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**THE UNITED STATES**

**In the**

**WORLD ECONOMY**

**ECONOMIC  
SERIES No. 23**

**U. S. STATES DEPARTMENT OF COMMERCE**

**Bureau of Foreign and Domestic Commerce**

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**U. S. DEPARTMENT OF COMMERCE**

**JESSE H. JONES, *Secretary***

**BUREAU OF FOREIGN AND DOMESTIC COMMERCE**

**O. P. HOPKINS, *Acting Director***

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**Economic Series—No. 23**

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**THE UNITED STATES IN THE  
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**The International Transactions of the United States  
During the Interwar Period**

**Prepared in the International Economics and Statistics Unit**

**By**

**HAL B. LARY  
and Associates**

**with a Foreword by**

**WAYNE C. TAYLOR, Under Secretary of Commerce**



**UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1943**

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# Foreword

*The United States in the World Economy* represents the culmination of more than 20 years of research by the Bureau of Foreign and Domestic Commerce on the balance-of-payments and international-investment position of the United States. The Bureau's first statement in this field appeared in 1923 and was followed by annual bulletins and numerous other studies until publication of international trade and financial statistics was suspended for security reasons.

This study offers a comprehensive and authoritative analysis of the international transactions of the United States from the end of World War I to the beginning of World War II. Because of the endless ramifications of the subject and the innumerable refinements of statistical data that might be made, a study of this type is never finished. Publication at this time is prompted by the timeliness of the analysis.

Although numerous salutary lessons are to be drawn from the experience of the past, the conclusion that emerges most emphatically from the survey is the fundamental importance of maintaining conditions conducive to a more stable and ample flow of dollars in our transactions with other countries. The most essential of these conditions lies not in the field of foreign economic policy as such but in the attainment of a more fully and more smoothly operating domestic economy—the major determinant of the volume and course of our purchases of foreign goods and services. In addition, a more adequate supply of dollars should entail both a freer flow of imports and a renewed and sounder participation of American capital in international investment.

Of even greater importance than the general level of the flow of dollar payments to foreigners is the need for continuity and regularity in the foreign economic policy of the United States and in the actual behavior of our international transactions. It would be tragic indeed if the United States, after a period of renewed full participation in the world economy, were to permit another abrupt fall in the supply of dollars to disturb the recreated international commercial and financial mechanism, whether through increased trade restrictions, through the misbehavior of foreign investment, or through the improper functioning of the domestic economy. Commercial and investment policies, however, are susceptible of intelligent determina-

tion and should no longer constitute such disturbing elements as in the past. The functioning of the American economy as a whole presents some of the most baffling problems. On the solution of these problems, through maintenance of a high and reasonably stable level of economic activity in the United States, the interests of this country and of other countries are most clearly and indisputably united.

A world economic structure organized on the basis of equal treatment and with large scope for free enterprise cannot be maintained in the face of such reductions in the supply of dollars as have occurred in our international transactions in the past. Unless the supply of dollars is more adequate to meet foreign requirements, other countries will assuredly insist on their rights to exercise a close selective control over the use of the amounts available and to promote more intensive relations with third countries under preferential trading arrangements. Unless dollars are made available with greater regularity than in the past, it would be both unjust and unwise to demand the removal of restraints and controls largely designed to protect the internal economies of other countries against external shock and pressure.

In addition to the disturbances resulting from variations in the flow of dollar payments by the United States to foreign countries during the interwar period, serious difficulties also arose from the misuse of dollars by foreigners. This was notably true of the behavior of foreign capital, which was especially attracted to the United States in time of distress and unrest abroad and of economic expansion in this country. Such shifts of capital, which went largely into speculative stock-market transactions and short-term balances, were of little or no benefit to this country and did positive damage to other countries. Unless brought under control in the future, capital movements of this nature might readily nullify other efforts to attain greater stability in international transactions and would decrease the amount of dollars available to foreigners for purchases of American goods and services.

The United States will emerge from the war with an enormously expanded industrial and agricultural capacity and will be confronted with grave difficulties of readjustment to peacetime conditions. Reappearance of civilian demand in this country and relief and rehabilitation activity abroad will constitute a strong market in the months immediately following the end of hostilities and will serve to postpone some of the necessary adjustments. A healthy and continuing foreign demand for American goods will greatly facilitate these adjustments, minimize the dangers of economic collapse and unemployment, and generally assist in the maintenance of production and national income at high levels.



FOREWORD

VII

*The United States in the World Economy* was prepared in the International Economics and Statistics Unit of the Bureau of Foreign and Domestic Commerce by Hal B. Lary, Assistant Chief of the Unit and Analyst-in-Charge of its Balance-of-Payments Section, assisted by various members of his staff. The study was begun in the summer of 1942 under the general direction of Dr. Amos E. Taylor, now Chief of the Division of Research and Statistics, and was carried to conclusion under the supervision of Dr. August Maffry, Chief of the International Economics and Statistics Unit.

WAYNE C. TAYLOR,  
*Under Secretary of Commerce.*

MAY 1943.

## APPENDIXES

### A. NOTES ON CHARTS AND TABLES

#### CHART 1:

Based on table II at back of volume.

#### CHART 2:

*Physical volume of total imports of foreign countries.*—Series for 1929-38 is constructed from indexes for Europe, Canada, and the "Rest of World," excluding the United States, as published by the League of Nations, *Review of World Trade*, 1938, pp. 64, 68. These three indexes are assigned weights (Europe, 63.9; Canada, 3.7; and "Rest of World," 32.4) derived from value of each area's imports for 1925-29. Series for 1925-29 is League of Nations index of physical volume of total world trade, same source, p. 60. Inclusion of the United States does not impair series appreciably as a measure of imports of foreign countries before 1929.

*Physical volume of imports of foreign countries from the United States.*—Index of quantity of United States exports, *Statistical Abstract of the United States*, 1941, p. 532, and earlier annual volumes; shifted from 1923-25 to 1929 base.

Sources of all other series plotted in chart 2 are as shown for charts 4, 5, 6, 9, and 12.

#### CHART 3:

*Consumption of raw materials and foodstuffs.*—Source as shown in footnote 1, p. 29.

*Value of industrial production.*—Source as shown in footnote 2, p. 29. Data adjusted to exclude U. S. S. R.

*National income.*—Estimates in foreign currencies are converted to dollars at average rates of exchange for 1929. Sources for United States and 11 foreign countries are as shown for charts 5 and 13-A to 13-C. Estimates for 12 additional countries—Austria, Bulgaria, Czecho-Slovakia, Estonia, Finland, Greece, Hungary, Ireland, Poland, Rumania, Switzerland, and Yugoslavia—are from the League of Nations, *World Economic Survey*, 1938-39, p. 84.

#### CHART 4:

*Industrial production in the United States.*—Federal Reserve Bulletin, August 1940, p. 764. Index shifted from 1935-39 to 1929 base.

*Industrial production in foreign countries.*—Series for 1925-38 is the League of Nations index of world industrial production, excluding the U. S. S. R., *World Production and Prices*, 1938-39, p. 103, adjusted to exclude the United States. Series for 1920-25 is from *Monthly Index of World Industrial Production*, 1920-1935, by Norman J. Wall, U. S. Department of Agriculture, *Preliminary Report*, 1936. The two series are spliced at 1925 by applying the percentage 0.7454 to the Department of Agriculture index.

#### CHART 5:

*National income.*—Data for 1929-39 are estimates of the Department of Commerce. Data for 1919-28 are derived from estimates by Simon Kuznets, *National Income and Capital Formation*, 1919-35, National Bureau of Economic Research, Inc., 1937; data for 1909-18 from estimates by W. I. King, *The National Income and Its Purchasing Power*, published by the same bureau, 1930.

*Imports.*—Dollar value of general imports, *Statistical Abstract of the United States*, 1941, p. 523.

#### CHART 6:

*National income at constant prices.*—Index derived from estimates by the Department of Commerce for 1929-39 (original base 1935-39); and from estimates by Simon Kuznets for 1919-28 (source as shown in notes on chart 5).

