

International Transactions of the United States (1946-1968) (*)

In spite of the extensive literature on the deficit in the US balance of payments, there is a great deal of confusion on the subject. In this article, we would propose to concentrate on the presentation of the facts from 1946 to 1968 in a form which will permit of a searching economic analysis. This approach, we believe, will bring out a better understanding of the transactions between the United States and the rest of the world. This method involves the use of several accounts and sub-accounts as well as the calculation of different types of balances.

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Three main types of account have to be examined separately.

I - The *current transactions account* covers regular or working receipts and expenditures which should normally balance out in the course of the year. These transactions are of a once-for-all nature in the sense that they rule out the prospect of a return flow of foreign payments in the future. This account is the traditional type and continues to merit close scrutiny.

II - The *capital transactions account* covers receipts and payments which involve at some future date a transaction in the reverse direction (but not necessarily of the same amount). The capital transactions may be short term (cash movements whereby funds are deposited with or withdrawn from a foreign country), or else long term (investments of a certain duration which are intended to produce dividends or interest over and above amortization). Capital transac-

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tions are not in any way regular, and it is normal for a country, depending on the period chosen, to be more of an exporter at some time and at other times rather an importer of capital. An investment abroad does not constitute a deficit, in this sense that it is not a consumption expenditure but the trade-off of an asset for another. However, from the point of view of the foreign exchange market, this investment leads to a demand for foreign exchange which may tend to raise the exchange rate and might call for intervention to prevent it. One should be very careful to distinguish between temporary pressure on the exchange market (especially at pegged rates) and balance of payments disequilibrium.

III - The *account for settlements or offsetting transactions* comprises transactions, generally by the Government — which take place *after the event* — to make good certain imbalances, or which at least appear to be so, and/or to ensure the stability of the exchange rate. These transactions involve payments in an international currency and are designed to settle a debit balance. Settlement transactions are the ones which raise the most difficult problems.

SECTION I

THE CURRENT TRANSACTIONS ACCOUNT

This account may be conveniently divided into two sub-accounts: operations affecting goods and services (A), and unilateral transfers (A').

The sum total of these two sub-accounts gives the balance of current operations which we will call BALANCE B (1). Thus,

$$A + A' = B.$$

I. Sub-account A - Goods and Services.

Sub-account A comprises, on the one hand, exports and imports of *goods*, and on the other incomes received or paid for *services* (such as transport, insurance, the use of patents, repairs to ships, etc), as well as the income of the factors of production (including capital).

(1) We have used the same system of notation as in our book *Les Problèmes monétaires internationaux* (Paris, Payot, 2nd edit., 1969), and added a few further symbols to it.

In Table I (see Annex), we recapitulate year by year *total receipts* in respect of sales to foreign countries, and receipts of special interest from certain major categories of transactions (sales of goods, travel, income from capital invested abroad. Column f shows the Gross National Product at current prices which makes it possible to compare any item, in a given year, with the GNP of that year.

Table I calls for the following comments:

- 1) U.S. exports have constantly amounted to between 3.5 and 4 per cent of the Gross National Product (except for a marked expansion in 1946-48).
- 2) Foreign travel in the U.S. is increasing rapidly, but is still at \$1.7 billion, a fairly modest level for the U.S. economy.
- 3) Income from foreign investments has assumed considerable proportions (\$7.6 billion in 1968) as a result of their accumulation.

In the same way Table II gives the *expenditure* side of the same Sub-account A, namely purchases of goods and services. It will be noted that these expenditures have been consistently lower than receipts, as is shown by the following abridged table which gives the annual averages by period. (Balance A is given in Table III abridged).

SUMMARY OF TABLES I and II
GOODS AND SERVICES
in millions of dollars

Annual averages by period	Receipts from sales	Expenditure on purchases
	(including military supplies)	
1946-49	16,964	8,792
1950-54	19,465	15,071
1955-59	25,653	20,475
1960-64	32,695	25,434
1965-68	44,666	39,895

Military expenditure has increased sharply especially since 1965. Foreign travel by U.S. citizens, including tourism, continues — despite its regular rate of growth — to represent less than 0.5 per cent of the Gross National Product.

Lastly, it must not be forgotten that the USA also pays interest and other charges on foreign investment.

2. Sub-account A' - Unilateral transfers.

In this sub-account are included payments without counterpart, either in the same period, or in any other period. We have used definitions and figures of the Department of Commerce (Table 1, line 25). This sub-account comprises: private remittances, military grants, other U.S. Government grants and various transfers. As shown in Table III abridged, these transfers, mostly planned by the U.S. Government, do not change much in current prices and decrease in real value.

This Sub-account A' is, to a large extent, a measure of the generosity of the U.S. towards the rest of the world. It was easily financed as long as Balance A had substantial surpluses (See Table III, abridged, compare A and A'). *It could be said that these unilateral transfers were an offsetting item, namely a way to dispose of a surplus.*

In Annex, Table III gives the balances for Sub-account A (goods and services), and for Sub-account A' (unilateral transfers) and the total of both balances, namely Balance B or *Balance on current operations* (A + A').

Below, Table III abridged gives a synopsis of the annual averages by period.

TABLE III ABRIDGED

CURRENT TRANSACTIONS (for details see Annex)
in millions of dollars

Annual average by period	A Balance of goods & services (a)	A' Unilateral transfers (a)	A + A' = B Current transactions
1946-49	+ 8,171	- 4,133	+ 4,038
1950-54	+ 4,393	- 5,380	- 987
1955-59	+ 5,178	- 4,871	+ 397
1960-64	+ 7,261	- 4,179	+ 3,082
1965-68	+ 5,771	- 4,020	+ 1,751

(a) Including military operations.

3. Balance B: Current Transactions.

It will at once be obvious that, except for a short period (1950-1954), the balance A of goods and services has always shown a substantial surplus, sufficient indeed to finance the unilateral transfers (A'), with something in hand.

This does not mean that the U.S. have been doing good business. If, in this sector of transactions, they have been receiving more money than they have paid out, it is because *they have delivered more goods and services than have been supplied to them*. It is not true that they spent more than they were earning; but, it is true — as shown below — that they have invested abroad more than they could afford from their trade income and that some part of these investments were financed through financial operations.

This observation modifies the customary perspective. We must not restrict our analysis to the money account which registers receipts, expenditures and the balance (see Table III abridged, above). We must also consider the supplies of goods and services delivered and obtained. In this *perspective of flows of real resources*, it will be noted that the U.S. have delivered to foreign countries, in 1946-68, goods and services for a total of \$639 billion (Table I), and received only \$499 billion (Table II), i.e. "a loss of substance" for the national economy of \$140 billion, of which the money counterpart was used to finance unilateral transfers (\$104) and, in part, the country's investments. We must stress the concept that a sales surplus, in the same way as gold, constitutes a means of financing an excess of expenditures under other headings. To the extent to which this "financing in goods and services" helps to create productive investment and future income, it is in fact good business. If, on the other hand, there is not enough real value, the export surplus is a loss. It is strange that many experts are sensitive to gold losses and not to "losses of substance" through excess exports!

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If, as was long believed, by taking into account only the money flows, the balance on current operations is the best yardstick of the state of international transactions, the situation in the U.S. has been consistently "favourable". However, it has deteriorated since 1964 or 1965, for Balance A has been shrinking every year, so that, in

1968, Balance B was negative (minus \$907 million). A point has therefore been reached at which the money surplus on goods and services no longer enables the country to finance both unilateral transfers and (in part) investment abroad. We must stress, however, that the change has not taken place ten or five years ago, but very recently. If this shrinkage of the Sub-account A persists and becomes trend, the U.S. will no longer be able to finance aid and foreign investment through the surplus on goods and services.

