Economics 102 FRED 3

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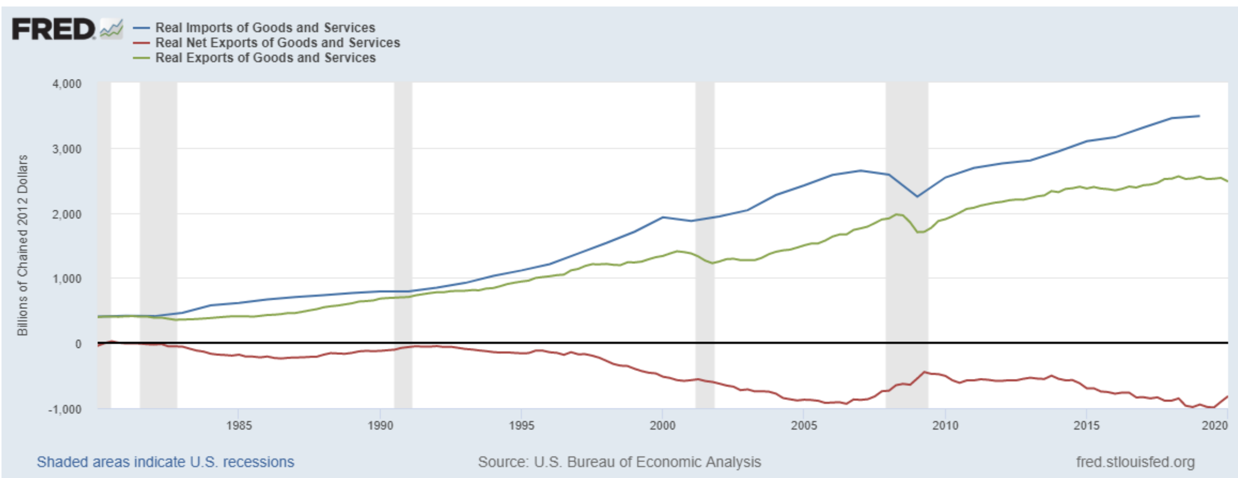
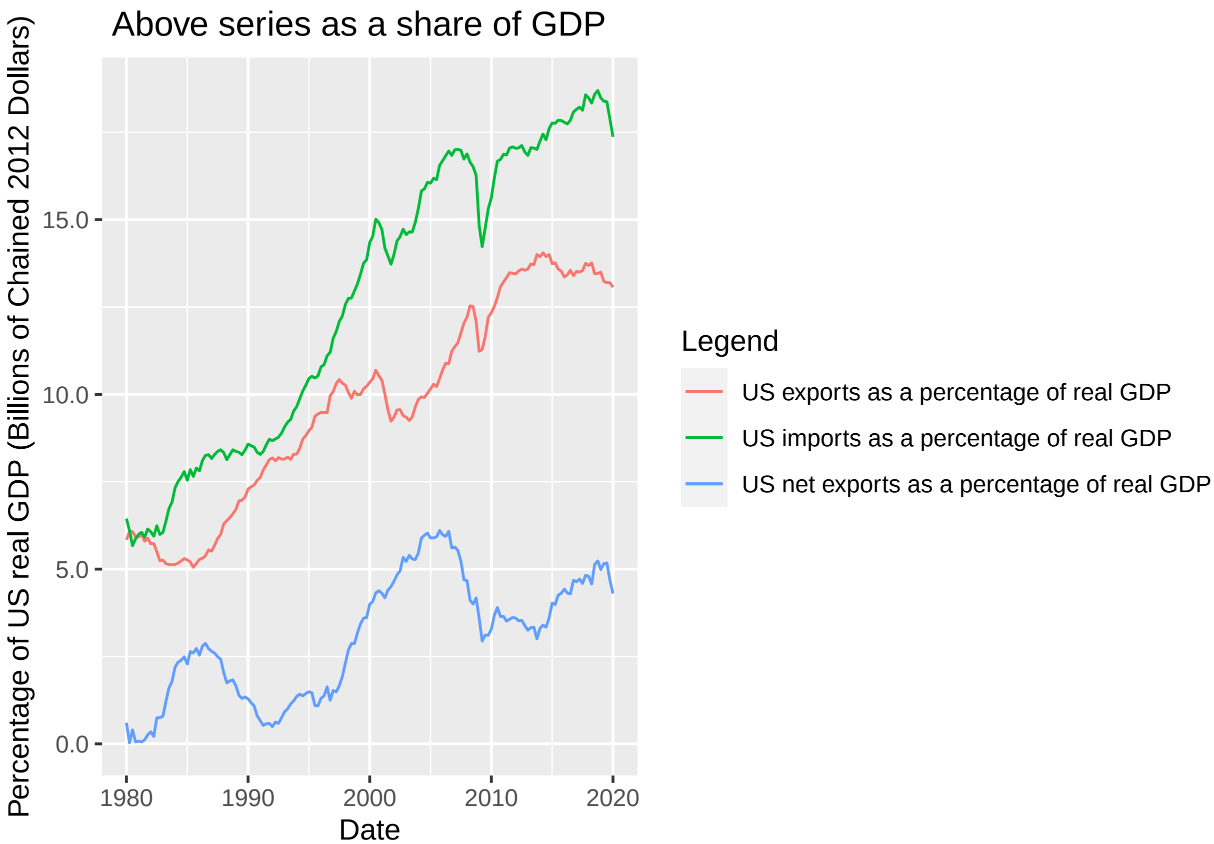
Behavior of exports, imports and the trade balance for the United States for the years since 1980 in real terms.



