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"CONTROLLED INFLATION" IN AUSTRIA

J. Herbert Furth

Austria, like most other Central European countries, has been suffering for the last two years from the monetary illness called "repressed inflation." Although the supply of money, and consequently effective demand in terms of money, has increased to a multiple of prewar figures and the supply of goods has remained far below the prewar level, legal prices and wages have been permitted to rise only moderately. The inevitable result of this development has been the perpetuation of a black market, with its misdirection of factors of production. Workers neglect their regular employment since legal wages are only sufficient for purchases of scant legal rations, and devote as much of their time and energy as possible to illegal dealings in foodstuffs and other consumer goods. Capital and raw materials are used for the production of unregulated luxury goods at the expense of necessities subject to rationing and price-fixing. Under these conditions the relationship between domestic and world market prices becomes strained, and foreign trade needs the help of cumbersome equalization procedures which retard the resumption of normal commercial relations and invite fraud and corruption.

In December 1945, the Austrian Government tried to readjust the monetary and "real" sectors of the economy by a currency exchange. This operation had only limited success, however, mainly because of the huge amount of purchasing power remaining in the hands of the occupying authorities.^{1/}

^{1/} See this Review, January 1, 1946, p. 3, and July 15, 1946, p. 4.

By the end of June 1947, bank note circulation had reached 5.5 billion schillings, as against 4.3 billion at the end of April 1946, when the exchange of German marks for Austrian schillings was completed. The bulk of the increase was due to the payment of occupation costs. Deposits with the National Bank (excluding blocked accounts) amounted to 3.2 billion, while free deposits with other credit institutions included 4.7 billion of demand, and 3.0 billion of savings deposits. The total money supply (currency plus deposits) was around four times as large as in the spring of 1938, at the time of the German annexation. In contrast, production in many branches of industry was less than half of prewar. Official wholesale prices were 190 per cent of 1938, but black market prices were more than thirty times as high as the official quotations for necessities, and three to four times as high as the official quotations for semi-luxuries like wine or tobacco. Net earnings of wage earners were around twice the level of 1938; while wages thus had kept pace with the change in legal prices, they had failed to take into account the disparity between official and black market quotations.

For many months, the Austrian Government had planned to remedy that situation by a second and more radical currency reform which would have reduced the circulation to about prewar levels. This project had to be abandoned, however, because of the cumbersome legislative procedure made necessary by the control agreement of the occupying powers. Every change in Austrian law has to be submitted to the Allied Council, which for a period of 31 days has the right of veto. Although this right, which requires a unanimous decision of all four occupying powers, has hardly ever been exercised in economic matters, the delay and the publicity inherent in the procedure threatened to make any currency reform legislation ineffective. The Government, therefore, decided to establish equilibrium not by a reduction in the amount of money in circulation, but by an increase in prices and wages. In August 1947, all legal prices and wages were raised to three times the level of April 1945, which in practice meant around 330 per cent of March 1938. In most cases, this implied a rise of 40 to 50 per cent over and above the existing level. Public utility rates, salaries, and pensions were raised in similar proportions although some of these increases, requiring legislative action, became effective only at the beginning of September.

This action made official Austrian prices roughly equal to world market quotations at the prevailing official rate of exchange (\$1 = 10 schillings). As compared with 1938, dollar prices on the world market have risen 50 to 100 per cent.^{1/} Moreover, the schilling has been devalued in terms of dollars by about 48 per cent. In terms of schillings, world market prices thus are at present at a level between 300 and 400 per cent of 1938. This level corresponds closely to legal domestic prices under the new regulations. Although many adjustments will be needed in the case of individual commodities, there should be no further need for equalization funds or similar devices on a general scale in order to facilitate the resumption of international trade.

^{1/} The rise between the average of 1938 and May 1947 was 55 per cent for American "consumers' prices", 87 per cent for American wholesale prices, 97 per cent for American export "unit values", and 120 per cent for American import "unit values"; the latter two indexes may be influenced by changes in the composition of foreign trade, which cannot always be reflected accurately in shifts in weights.

