investment both sides of the movement from one type of foreign asset to another will be recorded in balance-of-payments statistics. (The purchase of English Ford by the parent company was first recorded in the statistics of December 1960 as an outflow of short-term claims payable in foreign currency on the part of nonfinancial corporations, then moved to direct investment.) But if the deposit is used to buy short- or long-term securities through a foreign broker, then it will probably not be recorded since we collect no information from foreign brokers and security dealers. There will be recorded an outflow and then a flowback of short-term capital, and a negative amount for "errors and omissions" which should in fact be recorded as purchases of either short- or long-term securities.

The "errors and omissions" item in our balance-of-payments statistics was substantially positive throughout the 1950's, but turned sharply negative in 1960 and 1961, leading many people to feel that the outflow of short-term capital during this period was substantially greater than that indicated by the statistics on recorded flows. I share his view and have tried to trace what type or types of capital flows may have been involved. Time does not permit me to go into the details of this work, but there is evidence which points to the movement of capital by U.S. nonfinancial corporations as a likely suspect. Changes in short-term claims on the part of such corporations are very closely correlated with changes in "errors and omissions"—so closely correlated that, regardless of the paucity of data, it seems almost inconceivable that the relationship is due to chance.

If changes in "errors and omissions" are in fact associated primarily with short-term capital movements as the data suggest, the outflow was actually $2.5 billion in each of the years 1960 and 1961, rather than the $1.3 billion which was recorded. Some of the unrecorded flow may well have been moving in response to interest rate differentials, but the suggested link to the short-term capital outflow of nonfinancial corporations would point more, perhaps, to the tax factor. I am afraid that I will have to end this section at this point by simply saying that more work needs to be and is being done on this thorny problem.

TABLE 1.—*U.S. balance of payments, annual average of 1952–56 and 1957–61*

[Millions of dollars]

	Annual average	
	1952–56	1957–61
Balance on current account	2,083	3,450
Private remittances	−471	−587
U.S. long-term capital:		
Direct investment	−1,006	−1,657
Net purchases of foreign securities	−100	−778
Other, including trade credits	−138	−232
Total	−1,244	−2,667
Foreign long-term capital:		
Direct investment	169	144
Other, including net purchase of U.S. securities	161	265
Total	330	409
Government loans and grants (nonmilitary)	−2,247	−2,744
Basic balance	−1,549	−2,139
Short-term capital:		
U.S.	−254	−672
Foreign	217	224
Errors and omissions	427	137
Total	390	−311
Financial balance	−1,159	−2,450
Change in gold holdings (+ denotes foreign purchases)	163	930
Change in liquid liabilities to banks plus official	996	1,520
Total	1,159	2,450