

**Nominal Exchange Rate Patterns:
Effects on Entry, Exit and Investment in United States Industry**

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Abstract

Nominal exchange rate trend and volatility are significantly correlated with entry, exit and investment in many sectors of United States industry. In general, business formation and business failure rates were more sensitive to exchange rate patterns in the 1970s than in the 1980s. Industry responses to short-term trends in exchange rates were weaker in the 1970s than in the 1980s. Short term exchange rate trend appreciations led to both contractions and expansions in the 1970s, but were more generally associated with investment expansions in the 1980s. In high dollar volatility periods, industries were more likely to contract investment in response to appreciations. In the 1970s exchange rate volatility was linked significantly with reallocation of investment resources across sectors. In the 1980s, increased volatility contracted investment in most sectors, with the negative impetus magnified during appreciation periods in some sectors of the U.S. economy.

Preliminary. Comments Welcome.

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