*Industrial production.*—Federal Reserve Bulletin, August 1940, p. 764. Index shifted from 1935-39 to 1929 base.

*Quantity of imports.*—Statistical Abstract of the United States, 1941, p. 532, and Foreign Trade of the United States, Calendar Year 1935, pp. 38-39. Index shifted from 1923-25 to 1929 base.

**CHART 7:**

Sources as shown for quantity of imports in chart 6.

**CHARTS 8-A to 8-D:**

*Quantity and value of imports.*—Statistical Abstract of the United States, 1941, pp. 613-644, and earlier volumes.

*Output of related products.*—Federal Reserve Bulletin, August 1940, pp. 826-880. Indexes shifted from 1935-39 to 1929 base.

*Industrial production.*—Federal Reserve Bulletin, August 1940, pp. 764. Index shifted from 1935-39 to 1929 base.

**CHARTS 9, 10-A, and 10-B:**

*Total imports of foreign countries.*—Department of Commerce, Foreign Commerce Yearbook, 1939, p. 312, and earlier volumes. World import totals are adjusted to exclude United States imports. Figures for 1933-38 are converted from old gold dollars to current dollars.

*Imports of foreign countries from the United States.*—Value of United States exports, Statistical Abstract of the United States, 1941, pp. 545-549, and earlier volumes.

**CHART 11:**

Statistical Abstract of the United States, 1941, p. 713, and earlier volumes.

**CHART 12:**

*National income.*—Estimates for 11 countries, from sources as shown for charts 13-A to 13-C, are converted from original currencies into dollars at annual average rates of exchange. Index is computed from the sums of these dollar values, which are as follows (in billions of dollars): 1924, 62.2; 1925, 65.5; 1926, 65.1; 1927, 70.3; 1928, 73.0; 1929, 74.0; 1930, 70.5; 1931, 59.9; 1932, 46.4; 1933, 57.5; 1934, 76.0; 1935, 80.6; 1936, 88.0; 1937, 91.6; 1938, 90.3. Estimates for Germany covering 1924 and for New Zealand covering 1924 and 1925 are extrapolated on basis of aggregate for other countries. Estimates for Australia and New Zealand are converted from a fiscal-year to an approximate calendar-year basis by averaging successive pairs of fiscal-year figures.

*Total imports.*—Data for 11 countries are from official foreign sources and from Foreign Commerce Yearbook of various years. Original foreign-currency values are converted into dollars at annual average rates of exchange.

*Imports from United States.*—Series plotted in chart 12 is derived from import statistics of the 11 countries rather than from United States export statistics. The two sources, however, yield similar results, especially on an index basis, as shown in table 19. The generally higher dollar totals derived from foreign sources are attributable chiefly to the inclusion of shipping and insurance costs in the import valuations of most foreign countries, whereas United States export statistics are on an f. o. b. basis. Table 19 also indicates that the trend in United States exports to the 11 countries was representative of the trend in total United States exports.

TABLE 19.—United States Total Exports and Exports to 11 Countries and Imports of 11 Countries From the United States <sup>1</sup>

Year	United States total exports		United States exports to 11 countries		Imports of 11 countries from United States <sup>2</sup>	
	Millions of dollars	Index (1929=100)	Millions of dollars	Index (1929=100)	Millions of dollars	Index (1929=100)
1924.....	4, 591. 0	88	2, 994. 5	94	2, 906. 6	89
1925.....	4, 909. 8	94	3, 115. 6	98	3, 274. 8	100
1926.....	4, 808. 7	92	3, 062. 7	96	3, 175. 5	97
1927.....	4, 865. 4	93	3, 111. 2	98	3, 192. 4	98
1928.....	5, 128. 4	98	3, 203. 3	101	3, 184. 9	98
1929.....	5, 241. 0	100	3, 183. 1	100	3, 265. 1	100
1930.....	3, 843. 2	73	2, 320. 2	73	2, 487. 9	78
1931.....	2, 424. 3	46	1, 476. 3	46	1, 544. 4	47
1932.....	1, 611. 0	31	1, 027. 7	32	1, 029. 2	32
1933.....	1, 675. 0	32	1, 048. 0	33	1, 083. 4	33
1934.....	2, 132. 8	41	1, 286. 0	40	1, 387. 4	42
1935.....	2, 282. 9	44	1, 355. 0	43	1, 359. 1	42
1936.....	2, 456. 0	47	1, 462. 2	46	1, 527. 0	47
1937.....	3, 349. 2	64	1, 920. 0	60	1, 964. 7	60
1938.....	3, 094. 4	59	1, 770. 2	56	1, 880. 8	58

<sup>1</sup> The 11 countries are those covered by chart 12, namely, United Kingdom, Canada, Australia, New Zealand, Denmark, Norway, Sweden, France, Netherlands, Germany, and Japan.

<sup>2</sup> Original data in foreign currencies converted into dollars at annual average rates of exchange.

## CHARTS 13-A to 13-C:

*Total imports and imports from the United States.*—Official foreign sources and Foreign Commerce Yearbook, various issues.

*National income.*—From various official and private estimates, as follows:

United Kingdom: Clark, Colin, *National Income and Outlay*, p. 88; *The Conditions of Economic Progress*, p. 174; figures represent gross national income. Estimate for 1938 from the *London Economist*, April 12, 1941, based on official white paper.

Canada: Dominion Bureau of Statistics estimate of "Income produced."

Australia: Clark, *The Conditions of Economic Progress*, p. 172.

New Zealand: Clark, *op. cit.*, pp. 39, 173, adjusted to include interest paid abroad on State and local debt.

Germany: Clark, *op. cit.*, p. 97. Clark used the figures given in *Statistisches Jahrbuch für das Deutsche Reich* after adjusting them to include public services.

France: Figures for 1922-34—Clark, *op. cit.*, pp. 99, 107; for 1935-38, extrapolated on the basis of series carried in *League of Nations, World Economic Survey, 1938-39*, p. 84.

Netherlands: Figures for 1922-36—Central Bureau of Statistics, *De Nederlandsche Conjunctuur*, special issue, October 1939, entitled *Enkele Berekeningen Over Het Nationale Inkomen Van Nederland*. Figures for 1937 and 1938—Extrapolated on the basis of series in *League of Nations*, *loc. cit.*

Sweden: Figures for 1922-36—Clark, *op. cit.*, p. 87; series consists of total income adjusted to exclude imputed income. Figures for 1937 and 1938—Series extended on the basis of estimates contained in a special study by the Swedish Department of Finance.

Denmark: *Statistisk Aarbog*, various years.

Norway: Clark, *op. cit.*, pp. 143, 175. Represents total national income as adjusted by Clark to include direct taxes.

Japan: Figures for 1922-29—*Monthly Circular of Mitsubishi Research Bureau*, March 1934, compiled by S. Hijikata; figures for 1930-38, *Japan Economic Federation, National Income of Japan*, October 1939, pp. 48, 101.

**CHART 14:**

All series are revised estimates of the Department of Commerce. See appendix B.

**CHART 15:**

Statistical Abstract of the United States, 1941, p. 504. Based on cargo tonnage data.

**CHART 16:**

All series are revised estimates of the Department of Commerce. See appendix B. Estimates are exclusive of fare payments and expenses on board ship.

**CHART 17:**

*National income.*—Sources as shown for chart 5.

*Travel expenditures.*—Revised estimates of the Department of Commerce. See appendix B. Series plotted includes fare payments and expenses on board American and foreign ships.

**CHART 18:**

U. S. Department of Commerce, Balance of International Payments of the United States in 1940, p. 77.

**CHART 19:**

Based on table I, at back of volume.

**CHART 20:**

Revised estimates of the Department of Commerce. See appendix B.

**CHART 21:**

*Domestic corporate bonds and stocks.*—Compiled from monthly data published in the Commercial and Financial Chronicle.

*Foreign bonds.*—Revision of data originally published by the U. S. Department of Commerce in Handbook of American Underwriting of Foreign Securities, 1930, and American Underwriting of Foreign Securities in 1930, 1931.

