Trade trends over the past few years demonstrate that exports and imports do not always move in the same direction. Given differences in the timing of trends of economic activity in the United States and abroad, significant changes in the magnitude of the export surplus are to be expected.

U.S. exports are not being priced out of world markets in any general sense. They could not have experienced a recovery of over $3 billion if they were, especially with respect to commodities most responsible for the recovery. Notwithstanding that a resurgent Western Europe and a newly quality-conscious Japan are equipped to compete more effectively than ever, U.S. exports have continued to increase more rapidly than either imports or gross national product. The great size of the domestic market is an advantage to exporting industries with regard to product innovation, marketing techniques and low production costs for many mass-produced goods. The recurrent nature of changes in economic trends are such that some observers believe that, sooner or later, another period of dollar shortage is probable.

Imports have grown almost as much as the gross national product. The striking thing about imports is the huge increase in imports of manufactured goods. There is no doubt that increases in some imports of manufactured goods have caused difficulties for certain domestic producers. American consumers, however, have gained. Countries with abnormally low wage scales but which are equipped with highly-efficient modern machinery, can compete successfully with American industry in similar lines of production. Again, however, perspective is essential. What seems pertinent to any long-range point of view is the fact that exporters of manufactured goods in the United States do not have the resources to compete in all lines simultaneously. Furthermore, competition from imports can serve as an important stimulus to domestic producers. Finally, wages in countries that only recently have become exporters of manufactured goods have a tendency to rise and, if history is a guide, will continue to do so. When this occurs the competitive advantage enjoyed by Western Europe and Japan in certain lines will be diminished.

Trade restrictions which, superficially, seem to offer a solution would not really solve the balance of payments problem. Expansion of trade and the reduction of quantitative restrictions imposed by foreign countries against U.S. exports offer hope for continuing a reasonable export surplus to cushion the current pressure on the dollar. Current difficulties with respect to international payments are not essentially a trade phenomenon, and restrictive trade policies would aggravate, rather than solve, the gold problem.

Services

Receipts for services rendered and payments for services received are second only to merchandise exports and imports in the U.S. balance of international payments.

Receipts for services rendered to other countries, or their nationals, amounted to $7.5 billion in 1960, while payments for services received totaled $5.7 billion. Receipts have remained fairly constant at about 40 percent of merchandise exports, while payments for services re-