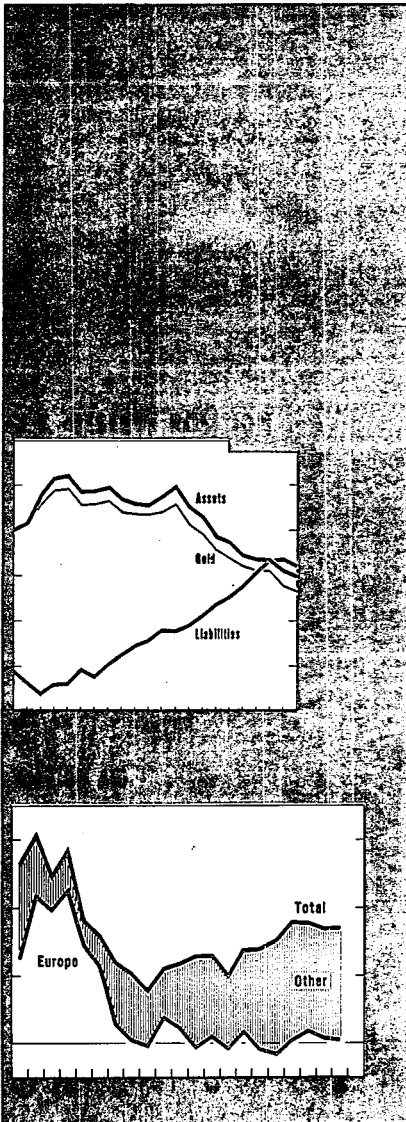




workers, unemployment rates last year were below 3 per cent, but for those without skills the rates were much higher.

Structural unemployment problems cannot be solved by aggregate monetary and fiscal policies alone. But with the social costs of unemployment extraordinarily high, the need to maintain a strong and growing economy has become more urgent.

Let us now turn to the position of the United States in the world economy.

BALANCE OF PAYMENTS

It was in 1958—9 years ago—that erosion of the U.S. international reserve position, and the payments imbalance from which it stems, began to be a serious problem for the United States. The problem has proved persistent. Total U.S. reserve assets—consisting of gold, convertible currencies, and our reserve position in the International Monetary Fund—have declined by about \$10 billion since 1957, and U.S. liabilities to foreign official institutions have increased by about \$7 billion.

In order to arrest this deterioration it is necessary to achieve a better matching between our net exports of goods and services, on the one hand, and our expenditures abroad for aid, military purposes, and foreign investment, on the other.

Foreign economic aid in the first 5 post-war years averaged over \$5 billion a year, with heavy outflows to Europe. At that time, with urgent demands and severe shortages of capacity abroad, any flow of dollars from the United States pulled U.S. exports with it. Since 1952, net aid to Europe has been very small—even negative in years when large advance repayments of debts were being made. Aid to other countries continued to show a rising trend through 1962 but has since leveled off.