In the domestic field, the operation also may be expected to produce beneficial results, but it is unlikely to bring about the complete merger of legal and actual prices, and it may be hampered by unfavorable psychological reactions. In theory, since wages and prices have been raised in the same proportion, real wages should be about the same as in 1938. Actually, however, this cannot be the case since the fall in the productivity of labor and the necessity for diverting a large part of the national product for reconstruction purposes has reduced the supply of goods available for consumption far below the prewar level. A balance between supply and demand, therefore, would require a reduction of effective demand below prewar standards, corresponding to the drop in supplies. The Government could not attempt to enforce such a reduction because of the danger of labor unrest. In consequence, the gap between effective demand and supply probably will not be completely closed, and the black market will continue, although probably with a reduced price differential. Such a reduction in itself, however, will diminish the incentive for diverting labor from legal to illegal activities, and thus help to increase production.

Even this limited success of the operation, however, would be endangered if the Austrian public opinion considered it as a first step toward unleashing actual inflation. In that case, the expectation of further price rises would result in withholding goods from the market and thus increase rather than reduce the gap between effective demand and supply. The classification of the operation as "controlled inflation" has an ominous sound for Austrians who remember only too well the hyper-inflation of 1922. The danger of a financial panic is enhanced by the troubled international situation, especially the disagreement between the Allied powers on the subjects of the so-called German assets^{1/} and the conclusion of a treaty that would end the occupation.

If it were not for the international aspects, the timing of the operation would be favorable. In June 1947, foreign trade, in terms of dollars, reached an annual rate equal to 45 per cent of 1937, about five times as high as the average for 1946. Payment for occupation costs has been reduced to a reasonable amount (around 12 per cent of the total budget expenditures), and the United States not only has waived its share in the occupation costs but also has granted substantial credit aid and relief assistance. The budget shows a moderate deficit but the Government has not been obliged to draw upon the bank of issue: the note circulation has remained virtually unchanged since November 1946. The harvest, though bad, is not worse than last year, and the deficit can be covered by the post-UNRRA aid program of the United States. Industrial production has been rising, mainly because of increased imports of coal.^{2/} Only the supply of power and oil has deteriorated, the former because of the drought affecting hydroelectric works, and the latter because of the continued withholding of the bulk of the production of the Zistersdorf wells from Austrian consumption by the Soviet occupation authorities.

If the Austrian experiment proves successful, it might show other nations a way out of similar difficulties. This would be particularly interesting to the occupation authorities in the combined U.S.-U.K. zones

^{1/} See this Review, October 21, 1946, supplement.

^{2/} See this Review, August 26, 1947, p. 4.

of Germany. The plans calling for monetary reform in all of Germany have been stymied by apparently insoluble difficulties in the quadripartite Allied Control Council; on the other hand, currency reform in the combined zones alone would remove still further the prospects of economic unity of all zones. Price and wage increases would be less spectacular and psychologically disturbing than the introduction of a new currency, and might achieve results similar to those of a currency reform. For this reason, the future financial developments in Austria will be worthy of careful observation.

STOP-GAP AID FOR THE NETHERLANDS?

Robert W. Bean

The General Report, Volume I, of the sixteen-nation Committee of European Economic Cooperation avoids the question of individual country requirements for dollar aid. It asserts that a country breakdown of the estimates is impossible "because, where full requirements cannot be met, available supplies will have to be allocated by the appropriate method, and also because it is impossible to foretell from what source a particular country will obtain supplies in future years." No one can deny that these uncertainties render the task difficult, but they scarcely remove the necessity for making an attempt. The sixteen countries include both fat and lean, and aid will not be given without regard for relative shares. It must also be evident that in order to arrive at the lump-sum requirements of all sixteen countries together, estimates for individual countries did in fact have to be made.

The most the Report itself offers is a set of estimates by a number of individual countries of what their deficits on current account with "the American continent"^{1/} in 1948 would be, "if they had sufficient foreign exchange to meet their requirements." The United Kingdom, France, Western Germany, and Italy--in that order--appear with the largest estimated deficits. Each of these areas has received considerable attention here in both public and official discussion. Next in order is the Netherlands, with an estimated deficit of \$632 million in 1948. The magnitude of this figure suggests that one should inquire whether the Netherlands also may need stop-gap aid. Additional data compiled in Paris, but as yet unpublished, are now available here.