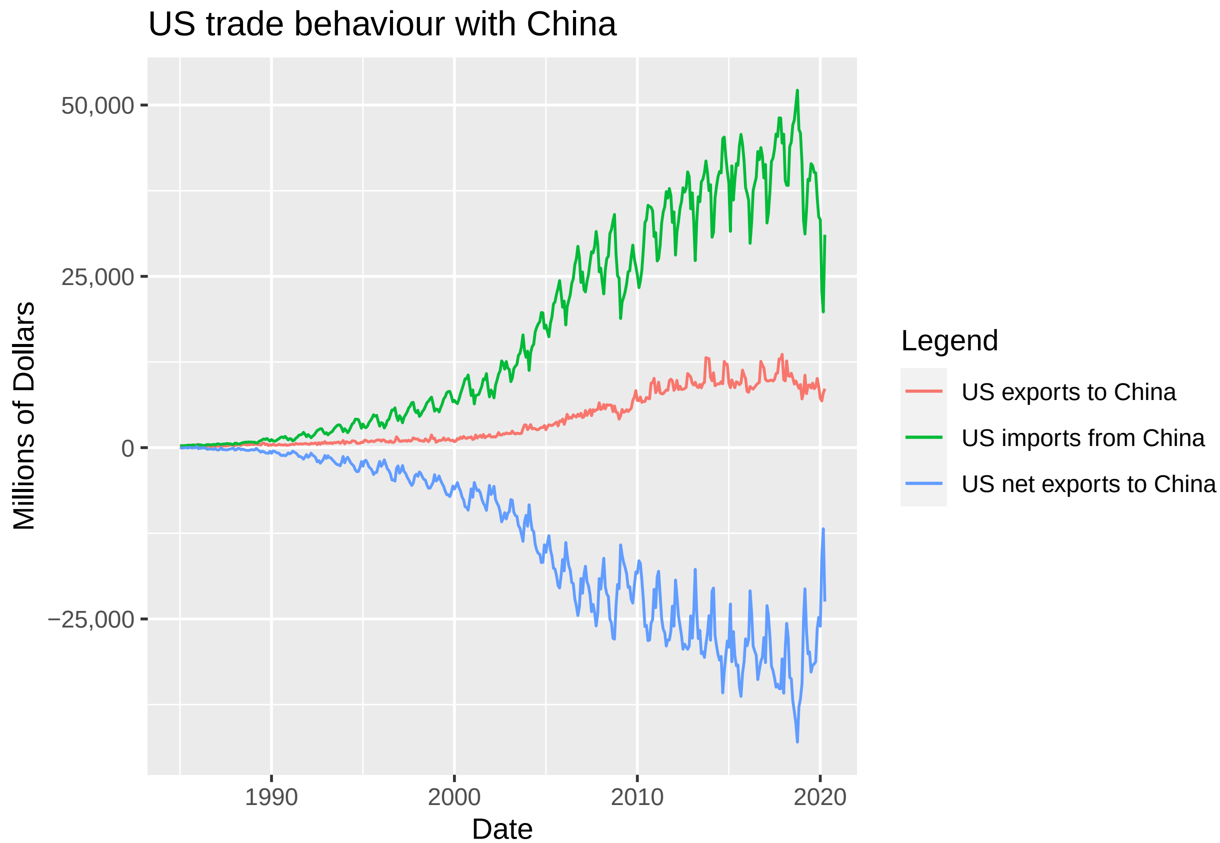
Since 1980, the USA has been a net importer, i.e, net exports are negative. We see a few periods of increased import growth, particularly around 1985, 1995 to the recession in the early 2000s, again after the recession in the early 2000s to the 2008 recession, and again from 2015 to 2019. During recessions, we see less imports but also less exports, mainly highlighted during the 2008 recession, althought we also see a somewhat consistent increase in net exports in all recessions. Note that the recession in the early 2000s only saw an extremely marginal increase in net exports that decreased as the recession continued.

