

Foreign investment is profitable to lenders and is usually advantageous to borrowing countries because it facilitates economic development and expansion. Development of the economically more backward areas of the world for some time has been an important element of U.S. foreign policy. As far as possible, private investment is favored over government investment because the individual enterprise system relies on private, rather than governmental, initiative.

As far as the balance of international payments is concerned, the most significant variable with respect to capital movement is the balance on capital account, including both capital movements themselves and earnings on existing investments.

The increase in the excess of international payments over receipts in the U.S. balance of international payments between 1955 and 1958 was accompanied by a substantial increase in outpayments on account of capital and outward earnings on investment. Between 1955 and 1959, in contrast, the increase in the excess of international payments over receipts was accompanied by a small increase in outpayments on account of capital but by a substantial narrowing of the export merchandise export surplus.

In 1960, compared with 1955, the increase in the excess of payments over receipts was accompanied, as in 1958, by a large increase in outpayments on account of capital but by substantial improvement in the merchandise trade surplus. The net movements of capital and earnings on capital account between 1950 and 1959 are shown in table 13.