Data for both domestic and foreign issues are nominal amounts, less refunding, with no deduction for discounts and commissions. Four-quarter moving averages were computed from the monthly figures.

**CHART 22:**

*Index of industrial production.*—Federal Reserve Bulletin, August 1940, pp. 764-765.

*Foreign bond flotations.*—Sources as shown for chart 21. Index is lagged (that is, shifted to the left in plotting) one quarter in view of the lapse of time that ordinarily ensues between loan negotiations and actual flotation of the issues.

**CHART 23:**

*Yields on domestic bonds.*—Moody's Aaa and Baa as published in the Survey of Current Business, November 1937, p. 19.

*Yields on foreign dollar bonds.*—Specially compiled for this study. The monthly average yields obtained are given in table 20. (The German series is not available before September 1925 and for this reason has not been included in the global average or in the average for European issues.) The data presented are arithmetic averages of monthly yields on each issue, the latter based on the mean of the high and low price for each month as reported annually in the Commercial and Financial Chronicle. Yields are computed to maturity unless the bonds were selling above the call price; yields of such bonds are computed to the earliest call date.

Using only issues listed on the New York Stock Exchange, it has not been possible to obtain data for 15 issues, properly distributed geographically, outstanding from 1922 to 1929. Substitutions were made for issues of Chile, Norway, and Belgium, as indicated in the following tabulation, but yields on the issues substituted were not substantially different from those on the issues supplanted. The effort to maintain comparability over the 8-year period also led to the inclusion of a few issues closer to maturity or call than was preferable. The following

issues are included in the averages, each given equal weight. All are issues of national governments unless otherwise indicated.

Europe (other than Germany):	
United Kingdom.....	5½'s of 1939
City of Lyons.....	6's of 1934
Switzerland.....	8's of 1940
Norway.....	8's of 1940 (for 1922-23) 6's of 1952 (for 1924-29)
Belgium.....	7½'s of 1945 (for 1922-27) 6's of 1954 (for 1928-29)
Latin America:	
Chile.....	8's of 1941 (for 1922)
State of Rio Grande do Sul.....	7's of 1942 (for 1923-29)
Cuba.....	8's of 1946
City of Rio de Janeiro.....	5's of 1944
Canada:	
Dominion of Canada.....	5's of 1931
Canadian Northern Railway Co.....	6½'s of 1946
Montreal Tramways.....	5's of 1941
Far East:	
State of Queensland.....	7's of 1941
Netherlands Indies.....	6's of 1947
City of Tokio.....	5's of 1952 (sterling issue)
Germany:	
German Government.....	7's of 1949 (Dawes loan)
City of Berlin.....	6's of 1950
Central Bank of Agriculture.....	7's of 1950
Allgemeine Elektrizitaets-Gesellschaft.....	7's of 1945

TABLE 20.—Foreign-Bond Yield Averages, 1922-29

[Percent per annum]

Month	1922	1923	1924	1925	1926	1927	1928	1929
<b>FIFTEEN FOREIGN BONDS</b>								
January.....	6.84	6.77	6.92	6.39	6.22	5.94	5.63	5.71
February.....	6.76	6.77	6.87	6.37	6.15	5.93	5.62	5.76
March.....	6.62	6.68	6.90	6.40	6.20	5.89	5.59	5.88
April.....	6.49	6.66	6.83	6.44	6.18	5.88	5.50	5.84
May.....	6.48	6.61	6.80	6.32	6.19	5.87	5.59	5.87
June.....	6.53	6.67	6.69	6.28	6.11	5.87	5.70	5.87
July.....	6.59	6.75	6.61	6.31	6.12	5.85	5.69	5.89
August.....	6.53	6.81	6.45	6.31	6.12	5.79	5.71	5.82
September.....	6.47	6.79	6.43	6.22	6.10	5.73	5.65	5.92
October.....	6.61	6.84	6.44	6.23	6.09	5.70	5.63	-----
November.....	6.83	6.95	6.41	6.26	6.03	5.75	5.66	-----
December.....	6.70	6.99	6.43	6.24	6.00	5.74	5.78	-----
Monthly average.....	6.62	6.82	6.65	6.31	6.13	5.83	5.64	1 5.84
<b>FIVE EUROPEAN BONDS<sup>2</sup></b>								
January.....	6.87	7.03	7.11	6.23	6.13	5.73	5.35	5.20
February.....	6.75	7.10	6.95	6.30	6.05	5.72	5.33	5.33
March.....	6.58	6.83	7.00	6.39	6.22	5.70	5.30	5.54
April.....	6.42	6.72	6.80	6.40	6.20	5.66	5.17	5.31
May.....	6.39	6.75	6.78	6.27	6.25	5.62	5.26	5.31
June.....	6.48	6.86	6.62	6.25	6.18	5.60	5.41	5.34
July.....	6.61	6.95	6.46	6.24	6.25	5.56	5.38	5.41
August.....	6.50	7.12	6.22	6.22	6.22	5.46	5.33	6.25
September.....	6.41	7.05	6.22	6.10	6.17	5.41	5.33	5.28
October.....	6.65	7.04	6.21	6.10	6.09	5.37	5.23	-----
November.....	7.00	7.19	6.16	6.17	5.94	5.42	5.25	-----
December.....	6.84	7.18	6.27	6.17	5.84	5.43	5.35	-----
Monthly average.....	6.63	6.98	6.57	6.24	6.13	5.56	5.31	1 5.33

See footnote at end of table.

TABLE 20.—Foreign-Bond Yield Averages, 1922-29—Continued

[Percent per annum]

Month	1922	1923	1924	1925	1926	1927	1928	1929
<b>FOUR LATIN AMERICAN BONDS</b>								
January.....	7.48	7.41	7.55	7.33	7.08	6.70	6.48	6.60
February.....	7.44	7.55	7.55	7.26	6.99	6.80	6.49	6.56
March.....	7.30	7.46	7.53	7.30	6.93	6.74	6.44	6.62
April.....	7.15	7.47	7.54	7.35	6.94	6.71	6.28	6.70
May.....	7.18	7.39	7.51	7.25	6.94	6.76	6.37	6.08
June.....	7.14	7.45	7.37	7.15	6.86	6.74	6.54	6.68
July.....	7.20	7.55	7.43	7.23	6.82	6.73	6.60	6.62
August.....	7.33	7.52	7.34	7.21	6.84	6.70	6.53	6.68
September.....	7.19	7.49	7.36	7.09	6.82	6.62	6.39	6.77
October.....	7.33	7.57	7.40	7.11	6.85	6.63	6.42	6.71
November.....	7.39	7.62	7.40	7.07	6.84	6.70	6.48	7.22
December.....	7.33	7.71	7.35	7.05	6.82	6.70	6.56	7.14
Monthly average.....	7.29	7.52	7.44	7.20	6.89	6.72	6.46	6.75
<b>THREE CANADIAN BONDS</b>								
January.....	5.90	5.52	5.55	5.10	4.97	4.98	4.61	4.94
February.....	5.89	5.43	5.54	5.04	4.96	4.95	4.60	5.08
March.....	5.78	5.43	5.55	4.99	4.96	4.87	4.65	5.08
April.....	5.63	5.51	5.51	5.04	4.95	4.87	4.67	5.17
May.....	5.21	5.47	5.49	4.95	4.97	4.85	4.79	5.32
June.....	5.66	5.46	5.39	4.91	4.92	4.90	4.83	5.24
July.....	5.64	5.53	5.29	4.95	4.96	4.91	4.80	5.25
August.....	5.48	5.54	5.17	5.02	4.97	4.85	4.99	5.09
September.....	5.42	5.51	5.10	4.94	5.04	4.78	4.87	5.44
October.....	5.49	5.53	5.10	4.97	5.04	4.76	4.86	5.36
November.....	5.59	5.60	5.09	5.03	4.99	4.77	4.86	5.52
December.....	5.57	5.62	5.14	4.97	4.94	4.68	5.04	4.92
Monthly average.....	5.64	5.51	5.33	4.99	4.98	4.85	4.80	5.20
<b>THREE FAR EASTERN BONDS</b>								
January.....	6.85	6.72	7.12	6.71	6.46	6.13	5.98	6.17
February.....	6.72	6.68	7.14	6.62	6.39	6.09	5.98	6.11
March.....	6.61	6.64	7.22	6.65	6.43	6.08	5.90	6.24
April.....	6.57	6.60	7.24	6.70	6.35	6.16	5.82	6.25
May.....	6.57	6.50	7.22	6.55	6.33	6.10	5.91	6.29
June.....	6.67	6.54	7.21	6.52	6.19	6.15	5.93	6.31
July.....	6.68	6.55	7.11	6.55	6.12	6.11	5.91	6.37
August.....	6.58	6.59	6.92	6.55	6.12	6.06	5.95	6.35
September.....	6.67	6.71	6.87	6.54	6.08	6.04	5.98	6.33
October.....	6.73	6.84	6.88	6.52	6.11	6.00	6.00	6.37
November.....	7.05	6.98	6.83	6.54	6.16	6.02	6.07	6.43
December.....	6.76	7.09	6.76	6.53	6.22	6.03	6.19	6.34
Monthly average.....	6.71	6.95	7.04	6.58	6.25	6.08	5.97	6.30
<b>FOUR GERMAN BONDS<sup>1</sup></b>								
January.....	-----	-----	-----	-----	7.32	6.56	6.67	6.76
February.....	-----	-----	-----	-----	7.23	6.51	6.61	6.75
March.....	-----	-----	-----	-----	7.29	6.53	6.59	6.89
April.....	-----	-----	-----	-----	7.23	6.52	6.57	6.88
May.....	-----	-----	-----	-----	7.17	6.54	6.63	6.95
June.....	-----	-----	-----	-----	7.03	6.62	6.66	6.87
July.....	-----	-----	-----	-----	6.91	6.60	6.67	6.91
August.....	-----	-----	-----	-----	6.91	6.61	6.66	6.97
September.....	-----	-----	-----	7.48	6.85	6.57	6.67	7.05
October.....	-----	-----	-----	7.31	6.81	6.60	6.67	6.97
November.....	-----	-----	-----	7.24	6.78	6.73	6.71	7.10
December.....	-----	-----	-----	7.34	6.65	6.73	6.78	7.01
Monthly average.....	-----	-----	-----	-----	7.01	6.60	6.66	6.93