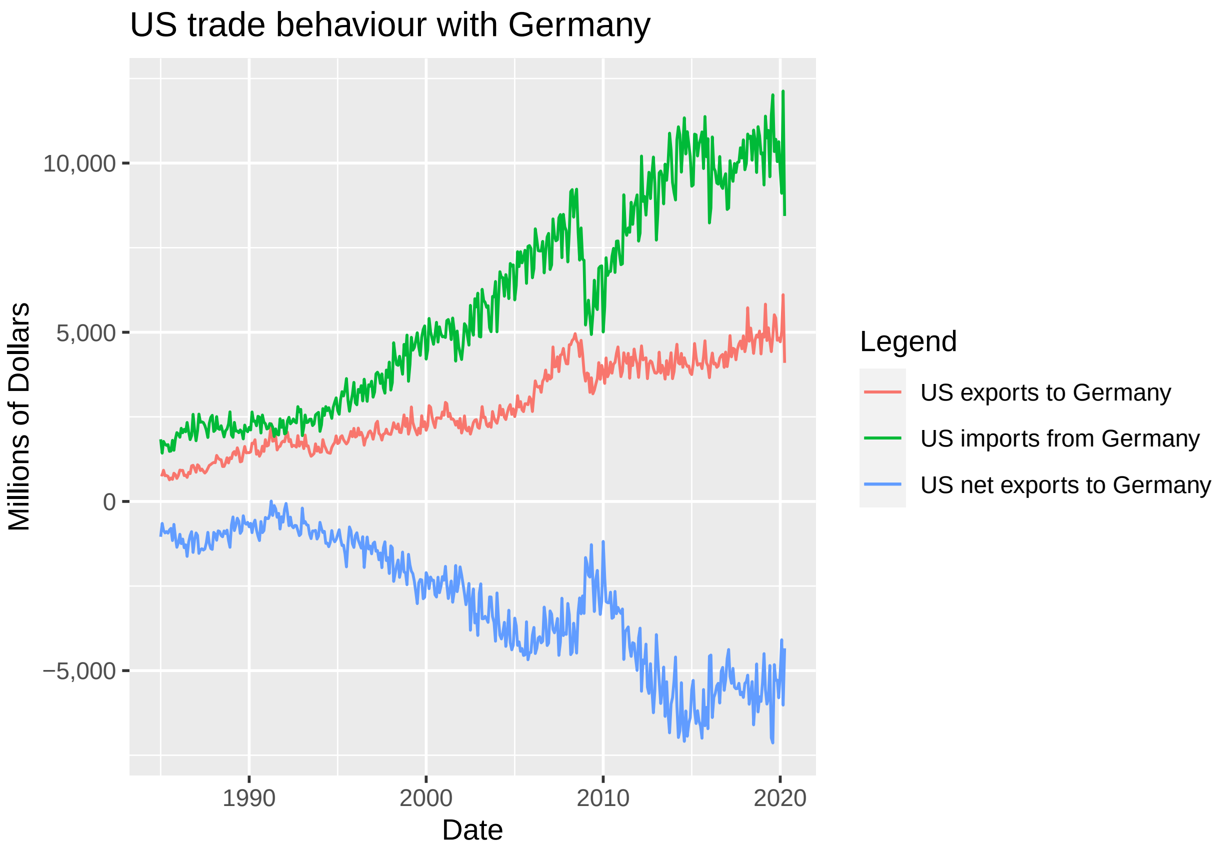
Above series as a share of GDP

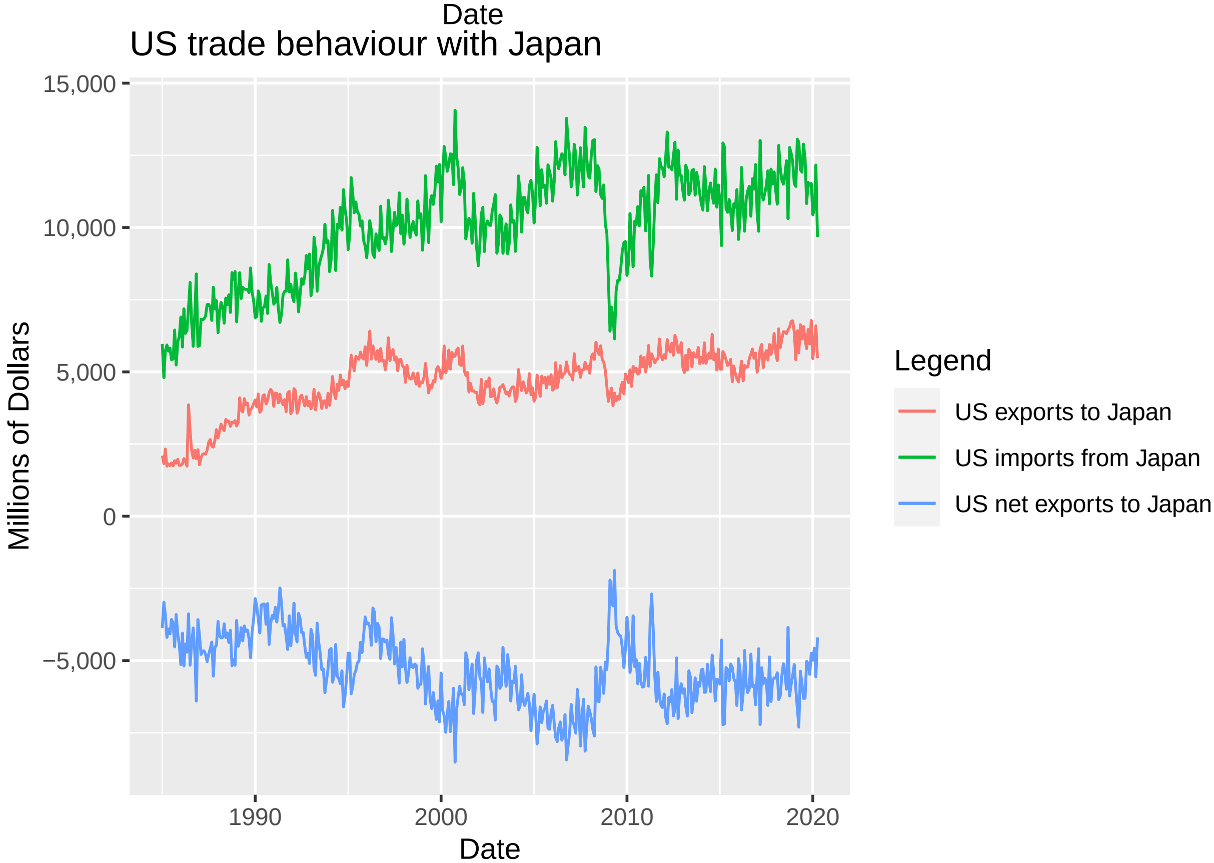


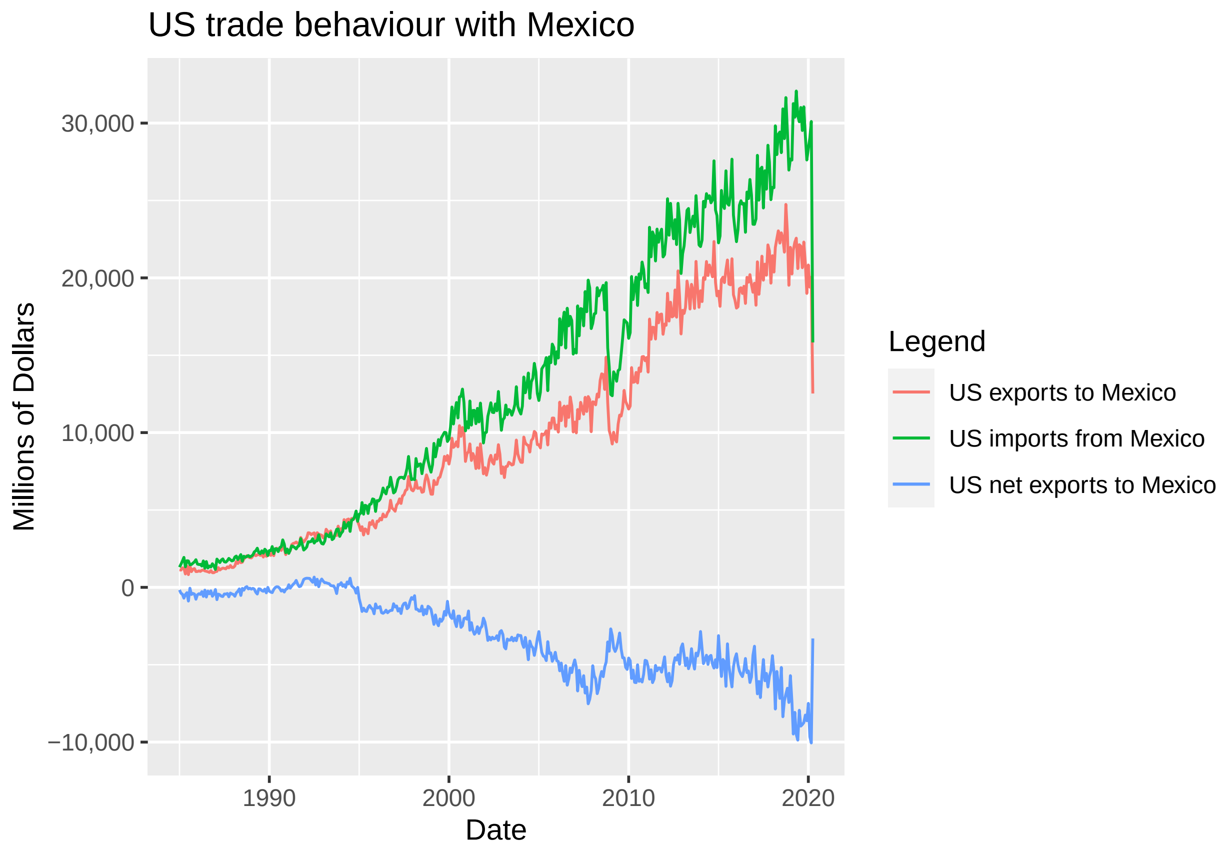
We see that during a recession, e.g, the 2008 recession, that there is a noticible dip in not only net exports, but also imports and exports. This may be explained by the decrease of consumption during a recession, which woulld drive down exports, but also make producing domestically more viable as the price level decreases during a recession. There is a sort of two pronged decrease such that exports are down due to consumption decrease worldwide and imports decrease somewhat as the price level decreases but due to decreased consumption there is also less demand overall (AD shifts left) so less is produced overall. Thus, with all other spending constant, e.g, investments and government spending, we'd expect to see imports, exports, and therefore net exports to take up less of a share of the total GDP. Additonally, governments increase spending during a recession, so the share of GDP taken up by imports, exports, and net exports would decrease.

