balance in 1959 can be accounted for by the narrowing of the export surplus and about 27 percent by the net outflow of capital. In 1960 the improvement in the trade balance was so great as to overshadow the increase in foreign investment. Had it not been for exports of gold to satisfy speculative demands the Nation's international payments in that year would have been close to balance.

Merchandise trade

Exports and imports of merchandise and services account for the great bulk of the international movement of dollars. U.S. exports increased only slightly less than the gross national product between 1950 and 1959. There were two big bulges in exports, the first in 1951 during the Korean war and the second in 1956–57, following the Suez crisis. The excess of merchandise exports over merchandise imports was actually greater in 1958 than in 1955. Most of the narrowing of the export surplus did not occur until 1959.

Between 1955 and 1959, U.S. nonmilitary exports increased $2 billion, or by 14 percent, compared with an increase in gross national product of 21 percent. Most of the failure of exports to increase by as much as the gross national product was accounted for by the falling off in exports of iron and steel mill products, petroleum, automobiles, and coal. Most of the other decreases in exports, including cotton and cotton manufactures, nonferrous metals and dairy products were offset by increases, including machinery, grains and grain preparations, chemicals, rubber products, oilseeds and oils, and office machinery. In 1960 exports expanded to $19.3 billion, or approximately the high level of 1957. The increases were spread over a wide range, including machinery, grains and grain preparations, aircraft, raw cotton, nonferrous metals and alloys, chemicals, and synthetic fibers. At the same time imports declined from $15.2 billion to $14.8 billion so that the excess of exports over imports reached the high level of $4.5 billion which was about the same as the export surplus in 1956.

Merchandise imports had increased 33 percent between 1955 and 1959, or about 12 percentage points more than the increase in gross national product. There have been conspicuous increases in imports of certain consumer goods, such as automobiles and cameras. Almost one-half of the increase in imports between 1955 and 1959 was accounted for by automobiles, petroleum products, and iron and steel mill products. However, imports of coffee, nonferrous metals, crude rubber, cocoa, ferroalloys, and wool decreased substantially. There were important changes in the composition of imports; foodstuffs and beverages declined, largely because of the big drop in the price of coffee, while imports of many manufactured goods increased. The decline in the value of imports in 1960 was accounted for principally by coffee, crude rubber, diamonds, wool, and sawmill products.

There is little evidence to support the assertion that the United States is being priced out of world markets in any general sense. However, this is not to say that certain domestic producers are not being injured by increased competition from imports. To solve this problem proposals have been made ranging all the way from those that would impose import quotas to those that would provide programs for assisting producers who are hard hit by imports, to adjust to lines of production that are less vulnerable to import competition.