

SPECIAL ANALYSIS M

INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT

As part of a wide range of efforts to reduce the continuing deficits in the U.S. balance of international payments, the Federal Government carries on a special program to minimize any adverse effects of its activities on the balance of payments. Under this program, agencies with substantial receipts or payments abroad keep their international transactions under close scrutiny. They are required to prepare statistical estimates of their transactions twice each year for review by the Bureau of the Budget. These estimates are evaluated to determine whether all possible actions are being taken to reduce payments and increase receipts.

Since emphasis is placed on using this system as a management tool, forward estimates do not merely project current trends or programs, but rather reflect all possible efforts, consistent with the national interest, to minimize payments and to maximize receipts from activities in other countries.

This special analysis presents a summary of the international transactions of the Federal Government for fiscal years 1965-67 based on estimates made in September 1965, revised where necessary for comparability with the 1967 budget.

Major trends.—On the basis of current estimates, net Federal payments abroad, excluding special transactions, will increase by \$679 million between 1965 and 1967.

Gross Federal payments abroad are expected to increase from \$4.2 billion in 1965 to \$4.8 billion in 1966 and \$5.4 billion in 1967. Expenditures for defense purposes and to carry out prior commitments for cash investment in international institutions account for almost all of this increase. Otherwise Federal overseas expenditures in 1967 will not be significantly higher than in 1965.

Gross receipts excluding special transactions (such as prepayments on loans, negotiated sales of special securities, and advances received on military sales) are expected to rise from the 1965 level of almost \$2 billion to more than \$2.4 billion in 1967.

Table M-1. SUMMARY OF INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT (in millions of dollars)

	1965 estimate	1966 estimate	1967 estimate
Payments.....	4,235	4,820	5,362
Receipts ¹	1,992	2,083	2,440
Excess of payments.....	2,243	2,797	2,322

¹ Excluding special transactions.

Trends by agency.—Table M-2 provides a breakdown of total current receipts and payments figures. Agencies which account for the bulk of the Federal Government's international transactions are separately identified.

Table M-2. INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT—BY MAJOR AGENCY (in millions of dollars)

Description	1965 estimate	1966 estimate	1967 estimate
Payments:			
Department of Defense.....	2,604	3,045	3,488
Treasury Department.....	563	609	715
Agency for International Development.....	411	375	400
Department of State.....	228	251	244
Department of Health, Education, and Welfare.....	143	165	176
Atomic Energy Commission.....	89	55	28
Veterans Administration.....	70	72	72
Other.....	224	247	239
Subtotal.....	4,332	4,820	5,362
Deduct: Unfunding of previously reserved foreign currency accounts.....	97		
Total.....	4,235	4,820	5,362
Receipts:			
Department of Defense.....	991	1,062	1,144
Export-Import Bank.....	477	438	558
Treasury Department.....	166	157	282
Agency for International Development.....	158	170	186
Department of Agriculture.....	158	237	280
Other.....	141	171	152
Subtotal.....	2,092	2,235	2,602
Deduct: Transactions reported by more than one agency.....	100	152	162
Total.....	1,992	2,083	2,440
Receipts from special transactions (not included in receipts above):			
Advances received on military exports, net.....	323	-60	625
Sales of medium-term, nonmarketable securities, net.....	535	-71	-30
Prepayment and sales of Export-Import Bank loans.....	47	173	(¹)
Total, special transactions.....	905	42	

¹ Not available. Forward estimates are not made for receipts from these transactions.

Payments.—The estimated increase of \$884 million in the level of payments by the Department of Defense for the 2-year period dominates the prospective trend. Increased military operations in Vietnam are largely responsible. The military pay raise and rises in foreign national wage rates and in overseas price levels also contribute to the increase. The Department of Defense will intensify efforts to reduce its net balance-of-payments costs while maintaining all necessary combat capabilities in 1966 and 1967.

