6.

Unfinished Business

Two or three times in this essay I have warned that the agenda for negotiations on international monetary problems includes an item "unfinished business" that promises or threatens to be more demanding than anything accomplished thus far. The most urgent problems are those of adjustment to restore balance in international payments and of confidence to avoid destruction of existing currency reserves. Both these problems are closely connected with the gnawing question of gold.

I shall first present brief descriptions of the apparently intractable problems: the persistent imbalance of payments of the United States, the precarious "overhang" of dollars in private and official possession abroad, and the massive speculation in gold. I shall then proceed to a discussion of the alternatives that actually or seemingly offer themselves for dealing with what will clearly manifest itself as a frightful predicament.

The Payments Deficit of the United States

The United States has been running a deficit in its balance of payments since 1950, that is, for 18 years, except in 1957, the year following the Suez crisis. (Even for that year a deficit would be shown if "errors and omissions," carrying a positive sign at the time, were not included as receipts.) The computation of a deficit is, of course, a matter of statistical convention, and by the conventions of the 1950's one would still be speaking of American "surpluses," as was done when additional dollar balances were in heavy demand by almost all foreign nations. But by the definitions now most widely adopted,[1] the United States ran deficits in the 1950's as well as in the 1960's. The hard fact behind all statistical calculations is that the United States, between 1949 and 1967, has seen its monetary gold

[1] See footnote on the following page.