Nor is this trend between internal and external commerce peculiar to the United States. A look at the world situation indicates that the experience is general. In all of the industrial countries of the world, foreign trade has been decreasing in importance as the industrial economies grew. Figures 2, 3 and 4 show curves for total world production and total international trade. These curves only date back to 1925, but such data as are available show that the divergence carries back much farther.

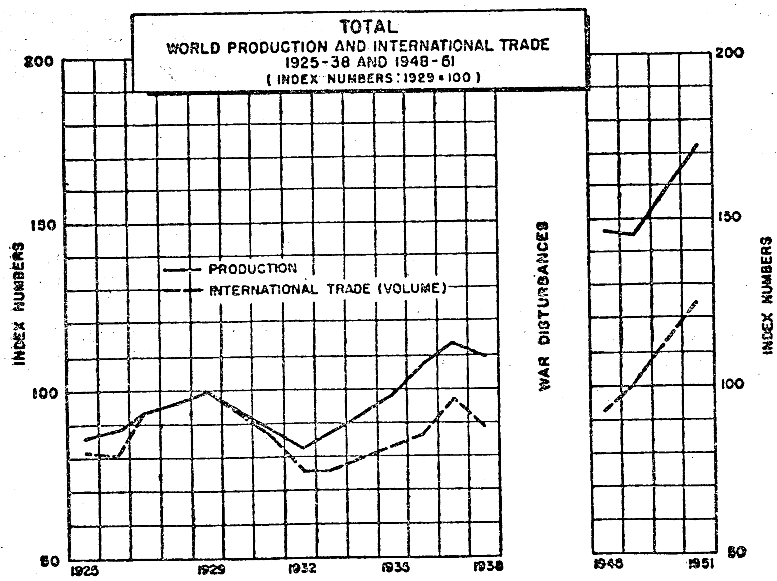

Figure 2

The bar chart in figure 5 compares more recent periods with 1870 and indicates also a progressively decreasing ratio of external to internal trade.

Many writers in recent times have proclaimed the necessity of increasing our foreign trade. The idea is presented as though any increase, all possible increases without limit, would necessarily be good. This is not a valid premise and is not a sound basis from which to build a trade policy. Moreover, history seems to indicate that the economic forces are moving in the direction of less reliance on foreign trade, not more.

For a full understanding of foreign trade, it is necessary to start with more fundamental questions, namely: Why do nations want and need foreign trade? What are the factors that determine the amount and kind of trade that will be advantageous? What is the political frame of reference in which the trade occurs?