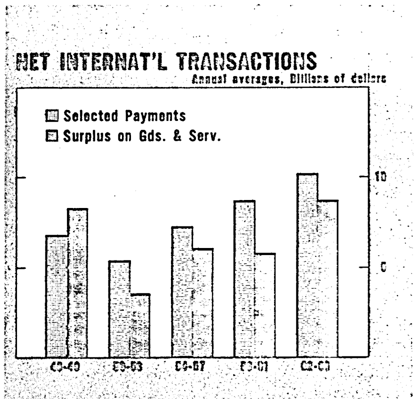

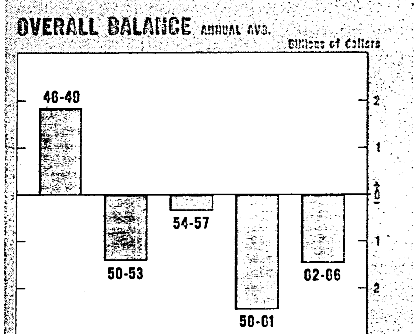

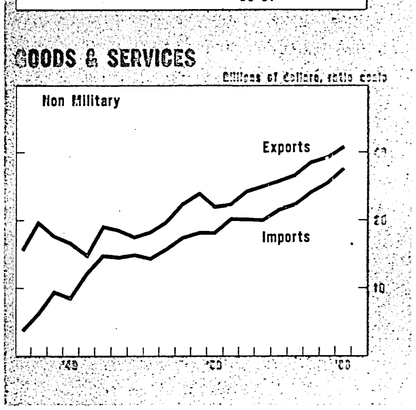

and the voluntary programs are still exerting substantial effects this year.

In the accompanying chart, we have added up, for successive periods, the selected aid, military, and investment payments just discussed. The steady increase since the early 1950's is evident.

Meanwhile, the U.S. export surplus on goods and services has also been on a rising trend since the early 1950's. But net receipts on goods and services have not been large enough to match the total payments on aid and on military and investment accounts.

Thus, the overall balance of payments—shown in the accompanying chart on the official reserve transactions basis—has been in deficit since the early 1950's. At first, these deficits were regarded as desirable, since postwar reconstruction required some building up of the gold and dollar reserves of foreign countries. But by the time the worldwide boom of the mid-1950's came to an end, the dollar shortage was clearly over, and substantial U.S. payments deficits were no longer welcome. Just at that time, the rate of deficit increased sharply—to an average of about \$2.5 billion a year in 1958–61. The new problem was to reduce these deficits. Since the early 1960's, the rate of deficit has been cut by nearly half. But it remains too large, and the accompanying erosion of the U.S. reserve position is a serious problem.

While limitations on capital outflow can contribute to the solution of this problem, heavy reliance must also be placed on a long-run improvement in the surplus of exports over imports of goods and services. Since the early 1950's, exports of goods and services, including investment income receipts, have been growing at about the same rate as imports. These more or less parallel movements have given the net balance on these transactions an increasing trend,