The Dollar Deficit

The table on the following page is a summary of some of the Netherlands estimates drawn up for the Paris Committee. It is not certain to what extent the import requirements were screened by the Technical Committees; it is possible that they were accepted just as submitted by the participating countries. The figure of \$632 million, cited in the Committee's General Report as the estimated Netherlands deficit on current account with the American continent in 1948, is the sum of the 1948 deficits with the United States (\$410 million) and with Other America (\$222 million) shown in the table.

^{1/} Apparently intended to mean both American continents.

Current Items in the Netherlands Balance of Payments,
1947 and 1948, As Estimated for the Committee of
European Economic Cooperation

(In millions of dollars)

	All countries		United States		Other America	
	1947	1948	1947	1948	1947	1948
<u>Payments</u>						
Imports	1,054	1,841	268	377	166	320
Interest, profits, and dividends	15	25	9	20	3	4
Amortization	40	160	26	100	-	-
Remittances	10	10	-	-	-	-
Tourists	10	15	4	4	-	-
Other	80	85	38	33	2	-
Total	1,209	2,136	345	534	171	324
<u>Receipts</u>						
Exports	598	900	33	55	83	102
Shipping	96	102	40	40	-	-
Interest, profits, and dividends	50	45	16	12	-	-
Amortization	40	22	24	10	-	-
Remittances	-	1	-	-	-	-
Tourists	5	7	2	3	-	-
Other	30	40	4	4	-	-
Total	819	1,117	119	124	83	102
<u>Balance</u>	-390	-1,019	-226	-410	-88	-222

It must be said that some of the estimates are a little bewildering. One is struck by the very sizeable increase (160 per cent) in the total deficit for 1948 compared with 1947. A partial explanation might be that the 1948 figure represents estimated requirements, whereas the 1947 figure is a forecast of the actual deficit, as limited by the availability of import goods and means of payment. The rise of dollar prices during the first half of 1947 undoubtedly also accounts for some of the difference, for the 1948 estimate is based on the price level of July 1, 1947. But a part of the explanation appears to be that the Paris estimate of 1947 imports is unaccountably low.

Total imports in 1947 are estimated at \$1,054 million, which is \$422 million less than an earlier official Netherlands estimate published in a White Paper of April 23. Ordinarily one would be inclined to accept the Paris figure as a later and better estimate, but the figures for actual imports during the first eight months indicate that the earlier forecast is likely to prove much more nearly correct. Through August, imports amounted to \$1,026 million (including \$40 million of ships), and this represents an annual rate of \$1,521 million (assuming no additional ship imports). For 1947 imports from the United States no estimate was presented in the White

Paper, but the Paris estimate of \$268 million appears inexplicable when compared with actual imports during only the first six months amounting to \$232 million. The export estimate, however, appears reasonable: total exports of \$598 million, compared with the White Paper estimate of \$612 million and actual exports during the first eight months at an annual rate of \$594 million.

Whatever the explanation for the Paris import estimates, it would appear that for 1947 the total deficit is likely to be nearer \$844 million, as forecast in the White Paper of April 23, than the \$390 million estimated for the CEEC. The Paris estimate of \$1,019 million for the total deficit in 1948 would then appear more reasonable in comparison with 1947.

By analogy to the ratio between the estimated 1948 deficit with the American continent (\$632 million) and the total deficit, one may infer that the 1947 deficit with the American continent, instead of only \$314 million, may amount to \$520 million. A similar figure is obtained by revising upward the estimate of 1947 imports from the American continent on the basis of actual trade in the first six months. The deficit with the American continent for the two-year period, then, may reach some \$1,150 million. The remaining deficit of more than \$700 million with the rest of the world will have to be financed partly with reserves of other currencies, partly with credits in those currencies, and partly with gold and dollars. Total gold and dollar requirements for 1947-48 thus may easily be \$1,200-1,400 million.

It is not intended in this short note to attempt any further correction of the balance of payments estimates for 1947 and 1948, but only to discuss the means available for financing dollar deficits of the size indicated.

Dollar Resources

Against this prospective deficit on current account, the Netherlands had available at the beginning of 1947, or (in the case of credits) has since required, the following dollar resources:

	<u>Millions of dollars</u>
Gold reserves	407
Dollar balances in the United States (official and private)	74
Private marketable dollar security holdings ^{a/}	560
Dollar credits ^{b/}	<u>475</u>
	1,516

^{a/} Official Netherlands estimate for February 1947.

