From 1951 to 1954, the balance of international payments, although showing a deficit of $1 to $2 billion a year, was relatively stable. Merchandise exports ranged between $10 and $11 billion. Dollars sent abroad for new foreign investment amounted to $0.6 to $1.6 billion. Nonmilitary aid to foreign countries declined from $3 to $1.6 billion a year, while the cost of maintaining the U.S. Military Establishment abroad increased from $1.3 to $2.6 billion. Considered together, nonmilitary foreign aid and the cost of the oversea Military Establishment remained stable at slightly more than $4 billion per year.

During these years the overall adverse balance was between $1 and $2 billion a year. Little or no concern was expressed over it, however, and there continued to be concern over the persistent worldwide "dollar shortage," even though other countries were accumulating substantial dollar balances in the United States.

In 1958 there was deep concern over the large adverse balance which was accompanied by a substantial outflow of gold and by a large increase in the flow of American capital abroad. In 1959 the outflow of gold was much smaller than in the previous year and the adverse payments balance, which persisted, was accompanied by marked deterioration in the merchandise trade position of the country. In 1960 the outflow of gold again increased and, although there was an increase of $1.5 billion in net capital outflow, there was a net improvement on account of merchandise trade and services of $3.1 billion. The outward flow of gold in 1960 appears to be a major cause of the payments deficit.

The magnitudes that have remained constant, in and of themselves, cannot be the proximate causes of the sudden increase in the adverse balance. The causes have been multiple and some have been more important than others. The most appropriate years for comparison with 1958 and 1959 are the years immediately preceding the Suez crisis. The years 1956 and 1957 were abnormal because of the temporary bulge in exports occasioned by that crisis.

TABLE 2.—*Changes in net balances of principal components of U.S. balance of international payments, 1954–58, 1954–59, and 1959–60* [1]

[In billions of dollars]

	1954–58	1954–59	1959–60
Merchandise trade	+0.9	−1.6	+3.4
Services	+.3		−.3
Capital movement (net)	−2.5	−.6	−1.5
Cost of U.S. Military Establishment abroad	−.8	−.5	
Nonmilitary Government grants			
Net change in foreign dollar balances and gold movements	−1.9	−2.2	+1.6

[1] Plus indicates increase in dollar inflow or decrease in dollar outflow. Minus indicates increase in dollar outflow or decrease in dollar inflow.

The net excess of total dollar payments over total dollar receipts increased from $1.5 billion in 1954 to $3.4 billion in 1958, $3.7 billion in 1959 and $3.5 billion in 1960. As shown in table 2, the increase of $1.9 billion in total net outward payments between 1954 and 1958 appears to be explained by the net increase of $2.5 billion in the outflow of capital during the period. The net favorable trade balance