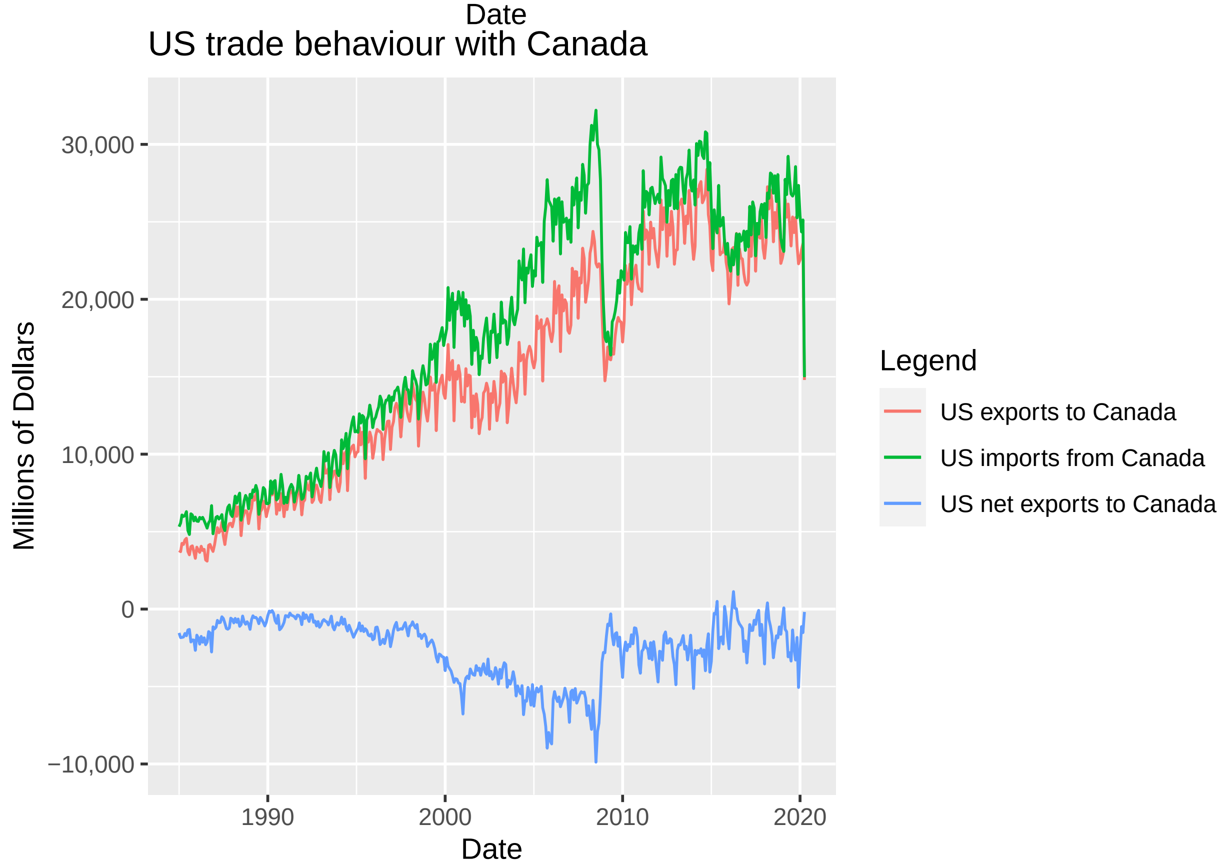
Graphs for imports, exports and net-exports (on a so-called F.A.S. basis) for the United States with Canada, Mexico, China, Japan and Germany.