^{b/} Including credits from the International Bank, the International Monetary Fund, the Canadian Government, the Export-Import Bank, the Maritime Commission, and the private capital market in the United States.

It is evident that if no further aid were offered, the Netherlands would be able to finance its 1947-48 deficit only by virtually exhausting its gold and dollar resources. This could scarcely be regarded as a practical possibility. By the end of June 1947, gold and total net dollar balances had been reduced by \$120 million (including payment of \$74 million, mostly in gold, to the International Bank and Monetary Fund). Assuming that it is desirable to avoid reducing gold and dollar balances much below the June level, and that private dollar security holdings are liquidated at the rate envisaged by the Netherlands Government, viz., \$100 million in 1947 and \$150 million in 1948, then only \$845 million (\$120 million of gold and dollar balances, \$250 million of privately-owned securities, and \$475 million in credit) would be available to finance the 1947-48 deficit of some \$1,200-1,400 million. Thus the Netherlands might fall short of requirements by perhaps \$350-450 million, and this need would probably begin to be felt by the second quarter of 1948.

Clearly this is a case which calls for closer examination of the availability of credits from other (principally European) countries, and of the rate at which the Netherlands should be expected to draw down its official and private reserves. If stop-gap aid is to be available only for meeting an acute crisis, then the Netherlands may not qualify. Should it appear that the full program of assistance in response to the Paris Conference would get under way by mid-1948, the Netherlands could risk bridging the gap by drawing heavily on gold reserves and dollar investments.

MONETARY AND FISCAL STABILIZATION UNDER THE
MARSHALL PLAN: PART I

Robert A. Rennie

The Committee of European Economic Cooperation in response to Secretary Marshall's suggestion at Harvard University has outlined the proposed recovery program of the sixteen member countries. Its General Report, Volume I, presents estimates of the minimum requirements for outside assistance during the next four years, and the maximum possibilities of individual and collective self-help. It is emphasized, however, that in view of the interdependence of the European economies, the overall production goals cannot be achieved unless the monetary instability which characterizes many of these countries can be materially reduced.

The present financial disorders in Europe have been a consequence of the exorbitant monetary expansion during the war and the immediate postwar period, although the scarcity of consumers' goods has also contributed to the inflationary pressures. Because the money raised by deficient tax systems and public bond markets has fallen far short of their requirements, the governments of many European countries have had undue recourse to bank credit to aid in financing the expenditures of war and reconstruction.

An approximate measure of the disturbances to monetary equilibrium caused by the credit policies of European states can be obtained from a study of the variations in the income-velocity of money during the

war. The income-velocity of money is defined as the ratio of national income (Y) to the money supply (M). Thus, if V_0 is the income-velocity of money on December 31, 1939, and V_7 is the velocity on December 31, 1946,

$$\frac{V_7}{V_0} = \frac{V_7 M_0}{Y_0 M_7}$$

While variations in real income unaccompanied by proportionate movements in the money supply, changes in the distribution of income between different classes, and in the character of banking and industrial organization may have produced some fluctuations in the income-velocity, a fall in V probably can be ascribed to the accumulation of idle balances in a country in which prices have been held in line by rigid price control and subsidy programs. On the other hand, a rise in V reflects the presence of a wage-price spiral in a country where confidence in the money has been severely shaken.

The following table presents three significant indexes required for an evaluation of the monetary and financial conditions of the principal countries involved in the Marshall Plan:

Prices, Money Supply, and Velocity of Money Circulation

December 31, 1946
(End of 1939=100)

	<u>Wholesale prices</u>	<u>Money supply</u>	<u>Income velocity of money</u>
United Kingdom	173.7	277.1	68
France	805.7	698.5	102
Italy	4,264.3	1,704.1	195
Belgium	287.4	336.2	80
Netherlands	252.6	245.2	78.5
Denmark	188.9	347.6	53.3
Norway	170.0	676.8	25.7
Sweden	166.3	193.6	90.0
Switzerland	195.2	187.1	114.0
Greece ^{a/}	12,500.0	3,650.0	342.0
Turkey	431.6	314.1	137.0
Portugal	222.4	467.2	47.5
United States	183.1	303.9	96
		<u>End of June</u>	102

^{a/} Cost-of-living data are the only price series available for Greece. Since no measure of real income can be obtained, the income-velocity index of 342.0 is a minimum. To the extent that real income is below that of 1939, the income-velocity will be proportionately increased.