<sup>1</sup> Nine-month average.<sup>2</sup> Excluding German issues.<sup>3</sup> Not included in the global average.

**CHART 24:**

*Monthly data, 1929-34.*—Federal Reserve Bulletin, May 1937, pp. 420-429. The chart is an adaptation and continuation of a chart carried in this source, p. 399.

*Monthly data, 1935-39.*—Derived from U. S. Treasury Department Bulletin, various monthly issues, and Statistics of Capital Movements Between the United States and Foreign Countries and of Purchases and Sales of Foreign Exchange in the United States, various quarterly issues.

*Annual data, 1929-33.*—From reports of leading United States banks to the Department of Commerce.

**CHART 25:**

*Gold exports and imports.*—U. S. Department of Commerce Monthly Summary of Foreign Commerce.

*Changes in earmarked gold.*—Federal Reserve Board, Federal Reserve Bulletin, December 1940, p. 1292, and earlier issues; Annual Report, 1937, p. 81, and earlier reports.

**CHART 26:**

Data from various official and unofficial sources. The share of each country in world trade in the period 1926-29 is based on League of Nations, Memorandum on International Trade and Balance of Payments, 1913-1927, and subsequent issues.

**CHART 27:**

Federal Reserve Bulletin, September 1940, pp. 925-927; 1000-1007.

The data, especially after 1934, are subject to several important qualifications. Excluded from gold reserves are unreported holdings of central banks and governments, gold in circulation, and gold held in the active part of the United States Exchange Stabilization Fund and in similar funds of other countries. (United Kingdom gold holdings appear nonexistent at the end of 1939 following transfers to the British Exchange Equalization Account from the Bank of England.) Included are estimated holdings for a number of countries based on official reports for earlier dates. Gold owned by central banks and governments was probably several billion dollars higher at the end of 1939 than the total indicated in chart 27.

**CHART 28:**

Based on national-income series described in notes to charts 3, 5, and 13-A to 13-C.

**CHART 29:**

*United States.*—Sources as shown for chart 4.

*United Kingdom.*—London and Cambridge Economic Service, Monthly Bulletin, May 23, 1931, p. 159. Series is adjusted to exclude agriculture and building.

*All other countries.*—Supplementary tables to Monthly Index of World Industrial Production, 1920-1935, by Norman J. Wall, U. S. Department of Agriculture, Preliminary Report, 1936; with original sources and derivation of estimates as stated therein.

*Total, all foreign countries.*—Source as shown for chart 4.

**CHART 30:**

Based on table I, at back of volume.

**CHART 31:**

*Industrial production.*—Source as shown for chart 4.

*Gross payments on current transactions and net outflow of long-term capital.*—Based on table I, at back of volume.

*New capital issues for foreign account and transactions in outstanding securities.*—Based on table III, at back of volume.

**CHART 32:**

*Capital movements.*—Derived from U. S. Treasury Department, Bulletin, various monthly issues, and Statistics of Capital Movements between the United States and Foreign Countries and of Purchases and Sales of Foreign Exchange in the United States, various quarterly issues.

*Gold.*—Department of Commerce, Monthly Summary of Foreign Commerce of the United States, various monthly issues, and Federal Reserve Board, Annual Report, various years.

*Merchandise.*—Monthly Summary of Foreign Commerce of the United States, various issues.



**TABLE 1:**

Annual amount of dollars supplied is as shown in table II. Estimated debt service due the United States in 1929 includes \$234,000,000 on war debts, and \$276,000,000 for amortization and \$400,000,000 for interest on foreign bonds held in this country.

**TABLE 2:**

Source as shown in footnote 6, p. 22.

**TABLE 3:**

Derived from League of Nations, International Trade Statistics 1938, p. 111.

**TABLE 4:**

Statistical Abstract of the United States, 1930, pp. 556-591, and 1938, pp. 523-561.

**TABLE 5:**

Statistical Abstract, 1939, pp. 547-585, and earlier volumes.

**TABLE 6:**

Source as shown for table 3.

**TABLE 7:**

Statistical Abstract, 1941, p. 520.

**TABLE 8:**

Statistical Abstract, 1940, pp. 521-574, and earlier volumes.

**TABLE 9:**

Sammons, Robert L., and Abelson, Milton, American Direct Investments in Foreign Countries—1940, U. S. Department of Commerce, 1942, p. 30.

**TABLE 10:**

Department of Commerce compilation. See appendix B for general sources of data.

**TABLE 11:**

Source as shown for table 10.

**TABLE 12:**

Federal Reserve Bulletin, May 1937, pp. 420-422.

**TABLE 13:**

All 1919 data and 1929 data for foreign long-term investments in the United States are from Lewis, Cleona, America's Stake in International Investments, 1938. Other data from compilations of the Department of Commerce.

**TABLE 14:**

Derived from Monthly Summary of Foreign Commerce, December 1939, p. 31, and earlier issues.

**TABLE 15:**

Statistical Abstract, 1931, pp. 500-501. Exports to northern North America and to Europe adjusted for grain exports to Europe by way of Canada, according to figures given in Statistical Abstract, 1931, p. 502.

**TABLE 16:***Industrial Production—*

United States: Federal Reserve Bulletin, August 1940, pp. 764-765.

United Kingdom, Sweden, Norway, Denmark, Finland, Chile, Mexico, Germany, Japan, Italy, France, Netherlands, Belgium, Poland: League of Nations, Statistical Yearbook 1939-40, p. 164.

Union of South Africa, New Zealand: League of Nations, World Production and Prices, 1938-39, p. 39.

Canada: *Ibid.* Index excludes building and electric power generation.

*National income.*—Sources as shown for charts 13-A, 13-B, and 13-C.

*Cost of living.*—League of Nations, Monthly Bulletin of Statistics, July 1939, pp. 343-344.

