

Military expenditures abroad should not be confused with military supplies and services that are transferred to foreign countries as military assistance under the mutual security program. Military assistance, which totaled \$4.3 billion in 1953, declined to \$2.1 billion in 1959 and to \$1.7 billion in 1960.¹ Although this expenditure comes out of the taxpayer's pocket, it does not add to the external flow of dollars, since the supplies and services are purchased within the United States. Therefore, they are not included in the balance-of-payments figures.

Cost of maintaining U.S. military forces abroad

The military expenditures that do affect the balance of international payments are the dollars that are transferred for the support of the U.S. Military Establishment abroad. These amounted to approximately \$2.5 billion per annum in the period 1952-55. They increased to \$3.4 billion in 1958 and totaled \$3.1 billion in 1959. In 1960 they amounted to about \$3 billion. These amounts do not cover the total cost of our foreign military operations, but only that part of military expenditure which is received by nationals of foreign countries.

Military expenditures abroad have enabled certain countries in Western Europe and Japan to increase their gold and dollar reserves. Of the \$3.1 billion of military expenditures abroad in 1959, \$1.5 billion was spent in Western Europe (\$665 million in West Germany, \$303 million in France, \$297 million in the United Kingdom, and \$116 million in Italy-Trieste), \$428 million in Canada, and \$381 million in Japan. U.S. military expenditures abroad totaled about \$600 million per year during the 5 years preceding the Korean war and the creation of the North Atlantic Treaty Organization. Increased expenditures in the Far East brought the total expenditures for this purpose up to \$1.3 billion in 1951. Military expenditures abroad doubled between 1951 and 1954.

As shown in the following tabulation, almost one-third of the total expenditure in 1959 was for the purchase of materials and supplies, which consisted largely of jet fuel, motor gasoline and other petroleum products, and fresh fruits and vegetables for the use of troops or for sale in commissaries, as well as other general supplies. Over one-fourth of the expenditure was by troops, civilian personnel and post exchanges.

Expenditures in connection with U.S. Military Establishment abroad, 1959

	Expenditures	Percentage distribution		Expenditures	Percentage distribution
	<i>Millions</i>			<i>Millions</i>	
Purchase of materials and supplies.....	\$987	31.9	Offshore procurement for military assistance programs.....	\$149	4.8
Expenditure by troops, civilian personnel, post exchanges, etc.....	873	28.3	Contribution to NATO multilateral construction program.....	68	2.2
Other expenditure for services.....	758	24.5	Purchase of equipment.....	38	1.2
Expenditure for construction.....	217	7.0	Total.....	3,090	100.0

Source: Survey of Current Business, U.S. Department of Commerce, December 1960.

¹ Annual rate based on 1st 9 months.