While lack of uniformity in the underlying data of this table renders exact comparisons impossible, the relative orders of magnitude of the income-velocity of money present important criteria which may be of some use to the monetary authorities in creating the necessary conditions for domestic stability. It is obvious that fundamentally different policies should be adopted in the various countries in order to minimize the impact of monetary uncertainty upon Europe's international payments difficulties.

Three distinct phases of inflation can be observed from the table. In the first phase where the income-velocity is low, a large portion of the money created during the war is still held in idle balances. Price controls and rationing remain effective, and the public is obliged involuntarily to save a large proportion of its income because of the absence of any worthwhile opportunities to spend. Such a condition of "suppressed inflation" characterizes the economies of the United Kingdom, Denmark, Portugal, and especially Norway, where price and wage increases have been strictly limited by a large subsidy program. However, the redundant purchasing power in these countries represents a continuous threat both to the stability of their domestic economies and to their foreign exchange resources, since such savings are held in constant readiness to replenish inventories whenever the opportunity is presented. "Suppressed inflation" reduces worker incentives and multiplies the difficulties of administering and enforcing the controls devised to deal with shortages, for the excess demand tends to flow over into non-essential sectors, diverting manpower and materials into undesirable channels.^{1/}

The solution required in these circumstances can be worked out along several lines: (a) an increase in output; (b) fiscal reform leading to budgetary surpluses which would permit a substantial extinction of government indebtedness to the banks; (c) a forced loan which would withdraw the redundant money from circulation in exchange for less liquid government securities; and/or (d) a rise in prices sufficient to force a more intensive utilization of the money supply. It is imperative to insure monetary stability that the pressure of surplus purchasing power be reduced by some combination of these measures.

The second phase of inflation can be observed in France, Belgium, the Netherlands, Sweden, Switzerland, and the United States. In these countries, prices are gradually adjusting to the money supply, both through a withdrawal of currency and deposits but primarily through increases in the price level. However, if further inflation is to be avoided, there must be some deterrent to future government borrowing from the banks and to unrestricted credit expansion to private industry. For this purpose, governmental budgets should be balanced and bank credit tightly controlled. At the same time, the contractionary pressure must not endanger the expansion of output or reduce the incentives to produce. Monetary policy at this stage of adjustment requires a delicate weighing of the forces of inflation and deflation prior to all decisions affecting either the money supply or prices.

^{1/} Cf. "Fiscal Policy and Incentives in Great Britain," this Review, August 26, 1947.

When the income-velocity index greatly exceeds 100, a third phase of inflation has been entered. The excessive expansion in the money supply of Greece, Italy, and, to a lesser extent, of Turkey has caused a serious loss of confidence in the currency. There has been a "flight from the currency" in that the public seeks to obtain goods, property, or securities that will increase in value as the money depreciates. As prices rise, there are inevitable demands for higher wages, which produce still higher prices. This wage-price spiral induces agricultural producers to hoard their food rather than sell for currency which has little or no value in purchasing other consumers' goods. In turn, the industrial workers devote an increasing portion of time away from their jobs looking for food.

In such a situation, the governments are not able to balance their budgets, since general expenditures and subsidy costs rise much faster than tax collections based on a previous time period. Neither are they able to induce their citizens to invest in fixed-interest bonds. At a time when money is depreciating at a rate many times the annual interest yield on the government debt, the public will be striving to invest its liquid assets in gold and foreign exchange rather than in government bonds.

Of course, the political uncertainties in these countries tend further to undermine confidence in their currencies, but no general reconstruction of the domestic economies can be accomplished until the money supply has been drastically reduced. Whatever may be the ultimate advantages of the gold stabilization loans requested by the Committee of European Economic Cooperation, they must be preceded by monetary rehabilitation and budgetary reform. The next part of this article will attempt to outline the financial situation in specific countries.