**TABLE 17:**

Indexes computed from basic data in Foreign Commerce Yearbook for 1939, p. 312, and earlier volumes, and in Statistical Abstract, 1941, p. 541.

**TABLE 18:**

Federal Reserve Bulletin, December 1941, pp. 1287-88, and U. S. Treasury Department Bulletin, various issues.

**TABLES I, II, and III:**

The derivation of the data shown in these tables is discussed in appendix B.

## B. NOTES ON BALANCE-OF-PAYMENTS ESTIMATES

Changes in methods of computing balance-of-payments estimates since the Department's first bulletin on the subject, covering 1922, was published inevitably led to figures that are not comparable over the years. The various retrospective tables published from time to time, as in the annual bulletins for 1932 to 1937, necessarily were affected by this defect and were therefore dropped. In the meantime, a number of special studies were undertaken with a view to deriving more accurate and comparable data on the international transactions of the United States. These studies, a number of which have been published, dealt with American investments abroad, foreign investments in the United States, foreign travel, international insurance transactions, institutional contributions, personal remittances, government transactions, short-term capital movements, and other related subjects.

In connection with this analysis of the balance of payments during the inter-war years, it was necessary to extend the work of revision to all other types of transactions not previously recomputed and to bring to completion as consistent and comparable a statement as possible for the period. The revised estimates are shown in table I, arranged on a dollar supply and dollar use pattern in table II, and supported by a more detailed statement of capital transactions in table III. The estimates contain many imperfections, partly because of lack of time to explore every possible source of information but to a much greater extent because of the lack of satisfactory basic data for some of the items. Despite these qualifications, the figures are believed to be reasonably comparable throughout the period and to present on the whole a fairly correct summary of the international transactions of the United States.

An adequate statement of the methods employed in computing the estimates, supported by the great mass of factual data on which they are based, would alone require several volumes. Such an exposition is impracticable at this time, but the following notes set forth in concise form the principal methods and sources of data used in computing the more important items.

### Current Transactions

#### MERCHANDISE TRADE

The data for merchandise exports and imports are the unadjusted data as published annually by the Department of Commerce in Foreign Commerce and Navigation of the United States. Exports include reexports of foreign merchandise, and imports include imports entered for immediate consumption plus entries into bonded warehouses. Actual payments and receipts involved in merchandise trade are not accurately reflected in the recorded data; estimates of the necessary adjustments are included under "Miscellaneous adjustments and services."

#### FREIGHT AND SHIPPING

The derivation of the freight and shipping estimates may be best explained with the aid of a detailed statement of the component parts in a recent year. The composition for 1937 is shown in table 21.

*Items 1a and 6.*—Estimates of earnings of United States and foreign vessels in the carriage of this country's foreign trade for the years 1926 to 1939 were obtained from the Maritime Commission and predecessor organizations. The data for 1937 are shown in table 22. For balance-of-payments purposes, only earnings of United States vessels in carrying exports (a receipts item) and of foreign vessels in carrying imports (a payments item) are included in the freight and shipping account. Before 1926 corresponding figures were estimated from recorded data concerning cargo tonnages carried by United States and foreign vessels and average freight rates extrapolated on the basis of trade reports and Lloyds' index of freight rates.

*Item 10.*—The figure was based on data compiled by the Finance Division of the Maritime Commission covering operations of subsidized vessels for 1938 and 1939. It was estimated at 2.5 percent of total revenues of United States flag vessels from the carriage of United States exports and imports.

*Items 2 and 7.*—Passenger-fare receipts and payments represent the series previously published by the Department of Commerce, extended to cover 1939, and include expenditures on board ship as well as fare payments proper. (See discussion of travel expenditures).

TABLE 21.—*Composition of Freight and Shipping Account, 1937*

[In millions of dollars]

Item	Amount
<b>Receipts:</b>	
1. Freight received on ocean traffic: <sup>1</sup>	
a. United States exports.....	65.2
b. Cargo carried between foreign ports.....	3.7
Total.....	68.9
2. Ocean passenger fares <sup>2</sup> .....	9.3
3. Charges and other expenses of foreign vessels in United States ports.....	142.2
4. Rail traffic:	
a. Freight on intra-Canadian traffic carried by American railroads.....	1.6
b. Freight on United States exports carried within Canada by American railroads.....	3.7
c. Freight on Canadian exports and imports carried through the United States.....	7.9
d. Freight on Mexican exports and imports carried through the United States.....	2.5
Total.....	15.7
Total receipts.....	236.1
<b>Payments:</b>	
5. Ocean freight paid on United States imports.....	186.4
7. Ocean passenger fares <sup>2</sup> .....	96.7
8. Charges and other expenses of American vessels in foreign ports.....	45.6
9. Rail traffic:	
a. Freight on United States transit traffic routed via Canada on Canadian railroads.....	18.2
b. American railroad operating expenses in Canada.....	18.6
Total.....	36.8
Total payments.....	365.5

<sup>1</sup> Includes a small amount of Great Lakes traffic.

<sup>2</sup> Includes passenger expenditures on board ship.

TABLE 22.—*Estimated Freight Earnings by United States and Foreign Vessels in the Carriage of United States Exports and Imports, 1937*

[In millions of dollars]

Class of freight	United States imports		United States exports		Total	
	Earned by United States vessels	Earned by foreign vessels	Earned by United States vessels	Earned by foreign vessels	Earned by United States vessels	Earned by foreign vessels
Ocean freight:						
Dry cargoes.....	66.9	172.4	53.1	125.6	120.0	298.0
Tankers.....	14.2	10.0	10.4	76.5	24.6	86.5
Total ocean freight.....	81.1	182.4	63.6	202.1	144.6	384.6
Great Lakes freight.....	.8	3.9	1.7	6.8	2.5	10.7
Total freight.....	81.9	186.4	65.3	208.9	147.2	395.3

NOTE: Discrepancies in addition are caused by rounding of figures.

*Item 3.*—Port expenditures of foreign vessels, except bunker fuel purchases, were estimated in all years as a fixed percentage of the gross revenues of such vessels resulting from the carriage of freight and passengers to and from the United States. Bunker fuel sales were recorded beginning in 1928. Estimates of such sales in earlier years were derived by extending the recorded series back

on the basis of such factors as the volume of United States foreign trade carried by foreign vessels and domestic prices of bunker coal and oil.

*Items 4 and 9.*—The estimates were based on information furnished by American railroads operating in Canada, published data on freight rates, information taken from freight density maps, revenue freight data published by the Canadian Government, and unpublished records of the Department of Commerce on Canadian and Mexican exports and imports in transit through the United States.

*Item 8.*—Except for bunker fuel purchases, port expenditures of American vessels abroad were computed on the basis of the Maritime Commission data for 1938 and 1939 previously mentioned. Foreign bunker fuel purchases were computed by deducting recorded domestic purchases, as published in Monthly Summary of Foreign Trade, from estimated total purchases. The resulting average percentage of gross revenues in 1938 and 1939 was employed in calculating the estimates for earlier years.

#### TRAVEL EXPENDITURES

Payments and receipts arising out of travel with noncontiguous areas were treated in detail in a special study on Oversea Travel and Travel Expenditures in the Balance of International Payments of the United States, 1919-38, by August Maffry, published by the Department of Commerce in 1939. That study presents revised estimates from the beginning of the interwar period. The only further change of consequence made for purposes of this study was the allocation of ocean passenger fares and outlays on board ship to the freight and shipping account rather than to the travel account.

The flow of international payments growing out of travel between the United States and Canada and between the United States and Mexico is considerably more difficult to estimate than oversea travel expenditures because of the more varied nature of traffic over the land borders and the absence of satisfactory statistical records. The nature of the basic data available and the methods of computing past estimates are indicated in the various annual studies of the Department of Commerce on the United States balance of payments.<sup>1</sup>

Institution of exchange control in Canada following the outbreak of war in 1939, together with other measures more specifically designed to yield better information on that country's travel receipts and payments, has provided an abundance of more accurate and detailed statistical data on the subject, especially on typical rates of expenditure per capita. While these data were first available for 1940, it became evident that the travel item in the United States-Canadian balance of payments had been greatly overstated in previous years. The estimates for United States travel outlays in Canada in 1939 were accordingly cut from \$256,000,000, as published in the balance-of-payments bulletin for that year, to only \$149,000,000, as carried in the 1940 bulletin. Receipts from Canadian travelers in the United States were also reduced, although not so sharply, from the original estimate of \$98,000,000 for 1939 to a revised estimate of \$70,000,000.