SECTION II

THE CAPITAL TRANSACTIONS ACCOUNT

Transactions on capital account are distinguished according to their duration (long and short term), the sector concerned (public or private), the place of residence of the owners of the capital, and other criteria. As will be readily understood, the combination of the different criteria gives rise to rather complex classifications. In the present account, we use the following distinction:

— Sub-account CA: Movements of capital belonging to U.S. residents, and

— Sub-account CE: Movements of capital belonging to foreigners or non-residents.

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1. Outflow and inflow.

In each sub-account, there are movements in both directions (investments and withdrawals), but we have included the *net* movements of CA and CE.

In Table IV, (see Annex), after having shown the movements of private capital (column a) and the movements of Government capital (column b), which have always been outflows of U.S. capital, we come to item CA as *net outflow of U.S. capital* (column c). Column d gives us the *net inflow* of foreign capital (Sub-account CE).

The figures show (column c) that the U.S.A. started to invest substantially abroad from 1956 on. But, it must not be forgotten that foreigners since 1948 have never stopped sending their capital

to the U.S.A. and that the inflow of foreign capital has swollen since 1959 (except 1965). In 1968, the inflow (CE) was greater than the outflow (CA) by \$2 billion. It will never be known whether it is the non-resident who sends back to the U.S. the money which U.S. citizens have lent or given him, or whether U.S. bankers and others are lending back to the world on long term the money which foreigners have deposited with them (the "Després-Salant-Kindleberger theory of intermediation"), or whether there is a continuous circuit. It may also be that there is a certain *independence* of each of these flows from the other. And it is also a fact that U.S. banks and firms are sending forth and back their money to and from their foreign branches, or subsidiaries.

We give below an abridged Table IV, with annual averages for CA, CE and for the overall balance of capital transactions (K). To facilitate comparisons, we add Balance B.

TABLE IV ABRIDGED

CAPITAL TRANSACTIONS
in millions of dollars

Annual averages by periods	CA	CE	K	Balance on current transactions B
1946-49	-2,944	- 395	-3,339	+ 4,038
1950-54	-1,304	+1,310	- 6	- 987
1955-59	-3,287	+1,955	-1,332	+ 397
1960-64	-5,796	+2,517	-3,279	+3,082
1965-68	-6,556	+4,878	-1,677	+1,751

From this Table IV, it is clear that the net capital outflow of U.S. capital has always been larger than the net inflow of foreign capital.

This can be analyzed in three different ways:

(a) a simple and naive way consists in considering the balance K as the algebraic sum of outflow (—) and inflow (+); the result has always been negative and can be called a *cash deficit*; such cash deficit has practically been offset throughout the period by the positive balance on current account (B);

(b) a second way consists in considering the outflow as an expenditure and to say that it has been "financed" not only by the surplus on current account (B), but also by the inflow of foreign capital (CE); in that case, the "deficit" for the whole period would have been \$90 billion;

(c) a third and more sophisticated way consists in saying that part of the inflow should be treated as regular receipts (above the line) while another part of the inflow should be regarded as an offsetting item; this third way will be discussed further under Section III below.

Using the first way, we have found that balance K was —\$43 billion for 1946-68 and —\$40 billion for 1947-67 (see Table IV, in Annex). For the whole period the surplus on current account has been large enough to "finance" or "offset" 80 per cent of this deficit.

2. Yearly flows and changes in position.

But, we think that capital expenditures should be considered from an entirely different perspective. It is an expenditure incurred with a *view to acquiring foreign assets*. It is a quid pro quo, a "trade-off". The counterpart is provided simultaneously under the form of titles or claims on properties. What will be given at a later date is the payment in the form of dividends, profits and amortization. In order to appreciate the meaning of the expenditure, it is essential to *compare the sum of yearly flows with the increases in foreign assets*, as given by the successive "investment position of the U.S."

Tables VIII A and VIII B give the *foreign investment position* of the United States at different dates, from 1919 to 1967.

On the basis of these Tables and of Table IV (columns c and d), we have drawn up a *SYNOPTIC TABLE OF CAPITAL TRANSACTIONS* which shows the changes in the *foreign position* of the United States (assets and liabilities) between the end of 1946 and the end of 1967 and makes possible a comparison of these changes in the position with the capital flows of the years between these two dates (1947 through 1967).

The *structure of the assets* has completely changed. In 1946, the short-term holdings (\$22 billion) were composed almost exclus-

ively of gold (\$20.5 billion) and were substantially higher than the long-term assets (\$17.2 billion). In 1967, the long-term assets were almost four times as large as the short-term holdings (\$105 billion and \$27 billion respectively); of the short-term holdings, gold then accounted for only 40 per cent. A new development is that the United States now has important private short-term claims on foreign countries (\$12 billion private short-term claims as against 1.3 in 1946). The long-term holdings have risen from \$17 billion in 1946 to \$105 billion in 1967.

The *liabilities* show a large increase, but their *structure* was only very slightly modified (54.08 per cent short-term in 1967, instead of 53.62 per cent in 1946).

It is true that the liquidity ratio is no longer what it was (2.58 per cent), but it is still very reasonable (0.72 per cent of total liquidity). It should also be noted that a substantial part of the short-term liabilities (\$15 billion out of \$37 billion) is "due" to Central Banks and is used by them as dormant reserves; in spite of much ado about it, the likelihood of a rush is not very high.

Being willy-nilly a banker for the world, the U.S. has indeed substantial deposits "on call". But, it is the philosophy and the every day practice of any bank that all deposits are not withdrawn at the same time. A reasonable reserve is enough. In case of an emergency, there must be a last resort (I.M.F., Central Banks, etc.), not necessarily and exclusively gold.

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An even more interesting point, from our point of view, is the *comparison between the sum of annual capital flows and the variations in assets* (gross or net).

Between 1947 and 1967, the United States sent abroad capital flows (CA) amounting to a total of \$79.4 billion of which \$22 billion were in the form of Government loans (2).

According to our synoptic table (line 8), the gross assets have increased over the period as a whole by almost \$93 billion. The United States, therefore, have made a gain of 17 per cent on their investment (in addition to dividends). If account is taken of the

(2) In the account of settlement transactions, we will extract certain capital movements from the Capital Account and treat them separately.

depreciation of purchasing power of the dollar and of the constant economic expansion, *this is not a very remarkable achievement*. Even if we consider only private capital, the result is still modest. The flow of investment amounts to \$57 billion, and the increase in private-assets to \$80 billion, i.e. a capital growth of 40 per cent over 20 years.

CAPITAL TRANSACTIONS
in millions of dollars

SYNOPTIC TABLE

	Foreign investment position of the U.S.A.			Sum of yearly flows
	End 1946	End 1967	Difference 1946-67 (1)	1947-67
<i>I Short term</i>				
1 Assets	22,003	27,140	+ 5,137	US capital
2 Liabilities	8,515	37,651	- 29,136	
3 ASSETS - LIABILITIES	13,488	- 10,511	- 23,999	
4 Liquidity ratio (1:2)	2.58	0.72		- 79,387
<i>II Long term</i>				
5 Assets	17,219	104,987	+ 87,768	Foreign capital
6 Liabilities	7,365	31,962	- 24,597	
7 ASSETS - LIABILITIES	9,854	73,025	+ 61,171	
<i>Total</i>				
8 Assets (1+5)	39,222	132,127	+ 92,905	Net flow
9 Liabilities (2+6)	15,880	69,613	- 53,733	
10 ASSETS - LIABILITIES (3+7 or 8-9)	23,342	62,514	+ 39,172	

(1) Sign (+) means improvement and sign (-) means deterioration.

