percent for the United States, 1 percent for Europe, 8 percent for the United Kingdom, 3 percent for Italy, and 2 percent for France.²²

It is also well to remember that up until recently the United States had a very important competitive advantage over other countries. Most other countries had been seriously damaged by the war, whereas our economy had become more productive. It would be expected that gradually as these countries recovered, their competitive position would improve vis-a-vis the United States. The major explanation of the reversal of gold movements recently is not the inflation in the United States but rather the fact that our competitors are catching up in productivity, partly as the result of help given by the United States through various aid programs. We would therefore expect that the U.S. position in international trade would deteriorate to some extent, but still would be considerably better than it had been, say in 1938. For example, here are some statistics on this point which show that with 1938 as 100, the U.S. export trade had reached in volume 200 by 1948, as against 77 for other countries. Then there was a gradual deterioration, relatively speaking, to 207 for the United States and 110 for other countries in 1951. By 1956 the figures were 255 for the United States and 147 for other countries. By the second quarter of 1957, the figures were 261 and 156, respectively; and by the second quarter of 1958, 230 and 161, respectively.²³

The Common Market in Europe may well result in further losses of competitive position for the United States, although how much will depend upon the rise of productivity in these countries and the extent to which this improvement is taken in reduced prices and how much through higher wages.²⁴

²¹ Harris, S. E., "International and Interregional Economics," 1957, ch. 25.

²² Figures from IMF, "International Financial Statistics," April 1959.

²³ GATT, "International Trade, 1957-58," p. 6.

²⁴ Joint Economic Committee, hearings on "Employment, Growth, and Price Levels. Pt. 5: International Influences on the American Economy," 1959, pp. 1033-1037 and 1048-1051 for interesting remarks by Messrs. Despres and Scitovsky on the effects of the Common Market.