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*Central Files*

THE PRESIDENT HAS SEEN...

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

March 19, 1975

*PR 7*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Balance of Payments Data for Fourth Quarter  
and Year 1974

The Department of Commerce today released data for the Balance on Current Account and Long Term Capital of the U.S. Balance of Payments, for the fourth quarter and the year 1974. This measure of the balance of payments purports to gauge underlying trends by excluding shorter term, more volatile flows, although any such measure is arbitrary.

There was a deficit of \$5.9 billion for the fourth quarter of 1974, compared with a \$3.9 billion deficit in the third quarter. Although the current account deficit narrowed considerably by \$1.2 billion because of a smaller merchandise trade deficit, higher net investment income, and a reduction in U.S. government grants, the capital account moved into increasing deficit due to larger long-term private capital outflows.

Viewing the year 1974 as a whole, the current account shifted to a \$4.0 billion deficit after a surplus for 1973. The turnaround was caused by higher petroleum prices, although this was partly offset by increases in net investment income which were also petroleum-related. Increased net capital outflows during 1974 moved the capital account into increasing deficit as the year progressed. Direct investment outflows, and an increase in other long-term capital outflows, due partially to the United States role in financing deficits of other oil consuming nations, contributed to the capital account shift. As a result of the combined current and capital account effects, the 1974 deficit was \$10.6 billion compared with a \$1.0 billion deficit in 1973.

*Gary L. Seevers*  
Gary L. Seevers  
Member



*Alan Greenspan*  
Alan Greenspan  
Chairman