

(The information referred to follows:)

Data of the type referred to are not readily available. Some impression of the relative size of foreign holdings, however, can be gained from the following:

Foreign ownership of U.S. stocks as percent of market value of outstanding U.S. corporate stocks

	<i>Percent</i>
End of 1946-----	2.5
End of 1963-----	2.1

Mr. SCHNEEBELI. I think the record should show what the percentage was 25 to 50 years ago compared with today.

Mr. ULLMAN. Without objection the record will remain open. Mr. Broyhill?

Mr. BROYHILL. Mr. Secretary, does \$141 million in net purchases made during the past 6 years reflect the earnings on those investments, the dividends paid?

Secretary FOWLER. No; that reflects I think more the balance of purchases against sales. In other words, the gross volume of purchases and sales runs in the neighborhood of \$2½ to \$3½ billion in a year, but when you net it out the \$141 million figure represents net purchases.

Mr. BROYHILL. Then under the \$141 million there is not much of a margin if there were many dividends paid. Is it possible that we could actually have had a net loss of balance of payments during that period due to dividends being paid out.

Secretary FOWLER. Of course there is no question but what the increase in the rate of foreign holdings in the United States will over the long-term reflect, presumably in dividends or capital gains withdrawn, an outflow of funds. Otherwise there would be no inducement for foreign investment here.

I think you put your finger on a point—that the long-term consequences of increased foreign ownership of U.S. corporate securities does entail a withdrawal of earnings from this country. That is the reason that Great Britain and France prior to the war, and Germany as well, had a policy of encouraging this type of investments for the long pull.

There was a national policy of encouraging that for the very reason you indicate. Since the war this hasn't really caught hold again as a matter of national policy throughout Western Europe. I think that we have to look also at the political consequences of such a policy.

I think my own attitude on this would be that it makes for a healthier set of political and economic interrelationships between citizens of various countries if U.S. citizens have some stake in securities of foreign corporations and if a large number of individuals in other countries have a stake in the United States.

I think it is just like tourism. It is like U.S. companies doing business abroad, foreign companies doing it here. The more this economic interrelationship can be encouraged, I think the better the overall understanding and allegiances, alliances, or friendship, whatever term you want to apply to it, are apt to be engendered.

Mr. BROYHILL. Did I infer correctly from your remarks that there possibly has been a loss in balance of payments during the past 6 years as a result of foreign investment in this country—we are talking about 6 years—with \$141 million net gain in purchases? I understand over the long run it has resulted in a loss in balance of pay-