The Treasury Department makes substantial payments not easily subject to administrative controls. These include (1) interest on the public debt held abroad and (2) U.S. contributions to international financial institutions. (The balance of payments impact of these

contributions occurs when the institutions convert their U.S. Government notes and letters of credit into cash to meet loan disbursement requirements determined by the progress of individual development projects.) Increased payments to the International Development Association in 1966 and the Inter-American Development Bank in 1967 account for much of the increases in those years.

The Agency for International Development is making special efforts to assure that, wherever possible, loans and grants abroad are tied directly to procurement in the United States. Except for limited procurement in some developing countries, its general policy is to prohibit the purchase abroad of any goods with foreign economic assistance funds. Despite increases in overseas procurement for Vietnam emergency requirements, AID will continue to purchase more than 92% of its commodity requirements in the United States.

The higher level of overseas payments by the Department of State in 1966 and 1967 results from increased U.S. contributions to international organizations and purchases of U.N. bonds.

Overseas payments by the Department of Health, Education, and Welfare will increase between 1965 and 1967. Annuities, pensions, and other transfer payments not readily subject to administrative controls account for more than 85% of these payments. The 7% increase in social security benefits payments authorized in the 1965 Social Security Act amendments will substantially increase these overseas expenditures. Veterans Administration payments abroad, mostly for compensation and pensions, will also increase slightly because of broader eligibility and higher benefits provided by recently enacted legislation.

Payments by the Atomic Energy Commission will decline sharply because of scheduled decreases in the procurement of uranium concentrates from foreign countries. Fiscal year 1967 will be the last year in which the United States expects to procure foreign uranium.

Receipts.—The estimated increase of \$448 million in receipts over the 1965–67 period arises mainly from higher Department of Defense sales of military equipment to friendly governments, increasing use of barter for offshore procurement by other agencies through the Department of Agriculture and larger loan repayments to the Export-Import Bank, and the Agency for International Development.

Special transactions—which are not included in the totals just discussed—were the source of large additional receipts in 1965. These receipts result from transactions involving advances or loans and are generally negotiated with foreign governments or official monetary authorities. They include: (1) advance payments by foreign governments for military exports, (2) sales of nonmarketable, medium-term securities by the Treasury Department to foreign central banks, (3) repayments by foreign borrowers of loans before they are due.

Geographical distribution.—Table M-3 shows a distribution of receipts and payments by major geographic area.

Receipts from Western Europe (excluding special transactions, most of which are with Western Europe) are estimated to increase 74% from 1965 to 1967 in contrast to a 6% increase in payments. Payments to other countries are expected to rise by 53% during the same period.

Table M-3. DISTRIBUTION OF INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT, BY GEOGRAPHIC AREA (in millions of dollars)

	1965 estimate	1966 estimate	1967 estimate
Payments:			
Western Europe (including international organizations located there).....	1,918	1,998	2,045
Other countries.....	1,844	2,445	2,829
Other international and undistributed.....	473	377	488
Total	4,235	4,820	5,362
Receipts:¹			
Western Europe (including international organizations located there).....	840	1,246	1,460
Other countries.....	1,136	826	973
Other international and undistributed.....	17	10	7
Total	1,993	2,082	2,440

¹ Excluding special transactions.

Payments by type of transaction.—Between 1965 and 1967, increases in Federal payments abroad will occur primarily in purchases of goods and services for use abroad, in U.S. payroll spent abroad, and in loans. Increased Department of Defense expenditures for Vietnam largely account for the first two.

Table M-4. DISTRIBUTION OF FEDERAL PAYMENTS ABROAD BY TYPE OF TRANSACTION (in millions of dollars)

Description	1965 estimate	1966 estimate	1967 estimate
U.S. payroll—amount estimated to be spent abroad.....	997	1,178	1,349
Goods and services purchased abroad for use abroad ¹	1,949	2,235	2,521
Other purchases of goods and services.....	158	152	112
Grants (amounts for use abroad) ²	450	395	422
Pensions and similar transfer payments.....	268	301	312
Loans (amounts for use abroad) ²	177	281	321
Other.....	474	446	498
Subtotal	4,474	4,987	5,535
Deduct:			
Payments in excess and near-excess foreign currencies ³	142	167	172
Unfunding of previously reserved foreign currency accounts.....	97		
Total, payments affecting the balance of payments	4,235	4,820	5,362

¹ Includes Defense procurement, including military assistance.