As to *foreign investors*, they sank \$38.7 billion (Table IV, column d) in the United States. Their "holdings" (represented by the U.S.A. liabilities, line 9 in the synoptic table) have risen from \$15.9 billion to \$69.6 billion, i.e. by \$53.7 billion. Prima facie, foreign investors have been somewhat more successful in increasing their capital (+64.5 per cent) than United States investors abroad. However, the most explicit reservations must be made as regards the reliability of statistics. It is possible, for example, that movements

of foreign capital to the United States have been underestimated and/or that U.S. holdings abroad have been under-valued.

Furthermore, this is a very rough estimate which does not take into consideration the dates and duration of investments; if foreign investments had been in the early years and U.S. investments in later years, the former would have increased more because they would have had more time to do so.

If we look at the *net flow of expenditure* and if we compare it with the *net increase in the foreign investment position*, the situation appears to be one of near equilibrium.

Having spent \$79.4 billion and received \$38.8 billion, the U.S. had a net expenditure of \$40.7 billion. The net assets (Synoptic table, line 10) have increased by \$39.2 billion. Practically both amounts balance exactly, a rather poor result.

One may very well ask whether U.S. investment abroad is good business. I would like to see an investigation made on the following point: are American firms able to invest wisely abroad and to manage properly their investments there?

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If we go back to the period 1946-1968, from a cash point of view, the capital account is as follows (Table IV):

Expenditures (CA) column c	89.940
Receipts (CE) column d	46.845
	43.095
Amount to be financed	43.095

The financing for the latter amount has come mainly from the surplus on Account B (\$35.6 billion).

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3. Balance B on current transactions and balance K on capital transactions.

Table V enables us to compare, year by year, the balances B and K and to arrive at a *provisional idea* of a kind of deficit which we will call $\Delta (=B+K)$. (See column c).

This deficit Δ is obtained by a scrutiny of recorded transactions, and turns out to be very low in relation to the figures for the deficit which are frequently quoted.

For the period 1946-68 as a whole, this deficit has amounted to only \$7.5 billion. The annual average for 1960-64 was less than \$0.2 billion and the figure for 1965-68 was \$0.074 billion. It should be emphasized that this deficit Δ is, in this view, that part of net capital outflow which is not offset by a surplus on current account. Or, in other words, that part of *net* foreign investment which is not financed by a trade income surplus. (Under other circumstances, the same formula might show a deficit as that part of the "trade deficit" which is not financed by a net inflow of capital.) However, this is only a tentative approach to the study of the deficit which must be carried a stage further by an analysis of the settlement account.

SECTION III

THE SETTLEMENT ACCOUNT

While the current account and the capital account are supposed to record business transactions, the "settlement account" is intended to show how discrepancies between the two have been "financed" or "settled", for instance by borrowing or by sending gold. But, it is possible to proceed the other way round, namely to figure out first "the settlement deals" and to deduce from these deals that there must have been some sort of "discrepancy" to settle. Thus the deficit is measured by the "settlement transactions". The result is that *the deficit is — statistically — the sum of whatever transactions are listed as "settlement transactions"*. Since there are many ways to define a settlement transaction and to make a list of such transactions, therefore, there are many ways to figure out a "deficit".

By analogy with business accounting and, in particular, with the "Bank" account, a settlement operation is a payment (or a withdrawal of funds) designed to straighten up a balance, i.e. to eliminate any debt or credit outstanding. It is assumed that, from time to time — for example at the end of the year — the credit and debit items resulting from various transactions are added up to give an algebraic sum. If this is a negative balance, the customer pays in an equivalent amount in cash in order to "balance" his account.

Assuming that the customer "settles" his account once a year by a special cash payment, this cash payment may be regarded as the repayment of a loan granted by the bank or as a measure of the excess of debits over credits during the period. A positive balance at the end of the year could be settled by a withdrawal, but most people do not care to do so.

In practice, deals with the Bank are much more flexible. During the year, the customer who feels that he is likely to run an overdraft replenishes his account, in various ways and in advance, but it then becomes "difficult to single out the true settlement". This brings us to the heart of the difficulties involved in determining the deficit in the balance of payments by adding up the settlement operations. What should be included in these operations?

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In a simple model of international accounts, we may assume that the Government instructs its Central Bank (or its Foreign Exchange Department) to keep an account of foreign transactions, and to evaluate the deficit by the settlement operations which the Bank is obliged to carry out at the end of the year (e.g. by drawing on the International Monetary Fund or by borrowing from a foreign bank). When the Government and/or its Central Bank take charge directly, it is easy to recognize a "compensatory official financing" as an ex-post settlement of the deficit. But, life is more complicated and we can discover five different methods of describing and listing "settlement transactions".

1. Gold only.

The *first method* — a very simple and primitive one — is to consider any official disbursement of gold and only that as a settlement transaction. The fall in the gold stock is regarded as a "credit" which has been used to balance the account, and it is deduced from this operation that there was a corresponding deficit. The inflow of gold or increase in metal reserves, on the contrary, reflects a surplus in the balance of payments. The deficit will therefore be defined and measured by the decrease in gold stocks and not by the analysis of transactions, as was the case above.

2. Reserve assets.

A *second method* — a slightly more refined one — is to count all the reserves — be they gold, convertible currencies, gold tranche of the International Monetary Fund. We shall call DR the movement of these reserves. When DR diminishes, the country is credited with the payment in its general account, which leads us to assume that there was a corresponding deficit, measured by the variation in reserves.

Let us, at this point, look at Table V (Annex).

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We find "our" Δ , calculated by the analysis of recorded transactions:

$$B + K = \Delta \text{ (see column c).}$$

In column f, we have set out the variations in DR reserves as given in the President's Report (January 1969, page 325 which agrees with *Survey of Current Business*, Table III, line 4).

The difference between Δ and DR corresponds exactly — except in 1954 — to the "errors and omissions" shown by S.C.B., for the specific reason that the data obtained from recorded transactions have been reconciled with those from the reserve changes, by the use of the "errors and omissions" item.

We can write:

$$[1] B + K = \Delta$$

$$[2] DR - \Delta = EO$$

and it is understood that calculations were made by working from left to right.

We could also write that the actual deficit is not $B + K = \Delta$, but $B + K + EO = \Delta'$ or $\Delta + EO$ (column e). From equation [2] above, we might deduce: $DR = \Delta + EO = \Delta'$.

Finally, one might believe that it is easy to find out the true deficit by the formula $DR = \Delta'$ working in reverse from DR to Δ' ; looking at column f would be a wonderful short-cut!

Of course, all this reasoning is purely tautological and brings no more than the starting assumption: "if they had to pay out so much, there must have been an equivalent deficit". By adding the

appropriate adjusting item EO to the deficit as measured by recorded transactions, we make this deficit equal to the settlement transaction.

At this juncture, we are left with an alternative. Either, we stick to statistics of *recorded transactions* and we try to improve them. Or we believe in the indirect approach by "measurement of the settlement transactions" and, in that case, we endeavour to get a good definition and a good list of "settlement transactions": if this is at all feasible.

3. Official reserve position (Bernstein).

The specialists consider that certain transactions included in CE (Table IV, column d) should be transferred to the right-hand side, be regarded as offsetting operations and be used to give the measure of the deficit. Should we not, for instance, include in them all new commitments vis-à-vis foreign Central Banks? Should we also include commitments to commercial banks? *It is clear that the more items are transferred to the right-hand side, the longer the list of settlement transactions becomes, and the larger the deficit* (3). Let us analyze further several "listings" of settlement transactions.

The *third method* (the Bernstein method) — which we will call DB — consists of analyzing the variations in the *official reserve position*, counting not only reserves (assets) but the official commitments (liabilities) (4).

