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TRADE DEFICITS AND THE DOLLAR: BIBLIOGRAPHY-IN-BRIEF, 1984-1987

by
Robert S. Kirk
Senior Bibliographer, Economics
Library Services Division

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ABSTRACT

This bibliography focuses on the interrelationships between the dollar exchange rate, the trade deficit, and the capital flows component of the U.S. balance of payments.

CONTENTS

ARTICLES, BOOKS, AND REPORTS

Bergsten, C. Fred.
Economic imbalances and world politics. Foreign affairs, v. 65, spring 1987: 770-794. LRS87-2326

Argues that, with the U.S.'s trade deficit reaching about $150 billion in 1986 and the probability that U.S. net indebtedness will substantially exceed half a trillion dollars by 1990, the U.S. economy must either become an export driven economy or face a period of recession and falling standards of living to pay off our external debts. Calls for a reduction of the U.S. budget deficit, an increase in the U.S. savings rate and stimulation of the West German and Japanese economies. Recommends a new international monetary regime based on target zones to prevent the massive currency misalignments of the recent past. Also suggests that the U.S. and Japan should form a "group of two" to help provide new leadership in world economic affairs.

The United States-Japan economic problem, by C. Fred Bergsten and William R. Cline. Washington, Institute for International Economics, c1987. 170 p. (Policy analyses in international economics, 13) LRS87-7038

Examines the economic conflict between the United States and Japan, that results from the bilateral trade gap between them. Attempts to answer whether "the needed corrections lie primarily with the fundamental structures of the two countries, with their macroeconomic policies, or with their approaches to particular sectors and even individual products? What is meant by 'balance' in the economic relationship between the United States and Japan?" Recommends policy actions for both countries.

Boyer, Edward.
The attack on the dollar is over. Fortune, v. 113, Mar. 3, 1986: 59-61, 63, 65. LRS86-814

"Traders and economists reacted with a show-me shrug when the leading industrial countries launched a joint effort to deflate the dollar. But the central banks did just what they promised and now will try to keep the dollar roughly where it is."

Branson, William H.
The limits of monetary coordination as exchange rate policy. Brookings papers on economic activity, no. 1, 1986: 175-194. LRS86-12171

"Proposals for coordination of monetary policy to stabilize nominal or real exchange rates or for targeting monetary policy on the nominal exchange rate assume, explicitly or implicitly, that exchange rate fluctuations are, on balance, harmful to the world economy and that monetary policy can productively reduce the amplitude of these fluctuations. The objective of this paper is to examine the analytical basis and empirical evidence for these assumptions. The conclusion is that both hold only some of the time."

Committee for Economic Development. Research and Policy Committee.
Toll of twin deficits. Washington, The Committee, 1987. 105 p. LRS87-7520
"Advance copy"
Partial contents.--Introduction and summary of recommendations.--Swelling U.S. trade and current account deficits.--Damage from huge U.S. trade deficits.--Causes of the U.S. trade deficit.--Important steps to improve U.S. competitiveness and reduce trade deficits.--Implications of rising U.S. international debt.

Cooper, Richard N.
Dealing with the trade deficit in a floating rate system. Brookings papers on economic activity, no. 1, 1986: 195-207. LRS86-12172
Argues that the depreciating dollar can help remedy the U.S. long-term trade deficit and Federal budget deficit problems. "The dollar's decline will help offset the fiscal contraction through expansion of net exports, help maintain overall U.S. economic activity at a satisfactory level, and head off the strong protectionist pressures that, in the peculiar political circumstances of 1986, might erupt into damaging protectionist action."

Emminger, Otmar.
The international role of the dollar. Federal Reserve Bank of Kansas City economic review, v. 70, Sept.-Oct. 1985: 17-24. LRS85-11413
"The U.S. dollar is the most important international price because of its large effects on the world economy--effects that may be positive and negative. Since the dollar is a world currency, it must be free floating. A reduction in the U.S. budget deficit is the appropriate way of reducing the dollar."