² Excludes funds tied to procurement in the United States or which are otherwise not currently available for use abroad.

³ See Special Analysis L for definitions of excess and near excess currencies. Since use of these currencies does not increase the flow of dollars abroad, they are deducted in calculating the effect of the Federal Government on the balance of payments. These figures are estimated on a slightly different basis in Special Analysis L, which reflects certain payments not covered in agency estimates of international transactions.

Relation to the budget.—Reports on international transactions do not, in all cases, flow directly from the accounting system used for the administrative budget or trust funds. In some instances they are estimated separately to show all Government receipts or payments

which enter the balance of payments. The major differences between data on international transactions and administrative budget and trust fund totals are:

1. *Coverage.*—Data on international transactions *exclude* all budget and trust transactions that are within the United States. For example, the administrative budget includes all expenditures for foreign assistance and Department of Defense procurement, while such payments are included as international transactions only to the extent that the procurement is estimated to take place abroad. On the other hand, budget and trust figures *exclude* all transactions in U.S. Government debt whether domestic or international. But, sales of special Treasury securities overseas and other international debt operations are included in reports on international transactions.

2. *Estimated basis of international transactions.*—No separate detailed accounting system has been established for international transactions comparable to that which supports administrative budget and trust fund totals. In many cases, it is necessary to estimate the overseas components of transactions, since these components are not shown directly by accounting data. For example, budget accounts provide precise data on the gross amount of salaries paid in a given overseas area, but do not identify the amount actually spent overseas by employees—which is the relevant statistic for balance-of-payments purposes. Thus, for past years, international transactions are a combination of actual accounting reports and estimates.

3. *Timing.*—International transactions are recorded at the time when they are known or estimated to affect the balance of payments. The time at which a given international transaction is counted may, therefore, vary considerably from the time at which it is shown in the budget and trust fund accounts. For example, in some cases the U.S. Government makes contributions to international organizations in the form of non-interest-bearing notes. These notes are shown as administrative budget expenditures when issued, but as international payments only when they are cashed.

Relationship to balance-of-payments statistics.—Data on Federal receipts and payments abroad are also reflected in the balance-of-payments statistics published by the Department of Commerce. However, as with the administrative budget, the balance-of-payments statistics are designed for purposes which are different from those for which the Government agency reports on international transactions have been established. Balance-of-payments data meet the needs for economic analysis and for the measurement of international flows of real resources and money, while agency reports on international transactions serve as both a means of estimating and a management tool for decreasing the balance-of-payments impact of Federal Government programs. Reflecting the different uses of these two bodies of data, the balance-of-payments statistics and the reports on Federal transactions covered in this analysis differ in the following respects:

1. *Classification.*—The reports use classifications by agency and by types of expenditures which are quite different from the broad functional classifications used for the balance-of-payments statistics.

2. *Attribution.*—Transactions conducted by private businesses, in which the Federal Government is involved, are treated as private in the balance-of-payments statistics. In order to emphasize management decisions, however, Federal agency reports permit the attribution of some such transactions to the Federal Government. For example, military goods may be sold to foreign governments directly by private companies, although the sales are encouraged and sponsored by the Department of Defense. In the balance of payments, such sales would be reported as private receipts from exports. However, for the purpose of measuring the Defense Department's impact on international transactions, some of them are considered Government receipts.

3. *Other.*—Further differences between the two sets of data involve the timing of certain transactions, the reporting of foreign currencies, and minor differences in coverage of transactions which are considered "foreign."