In practice, of course, there is no question of balancing an account by an actual "settlement" at fixed dates (5). The monetary authorities, in various circumstances and sometimes on a day-to-day basis, call on their gold or foreign exchange reserves to meet requests for conversion from foreign Central Banks or to intervene on the foreign exchange and gold markets, or enter into new commitments vis-à-vis foreign authorities. From time to time, they take stock of their reserve position and compare it with the position at an earlier date.

(3) Instead of this horizontal algebraical presentation, it is possible to use a vertical presentation of accounts, the sign = being replaced by a *line*. With the vertical model, the question is whether an item should be *above* the line (on the left-hand side) or *below* the line (on the right-hand side).

(4) Some Central Banks do not give clear accounts of assets and liabilities; it is therefore difficult to know what is the net reserve position. In France, there has been some confusion about this, particularly at the time of the devaluation of the franc (August 1969).

(5) This has happened, however, to the European Payments Union, and still happens between "foreign exchange offices".

There is *deterioration* when assets have diminished and commitments increased. The total is considered to be a settlement operation and the sign of a deficit of an equivalent amount.

The increase in gross reserves and the diminution of commitments, on the contrary, reflect an *improvement* in the balance, and, hence, a surplus in the balance of payments.

Of course, both changes, in assets and liabilities should be considered; the *net change* gives the proper figure.

Below we give the items used to calculate the balance according to the Bernstein method (DB).

VARIATIONS IN THE OFFICIAL RESERVE POSITION (DB)
in millions of dollars

	1965	1966	1967	1968
1 Official reserves (1):				
(a) Gold	+ 1,665	+ 571	+ ,170	+ 1,173
(b) Convertible foreign exchange	- 349	- 540	- 1,024	- 1,183
(c) IMF gold tranche	- 94	+ 537	- 94	- 870
Total (1)	+ 1,222	+ 568	+ 52	- 880
2 Official liabilities (2):				
(d) Liquid	- 18	- 1,595	+ ,062	- 3,110
(e) Non-liquid	+ 85	+ 761	+ 1,291	+ 2,373
Total (2)	+ 67	- 834	+ 3,353	- 737
Total 1 and 2 (3)	+ 1,289	- 266	+ 3,405	- 1,617
Assumed deficit or surplus (4)	- 1,289	+ 266	- 3,405	+ 1,617

(1) The plus sign indicates a drop in reserves which gives rise to a credit. The minus sign indicates an increase in assets.

(2) The plus sign indicates an increase in liabilities, i.e. loans which, in the immediate future give rise to a credit.

(3) The plus sign indicates the total of settlement transactions which have presumably settled an assumed deficit (or surplus).

(4) Minus means deficit; plus means surplus.

It should again be emphasized that the method consists of assessing the deficit on the basis of transactions which are considered as having served to finance it.

(See in Table VI the series of balances since 1960).

The Bernstein method obviously constitutes an improvement on the reserve method (DR), for it takes account of the new indebted-

ness of the monetary authorities (or of the reduction in their debt). Just as a private individual, in order to assess the change in his position, has to take into account not only the changes in his liquid assets and holdings, but also the evolution of his liabilities, a country has to bring into the picture its official indebtedness. Whether a deficit has been settled by *paying* a billion to or *borrowing* that sum from the Bundesbank, both cases represent the *settlement* of a deficit.

Nevertheless, the Bernstein method is open to criticism on at least three scores.

(a) It is not certain that the increase in the commitments vis-à-vis foreign Central Banks corresponds entirely to a settlement transaction i.e. to a loan made with a view to financing the deficit. It is also possible that, in part at least, the foreign Central Bank has deemed it to its advantage to deposit funds in New York, in other words, that there has been an autonomous capital movement. Why should an investment by the Banca d'Italia in New York be treated automatically as a settlement transaction, whereas an investment by the Credito Commerciale Italiano is regarded as an export of capital (to be placed on the left-hand side of the equation and regarded as a regular receipt)?

(b) The movements of funds between the private and public sectors abroad are reflected in the form of deficits or surpluses in the United States balance of payments, while the U.S. itself is not in any way responsible for this fact. Thus, when Frenchmen purchase dollars from the Banque de France, the result is that the official U.S. commitments to the Banque de France (and hence the deficit) diminish. At the same time, the U.S. commitments to the French private sector increase by the same amount. The creditors have changed but the overall U.S. liability remains the same but Bernstein has recorded an improvement of the official reserve position and not the deterioration on the other side. Later, when the French sell back the dollars to the Banque de France; the U.S. deficit increases. It will be seen below that the Lederer method avoids this drawback.

(c) Lastly, the variations in the gold tranche in the I.M.F. may have no relation to the U.S. balance of payments. When India draws dollars, the gold tranche increases, and this makes the deficit smaller; but when India repays its drawing, it reduces the U.S. gold tranche and increases the apparent deficit to the same extent.

4. Liquidity position (Lederer) (D.C.).

The *fourth method* — the Lederer method — is older than the previous approach and has been worked out by the Department of Commerce since 1946. It is not really an instrument for measuring the deficit, but rather the *variations in liquidity*.

As regards official reserves or assets, the Lederer account is exactly the same as the Bernstein account.

In the case of liabilities, Lederer omits "non-liquid" official liabilities (Roosa bonds and the like) but he adds liabilities to foreign commercial banks and to "other non-residents".

This will be clear from the following table:

VARIATIONS IN LIQUIDITY (DC)
in millions of dollars

	1965	1966	1967	1968
1 Reserves	+1,222	+ 568	+ 52	- 880
2 Liabilities:				
Liquid official	- 18	-1,595	+2,062	-3,110
To commercial banks	+ 116	+2,697	+1,262	+3,382
To other foreign residents	+ 306	+ 212	+ 413	+ 368
To international organizations	- 291	- 525	- 218	+ 82
Total	+ 113	+ 589	+3,519	+ 722
Total 1 and 2	+1,335	+1,357	+3,571	- 158
Balance	-1,335	-1,357	-3,571	+ 158

In 1966 and even more so in 1968, there were transfers from foreign *official* creditors to foreign *private* creditors. Thus, in 1968, liabilities to foreign official institutions fell by \$3.1 billion, but, as against this, it was the commercial banks which acquired short-term credits (3.4). With the Lederer method, it is the net result that counts — a moderate surplus — while Bernstein records a substantial surplus.

But, the Lederer "balance" is not a measure of the deficit. It is, to a large extent, influenced by a questionable component i.e. liabilities to foreign commercial banks and foreign residents. The

increase in these liabilities is not necessarily a settlement transaction required to offset an existing deficit. It may be traceable to an inflow of foreign funds for legitimate business or to a "line of credit" granted by American banks to foreigners (or to their branches abroad). Moreover, *the Lederer account does not take into consideration the increases in U.S. short term private assets abroad.*

At this point, an examination of the two settlement accounts — DB and DC — brings out a number of interesting points.

in millions of dollars

	1965	1966	1967	1968
Bernstein (DB)	-1,289	+ 266	-3,405	+ 1,617
Lederer (DC)	-1,335	-1,357	-3,571	+ 158

See a more complete series in Table VI.

(a) In both accounts, 1967 was a bad year by both methods, but we are far away from a persistent and increasing deficit (see also Tables V and VI).

(b) Calls on official reserves declined (1965: \$1,222 million; 1966: \$568; 1967: \$52), and these reserves increased in 1968 (see Table "Lederer" above).

(c) There is also a change in the official reserve position, the increase in convertible currencies and drawing rights offsets (and more than offset) the fall in the gold stock.

