

tions. We have to look at the balance of payments to see the whole picture. The economist speaks of "goods and services" and our international economic relations must include the service sector as well as the goods sector.

The balance of payments is the figure that shows the balance or imbalance of our total economic exchange with other nations. It includes the following:

The net of foreign trade.

The net of tourism.

The net of services (shipping, insurance, et cetera).

The net of capital and investment flow.

The net on gifts and loans.

It turns out that our foreign aid policy represents another break with previous history in our foreign economic relations. The massive outflow of dollars through foreign aid gifts have had important implications for our balance of payments. Nevertheless, the most fundamental factor relative to a balance of payments is the competitiveness of a given economy in world markets. If, for example, our competitive position were favorable enough, all of the foreign aid dollars would be spent for our products, and thus, the gifts would not have an influence on the balance of payments.

As shown in figure 8, we have had a negative balance of payments every year since 1949, except for the year 1957 when the Suez crisis

U. S. BALANCE OF PAYMENTS

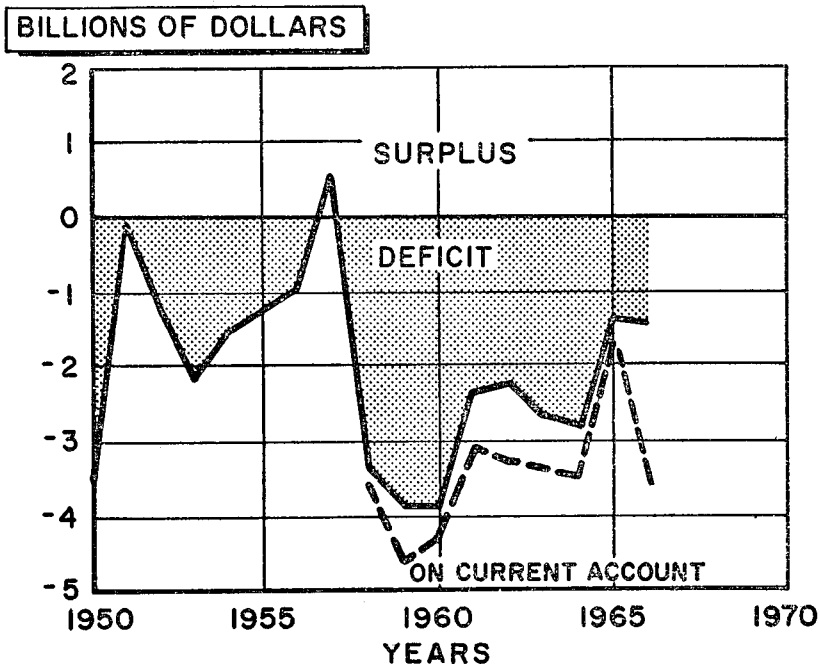


FIGURE 8