From 1951 through 1955, the inflow of earnings on U.S. investments abroad, together with the inflow of new foreign capital, exceeded the outflow of new investment (both private and governmental) and payments of earnings on existing foreign investments in the United States, by as much as $1 billion a year. In 1956, 1957, and 1958, however, the net outflow of dollars on account of new investment and earnings on investment exceeded the inflow by as much as $1.5 billion a year. In 1956 the excess of outflow over inflow was $1.1 billion and in 1957 and 1958 it averaged $1.5 billion a year. In 1959 the outflow (particularly on private account) decreased so that there was a small net inflow of $185 million. In 1960, however, the net outflow increased to $1.3 billion (see table 13).

Between 1955 and 1958, the annual outflow of private capital increased $1.6 billion and the annual outflow of Government capital increased $656 million. In the same 4-year period the annual inflow of new foreign capital declined $322 million, so that the increase in the net annual outflow was $2.6 billion. Since net earnings on capital (inflow) increased $478 million, the net increase in the annual outflow of dollars on account of capital investment and earnings, together, was about $2.3 billion. As shown in the following tabulation, this negative balance was countered to the extent of $700 million by improvement in the merchandise trade account.

*Merchandise trade balance, the investment accounts and the balance of payments deficit, 1955–60*

[In billions]

| | 1955 | 1958 | 1959 | 1960 |
|---|---|---|---|---|
| Overall adverse balance in international payments | −$1.1 | −$3.4 | −$3.7 | −$3.5 |
| Merchandise trade surplus | +2.9 | +3.6 | +1.1 | +4.5 |
| Investment accounts | +.77 | −1.54 | +.2 | −1.3 |

In 1959 there was a substantial decline in both private and governmental foreign investment so that, on balance, there was a small net dollar inflow on account of new investment and investment earnings, amounting to $185 million. Meanwhile, the merchandise export surplus was narrowed by $2.5 billion (from $3.6 billion in 1958 to $1.1 billion in 1959).

In 1960 there was a substantial increase in outward capital movement, particularly short-term private capital, so that the net outward movement of funds on account of capital and earnings thereon totaled $1.3 billion, which was much more than matched by a substantial improvement in the merchandise export surplus ($4.5 billion).

Table 13 shows the details regarding private and U.S. Government foreign investment. The bulge in private investment in 1956 and 1957 was accounted for primarily by direct investment. Although this type of investment has since decreased there has been a substantial increase in short-term capital movements. Portfolio investment [other long-term investment] consisting principally of bonds and stocks increased steadily through 1958 but in 1959 and 1960 was at about the same level as in 1957.