The balance-of-payments statistics do not include a separate identifiable category on total Federal receipts or payments. However, because of the recent interest in the relationship between U.S. Government grants and loans abroad and the balance of payments, the Department of Commerce has included estimates indicating the amount of Government loans and grants which involve direct payments to foreign accounts, distinguished from those which involve no direct dollar outflow from the United States. Agencies report similar data for their estimates on international transactions. A reconciliation between the two sets of data, shown in table M-5, illustrates the kinds of differences which exist between the agency reports and estimates on international transactions and the Department of Commerce balance-of-payments statistics.

Table M-5. GOVERNMENT GRANTS AND LOANS—RECONCILIATION BETWEEN BALANCE OF PAYMENTS AND AGENCY ESTIMATES OF INTERNATIONAL TRANSACTIONS (in millions of dollars)

Description	1965
Government grants and loans, as shown in agency reports on international transactions (lines 4 and 6, table M-4)	627
Difference in definitions of grants and loans:	
Add:	
Agency for International Development administrative expenses.....	43
Peace Corps expenditures.....	12
Other.....	5
Deduct:	
Certain contributions to international organizations.....	91
Netting of certain receipts.....	39
Other.....	18
Differences in coverage and reporting:	
Add:	
Inclusion of Trust Territory payments.....	13
Payments to foreign-flag carriers.....	13
Payments for expenditures in the United States but entering foreign dollar accounts in U.S. banks.....	116
Differences in agency reporting estimates.....	56
Foreign currency transactions (net).....	17
Other (net).....	6
Transactions involving direct dollar payments to foreign accounts as shown in balance-of-payments statistics	760

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As part of a wide range of efforts to reduce the continuing deficits in the U.S. balance of international payments, the Federal Government carries on a special program to minimize any adverse effects of its activities on the balance of payments. Under this program, agencies with substantial receipts or payments abroad keep their international transactions under close scrutiny. Twice each year they prepare statistical estimates of their transactions. The Bureau of the Budget reviews these estimates to determine whether all possible actions are being taken to reduce payments and increase receipts.

Since this system is used primarily as a management tool, forward estimates are not confined to projections of current trends or programs, but rather reflect all possible efforts, consistent with the national interest, to minimize payments and to maximize receipts from activities in other countries.

This special analysis presents a summary of the international transactions of the Federal Government for fiscal years 1966-68 based on estimates made in September 1966, revised where necessary for comparability with the 1968 budget.

MAJOR TRENDS

On the basis of current estimates, net Federal payments abroad, excluding special transactions, will increase by \$500 million between 1966 and 1967 and then decrease by \$335 million in 1968 (see table M-1).

Gross Federal payments abroad are expected to increase from \$5.1 billion in 1966 to \$5.9 billion in 1967 and to remain at that level in 1968. The increase in expenditures is entirely for (1) defense purposes, (2) interest on the public debt held abroad, and (3) payments to international institutions to carry out prior commitments.

Gross receipts, excluding special transactions (such as prepayments on loans, sales of loans, negotiated sales of special securities, and advances received on military sales) are expected to rise from the 1966 level of about \$2.3 billion to \$3.0 billion in 1968.

Table M-1. SUMMARY OF INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT (in millions of dollars)

	1966 estimate	1967 estimate	1968 estimate
Payments.....	5,052	5,922	5,947
Receipts ¹	2,276	2,646	3,006
Excess of payments.....	2,776	3,276	2,941

¹ Excluding special transactions.

Trends by agency.—Table M-2 provides a breakdown of total current receipts and payments figures. Agencies which account for the bulk of the Federal Government's international transactions are separately identified.