For purposes of this study, a complete revision of the United States-Canadian travel account was therefore necessary, not only to eliminate serious disparities from year to year in the data and methods formerly used but also to lower the general level of past estimates. In general, the method followed was to remove so far as possible various statistical irregularities in the basic records of volume of travel and to recompute more appropriate annual average rates of expenditure for the various classes of travel. These averages were based on the results for 1940 and such general factors as trends in cost of living, national income, and travel outlays in other areas over the interwar period.

Information on travel payments between the United States and Mexico is still very inadequate, especially on the heavy volume of traffic along the border. The revisions incorporated in the estimates were based on a careful scrutiny of all statistical and other relevant data bearing on travel between the two countries, and an endeavor was made to apply uniform methods over the entire interwar period.

#### PERSONAL REMITTANCES

Before 1937, so-called immigrant, or personal, remittances to foreign countries were based principally on reports received from United States Government representatives abroad, supplemented by information from a few of the chief remitting

<sup>1</sup> Cf. especially The Balance of International Payments of the United States in 1939, pp. 51-68.

agencies in this country and by private estimates. In recent years, however, estimates have been reached by a progressive adjustment of the base figure established for 1931; the yearly adjustment was effected on the basis of comparative annual data supplied by principal private remitting agencies and published figures of post office money orders cashed abroad.

The resulting figure for 1937 was \$144,000,000, or \$13,400,000 in excess of the sum of the reported total sent abroad by private remitting agencies (\$100,700,000) and total post office money orders cashed abroad (\$29,900,000). The difference presumably represents currency sent out through the mails and money carried out by alien emigrants.

The relative importance of the various items composing personal remittance receipts is indicated by the following breakdown of the 1939 total:

	<i>Millions of dollars</i>
Money shown by immigrants.....	20.4
Foreign postal money orders cashed in the United States.....	14.5
Receipts from head tax on immigrants.....	1.0
<b>Total .....</b>	<b>35.9</b>

Money shown by immigrants upon entry into the United States for 1938 and 1939 was a special compilation on a calendar-year basis of the Office of Research and Education Services, Immigration and Naturalization Service, Department of Justice. For the years 1919 to 1937 the calendar-year figures were estimated by averaging the data for two consecutive fiscal years as published annually in the Statistical Abstract.

Similarly, foreign postal money order receipts were estimated on a calendar-year basis from fiscal-year data published in the Annual Report of the Postmaster General. For this purpose, it was assumed that all such receipts represent personal remittances. Although this assumption may not be completely justified, these money orders probably do represent items not adequately covered in other balance-of-payments estimates.

Receipts from the head tax on immigrants are published annually in the Statistical Abstract under the heading "Miscellaneous taxes" in the table on receipts of the national Government.

#### INSTITUTIONAL CONTRIBUTIONS

The estimates for institutional contributions to foreign countries are based on data furnished the Department of Commerce by all the principal institutions engaging in such transactions. In the computation of these estimates, 1937 was used as a base year (1931 for Catholic remittances); annual aggregates for identical organizations were used to compute chain relatives extending forward to 1939 and backward to 1923 for Protestant agencies, to 1924 for Catholic, to 1922 for Jewish, and to 1926 for nonsectarian. The relatives for certain years for which available data were not adequate were interpolated. The final estimates were based on base-year data adjusted by means of the chain relatives.

In the absence of data for the early post-war years, it was assumed that remittances were approximately the same as in the nearest year for which an estimate was possible. For certain nonsectarian contributors, data from various published and unpublished sources were employed to arrive at estimates for the years 1919 to 1925.

It was assumed that similar contributions received in the United States are negligible.

#### INTEREST AND DIVIDENDS

Receipts of income from abroad were estimated separately for portfolio, direct, and short-term investments. For the years 1930 to 1939 interest on foreign dollar bonds was based on an issue-by-issue compilation made by the Department of Commerce. For years before 1930 estimated rates of return were arrived at by adjusting the computed rate for 1930, 5.89 percent, backward on the basis of the weighted average yield of new foreign securities as published in the Handbook on American Underwriting of Foreign Securities. Arbitrary rates of 5.0 and 5.1 were used for 1919 and 1920; the rates thus obtained were applied to the estimated annual average of foreign dollar bonds held in this country.

For the years 1929 to 1939 the return on direct investments is substantially as reported in the annual balance of payments bulletins, with certain minor revisions appearing in American Direct Investments in Foreign Countries—1940.

The general methods employed are set forth on page 37 of that bulletin. Data for years before 1930 have been extensively revised on the basis of data regarding profits of American concerns operating abroad as reported in Moody's manuals.

As indicated on p. 103, footnote 18, income for years before 1930 includes profits not remitted; data for 1930 to 1939 exclude reinvested earnings.

Receipts of income from short-term investments represent rough estimates based on the average amount of such assets outstanding in each year and an assumed average rate of return determined from an inspection of various short-term interest rates abroad. Previous estimates for the years 1926 to 1939 were adjusted in accordance with revisions of the short-term capital item made for this study. Estimates for years before 1925 are original in this study.

Separate estimates for payments to foreigners were made for bonds, stocks, and short-term assets. Bond-interest payments were based largely on data from withholding tax returns filed with the Bureau of Internal Revenue, although somewhat arbitrary estimates were made for early years. Dividend payments (including some miscellaneous income items) for 1937, 1938, and 1939 were also based on withholding tax data. Estimates for 1919 to 1936 were derived by employing an index of total dividends paid out by all domestic corporations (national income series) and were adjusted to take account of changes resulting from the international securities movement. Short-term interest payments, like corresponding receipts, were based on estimated average holdings and average annual rates determined from available data regarding short-term rates in the New York money market.

#### GOVERNMENT TRANSACTIONS

In general, information concerning transactions of the United States Government was received directly from the departments and agencies concerned, although published reports were relied on extensively, especially for earlier years. Unlike most of the service transactions, the Government account is almost completely composed of recorded data, with the expenditures of foreign governments in the United States the only important component based only on estimates. An extensive investigation of this account, which has not been published, was undertaken by the Department of Commerce in 1939-40, and the revised figures used in this study are the product of this research. Information concerning costs of foreign representation in this country were received from the respective governments in 1927 only; data for other years were estimated on the assumption that such expenditures varied directly with changes in similar American disbursements abroad.

The nature of the division between "Government aid and settlements" and "Other government items" is probably sufficiently indicated on pp. 83-84. The division differs from previous methods of presenting this account in the annual balance-of-payments statements in that settlements under treaties, conventions, and the like, were combined with settlements arising out of World War I to form the first group. Receipts and disbursements of the executive establishments and expenses for foreign representation in the United States are included in the "Other" items.

### Capital Transactions

#### NEW ISSUES

The annual volume of new issues includes new foreign securities sold both publicly and privately, exclusive of issues of direct investment companies. The estimates are net of commissions, discounts, and refunding, and are based upon data previously published by the Department of Commerce,<sup>2</sup> with revisions. Also included are private takings of foreign securities, and advances of the War Finance Corporation from 1919 through 1922.<sup>3</sup>

<sup>2</sup> Handbook on American Underwriting of Foreign Securities; American Underwriting of Foreign Securities in 1930; American Underwriting of Foreign Securities in 1931; annual bulletins on The Balance of International Payments of the United States, 1932 to 1939.

<sup>3</sup> The War Finance Corporation loans, although not made directly to foreigners, were made to firms and banks in the United States, which in turn granted credits to foreigners for the purchase of American commodities. Inasmuch as calendar-year short-term data are not available for this period and as most of the War Finance Corporation credits were for a period of more than 1 year, they have been included in the series of privately taken issues as shown in table III. The annual amounts advanced were as follows (in millions of dollars): 1919, 1; 1920, 45; 1921, 29; 1922, 10.