Points b and c are confirmed by the following figures:

in billions of dollars

	1965	1966	1967	1968
Gold	14.06	13.23	12.06	10.89
Convertible currencies	0.78	1.32	2.34	3.53
International Monetary Fund	0.60	0.33	0.42	1.29
Total	15.45	14.88	14.83	15.71

Source: I.F.S.

Thus, the U.S. is moving away from the gold standard if this means the exclusive use of gold as a reserve, and towards an exchange standard in which foreign currencies and drawing rights assume an important part in the composition of reserves (amounting to one-third in 1968).

(d) The nature of "settlement transactions" also changes. There is less recourse to reserve and more to credit, as is brought out by the increase in liabilities. In this respect, 1967 was a typical year. A huge deficit was financed by only \$52 million from reserves and \$3,353 million by official credits.

(e) Credits on sight have been replaced by medium-term (non liquid) credits.

in millions of dollars

	Variations in official liabilities	
	liquid	non liquid
1965	- 18	+ 85
1966	+1,595	+ 761
1967	+ 2,092	+1,291
1968	-3,140	+ 2,360
	-2,661	+ 4,497

5. Symmetrical liquidity position (DC).

A *fifth method* is, in our view, indispensable if the shortcomings of the Lederer method are to be made good.

Admittedly, Lederer is right if the question is considered from the narrow angle of liquidity and of the risks which withdrawals of funds would involve for the dollar on the foreign exchange market. It is not enough, as Bernstein does, to take into account foreign official liabilities. We must also envisage the possibility of, say, a German commercial bank withdrawing its deposits from New York and buying Marks. If the sums involved are substantial, the U.S. authorities are obliged to sell Marks on the market to prevent the Mark from going over the permissible limit and, to do so, they have to have sufficient reserves (and credit facilities). In other words, the official holdings should guarantee not only official commitments but also private ones.

However, the Lederer account is not symmetrical, for it does not include, as we have said, variations in *private U.S. holdings abroad*. These holdings might, in the example above, be used to repay the German bank (by drawing on the U.S. claims on another German bank). In any case, if we wish to study the variations in the official and private position, we must take account not only of the changes in debts but also the changes in claims. This brings us to an account DC' or Lederer account purged of its asymmetry (Table VI).

6. Doubts.

Finally, it is very doubtful that the concept of "settlement transactions" is usable as a tool to measure up the "deficit". If it is limited to gold movements, it is obviously too narrow. But, when one decides to enlarge it, one does not know where to stop. It is necessary, of course, to bring into the picture the changes in the official reserve position (i.e. position toward the I.M.F. and other central banks). But, it may be wise to consider also the changes in the short term position (assets and liabilities) towards foreign commercial banks. At this point, one may wonder why a Government long term borrowing, from outside funds, would not be a settlement transaction. And how about the long term bond issue of a nationalized enterprise or a private issue guaranteed by the Government?

If the Government applies a policy to attract, by various inducements, the investment of foreign capital, it could be said that the induced inflow of capital is a settlement transaction intended to cover a deficit.

I would even go as far as saying that there is no reason why an "export surplus" would not be a settlement transaction.

The truth is that there is no way to define a deficit. Perhaps there is never a deficit because receipts and payments always balance.

One should not be surprised to find so many figures for the "deficit".

* * *

Table VI (reproduced in the Annex) recapitulates the various balances for the years 1960-68:

Balance A: Goods and services;

Balance B: Current transactions;

Balance K: Capital transactions;

Balance Δ: B + K (recorded transactions);

Balance DB or Bernstein balance;

Balance DC or Lederer balance;

and Balance DC', or Lederer balance purged of asymmetry.

It will be seen that the total for the eight years ranges, according to the criterion chosen, from a surplus of \$47.3 billion (A) to a deficit of \$20 billion (DC), or even to a deficit of \$23 billion (K).

Table VIII shows the means whereby the Lederer balance was financed, or, which comes to the same thing, the settlement operations which in their totality measure this balance. It will be noticed that, in *the last nine years*, gold and foreign exchange represented 25.66 per cent (column c) and liquid commitments to official bodies, 13.5 per cent (\$2.7 billion). The most important part (over 60 per cent, columns f and g) comes from private commitments, i.e. private short-term capital movements, which are not necessarily settlement transactions. If this item were suppressed, the deficit would be only \$8 billion (20 - 12).

SECTION IV

CONCLUDING REMARKS

1. The so-called "balance" of payments is a statement of the short-term foreign position of the U.S.A. It can be referred to as a "cash and near-cash position" or as a "liquidity position". This position results from a comparison between assets and liabilities. From one date to another, the position changes. It deteriorates when assets decrease and liabilities increase. It improves when assets increase and when liabilities decrease. A deterioration of the net position is called a deficit of the period between two dates. An improvement is called a surplus. But these deficits and surpluses refer only to the cash and near-cash position. They have nothing to do with loss and profit as understood in usual business.

2. In the U.S.A. there are two methods to compute the *liquidity position*. They both correspond to our definitions under 1. above. The main difference is that the Bernstein balance uses only the *official* liquidity position, while the Lederer balance takes into account

the *private-and-the-official* liquidity (but omits certain U.S. private assets abroad).

3. On a long-term perspective (1946-68) and on the basis of five-year averages, the *Lederer balance* (the only one available throughout the period) has never been a serious problem. There is no trend for the worse and, in peak years, the deficit was less than half of one per cent of the Gross National Product.

DEFICIT OR SURPLUS "LEDERER" (DC)
in millions of dollars

	1946-49	1950-54	1955-59	1960-64	1965-68
Average by period . . .	+1,539	-1,685	-1,774	-2,769	-1,526

Note: In constant dollars, the 65-68 deficit would be much lower than the one in the fifties.

4. The "*account on goods and services*" records business deals (purchases and sales). All throughout the period, this account shows a surplus of receipts. This means that the U.S.A. have supplied to the world far more goods than they have received (at market prices). This might be considered, in real terms, a loss of substance or as an offsetting item.

5. All throughout the period, the U.S.A. have made "*unilateral transfers*" (gifts); with one exception, these transfers were financed by the surplus on goods and services.

6. The *balance on current transactions* (B) is the sum of "Goods and Services" and "*Unilateral transfers*". Except in 1950-54, this balance was positive during all periods (see Table III).

7. The "*capital account*", as described in Section II, shows as expenditures the net outflow of U.S. capital and as receipts the net inflow of foreign capital into the U.S.A. All throughout the period, the net outflow has exceeded the net inflow (the situation is now changing) and there has been an excess of expenditures over receipts. This is not a true deficit. One has to compare the expenditures abroad with the (long term) assets acquired.

8. The overall account from recorded transactions (current account + capital account) shows a rather small cash deficit (Table V, column c).

9. The deficit of the U.S. has been grossly exaggerated for three main reasons: a mishandling of the item "liabilities to all foreigners"; a misinterpretation of the function of "banker of the world" of the U.S. and a confusion between a liquidity problem, an exchange market problem and a "balance of incomes".

10. An increase in liabilities to foreigners is handled by both Lederer and Bernstein (their "coverage" is different, but this does not matter here) as "offsetting transactions" (below the line) and not as short-term capital imports; yet, some substantial part of these "foreign deposits with U.S. banks" have nothing to do with the settlement of a deficit; they reflect the propensity to hold dollars for various purposes (also by Central banks).

11. Being a *banker* to the world, the U.S. carries larger and larger "liabilities", because the dollar has become an international currency; the increase in liabilities is confusing because it may originate in an import of short-term capital or in an "export" of U.S. capital (line of credit granted). The increase of liabilities of the banking system has not much relation to the situation of the U.S. as a *trader*.