Table M-2. INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT—BY MAJOR AGENCY (in millions of dollars)

Description	1966 estimate	1967 estimate	1968 estimate
Payments:			
Department of Defense.....	3,189	3,974	4,019
Treasury Department.....	626	746	775
Agency for International Development.....	503	378	319
Department of State.....	247	256	262
Department of Health, Education, and Welfare.....	160	166	174
Veterans Administration.....	69	78	85
Atomic Energy Commission.....	56	28	9
Other.....	244	311	309
Subtotal.....	5,094	5,937	5,952
Deduct: Unfunding of previously reserved foreign currency accounts.....	42	15	5
Total ¹	5,052	5,922	5,947
Receipts:			
Department of Defense.....	1,095	1,256	1,335
Export-Import Bank.....	493	630	1,028
Department of Agriculture.....	262	294	327
Agency for International Development.....	183	203	212
Treasury Department.....	181	292	224
Panama Canal.....	73	78	81
Other.....	113	88	91
Subtotal.....	2,400	2,841	3,298
Deduct: Transactions reported by more than one agency.....	124	195	292
Total ¹	2,276	2,646	3,006
Receipts from special transactions (not included in receipts above):			
Advances received on military exports, net.....	57	301	-126
Sales of medium-term, nonmarketable securities, net.....	-106	-13	-50
Prepayments and sales of loans.....	205	425	47
Total, special transactions ¹	156	713	-129

¹ Excludes payments and receipts in excess and near-excess foreign currencies.

Payments.—Estimated increases of \$830 million by the Department of Defense and \$149 million by the Treasury Department dominate the prospective trend in payments during 1966-68.

The Defense increase is largely the result of increased activities in Southeast Asia. The Department will continue its efforts to limit its expenditures abroad while maintaining all necessary combat capabilities in 1967 and 1968.

The Treasury Department makes substantial payments not readily subject to administrative controls. These include especially (1) interest on the public debt held abroad, and (2) U.S. contributions to international financial institutions. (The balance-of-payments

impact of these contributions occurs when the disbursement requirements of these institutions make it necessary to convert their U.S. Government notes and letters of credit into cash.) Increased payments to the International Development Association in 1967 and to the Inter-American Development Bank and to foreign holders of U.S. debt in 1967 and 1968 account for the increases during the 2-year period.

Payments abroad by the Agency for International Development will continue to decline, largely because of special efforts to assure that, wherever possible, loans and grants abroad are tied directly to procurement in the United States. Except for limited procurement in some developing countries, the general policy of AID is to prohibit the use of foreign economic assistance funds to purchase any goods abroad. In 1968, AID will purchase more than 97% of its commodity requirements in the United States.

Overseas payments by the Department of State will be somewhat higher in both 1967 and 1968 primarily because of increased U.S. contributions to international organizations.

Overseas payments by the Department of Health, Education, and Welfare and the Veterans Administration will also increase between 1966 and 1968. Annuities, pensions, and other transfer payments not readily subject to administrative controls account for about 84% of the HEW payments. The VA payments abroad are mostly for compensation and pensions; the expanded veterans programs in the Philippines provided by recently enacted legislation are responsible for most of the rise.

Payments by the Atomic Energy Commission will continue to decline sharply because of scheduled decreases in the procurement of uranium concentrates from foreign countries. The United States expects to terminate its procurement of foreign uranium in 1967.

Receipts.—The increase of \$730 million estimated in receipts over the 1966–68 period arises largely from larger loan and interest payments to the Export-Import Bank and higher Department of Defense sales of military equipment to friendly governments.

Special transactions—which are not included in the totals just discussed—will provide large additional receipts in 1966–67, especially in 1967. Such transactions involve advances or loans which are generally negotiated with foreign governments or official monetary authorities. They include (1) advance payments by foreign governments for military exports, (2) sales of nonmarketable, medium-term securities by the Treasury Department to foreign central banks, (3) sales of loans, and (4) repayment of loans before they are due.

The large bulge in these receipts in 1967 is due to loan prepayments by France and Germany and to timing of German payments under the current offset agreement. Military exports that had been paid for in prior years and net redemptions of medium-term, nonmarketable securities account for the excess of payments over receipts in 1968 from such transactions.

Geographical distribution.—Table M-3 shows a distribution of receipts and payments by major geographic area.