**AMORTIZATION RECEIPTS FROM FOREIGN COUNTRIES**

Retirements in part or in whole, through sinking fund operations or redemptions, of issues of foreign securities originally sold in this country are referred to as amortization receipts. Estimates of this item for 1919, 1920, and 1921 are inadequate in that they relate only to complete redemptions of maturing foreign government (national, provincial, and municipal) bonds,<sup>4</sup> and include neither sinking fund receipts on such bonds nor sinking fund or redemption receipts on corporate bonds. For later years, the amortization estimates include both sinking fund and redemption operations for all classes of issues, although the figures for the twenties probably understate actual receipts.

**TRANSACTIONS IN OUTSTANDING FOREIGN AND DOMESTIC SECURITIES**

Compilation of international security transactions in the United States balance of payments underwent a gradual evolution from estimates based on reports from 26 financial institutions to those based on reports from practically all institutions conducting an international business in securities. Data were collected on an annual basis by the Federal Reserve Bank of New York for the years 1919 through 1923, and by the Department of Commerce thereafter until 1935, when the Treasury Department and the Federal Reserve banks undertook to collect weekly figures, with a certain amount of geographic detail.

From the beginning, the security transactions data compiled by the Department of Commerce related to outstanding securities only; flotation of foreign securities in this country was the subject of a separate inquiry. In the late twenties respondents were requested not to include foreign bond sinking fund and redemption transactions inasmuch as these data were also compiled separately. At about the same time an attempt was made to eliminate confusion concerning the definition of the term "foreign" as used in the questionnaire, the term being defined to embrace all concerns and persons resident abroad, including foreign branches of American companies. Similarly, the term "American" was defined to include branches of foreign firms or banks located in this country.

Until the early thirties the published statistics of security transactions, particularly of transactions in foreign or domestic securities considered separately, represented chiefly estimates made by reporting institutions. Not until weekly reports were requested in 1935 were the data based on detailed records kept by the reporting institutions. The data reported to the Treasury through the Federal Reserve Bank of New York from that time on included sinking fund and redemption transactions and new bond flotations. These are excluded from security transactions in table III and appear elsewhere under their proper heads.

The statistics of security transactions collected by the Federal Reserve Bank of New York were published in the Federal Reserve Bulletin and in the Treasury Department's Statistics of Capital Movements Between the United States and Foreign Countries and of Purchases and Sales of Foreign Exchange in the United States for the period from 1935 through the third quarter of 1938, and thereafter have appeared in the monthly Bulletin of the Treasury Department.

**DIRECT INVESTMENTS**

Beginning in 1930, the net movement of funds associated with American direct investments abroad is composed of: (1) New direct investments, including public offerings of securities of American and semi-American corporations for foreign purposes; (2) sales of, or other cash realizations from, existing investments including amortizations of publicly offered securities of direct investment companies. In addition, the net movement of funds on intercompany account is included since 1938.

For the years 1919 to 1929, inclusive, a considerably less exact method was employed. The net increase in the value of American direct investments abroad from December 31, 1918, to December 31, 1929, was estimated at \$2,972,000,000. Known new investments, including public offerings of securities, amounted to \$1,768,000,000, leaving \$1,206,000,000 to be accounted for. The last figure was apportioned to each of the years on the basis of an index of the number of new investments established during those years and still in existence at the end of 1929.<sup>5</sup> This method of computation had the effect of including reinvested earnings as capital outflow, a proper procedure, since such reinvested earnings are also included in receipts of interest and dividends for those years.

<sup>4</sup> Except for the following repayments to the War Finance Corporation (in millions of dollars): 1919, 1; 1920, 9; 1921, 31; 1922, 42; 1923, 1; 1924, 1.

<sup>5</sup> Dickens, Paul D. American Direct Investments Abroad, 1938. United States Department of Commerce, 1938. Pp. 47-49.

No figures relating to the movement of foreign direct investment capital into and out of the United States are presented inasmuch as available data are fragmentary.

#### AMORTIZATION PAYMENTS TO FOREIGN COUNTRIES

Bond-redemption and sinking-fund payments to foreigners in connection with their holdings of United States corporate bonds during the interwar period were estimated on the basis of known amortization payments to foreigners during 1935. Inasmuch as it is assumed that the par value of aggregate holdings did not vary greatly between 1919 and 1939, yearly amortization estimates, rounded to units of \$5,000,000, show only one change, during 1933.

#### SHORT-TERM CAPITAL MOVEMENTS

The earliest data on the international short-term balances of the United States were compiled by the Federal Reserve Board in connection with its wartime exchange-control functions. The information was collected weekly from February 1918 through June 1919 and was subsequently published in the Federal Reserve Bulletin.<sup>6</sup> Less comprehensive data, as of July 1, 1920 and July 1, 1921, were collected by the Federal Reserve Bank of New York, while the Department of Commerce circularized banks and business firms for international accounts-receivable and accounts-payable data for July 1, 1921, and July 1, 1922. Although these various sets of figures constitute a valuable adjunct to available balance-of-payments information for these years, they were not incorporated into the balance-of-payments statement since they are mid-year rather than year-end data.

The earliest available calendar-year, short-term data relate to the year 1923, when in response to a questionnaire inquiry of the Department of Commerce 83 financial institutions reported deposits due to foreigners. Similar data are available for 1924 and 1925, and to these were added foreign investments in domestic acceptances purchased through Federal Reserve banks. Data relating to American banking balances abroad were not obtained until 1925, and for 1923 and 1924 changes in amounts due from foreigners were based only on acceptance credits granted in this country to foreigners, data for which are available in bulletins of the American Acceptance Council.

After the middle twenties the Department of Commerce obtained fairly comprehensive data from financial institutions for the items "Due from foreigners" and "Due to foreigners" under the following heads: (1) Deposits; (2) investments, advances, overdrafts, etc.; and (3) acceptance credits.

The data previously published by the Department for the years up to 1934 were considerably revised, particularly with reference to changes in the volume of acceptance credits granted by Americans to foreigners. The difficulty and confusion associated with the balance-of-payments classification of acceptance credits led to the substitution of the acceptance figures of the American Acceptance Council for those reported by respondents as having been granted to foreigners. Changes in the volume of acceptances outstanding for the following purposes were adopted as representative of changes in the total volume of acceptance credits granted to foreigners from the early twenties through 1934: (1) Financing exports from the United States; (2) providing dollar exchange; and (3) financing goods stored in foreign countries or shipped between foreign points.

Beginning with 1935 the international short-term assets and liabilities of banks and brokers in the United States have been reported weekly to the Federal Reserve Bank of New York.<sup>7</sup> The movement of short-term capital was computed from changes in the data so reported combined with changes in the following items, some of which were included before 1935: (1) Accounts of the Philippine Government with the United States Treasury; (2) commercial balances—unpublished data compiled by the Federal Reserve Bank of New York; (3) Reconstruction Finance Corporation and Export-Import Bank loans to foreigners; and (4) other accounts. Changes in commercial balances on a calendar-year basis were available for the first time in 1933.

<sup>6</sup> December 1921, pp. 1400-1412.

<sup>7</sup> The figures include funds placed abroad for the account of domestic clients and correspondents. References to published sources are included in the section on Transactions in Outstanding Foreign and Domestic Securities.



**CURRENCY MOVEMENTS**

The annual net movements of United States currency (movements of foreign currency into and out of the United States are assumed to be negligible and approximately balancing in amount) include movements through banking channels as reported by the Federal Reserve banks of New York and Atlanta and estimates for unrecorded net exports, principally through the mails and in the form of currency carried by persons leaving the United States for travel or residence abroad. Total unrecorded currency exports to Europe for the period May 1923 to the end of 1934 are assumed to be equal to the excess of recorded imports during that period, less a deduction of \$100,000,000, the estimated amount returned during the period from currency held abroad on May 1, 1923. On the assumption that 1928 and 1929 were "normal" years, in which all currency carried or mailed out was returned, unrecorded exports in those years amounted to 5.5 percent of combined tourist expenditures and immigrant remittances. This percentage was used to distribute \$294,000,000 of the total estimated unrecorded outflow of \$330,000,000 during the period, the balance of \$36,000,000 being distributed according to the annual variations in the recorded outflow. For years subsequent to 1934, the unrecorded outflow of capital to Europe was considered to be 5.5 percent of total tourist and immigrant payments, plus a small allowance for unrecorded outflow resulting from other factors.