SUMMARY OF MAJOR ITEMS (AVERAGES BY PERIODS)
in millions of dollars

Annual average for each period	Negative items				Positive items			
	$(-A) + (-CA) + (-DR) + (-EO) = EO + A + CE + DR$							
	Unilateral transfers	US capital outflow	Increase of reserves	Errors and omissions	Errors and omissions	Goods and Services	Foreign capital inflow	Use of Reserves
1946-49	-4,133	-2,944	-1,485		+0,787	+8,171	(-0,395)	
1950-54	-5,380	-1,304			+0,335	+4,393	+1,310	+0,609
1955-59	-4,781	-3,287			+0,640	+5,178	+1,955	+0,295
1960-64	-4,179	-5,796		-0,768		+7,261	+2,517	+0,966
1965-68	-4,020	-6,556		-0,314		+5,771	+4,878	+0,240

12. Of course, as a banker, the U.S. should be concerned about its liquidity ratio. But, in general, foreign holders of dollar balances do not intend to convert them into gold. These balances are intended as *dormant reserves*, as purchasing power good all over the world, as claims on U.S. securities, as currency to purchase other currencies, etc. It is no longer necessary to have a 100 per cent gold reserve. We are not in 1844! To be sure, there may be at times "traffic jams" and "bottlenecks" on the foreign exchange market, and some arrangements should be worked out for "peak hours" or "peak days". But, there is no reason why the whole structure of international trade and international investment should be disturbed by the *dwarf problem of the balance of payments of the U.S.A.*

13. Indeed, there is no cause for all this fuss, disturbing unreasonably the international monetary system, and still less for measures perilous to the world economy.

ROBERT MOSSÉ

Grenoble

EXPORTS OF GOODS AND SERVICES
in billions of dollars

TABLE I

	Sum total		of which:				GNP at current prices
	Military supplies		Non-military goods		Travelling	Income from foreign investments	
	including	excluding		as a % of GNP			
	SCB line 1 a	SCB line 2 b	SCB line 3 c	c'	SCB line 7 d	SCB lines 11 + 12 + 13 e	
1946	14.804	14.735	11.707	5.61	0.271	0.772	208.5
1947	19.834	19.737	16.015	6.92	0.364	1.102	231.3
1948	17.237	16.789	13.193	5.12	0.334	1.340	257.6
1949	15.981	15.770	12.149	4.73	0.392	1.395	256.5
M.a.	16.964	16.757	13.266	5.56	0.340	1.152	238.4
1950	14.327	13.807	10.117	3.55	0.419	1.593	284.8
1951	20.183	18.744	14.123	4.30	0.473	1.882	328.4
1952	20.574	17.992	13.319	3.85	0.550	1.828	345.5
1953	21.123	16.947	12.281	3.36	0.574	1.910	337.6
1954	21.121	17.759	12.799	3.50	0.595	1.888	364.6
M.a.	19.465	17.049	12.527	3.71	0.522	2.227	364.8
1955	22.392	19.804	14.280	3.58	0.654	2.444	398.0
1956	26.162	23.595	17.379	4.14	0.705	2.662	419.2
1957	28.899	26.481	19.390	4.39	0.785	2.817	441.1
1958	25.353	23.067	16.264	3.63	0.825	2.845	447.3
1959	25.463	23.489	16.295	3.36	0.901	3.043	483.7
M.a.	25.653	23.287	16.721	3.81	0.774	2.762	437.8
1960	29.090	27.325	19.487	3.86	0.919	3.349	493.7
1961	30.074	28.609	19.944	3.83	0.947	3.942	520.1
1962	31.882	30.343	20.606	3.67	0.957	4.419	560.3
1963	33.994	32.432	22.071	3.73	1.015	4.649	590.5
1964	38.437	37.008	25.297	4.00	1.207	5.386	632.4
M.a.	32.695	31.161	21.481	3.82	1.009	4.349	561.4
1965	40.824	39.196	26.244	3.83	1.380	5.913	683.9
1966	44.144	43.142	29.176	3.92	1.590	6.252	743.3
1967	46.661	45.756	30.468	3.88	1.646	6.859	785.0
1968	51.036	50.199	33.376	3.88	1.762	7.685	860.0
M.a.	45.666	44.573	29.816	3.88	1.594	6.677	768.0
T. 1946-68	639.595	602.816	425.980	3.97	19.266	75.975	10,583.30

SOURCES: Survey of Current Business.

TABLE II

IMPORTS OF GOODS AND SERVICES
in billions of dollars

	Sum total	of which:				
		Non-military goods		Military expen- diture	Travelling	Income from in- vestments paid to foreign countries
			as a % of GNP			
		SCB line 14 a	SCB line 15 b	b'	SCB line 16 c	SCB line 18 d
1946	- 6.991	- 5.073	2.43	- 0.493	- 0.462	- 0.212
1947	- 8.208	- 5.979	2.58	- 0.455	- 0.573	- 0.245
1948	- 10.349	- 7.563	2.93	- 0.799	- 0.631	- 0.280
1949	- 9.621	- 6.879	2.68	- 0.621	- 0.700	- 0.330
M.a.	- 8.792	- 6.373	2.67	- 0.592	- 0.591	- 0.266
1950	- 12.028	- 9.108	3.19	- 0.576	- 0.754	- 0.369
1951	- 15.073	- 11.202	3.41	- 1.270	- 0.757	- 0.414
1952	- 15.766	- 10.838	3.13	- 2.054	- 0.840	- 0.421
1953	- 16.561	- 10.990	3.01	- 2.615	- 0.929	- 0.461
1954	- 15.931	- 10.354	2.83	- 2.642	- 1.009	- 0.420
M.a.	- 16.071	- 10.498	3.10	- 1.831	- 0.857	- 0.417
1955	- 17.795	- 11.527	2.89	- 2.901	- 1.153	- 0.489
1956	- 19.628	- 12.804	3.05	- 2.949	- 1.275	- 0.568
1957	- 20.752	- 13.291	3.01	- 3.216	- 1.372	- 0.639
1958	- 20.861	- 12.952	2.89	- 3.435	- 1.460	- 0.669
1959	- 23.342	- 15.310	3.16	- 3.107	- 1.610	- 0.828
M.a.	- 20.475	- 13.176	3.00	- 3.121	- 1.374	- 0.638
1960	- 23.355	- 14.744	2.92	- 3.087	- 1.750	- 1.063
1961	- 23.151	- 14.522	2.88	- 2.998	- 1.785	- 1.007
1962	- 25.358	- 16.219	3.11	- 3.105	- 1.939	- 1.110
1963	- 26.620	- 17.014	2.88	- 2.961	- 2.114	- 1.325
1964	- 28.688	- 16.229	2.94	- 2.876	- 2.211	- 1.456
M.a.	- 25.434	- 18.648	2.89	- 3.005	- 1.959	- 1.192
1965	- 32.295	- 21.516	3.14	- 2.945	- 2.438	- 1.729
1966	- 38.063	- 26.991	3.43	- 3.735	- 2.657	- 2.074
1967	- 40.989	- 25.541	3.43	- 4.340	- 3.195	- 2.293
1968	- 48.234	- 33.273	3.86	- 4.561	- 3.083	- 2.805
M.a.	- 39.895	- 26.830	3.46	- 3.895	- 2.843	- 2.225
T. 1946-68	-499.659	-332.338	3.10	-57.741	-34.697	-21.207

SOURCES: Survey of Current Business.