Receipts from Western Europe (excluding special transactions, most of which are with Western Europe) are estimated to increase by \$285 million from 1966 to 1968 in contrast to a \$121 million increase

in payments. All other receipts from overseas are expected to rise by \$445 million during the same period, while payments will rise even more—by \$773 million.

Table M-3. DISTRIBUTION OF INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT, BY GEOGRAPHIC AREA (in millions of dollars)

	1966 estimate	1967 estimate	1968 estimate
Payments:			
Western Europe (including international organizations located there).....	2,040	2,232	2,161
Other countries.....	2,648	3,196	3,265
Other international and undistributed.....	364	494	520
Total.....	5,052	5,922	5,947
Receipts:¹			
Western Europe (including international organizations located there).....	1,117	1,451	1,402
Other countries.....	1,150	1,187	1,596
Other international and undistributed.....	9	8	8
Total.....	2,276	2,646	3,006

¹ Excluding special transactions.

Payments by type of transaction.—Between 1966 and 1968, increases in Federal payments abroad will occur primarily in purchases of goods and services for use abroad, in U.S. payroll spent abroad, and in investments in international organizations. Increased Department of Defense expenditures for Vietnam largely account for the first two.

Table M-4. DISTRIBUTION OF FEDERAL PAYMENTS ABROAD BY TYPE OF TRANSACTION (in millions of dollars)

Description	1966 estimate	1967 estimate	1968 estimate
U.S. payroll—amount estimated to be spent abroad.....	1,151	1,326	1,385
Goods and services purchased abroad for use abroad ¹	2,392	3,009	3,006
Other purchases of goods and services.....	161	175	139
Grants (amounts for use abroad) ²	592	496	469
Pensions and similar transfer payments.....	293	322	334
Loans and investments (amounts for use abroad) ²	147	289	231
Other.....	528	491	572
Subtotal.....	5,264	6,108	6,136
Deduct:			
Payments in excess and near-excess foreign currencies ³	170	171	184
Unfunding of previously reserved foreign currency accounts...	42	15	5
Total, payments affecting the balance of payments.....	5,052	5,922	5,947

¹ Includes Defense procurement, including military assistance.

² Excludes funds tied to procurement in the United States, or which are otherwise not currently available for use abroad.

³ See Special Analysis L for definitions of excess and near excess currencies. Since use of these currencies does not increase the flow of dollars abroad, they are deducted in calculating the effect of the Federal Government on the balance of payments. These figures are estimated on a slightly different basis in Special Analysis L, which reflects certain payments not covered in agency estimates of international transactions.

RELATION TO THE BUDGET

Reports on international transactions do not, in all cases, flow directly from the accounting system used for the administrative budget or trust funds. In some instances they are estimated separately to show all Government receipts or payments which enter the balance of payments. The major differences between data on international transactions and administrative budget and trust fund totals are:

1. *Coverage.*—Data on international transactions *exclude* all budget and trust fund transactions that are within the United States. For example, the administrative budget includes all expenditures for foreign assistance and Department of Defense procurement, while such payments are included as international transactions only to the extent that the procurement is estimated to take place abroad. On the other hand, budget and trust figures *exclude* all transactions in U.S. Government debt whether domestic or international. But sales of special Treasury securities overseas and other international debt operations are included in reports on international transactions.

2. *Estimated basis of international transactions.*—No separate detailed accounting system has been established for international transactions comparable to that which supports administrative budget and trust fund totals. In many cases, it is necessary to estimate the overseas components of transactions, since these components are not shown directly by accounting data. For example, budget accounts provide precise data on the gross amount of salaries paid in a given overseas area, but do not identify the amount actually spent overseas by employees—which is the relevant statistic for balance-of-payments purposes. Thus, international transactions are a combination of actual accounting reports and estimates.