For all other countries (except the Dominican Republic, for which the recorded data apparently also reflect the actual net movement, and Cuba, for which special estimates based on the tourist movement were made) it was assumed that exports and imports of currency were approximately equal; unrecorded exports, therefore, were estimated to equal the net recorded excess of imports.





TABLE III.—Capital Transactions Between the United States and Foreign Countries, 1919-59  
 [In millions of dollars. Plus sign indicates inflow of funds into the United States; minus sign, outflow from the United States.]<sup>1</sup>

Types of transactions	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
<b>I. Long-term capital movements:<sup>2</sup></b>																					
<b>A. Through changes in United States assets abroad:</b>																					
Portfolio investments:																					
New issues for foreign account <sup>3</sup> .....	-371	-500	-567	-666	-317	-823	-824	-921	-1,114	-1,019	-415	-775	-190	-51	-88	-17	-63	-47	-13	-53	-53
Amortization receipts from foreign countries	+335	+581	+285	+134	+82	+120	+221	+296	+285	+361	+276	+300	+257	+172	+123	+114	+185	+181	+190	+67	+93
Transactions in outstanding foreign securities, net.....	-39	-481	-195	-137	(*)	(*)	(*)	+155	+193	-94	+105	+405	+288	+146	-120	+105	-50	+55	+64	-10	+64
Net flow of portfolio investment funds.....	-75	-400	-477	-669	(*)	(*)	(*)	-470	-636	-752	-34	-70	+850	+267	-80	+202	+82	+189	+241	+24	+104
Direct investments, net flow <sup>4</sup> .....	-94	-154	-111	-163	-148	-182	-268	-351	-351	-558	-602	-294	-222	-16	+32	-17	+34	-12	+35	+16	+9
Net flow of United States long-term capital.....	-169	-554	-588	-822	(*)	(*)	(*)	-821	-987	-1,310	-636	-364	+128	+251	-48	+186	+116	+177	+276	+40	+113
<b>B. Through changes in foreign assets in the United States:</b>																					
Portfolio investments:																					
Amortization payments to foreign countries	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-15	-15	-15	-15	-15	-15	-15
Transactions in outstanding domestic securities, net.....	-195	-258	+16	+27	+358	+205	+321	+115	-30	+483	+378	+86	+86	-6	+180	.....	+335	+615	+260	+72	+71
Net flow of portfolio investment funds.....	-215	-278	-4	+7	(*)	(*)	(*)	+95	-50	+463	+358	+66	+66	-26	+165	-15	+320	+600	+245	+57	-86
Direct investments, net flow <sup>4</sup> .....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Net flow of foreign long-term capital.....	-215	-278	-4	+7	(*)	(*)	(*)	+95	-50	+463	+358	+66	+66	-26	+165	-15	+320	+600	+245	+57	-86
Net long-term capital movement.....	-384	-832	-592	-815	-45	-700	-570	-726	-1,037	-847	-278	-298	+194	+225	+177	+200	+436	+777	+521	+97	+27
<b>II. Short-term capital movements:<sup>2</sup></b>																					
<b>A. Through changes in United States claims abroad:</b>																					
Banking and brokerage balances <sup>5</sup> .....	(*)	(*)	(*)	(*)	-82	-109	-46	-36	-349	-231	-200	-191	+628	+227	+8	+104	+365	+57	+54	+32	+149
Other short-term funds <sup>6</sup> .....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	+27	-8	+59	-2	-9	-5	+62
Net flow of United States short-term funds.....	(*)	(*)	(*)	(*)	-82	-109	-46	-36	-349	-231	-200	-191	+628	+227	+35	+96	+424	+55	+45	+27	+211
<b>B. Through changes in foreign claims on the United States:</b>																					
Banking and brokerage balances <sup>5</sup> .....	(*)	(*)	(*)	(*)	-12	+240	-44	+446	+952	-108	+190	-293	-1,272	-595	-383	+151	+606	+347	+236	+299	+1,010
Holdings of United States currency.....	(*)	(*)	(*)	(*)	+61	-12	-16	+9	-18	-9	+6	+5	+7	-78	-71	-25	-1	+25	-3	+15	+131
Other short-term funds.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	+43	+4	+78	+3	+3	+118
Net flow of foreign short-term funds.....	(*)	(*)	(*)	(*)	+49	+228	-60	+455	+934	-117	+196	-288	-1,265	-673	-454	+126	+648	+376	+311	+317	+1,259
Net short-term capital movement.....	(*)	(*)	(*)	(*)	-33	+119	-106	+419	+585	-348	-4	-479	-637	-446	-419	+222	+1,072	+431	+356	+344	+1,470
Net long- and short-term capital movement.....	-384	-832	-592	-815	-78	-581	-676	-307	-452	-1,195	-282	-777	-443	-221	-342	+422	+1,508	+1,208	+877	+441	+1,497

<sup>1</sup> An inflow of capital results either from an increase in foreign assets in the United States or a decrease in United States assets abroad. Conversely, an outflow of capital results either from a decrease in foreign assets in the United States or an increase in United States assets abroad. The table covers only changes in the flow of capital and does not reflect changes in value of assets resulting from other factors.

<sup>2</sup> In principle, claims maturing in 1 year or less are classified as short-term, and all others as long-term. In practice, however, the separation is necessarily more or less arbitrary in some cases. For example, Export-Import Bank loans are included in the short-term category, although many of the maturities extend beyond the 1-year period.

<sup>3</sup> Excludes United States Government loans to foreign governments in 1919, 1920, and 1921. Also excludes refunding issues, discounts, commissions, and issues of American and semi-American corporations for foreign purposes. Includes the following estimated amounts of privately taken issues:

[In millions of dollars]

Year	Amount	Year	Amount
1919.....	39	1926.....	147
1920.....	103	1927.....	91
1921.....	66	1928.....	62
1922.....	49	1929.....	36
1923.....	1	1930.....	95
1924.....	49	1931.....	70
1925.....	29	1932.....	24
		1933.....	74
		1934.....	17
		1935.....	9
		1936.....	27
		1937.....	3
		1938.....	—
		1939.....	17

<sup>4</sup> Transactions in foreign and domestic securities cannot be shown separately for 1923 to 1925. The figures shown for "Transactions in outstanding domestic securities" for these years, therefore, also include transactions in foreign securities.

<sup>5</sup> Not available.

<sup>6</sup> Including public offerings of American and semi-American corporations for foreign purposes (excluding discounts and refunding) in the following amounts:

[In millions of dollars]

Year	Amount	Year	Amount	Year	Amount
1919.....	25	1926.....	225	1933.....	1
1920.....	64	1927.....	148	1934.....	—
1921.....	46	1928.....	154	1935.....	—
1922.....	68	1929.....	262	1936.....	—
1923.....	64	1930.....	142	1937.....	—
1924.....	78	1931.....	92	1938.....	—
1925.....	153	1932.....	—	1939.....	—

<sup>7</sup> Net transactions in domestic securities for 1939 include +\$4,000,000 of private takings of domestic obligations.

<sup>8</sup> Available data showing net movement of foreign direct investment capital into or out of the United States are fragmentary, and no figures are shown for this series.

<sup>9</sup> The net long-term capital transaction figure for 1933 includes -\$40,000,000 and that for 1934 includes +\$30,000,000 representing net transfer of funds in security arbitrage operations. These transactions cannot be divided between domestic and foreign securities in these years.

<sup>10</sup> As reported by banks and, beginning with 1935, by brokers in the United States. Coverage for early years is incomplete.

<sup>11</sup> Other short-term capital movements include Export-Import Bank loans, credit operations of other Government agencies not elsewhere reported, and miscellaneous items.