TABLE III

BALANCE OF CURRENT TRANSACTIONS (Net Balances A, A' and B)
in billions of dollars

	Net balances of goods and services (A)		Unilateral transfers (A')		Net balance of current transactions (B)
	Military transfers		Military transfers		
	included	excluded	included	excluded	
	SCB line 23 a	SCB line 24 b	SCB line 25 c	SCB line 26 d	
1946	7.813	7.744	- 2.991	- 2.922	+ 4.822
1947	11.626	11.529	- 2.722	- 2.625	+ 8.904
1948	6.888	6.440	- 4.973	- 4.525	+ 1.915
1949	6.360	6.149	- 4.849	- 5.638	+ 0.511
M.a.	8.171	7.965	- 4.133	- 3.927	+ 4.038
1950	2.299	1.779	- 4.537	- 4.017	- 2.238
1951	5.110	3.671	- 4.954	- 3.515	+ 0.156
1952	4.808	2.226	- 5.113	- 2.531	- 0.305
1953	4.562	0.386	- 6.657	- 2.481	- 2.095
1954	5.190	1.828	- 5.642	- 2.280	- 0.452
M.a.	4.393	1.978	- 5.380	- 2.964	- 0.986
1955	4.597	2.009	- 5.086	- 2.498	- 0.489
1956	6.534	3.967	- 4.990	- 2.423	+ 1.544
1957	8.147	5.729	- 4.763	- 2.345	+ 3.384
1958	4.492	2.206	- 4.647	- 2.361	- 0.155
1959	2.121	2.811	- 4.422	- 2.448	- 2.301
M.a.	5.178	0.147	- 4.781	- 2.415	+ 0.396
1960	5.735	3.970	- 4.126	- 2.361	+ 1.609
1961	6.923	5.458	- 4.043	- 2.578	+ 2.880
1962	6.524	4.985	- 4.236	- 2.697	+ 2.288
1963	7.374	5.812	- 4.370	- 2.808	+ 3.004
1964	9.749	8.409	- 4.124	- 2.784	+ 5.625
M.a.	7.261	5.726	- 4.179	- 2.645	+ 3.081
1965	8.520	6.901	- 4.463	- 2.835	+ 4.066
1966	6.082	5.080	- 3.927	- 2.925	+ 1.692
1967	5.673	4.768	- 3.981	- 3.076	+ 2.155
1968	2.802	1.965	- 3.709	- 2.872	- 0.907
M.a.	5.771	4.678	- 4.020	- 2.927	+ 1.751
T. 1946-68	139.938	103.158	- 104.325	- 67.545	+ 25.613

SOURCES: Survey of Current Business, June 1968.

TABLE IV

CAPITAL TRANSACTIONS

in billions of dollars

	Private U.S. holdings (- = increase) SCB line 32	Government holdings apart from reserves (- = increase) SCB line 41	Outflow CA a+b	Inflow CE SCB line 50	K (CA-CE) c
1946	- 0.413	- 3.019	- 3.432	- 0.985	- 4.417
1947	- 0.987	- 4.224	- 5.211	- 1.327	- 6.538
1948	- 0.906	- 1.024	- 1.930	+ 0.558	- 1.372
1949	- 0.553	- 0.652	- 1.205	+ 0.174	- 1.031
M.a.	- 0.714	- 2.229	- 2.944	- 0.395	- 3.339
1950	- 1.265	- 0.156	- 1.421	+ 1.912	+ 0.491
1951	- 1.048	- 0.156	- 1.204	+ 0.581	- 0.623
1952	- 1.160	- 0.420	- 1.580	+ 1.073	+ 0.093
1953	- 0.383	- 0.218	- 0.601	+ 1.074	+ 0.473
1954	- 1.622	- 0.093	- 1.715	+ 1.310	- 0.405
M.a.	- 1.095	- 0.208	- 1.304	+ 1.310	+ 0.005
1955	- 1.255	- 0.310	- 1.565	+ 1.357	- 0.208
1956	- 3.071	- 0.629	- 3.700	+ 2.457	- 1.243
1957	- 3.577	- 0.958	- 4.535	+ 1.132	- 3.403
1958	- 2.936	- 0.971	- 3.907	+ 1.259	- 2.648
1959	- 2.375	- 0.353	- 2.728	+ 3.571	+ 0.843
M.a.	- 3.878	- 0.644	- 3.287	+ 1.955	- 1.331
1960	- 2.642	- 1.104	- 4.982	+ 2.120	- 2.862
1961	- 4.180	- 0.926	- 5.106	+ 2.467	- 2.639
1962	- 3.426	- 1.094	- 4.520	+ 1.697	- 2.823
1963	- 4.459	- 1.661	- 6.120	+ 2.983	- 3.137
1964	- 6.578	- 1.676	- 8.254	+ 3.318	- 4.936
M.a.	- 4.504	- 1.292	- 5.796	+ 2.517	- 3.279
1965	- 3.794	- 1.562	- 5.356	+ 0.383	- 4.973
1966	- 4.298	- 2.411	- 5.832	+ 6.704	- 2.512
1967	- 5.504	- 1.534	- 7.915	+ 3.320	- 1.211
1968	- 4.860	- 2.261	- 7.121	+ 9.107	+ 1.986
M.a.	- 4.614	- 1.942	- 6.556	+ 4.878	- 1.677
T. 1946-68 . . .	-62.528	-27.412	-89.940	+46.845	-43.095

SOURCES: Survey of Current Business.

TABLE V

RECORDED TRANSACTIONS AND RECONCILIATION

WITH CERTAIN CHANGES IN RESERVES

in billions of dollars

	Net balance of current operations B a	Net balance of capital operations K b	B+K=Δ c	EO d	Δ+EO ou Δ' e	DR f
1946	+ 4.822	- 4.417	+ 0.405	+ 0.218	+ 0.623	- 0.623
1947	+ 8.904	- 6.538	+ 2.366	+ 0.949	+ 3.315	- 3.315
1948	+ 1.915	- 1.372	+ 0.543	+ 1.193	+ 1.736	- 1.736
1949	+ 0.511	- 1.031	- 0.520	+ 0.786	+ 0.266	- 0.266
M.a.	+ 4.038	- 3.339	+ 0.698	+ 0.786	+ 1.485	- 1.485
1950	- 2.238	+ 4.491	- 1.747	- 0.011	- 1.758	+ 1.758
1951	+ 0.156	- 0.623	- 0.467	+ 0.500	+ 0.033	- 0.033
1952	- 0.305	+ 0.093	- 0.212	+ 0.627	+ 0.415	- 0.415
1953	+ 2.095	+ 0.473	- 1.622	+ 0.366	- 0.666	+ 1.256
1954	- 0.452	- 0.405	- 0.857	+ 0.191	- 1.256	+ 0.480
M.a.	- 0.986	+ 0.005	- 0.981	+ 0.334	- 0.646	+ 0.609
1955	- 0.489	- 0.208	- 0.697	+ 0.515	- 0.182	+ 0.182
1956	+ 1.544	- 1.243	+ 0.301	+ 0.568	+ 0.869	- 0.869
1957	+ 3.384	- 3.403	- 0.019	+ 1.184	+ 1.165	- 1.165
1958	- 0.155	- 2.648	- 2.803	+ 0.511	- 2.292	+ 2.292
1959	- 2.301	+ 0.843	- 1.458	+ 0.640	- 1.035	+ 1.035
M.a.	+ 0.396	- 1.331	- 0.935	+ 0.423	- 0.295	+ 0.295
1960	+ 1.609	- 2.862	- 1.253	- 0.892	- 2.145	+ 2.145
1961	+ 2.880	- 2.639	+ 0.241	- 0.847	- 0.606	+ 0.606
1962	+ 2.288	- 2.823	- 0.535	- 0.997	- 1.532	+ 1.533
1963	+ 3.004	- 3.137	- 0.133	- 0.244	- 0.377	+ 0.377
1964	+ 5.406	- 4.936	+ 0.689	- 0.860	- 0.171	+ 0.171
M.a.	+ 3.081	- 3.279	- 0.198	- 0.768	- 0.966	+ 0.966
1965	+ 4.066	- 4.973	- 0.907	- 0.315	- 0.567	+ 1.222
1966	+ 2.155	- 2.512	- 0.357	- 0.210	- 1.222	+ 0.568
1967	+ 1.692	- 1.211	+ 0.481	- 0.532	- 0.051	+ 0.052
1968	- 0.907	+ 1.086	+ 1.079	- 0.190	+ 0.880	- 0.880
M.a.	+ 1.751	- 1.677	+ 0.074	- 0.314	- 0.240	+ 0.240
T. 1946-68 . . .	+35.613	-43.095	-7.482	+2.924	-4.558	+4.375

SOURCES: Survey of Current Business.

