

THE RAILROADS AND BRETTON WOODS

The principal interest of the railroads of the United States in the Bretton Woods program arises from the potential increase in freight traffic. With expanded foreign trade the railways will carry more goods from the point of production to the point of export or from the ports to the place of ultimate consumption. Secondly, an increase in foreign trade will result in increased production and employment in the United States so that the railways might expect increased traffic as a result of the increase in production. The railroads do not have any direct interest in the foreign exchange problem or in the problem of foreign investment except insofar as these affect domestic conditions. They do not have foreign investments abroad except for small amounts in Canada and they do not depend upon the exchanges for any part of their revenues.

In Table 1 there is an estimate of the amount of freight arising from international trade carried by the railroads. Unfortunately, there are no statistical data on the amount of imported or exported goods carried by the railways. There are, however, statistics on the tonnage of water-borne imports and exports. Most of this tonnage goes over the railway lines some time before it is exported or after it is imported. Some part of the imports is consumed directly at the ports of entry and some parts of the exports originate at the ports. This probably will be a relatively small amount.

The principal statistical difficulty arises from the fact that a considerable part of the foreign trade of the United States is with Canada and Mexico. This freight is carried principally by rail and therefore does not appear as part of the statistics of water-borne freight traffic. To make a correction for this fact the figures of water-borne imports and exports have been multiplied by a co-efficient of 1.12 to allow for the percentage of trade carried by rail. This co-efficient was based on the percentage of total foreign trade carried by rail in the period 1921 to 1935. The data for this period, however, are on a value basis rather than tonnage. A possible error resulting from the use of value data is offset by various other factors, such as the greater distance of which foreign freight is carried in comparison with domestic and also the amount of freight arising from foreign goods in transit across the United States. The final result of the estimate is given in the Table.

The estimated amount of railway freight arising from foreign trade has been compared with the total amount of freight originating on American railways. For the period 1928-40 foreign trade provided approximately 10.7 percent of the total freight carried by railways, neglecting the distance carried.

The total freight carried by the railroads has of course fluctuated from year to year, and the amount of foreign trade has fluctuated similarly. The percentage varies from year to year. In recent years, when a larger percentage of our national production has been exported with the revival of world trade and the expansion of war activity, the percentage of freight traffic from foreign trade has increased. In general, though, it may be estimated that about 10 percent of railway freight traffic is derived from foreign trade. It may be estimated, therefore, that whenever foreign trade increases, freight traffic might be expected to increase about 10 percent of the amount of trade on a tonnage basis. In terms of value and freight revenues, the rate might be considerably higher since our exports consist largely of high class freight.

There is a very close correlation between the amount of foreign trade and railway freight revenues. Thus at the low point of the depression in 1932 when our total foreign trade was \$2.9 billion, railway freight revenues were about \$2.5 billion. In 1942 when our total trade amounted to \$10.8 billion, railway freight revenues increased to \$5.9 billion. There has been a general correspondence between foreign trade and freight revenues, though freight revenues have not fluctuated as widely as foreign trade figures. The essential relationship of the two items is shown in the attached graph.

Table 1 -- Total Freight Originated on U.S. Railway

Lines and Estimated Freight Derived from

Foreign Trade, 1928-1940

<u>Year</u>	<u>Total Freight Originated</u>	<u>Freight from Foreign Trade</u>	<u>Ratio of Foreign Trade Freight to Total Freight</u>
	(In millions of short tons)		
1928	1,371.3	134.0	9.81
1929	1,419.4	136.9	9.64
1930	1,220.1	122.8	10.06
1931	944.8	95.8	10.13
1932	678.8	76.4	11.26
1933	733.4	74.4	10.14
1934	802.3	85.3	10.64
1935	831.6	91.0	10.94
1936	1,011.5	98.6	9.74
1937	1,075.2	121.9	11.34
1938	819.7	111.6	13.61
1939	954.9	116.9	12.24
1940	1,069.1	119.0	11.13
	<u>12,932.5</u>	<u>1,385.9</u>	10.70

Table 2 -- Total Imports and Exports of the U.S.
and Freight Revenues of American
Railways, 1928-1942

<u>Year</u>	<u>Total Imports and Exports</u>	<u>Freight Revenues</u>
	(In million dollars)	
1928	9,220	4,772
1929	9,640	4,899
1930	6,904	4,145
1931	4,515	3,302
1932	2,934	2,485
1933	3,125	2,529
1934	3,788	2,672
1935	4,330	2,831
1936	4,879	3,357
1937	6,433	3,428
1938	5,055	2,901
1939	5,495	3,297
1940	6,647	3,584
1941	8,492	4,510
1942	10,778	5,944

U.S. FOREIGN TRADE AND RAILWAY FREIGHT REVENUES,
1928-1942

(In billions of dollars)

Billions
of
Dollars