Feldstein, Martin.
Correcting the trade deficit. Foreign affairs, v. 65, spring 1987: 795-806. LRS87-2327
Argues that "the United States cannot continue to have annual trade deficits of more than $100 billion, financed by an ever-increasing inflow of foreign capital. The U.S. trade deficit will therefore soon have to shrink and, as it does, the other countries of the world will experience a corresponding reduction in their trade surpluses. Indeed, within the next decade the United States will undoubtedly exchange its trade deficit for a trade surplus. The challenge is to achieve this rebalancing of world demand in a way that avoids both a decline in real economic activity and an increase in the rate of inflation."

How far has the dollar fallen? by Martin Feldstein and Philippe Bacchetta. Business economics, v. 22, Oct. 1987: 35-39. LRS87-7876
"Introduces a new index of the real value of the dollar relative to eighty other currencies . . . . This new index confirms that the dollar rose very sharply between January 1980 and February 1985 and that about three-fourths of that appreciation was reversed by May 1987."

Frankel, Jeffrey A.
International capital flows and domestic economic policies. Cambridge, Mass., National Bureau of Economic Research, 1987. 121 p. (Working paper no. 2210) LRS87-3825

Examines the capital account in the U.S. balance of payments. Traces its history from 1946 to 1980 and then describes the historic swing of the capital account in the 1980s toward massive borrowing from abroad.

Glasner, David.
A 'deficit' with a good side: the much-maligned U.S. trade gap. New York times, Oct. 21, 1984: sec. 3, p. 3. LRS84-19342
Debunks the idea that a deficit in a country's balance of trade is necessarily a bad thing.

Hakkio, Craig S.
Interest rates and exchange rates--what is the relationship? Federal Reserve Bank of Kansas City economic review, v. 71, Nov. 1986: 33-43. LRS86-13394
"In the 1970s, inflation shocks caused U.S. nominal interest rates and the exchange value of the U.S. dollar to move in opposite directions. In contrast, in the 1980s, changes in real interest rates have lead to a positive correlation between nominal interest rates and the dollar."

Haynes, Stephen E. Hutchison, Michael M. Mikesell, Raymond F.
Japanese financial policies and the U.S. trade deficit. Princeton, N.J., International Finance Section, Princeton University, 1986. 30 p. (Essays in international finance, no. 162, April 1986) LRS86-3598
Concludes that "of the four Japanese financial policies examined, only the reduction in the fiscal deficit, against a background of reduced domestic investment and high private savings, can be regarded as having contributed significantly to Japan's growing trade surplus and the depreciation of the dollar value of the yen. Furthermore, because of Japan's voluntary export controls and the structural imbalance of U.S. trade with Japan, an appreciation of the dollar value of the yen in response to a change in Japan's financial policies is unlikely to result in a substantial decrease in the U.S. trade deficit with Japan."

Hultman, Charles W.
G-5 exchange market intervention and commercial policy. Journal of world trade law, v. 20, May-June 1986: 287-293. LRS86-7000
"In September 1985 five major industrial countries agreed to undertake official coordinated intervention in foreign exchange markets to achieve a depreciation of the dollar. This informal voluntary action is here analyzed in its historical context and its new aspect as part of a broader commercial policy."

Humpage, Owen F.
A correct value for the dollar? by Owen F. Humpage and Nicholas V. Karamouzis. Federal Reserve Bank of Cleveland economic commentary, Jan. 1, 1986: 1-4. LRS86-1249
Discusses "various interpretations of 'equilibrium' and of 'overvalued' exchange rates."

Requirements for eliminating the trade deficit. Federal Reserve Bank of Cleveland economic commentary, Apr. 1, 1987: 1-4. LRS87-3422
"The United States thus far has relied primarily on a two-pronged approach to alleviate the trade imbalance. Until quite recently, we have promoted a depreciation of the dollar in foreign-exchange markets, hoping to restore the competitiveness of U.S. goods. In addition, we are

encouraging Japan and Germany to stimulate their economies in order to increase demand for U.S. exports. This Economic Commentary examines whether these policies meet the basic criteria required to eliminate our external imbalance."

Marris, Stephen N.
The decline and fall of the dollar: some policy issues. Brookings papers on economic activity, no. 1, 1985: 237-244. LRS85-6423
Examines the policy issues that would face the United States if the dollar were to fall over a period of two to four years to a level below its 1980 trough.

