1961 at least some of this outflow represented deposits being placed in Canadian banks.

This table also shows that so far as we have information for the first half of 1962, there has been a very sharp drop in the amount of capital outflow reported by American banks. The only large flow was reported for Japan, and we know that was largely in the early months of the year and has since also fallen off.

In addition to the short-term capital flows, we have shown in table 2 the principal components of the long-term investments held by Americans in foreign countries, showing both estimates of the value of those investments and of the annual increases growing out of capital outflows or other factors.

I should say here there is no clear-cut distinction between so-called long-term capital outflows and short-term capital outflows. These are largely nominal differences, short-term being merely applied to investments in assets whose original maturity is 1 year or less. But a great deal of the investment in direct investments can also be short-term in character, and also purchases of securities.

Table 2 shows that the capital outflow of the long-term variety was also high in 1960 and 1961 at a rate of about $2½ billion a year. But this is not drastically different from the experience we have had for a good many years in the balance of payments. As has generally been true, the direct investments have been the largest component, and the principal changes in recent years in the outflow of capital of this kind has been an increase in the proportion going to Europe, and some falling off in the amounts going to Canada and Latin America.

Sales of foreign bonds in this country have been relatively stable. They reached a peak in 1958 when our interest rate structure was particularly low. The borrowers have been principally Canadian borrowers, the International Bank for Reconstruction and Development, and the steady sale of the bonds of the State of Israel. More recently there have been heavy offerings from Europe and from Japan.

With respect to the European and also the Japanese bonds, a considerable part of what is offered in this market is taken by investors in other countries. As Professor Bell has said, Americans buy considerable quantities of equity securities of European countries, and Europeans buy considerable amounts of American equity securities. At the moment equity markets throughout the world have been declining, so that European purchases of American stocks have become quite low, and the same thing has happened to American purchases of European equity securities.

I believe that summarizes the principal facts that we have at hand on the kinds of capital outflows that have been occurring in the last 10 years or so.

Senator PROXMIRE (presiding). Thank you very much, Mr. Pizer. Mr. Klopstock, you may proceed in any way you wish.

STATEMENT OF FREDERICK H. KLOPSTOCK, MANAGER, RESEARCH DEPARTMENT, FEDERAL RESERVE BANK OF NEW YORK

Mr. KLOPSTOCK. I do not have a statement, sir. But I would like to comment briefly, if I may, on the statement of Professor Bell.

We at the Federal Reserve Bank of New York are also engaged in studies on the interest rate sensitivity of capital movements. Our