US trade behaviour with Germany
Millions of Dollars
10,000
5,000
0
−5,000
1990
2000
2010
2020
Date
Legend
US exports to Germany
US imports from Germany
US net exports to Germany

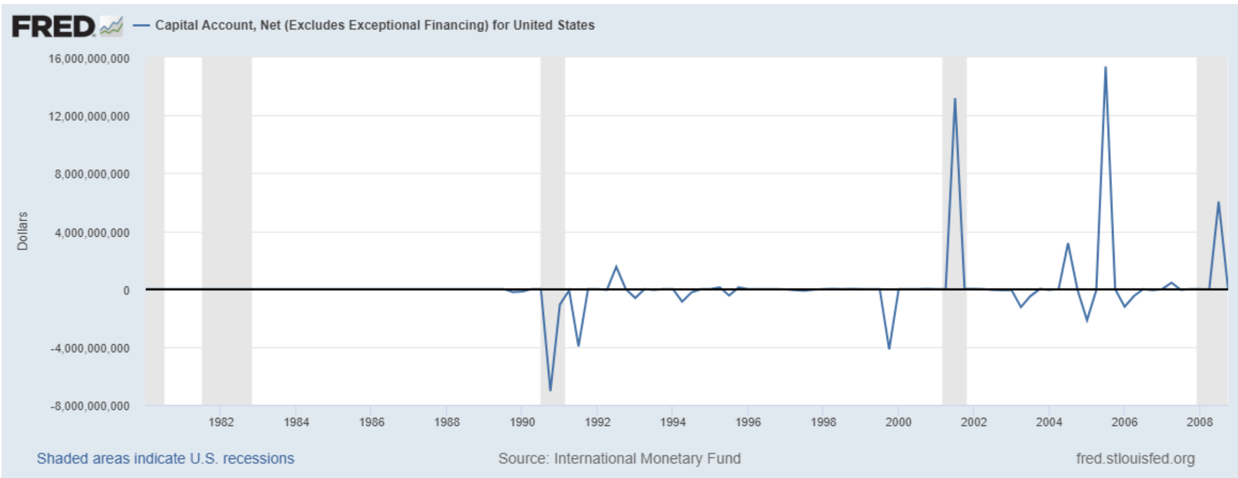

US trade behaviour with Japan
Millions of Dollars
15,000
10,000
5,000
0
−5,000
1990
2000
2010
2020
Date
Legend
US exports to Japan
US imports from Japan
US net exports to Japan





We see that almost uniformly across all observed countries that the United States has been a consistent importer of goods, i.e, exports have always outpaced imports and net exports has almost always been decreasing. We however, do see two large increases in net exports, i.e, movement towards being an exporter, which came during the 2008 recession and more noticibly during recently during Trump's presidency.

Capital accounts for years from 1980 to most recent



We see that in most recessions, except the one in the 90s, the net capital account of the US is positive. That means the US holds more assets. We also see this positive trend in net capital account starting in the 2000s, whereas in the 90s the US had a negative net captial account most of the time. Thus, we infer that in the 90s the US had a lot of capital outflow, while in the 2000s, the US had a lot of capital inflow, in particular during the recessions, where we see large positive peaks.

Evaluate: Is having a trade deficit necessarily bad for the United States?

A trade deficit is not necessarily bad for the US. From the first article that breaks down the trade deficit by country, we learn that that almost everytime a free trade agreement is signed with a country whose price level is lower than the US's, e.g, China, there is a substantial increase in the trade deficit between the US and that country. That article specificially cites Mexico and NAFTA and China's entry into the WTO. The other article mentions how capital accounts and current accounts sum to 0 for all dates, and as we see from the series in the pervious question, US captial accounts have largely been positive since 2000, which according to the second article, implies that there is a current account deficit and so foreigners are investing in the US. And this isn't a necessarily a bad thing, as the article puts it: "If you are worried that in the future dividends will flow abroad, then yes. But that will happen only if your economy is in good shape in the first place and will be able to afford paying such dividends". So while we don't have information in the scope of the assignment to conclude that the trade deficit is a good for the US, it certainly doesn't seem that the trade deficit is necessarily bad for the US either.