Meyer, Stephen A.
Trade deficits and the dollar: a macroeconomic perspective. Federal Reserve Bank of Philadelphia business review, Sept.-Oct. 1986: 15-25. LRS86-9542

Pauls, B. Dianne.
Measuring the foreign-exchange value of the dollar. Federal Reserve bulletin, v. 73, June 1987: 411-424. LRS87-7522
Concludes that "no single measure of weighted average exchange rates is suitable for all purposes. The appropriate measure for each application should reflect the unique way changes in bilateral exchange rates affect the variable of interest . . . . If, for example, the outlook for U.S. exports of steel is at issue, it seems reasonable that only the currencies of countries that are large steel producers rather than some other set of U.S. trading partners, should be included in the index. In principle, a myriad of such applications exist, each requiring a different index of weighted average exchange rates."

Rauch, Jonathan.
Riding the low dollar. National journal, v. 19, Aug. 15, 1987: 2087-2090. LRS87-6638
"U.S. exports may rebound now that the dollar has dropped, but a new set of shocks awaits some industries and regions that are still reeling from the dollar's climb."

Reynolds, Alan.
Trade deficits: the neo-mercantilist threat. Morristown, N.J., Polyconomics, 1984. 6 p. LRS84-4846
At head of title: Supply side analytics.
Argues that the alleged connection between trade deficits and budget deficits is imaginary, an argument used to convince policy makers that the two problems can be solved by a tax increase.

Stokes, Bruce.
Facing up to Germany. National journal, v. 18, Nov. 29, 1986: 2891-2892, 2896-2897. LRS86-12446
Suggests that 1987 will be a rocky year for U.S.-German economic relations; the U.S. trade deficit with West Germany is at record levels, German investment in the U.S. is at an all-time high, and Germany is the lone holdout among industrial powers in U.S. efforts to stabilize international exchange rates.

Thurow, Lester C. Tyson, Laura D'Andrea.
The economic black hole. Foreign policy, no. 67, summer 1987: 3-21.
LRS87-4062

Argues that "the rising U.S. trade deficit and the build-up of America's foreign debt have become to the world economy what a black hole is to the universe."

Trade in services: exports and foreign revenues; special report. Washington, Office of Technology Assessment, 1986. 110 p. LRS86-8514
"OTA-ITE-316"
"Using data from government, industry, trade associations, the business press, and other sources, OTA has estimated the level of U.S. international service activity in 22 categories for the years 1982-84. OTA's estimates indicate that Federal Government balance of payments figures significantly understate both exports and imports of services." Includes summary discussions of the 22 service sectors for which OTA estimated trade and foreign revenue.

Tsurumi, Yoshi.
The U.S. trade deficit with Japan. World policy journal, v. 4, spring 1987: 207-230. LRS87-2932
Examines why the drop in the value of the dollar has not solved the U.S.'s chronic trade deficit. Argues that America's trade problems "cannot be solved by quarreling over trade barriers because these problems are largely made in America, born of twin failures: a defense-first style of planning and obsolete management practices."

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on International Economic Policy and Trade.
The trade deficit: causes and cures. Hearings, 99th Congress, 1st session. Mar. 5 and 22, 1985. Washington, G.P.O., 1987. 177 p. LRS87-4921

U.S. Congress. Joint Economic Committee.
The foreign trade dilemma: fact and fiction. Hearing, 98th Congress, 2nd session. May 1, 1984. Washington, G.P.O., 1984. 77 p. (Hearing, Senate, 98th Congress, 2nd session, S. Hrg. 98-974) LRS84-10722

U.S. Congress. Joint Economic Committee. Subcommittee on Economic Goals and Intergovernmental Policy.
Impact of the dollar on U.S. competitiveness. Hearing, 99th Congress, 1st session. Mar. 12, 1985. Washington, G.P.O., 1985. 65 p. (Hearing, Senate, 99th Congress, 1st session, S. Hrg. 99-85) LRS85-6860

U.S. Congress. Senate. Committee on Banking, Housing and Urban Affairs. Subcommittee on International Finance and Monetary Policy.
Exchange rate misalignment. Hearing, 99th Congress, 1st session. Oct. 23, 1985. Washington, G.P.O., 1986. 105 p. (Hearing, Senate, 99th Congress, 1st session, S. Hrg. 99-377) LRS86-304

Exchange rates and Third World debt. Hearings, 100th Congress, 1st session. Washington, G.P.O., 1987. 609 p. (Hearing, Senate, 100th Congress, 1st session, S. Hrg. 100-141) LRS87-7406
Hearings held Mar. 26-Apr. 7, 1987.