TABLE VI
 RECAPITULATION OF BALANCES 1960-68
 in billions of dollars

	Goods and services excluding military transfers		Current Operations		Capital Operations		(B+K)		Cash movements calculated according to the Bernstejn method		Cash movements calculated according to the Lederer method		Lederer net balance corrected for asymmetry	
	A a	B b	K c	A d	DB e	DC f	DC g							
1960	+ 3.970	+ 1.669	- 2.862	- 1.253	- 3.403	- 3.901	- 2.552							
1961	+ 5.458	+ 2.886	- 2.639	+ 0.241	- 1.347	- 2.371	- 0.815							
1962	+ 4.985	+ 2.288	- 2.823	- 0.535	- 2.792	- 2.204	- 1.658							
1963	+ 5.812	+ 3.004	- 3.137	- 0.133	- 2.011	- 2.670	- 3.465							
1964	+ 8.409	+ 5.625	- 4.936	+ 0.689	- 1.564	- 2.800	- 0.653							
1960-64 Total	+ 28.634	+ 15.406	- 16.397	- 0.991	- 11.027	- 13.946	- 9.143							
Averages	+ 5.727	+ 3.081	- 3.279	- 0.198	- 2.205	- 2.789	- 1.829							
1965	+ 6.901	+ 4.066	- 4.973	- 0.907	- 1.289	- 1.335	- 0.582							
1966	+ 5.080	+ 2.155	- 2.512	- 0.357	+ 0.266	- 1.357	- 0.917							
1967	+ 4.768	+ 1.692	- 1.211	+ 0.481	- 3.405	- 3.571	- 2.357							
1968	+ 1.965	- 0.997	+ 1.986	+ 1.979	+ 1.617	+ 0.158	n.a.							
1965-68 Total	+ 18.714	+ 7.006	- 6.710	+ 0.296	- 2.821	- 6.105	- 3.856							
Averages	+ 4.678	+ 1.751	- 1.677	+ 0.074	- 0.705	- 1.521	- 1.285							
1960-68 Total	+ 47.348	+ 22.412	- 23.107	- 0.695	- 13.848	- 20.051	- 12.999							
Averages	+ 5.201	+ 2.490	- 2.567	- 0.077	- 1.539	- 2.228	- 1.622							

SOURCES: Survey of Current Business.

TABLE VII
 FINANCING OF DEFICITS
 in billions of dollars

	Public financing						Private financing			Lederer Balance SCB line 3, T 3 h
	Gold SCB line 5, T 3 a	Convertible foreign exchange SCB line 6, T 3 b	a + b c	Commitments to foreign official institutions SCB line 9, T 3 d	Drawings on I.M.F. e	Commitments to commercial banks SCB line 10, T 3 f	Commitments to other foreigners SCB line 11, T 2 g	Lederer Balance		
1960	+ 1.703	-	+ 1.703	+ 1.448		+ 0.140	- 0.167	- 3.901		
1961	+ 0.857	- 0.116	+ 0.741	+ 0.681		+ 0.586	+ 0.091	- 2.371		
1962	+ 0.890	+ 0.017	+ 0.907	+ 0.457		- 0.138	+ 0.140	- 2.204		
1963	+ 0.461	- 0.113	+ 0.348	+ 1.673		+ 0.470	+ 0.385	- 2.670		
1964	+ 0.125	- 0.220	- 0.095	+ 1.075		+ 1.454	+ 0.343	- 2.800		
Total	+ 4.036	- 0.432	+ 3.604	+ 5.334		+ 2.512	+ 0.792	- 13.946		
1965	+ 1.665	- 0.349	+ 1.316	- 0.018		+ 0.116	+ 0.306	- 1.335		
1966	+ 0.571	- 0.540	+ 0.031	- 1.595		+ 2.697	+ 0.212	- 1.357		
1967	+ 1.170	- 1.024	+ 0.146	+ 2.062		+ 1.262	+ 0.415	- 3.571		
1968	+ 1.173	- 1.183	- 0.010	- 3.110		+ 3.382	+ 0.368	+ 0.158		
Total	+ 4.579	- 3.096	+ 1.483	- 2.661		+ 7.457	+ 1.299	- 6.105		
1960-68	+ 8.615	- 3.528	+ 5.087	+ 2.673		+ 9.969	+ 2.091	- 20.051		
%			25.66	13.48		50.29	10.54	+ 19.820 (1)		

(1) This total is approximately equivalent to Lederer's deficit.
 SOURCES: Survey of Current Business, June 1968.

TABLE VIII A

FOREIGN POSITION OF THE U.S. - ASSETS
in billions of dollars

	Short Term				Long Term			Total
	Official		Private	Total	Official	Private	Total	d + g h
	Holdings	Gold		a + b + c			e + f	
	a	b	c	d	e	f	g	
1919		2.707	0.500	3.207		6.500	6.500	9.707
1930		4.306	2.000	6.306		15.200	15.200	21.506
1939		17.644	0.600	18.244		10.800	10.800	29.044
1946	0.212	20.529	1.262	22.003	4.956	12.263	17.219	39.222
1950	0.322	22.706	1.516	24.544	13.518	17.488	31.006	55.550
1955	0.723	21.690	2.386	24.799	15.170	26.750	58.809	66.719
1959	2.139	19.456	3.596	25.191	17.605	41.204	41.920	84.000
1965	3.161	13.733	10.153	27.047	20.318	70.994	91.312	118.359
1966	2.818	13.159	10.606	26.583	21.054	75.735	96.769	123.352
1967	2.695	12.600	11.845	27.140	23.545	81.442	104.987	132.127

SOURCES: *Survey of Current Business, Balance of payments* (statistical supplement to SCB) 1963, p. 248 and *Business statistics* 1967, p. 99.

TABLE VIII B

FOREIGN POSITION - LIABILITIES
in billions of dollars

	Long Term			Short Term			Total
	Official	Private	Total	Official	Private	Total	c + f
	a (1)	b	a + b	d	e	d + e	g
			c			f	
1919		0.800	0.800	Voir a)	3.200	3.200	4.000
1930		2.700	2.700		5.700	5.700	8.400
1939		3.300	3.300		6.300	6.300	9.600
1946	3.234	5.281	8.515	0.380	6.985	7.365	15.880
1950	3.733	6.512	10.245	1.470	7.997	9.467	19.712
1955	6.863	8.471	15.334	1.636	13.408	15.044	30.378
1959	11.054	10.893	21.947	2.149	18.050	20.199	42.146
1965	14.202	18.163	32.365		26.374	26.374	58.739
1966	12.605	20.799	33.404		27.006	27.006	60.410
1967	14.750	22.901	37.651		31.962	31.962	69.613

(1) In 1965, 1966 and 1967, all Government commitments are grouped under this heading.

SOURCES: cf. IX A.

R. M.