

stock decline from \$24.6 billion to \$12 billion and its liquid liabilities to foreign monetary authorities increase from \$3.2 billion to \$15 billion. (By the middle of March 1968 the gold reserves were down to \$10.5 billion and the official liabilities were up to nearly \$16 billion.)

No one was worried about these deficits between 1950 and 1958. Indeed, most commentators were pleased about the redistribution of gold and about the increase in dollar reserves of the non-dollar countries during these years of "dollar shortage." Later, however, the appetite for official dollar reserves had been fully satisfied and misgivings about a "dollar glut," a supply of more dollars than were wanted, began to be voiced. As a matter of fact, the supply of dollars increased, instead of declining, and many of the unwanted dollars were returned to the United States for conversion into gold. From December 1957 to December 1961, the monetary gold stock of the United States fell from \$22.9 billion to \$16.9 billion.

Beginning in 1960 the United States adopted a series of measures designed to reduce or remove the payments deficit. These measures were of two kinds: (1) selective correctives, that is, measures supposed to operate on particular types of transactions and to improve selected items in the balance of payments, and (2) general adjustment policies, that is, policies to affect the general level of incomes and prices in ways that would through market forces improve the balance on goods and services.

The adjustment process seemed to work satisfactorily for a number of years, thanks chiefly to the fact that price levels were kept relatively stable in the United States but rose substantially in many other countries, especially in the large industrial countries of Europe. This allowed the American export balance of goods and services to increase from \$2.2 billion in 1958 to \$8.5 billion in 1964. However, a sharp increase in capital outflows canceled out much of the

(footnote referred to on page 96.)

¹At present the United States calculates two official figures: the deficit on the "liquidity basis," and the deficit on the "official-settlements basis." Two other significant concepts are the deficit in the "basic balance" and the decline in "net foreign reserves." Although these four balances are drastically different, the deficit has persisted no matter which of the four concepts is used.