U.S. General Accounting Office
International trade: symposium on the causes of the U.S. trade deficit; report to congressional requesters [summary], by Richard N. Cooper. May 15, 1987. Washington, G.A.O., 1987. 18 p. LRS87-3728
"GAO/NSIAD-87-135S, B-22637"
"As part of the response to your request that GAO study the causes of the increased U.S. trade deficit and ways that it could be reduced, we sponsored a symposium attended by leading international trade specialists on December 11, 1986. This is a summary of that symposium, published as a supplement to the GAO report The U.S. Trade Deficit: Causes and Policy Options for Solutions (GAO/NSIAD-87-135)."

International trade: the U.S. trade deficit: causes and policy options for solutions; report to congressional requesters. Apr. 28, 1987. Washington, G.A.O., 1987. 53 p. LRS87-3729
"GAO/NSIAD-87-135, B-226367"
"We found that although foreign trade barriers and a loss of U.S. competitiveness are ongoing problems for U.S. trade, these two factors were not major contributors to the increase in the U.S. trade deficit in the 1980s. Rather, the major causes of the increased trade deficit were changes in U.S. and foreign macroeconomic policies that led to a strong U.S. dollar and relatively strong U.S. economic growth . . . . In particular, the U.S. budget deficit needs to be reduced."

International trade: trade law remedies under floating exchange rates; report to the Chairman, Subcommittee on International Trade, Committee on Finance, United States Senate. Dec. 1986. Washington, G.A.O., 1986. 43 p. LRS86-11976
"GAO/NSIAD-87-14"
Examines "the compatibility of the floating exchange rate regime with the principles of the international trading system and U.S. trade laws." Specifically examines: "(1) how exchange rate fluctuations can affect import relief granted under section 201 of the Trade Act of 1974, as amended, (2) whether exchange rate changes alter the findings reached and the protection provided under the antidumping and countervailing duty laws, and (3) whether General Agreement on Tariffs and Trade goals, principles, and remedies are compatible with a system of floating exchange rates."

U.S. international competitiveness: perception and reality. New York, New York Stock Exchange, 1984. 62 p. LRS84-8031
Analyzes the trade performance of 40 industry groups in the U.S. and foreign countries, examines changes in the U.S. industrial structure, projects job needs to 1995, examines how those job needs might be satisfied and presents an in-depth look at the likely level and distribution of employment by industry and occupational class. Challenges those who call for a more codified industrial policy and finds that "U.S. trade performance has been considerably better than is widely believed."

Volker, Paul A.
Facing up to the twin deficits. Challenge, v. 27, Mar.-Apr. 1984: 4-9. LRS84-8934
"Unprecedented budget and trade deficits pose a clear danger to U.S. growth and stability. Unless we close the gaps, we risk becoming the world's largest debtor nation."

Wallich, Henry C.
Capital movements--the tail that wags the dog. Remarks by Henry C. Wallich. Washington, Board of Governors of the Federal Reserve System, 1984. 16 p. LRS84-5346

Text of speech given at the Bretton Woods II Conference, May 19, 1984. "Capital movements are small, exports and imports are large. Nevertheless, capital movements dominate the American balance of payments. Some of the implications, exemplified by the high level of the dollar in the face of a large current-account deficit are discussed."

Williamson, John.
Target zones and the management of the dollar. Brookings papers on economic activity, no. 1, 1986: 165-174. LRS86-12170
Argues that the dollar must be realigned (i.e., fall) to restore equilibrium to the current account of U.S. balance of payments, by reducing the trade deficit. Outlines and discusses a system of target zones for major currencies which would effect the dollar's realignment, and examines the relevance of prospects for the U.S. fiscal deficit to the advisability of adopting a target zone approach to currency management.