3. *Timing.*—International transactions are recorded at the time when they are known or estimated to affect the balance of payments. The time at which a given international transaction is counted may, therefore, vary considerably from the time at which it is shown in the budget and trust fund accounts. For example, in some cases the U.S. Government has made contributions to international organizations in the form of non-interest-bearing notes. These notes were shown as administrative budget expenditures when issued, but as international payments only when they are cashed.

RELATIONSHIP TO BALANCE-OF-PAYMENTS STATISTICS

Data on Federal receipts and payments abroad are also reflected in the balance-of-payments statistics published by the Department of Commerce. However, as with the administrative budget, the balance-of-payments statistics are designed for purposes which are different from those for which the Government agency reports on international transactions have been established. Balance-of-payments data meet the needs for economic analysis and for the measurement of international flows of real resources and money, while agency reports on international transactions serve both as a means of esti-

mating and as a management tool for decreasing the balance-of-payments impact of Federal Government programs.

Because the two compilations are intended to serve different purposes, the published presentations are very different from one another. The basic difference arises from the fact that the balance-of-payments statistics are comprehensive records of the United States private and Government international transactions, real and financial, while the data in this analysis are a record of the financial payments and receipts attributed to the Government. The figures in this special analysis of Federal overseas transactions, therefore, cannot be directly derived from the published balance-of-payments statistics. The major differences between the two sets of data are:

1. *Classification.*—This analysis uses classifications by agency and by types of expenditures which are quite different from the broad functional classifications used for the balance-of-payments statistics. For example, certain contributions to international organizations are treated as grants in this analysis, but are treated as purchases of services in the balance-of-payments statistics.

2. *Attribution.*—Foreign transactions conducted by private businesses, in which the Federal Government is involved, are generally treated as private in the balance-of-payments statistics.¹ In order to emphasize management decisions, however, this analysis attributes some such transactions to the Federal Government. For example, sales of military goods to foreign governments made directly by private companies are encouraged and sponsored by the Department of Defense. In the balance-of-payments, such sales are reported as private receipts from exports. However, for the purpose of measuring the Department of Defense impact on international transactions, some of them are included as Government receipts in this analysis.

3. *Other.*—Some Government transactions, such as merchandise exports and imports, are separately identified in this analysis but are combined with similar private transactions in the balance-of-payments statistics. Further differences between the two sets of data are in the timing of certain transactions, the reporting of foreign currencies, and the coverage of transactions which are considered "foreign."

The balance-of-payments statistics do not include separate identifiable categories for all types of Federal receipts and payments. Table M-5 shows the principal differences between the 1966 estimates in this analysis and the total Government transactions (including some transactions not separately identified) in the balance-of-payments data. A more detailed reconciliation is available upon request.

¹ Foreign expenditures of U.S. private firms operating under contract with the Department of Defense are included as Government transactions in the balance-of-payments statistics.

Table M-5. GOVERNMENT PAYMENTS AND RECEIPTS—RECONCILIATION BETWEEN THE BALANCE-OF-PAYMENTS STATISTICS¹ AND ESTIMATES OF INTERNATIONAL TRANSACTIONS IN THIS ANALYSIS (in millions of dollars)

Description	1966
Payments, in table M-2.....	5,052
Add:	
Foreign currency payments involving no direct dollar outflow.....	212
Subtotal, in table M-4.....	5,264
Add:	
Grants and loans involving no direct dollar outflow.....	3,752
Other (net).....	152
Total: Payments in balance-of-payments statistics.....	9,168
Receipts, in table M-2:	
Regular transactions.....	2,276
Special transactions.....	156
Total.....	2,432
Add:	
Transactions under grant and loan programs involving no direct dollar inflow (imputed receipts).....	246
Excess and near-excess foreign currency receipts involving no direct dollar inflow.....	379
Other (net).....	26
Deduct:	
Commercial exports arranged by the Departments of Defense and Agriculture.....	479
Total: Receipts in balance-of-payments statistics.....	2,604

¹ U.S. Department of Commerce, "Survey of Current Business," December 1966, pp. 16-33.