Certain transfers of surplus agricultural commodities also involve dollar grants. It has been estimated that about one-half of all nonmilitary grant aid involves dollars, thereby exerting a direct effect on the payments side of the balance of payments.[1]

There is some feeling that, because of its outstanding economic growth in recent years, Western Europe should be asked to bear a larger proportion of the total cost of economic aid than it has been bearing. As far as can be ascertained, Western European countries spent approximately $1.1 billion on bilateral aid to underdeveloped countries (mostly their own oversea territories) in 1958. This figure is not altogether comparable with the $1.6 billion of grant aid given by the United States, since it includes aid to underdeveloped countries only.

According to the OEEC, the per capita physical output of Western Europe increased 18 percent between 1953 and 1958, compared with a decline of 1 percent for the United States. However, the per capita gross national product of the United States in 1958 was almost three times larger than that of Western Europe ($2,300 per capita, compared with $820). In 1953 it was slightly more than three times as large.

Whether or not the Western European countries are bearing a fair share of the cost of economic aid, it is evident that as far as their balance of payments positions are concerned they are in a better position now than they were a few years ago to bear a larger share of the cost.

Foreign Dollar Balances and Gold Movements

The recent deficits of international dollar payments over dollar receipts have taken the form of increasing balances to the credit of foreign banks or nationals in U.S. banks. Except in 1949 and 1957, U.S. payments exceeded receipts and the excess appears as the balancing item on the right (receipts) side of chart I. When the United States has an excess of dollar receipts over dollar payments the decreases in the balances held by foreigners appears on the left (payments) side of the chart.

Table 21 shows the annual changes in foreign-held dollar balances and international transfers of title to gold.[2] An outstanding fact is that, although sales of gold to foreigners in 1958, 1959, and 1960 totaled $4.7 billion, they have not occasioned a decline in foreign-held dollar balances. In fact, such balances increased in this period by $5.9 billion. If there were an appreciable loss of confidence in the U.S. dollar, the dollar balances would have decreased and foreigners would have converted dollars into gold.

This is not to say, of course, that continued loss of gold at the rate at which it was being sold in 1958 and 1960 could continue indefinitely, even though it undoubtedly could go on for several years without impairing confidence in the dollar.

[1] Data obtained from U.S. Department of the Treasury.
[2] Most of the gold that has been "exported" has not left the United States physically. It has been transferred in the vaults of the Federal Reserve Bank of New York to the accounts of the appropriate foreign countries. Such "earmarked" gold, amounting to $11 billion in 1960, is not part of the gold reserve of the United States.