CONGRESSIONAL RESEARCH SERVICE WRITINGS

Cooper, William.
Proceedings of the CRS symposium on U.S. trade: policy issues confronting the 100th Congress. 1987. 128 p. 87-267 E
This is a compilation of papers which comprise the proceedings of a CRS workshop for Members of Congress and legislative staff. The workshop on U.S. Trade: The Policy Issues Confronting the 100th Congress was held by CRS on March 18, 1987. This compilation of proceedings is a new approach to focus on providing you with information in a more timely manner to better meet your needs in addressing the congressional calendar.

Cox, William A.
Can the world live with floating exchange rates? Congressional Research Service review, v. 6, July-Aug. 1985: 9-11, 29. LRS85-6838

Elwell, Craig.
The growing U.S. external debt: nature and implications. 1987. 13 p. 87-798 E
This report considers several questions and issues related to our debtor status: first, it examines what is meant by the United States being a debtor nation; second, it discusses the probable ultimate size of our external debt obligations; finally, it examines the economic implications of our growing foreign indebtedness.

The U.S. trade deficit: causes, consequences and cures, by Craig K. Elwell and Alfred Reifman. 1986. 48 p. 86-116 S
This report investigates the causes of the huge U.S. trade deficit, its impact on the economy, and discusses policies to reduce that deficit. It finds that the U.S. trade imbalance is primarily caused by the U.S. budget deficit and the resultant high value of the dollar, with the pace of the U.S. economic recovery and the Latin American debt crisis being contributory factors.

Gravelle, Jane G.

International Competitiveness and the Tax Reform Act of 1986. 1987. 6 p. 87-428 E

The effects of the Tax Reform Act of 1986 on international trade are estimated to be of relatively small magnitude. The composition of trade would be little affected because the effect of the tax bill on final product prices would be small. Moreover, if the change reduces foreign capital inflows into the United States, the changes would tend to narrow the trade deficit. These effects are also expected to be small in magnitude, however.

Harrison, Glennon J.
Trade and current account balances: statistics; issue brief. Regularly updated. 9 p. IB87112

This issue brief provides historical and current data on trade and current account balances. Forecasts of the merchandise and current account balances through 1989 are also included.

Holliday, George.
Trade: issue brief. Regularly updated. 13 p. IB87003

Kirk, Robert S.
The United States as a debtor nation and international capital flows: bibliography-in-brief, 1984-1986. 4 p. L0717

Includes material on the U.S.'s new status as the nation with the world's largest external debt.

Makinen, Gail.
How much has the international exchange value of the dollar declined? 1987. 9 p. 87-429 E

The movement in the international exchange value of the dollar is important to a number of public policy issues as well as understanding movements in GNP, employment, and inflation. Unfortunately, the various exchange indexes do not register the same movement in the value of the dollar over a given time period.

Is faster growth in Germany and Japan the key to faster U.S. growth? Aug. 22, 1986. 5 p. 86-836 E

Evaluates the merits of the argument that a more rapid rate of GNP growth in Japan and West Germany can assist U.S. economic growth and reduce U.S. balance of payments deficit.

Trade: major issue forum. Congressional Research Service review, v. 8, Feb. 1987: whole issue (1-32 p.)

Contents.--Trade issues: an overview.--Economic policy and competitiveness.--Trade remedy reform.--Trade negotiations.--Negotiating authority: the Uruguay Round.--Latin American debt crisis and U.S. trade.--Technology and trade.--Trade and jobs.--Agricultural trade.--Textiles, apparel, and "managed trade."--Trade control policy.

Wertman, Patricia. Cooper, William.
The Latin American debt crisis and U.S. trade. 1987. 7 p. 87-19 E
The Third World debt problem has had a strong, adverse impact on the U.S. trade deficit. The development of the crisis, its impact on U.S. trade, the "Baker Plan," and proposed alternative solutions are the subjects of this report.

Wilson, Arlene.
Exchange rates: the dollar in international markets; issue brief. Regularly updated. 16 p. IB78033

Foreign exchange intervention. 1986. 30 p. 86-915 E
Three questions are addressed in this report. First, what is foreign exchange intervention and how does it work? Second, what has U.S. policy been toward foreign exchange intervention? Third, why is foreign exchange intervention by itself thought to be ineffective in influencing exchange rates, except possibly as a supplement to economic policy changes?