

RECENT CHANGES IN THE U.S. BALANCE OF INTERNATIONAL PAYMENTS

Over 95 percent of all dollar receipts from abroad are in payment for exports of goods and services. The remainder, amounting usually to under \$600 million a year, consists principally of foreign funds seeking long-term investment in the United States.

On the payments side, imports of goods and services account for about 70 percent of the total. The remainder is accounted for principally by funds sent abroad for investment, for the support of the U.S. Military Establishment abroad, and for nonmilitary foreign aid in the form of grants. These percentages have remained fairly constant throughout the past decade.

The accompanying chart (chart I) shows the major changes in the balance of international payments of the United States in recent years. Since 1950, the balance of payments of the United States has shown an excess of dollar payments over receipts. In 1950 the adverse balance amounted to \$3.6 billion. It was soon narrowed, however, to \$300 million in 1951, and from 1952 through 1956 it ranged between \$1 and \$2.1 billion a year. In 1957, the year following the Suez crisis, the accounts showed a small net surplus (\$500 million). In 1958, 1959, and 1960, however, there were adverse balances of \$2.4 billion, \$3.7 billion, and \$3.5 billion, respectively.

TABLE 1.—U.S. balance of international payments, 1949–60

[In billions]

Year	Payments						Receipts			
	Mer- chan- dise imports	Serv- ices	Long- term capital (out- flow)	U.S. military expend- itures abroad	Gov- ernment grants	Foreign dollar balances and gold	Mer- chan- dise exports	Serv- ices	Long- term capital (inflow)	Foreign dollar balances and gold
1949.....	\$6.6	\$2.2	\$1.2	\$0.6	\$5.0	\$0.1	\$12.1	\$3.7	-----	-----
1950.....	8.9	2.4	1.4	.6	3.5	-----	10.0	3.8	-----	\$3.6
1951.....	11.0	2.7	1.2	1.3	3.0	-----	14.0	4.7	\$0.2	.3
1952.....	10.7	3.0	1.6	2.0	2.0	-----	13.2	4.8	.1	1.1
1953.....	10.9	3.1	.6	2.5	1.8	-----	12.3	4.8	.2	2.1
1954.....	10.2	3.1	1.5	2.6	1.6	-----	12.9	5.2	.2	1.5
1955.....	11.4	3.6	1.5	2.8	1.9	-----	14.3	5.7	.3	1.1
1956.....	12.6	4.1	3.6	3.0	1.7	-----	17.3	6.3	.5	1.0
1957.....	13.0	4.5	4.1	3.2	1.6	.5	19.5	7.3	.4	-----
1958.....	12.8	4.6	3.8	3.4	1.6	-----	16.4	7.0	-----	3.4
1959.....	15.2	5.0	2.5	3.1	1.6	-----	16.3	7.1	.6	3.7
1960 ¹	14.8	5.7	3.8	² 3.0	³ 1.6	-----	19.3	7.5	.4	3.5

¹ Annual estimates based on official figures for 1st 9 months of the year.

² From letter from the office of the Assistant Secretary of the Treasury.

³ About one-half of the government grants represent payments in U.S. dollars.

The concern that is being felt over the present balance of payments position of the United States is not occasioned by the fact that it is adverse, as such, but by the fact that the negative balance is much larger than in most previous years and that during the past 3 years the United States has been losing substantial quantities of gold. Since the balance of payments is a composite of many variables it is easy to fall into the trap of blaming the adverse balance on the variable that one likes the least. Thus, those who oppose foreign aid are disposed to blame it while those who are opposed to the maintenance of large U.S. military forces abroad blame it on that. Similarly, those who dislike competition from commodity imports are disposed to blame them.