U.S. FOREIGN TRADE: FIRST HALF OF 1947

Gretchen H. Fowler

With close study now being given to the Marshall Plan and our future trade relations with Western Europe, it is timely to assess U.S. trade for the first half of 1947. ^{1/} U.S. recorded exports of domestic and foreign merchandise reached the unprecedented total of \$7,556 million for those six months, \$2.8 billion more than was exported during the first six months of 1946, and topping the similar period in 1944, the largest export year on record, by almost \$150 million. In general, U.S. prices during 1947 were well above the O.P.A. levels that prevailed during the first six-month period of 1946, and contributed to this great increase in the value of exports. In the first half of 1947, exports exceeded imports by \$4.7 billion, nearly equaling the \$4.8 billion excess for the entire year of 1946. General imports reached \$2,863 million in the first half of 1947, an increase of almost \$600 million over the same period of the previous year. Comparative data by countries are given in Table IV on page 14.

During the first half of 1947, U.S. trade with Europe shifted perceptibly toward the western nations. The sixteen Marshall Plan countries received 92 per cent of total U.S. exports to Europe in 1947, compared with 76 per cent in 1946. Cessation of UNRRA and other aid to the Eastern European countries during 1947 caused a decided drop in their imports from the United States as compared with 1946.

As can be seen from the table below, Marshall Plan countries received increased shipments from the United States during the first six months of 1947, but managed to export little more to this country than in 1946. As a result the U.S. excess of exports to these nations rose by almost \$900 million from the first half of 1946 to the same period of 1947. The annual rate of deficit of the Marshall Plan nations with the United States is \$4.5 billion for 1947, whereas the planned deficit for 1948, according to the recovery program published on September 23, is \$5.6 billion.

Table I
U.S. Trade - January through June

	Total U. S. trade	Trade with Europe	Trade with Marshall Plan nations	Trade with Marshall Plan nations as per cent of:	
				Total U.S. trade	Trade with Europe
(In millions of dollars)					
<u>1946:</u>					
Exports	4,769.1	2,209.3	1,684.1	35.3	76.2
Imports	2,286.2	374.9	316.6	13.8	84.4
Excess of exports	2,482.9	1,834.4	1,367.5	55.1	74.5
<u>1947:</u>					
Exports	7,555.5	2,819.8	2,581.2	34.2	91.5
Imports	2,863.4	382.7	338.6	11.8	88.5
Excess of exports	4,692.1	2,437.1	2,242.6	47.8	92.0

^{1/} See two previous articles in this Review of March 11, 1947, and March 25, 1947.

The greatest shift of U.S. trade during 1947 was with South America. For the first six months of 1946, South America had an export surplus of \$18 million with the United States; for the same period in 1947, the balance had become an import surplus of \$620 million. Argentina, Brazil, and Venezuela were the principal countries contributing to this deficit. These three countries increased imports from the United States during the first six months of 1947 by \$558 million above the level for the same period in 1946, while their exports to the United States increased by only \$32 million.

The North American countries, chiefly Canada, Mexico, and Cuba, increased imports from the United States; according to U.S. data, Canada's net imports from this country rose from \$198 million in the first half of 1946 to \$535 million in 1947. This large deficit was the consequence of an increase of U.S. exports to Canada of \$455 million, against additional U.S. imports from Canada of only \$120 million.

In Asia, Japan, Ceylon, Turkey, and India exported less to the United States in the first six months of 1947 than they had during the same period in 1946. These declines were more than offset by increased imports from British Malaya, the Philippines, China, and the Netherlands Indies. British Malaya improved its favorable trade position vis-a-vis the United States fivefold, as rubber exports regained prewar levels.

The following table of U.S. trade by continents shows the geographical shifts between the first half of 1946 and the first half of 1947.

Table II
U.S. Trade - January through June
 (In millions of dollars and
 per cent of total)

	Exports of Domestic and Foreign Merchandise				General Imports			
	1947		1946		1947		1946	
	Value	%	Value	%	Value	%	Value	%
North America	1,930	25.6	1,085	22.8	1,063	37.1	762	33.3
South America	1,220	16.1	511	10.7	600	20.9	529	23.1
Europe	2,820	37.3	2,209	46.3	383	13.4	375	16.4
Asia	1,035	13.7	634	13.3	575	20.1	394	17.3
Australia	138	1.8	61	1.3	99	3.5	77	3.4
Africa	413	5.5	269	5.6	143	5.0	149	6.5
Total	7,556	100.0	4,769	100.0	2,863	100.0	2,286	100.0

The comparison of commodity exports for 1947 with those for 1946 (see Table V, page 15) shows the increased importance of finished and semi-finished manufactures which rose from 60 to 72 per cent of total exports. Expanded exports of all classes of commodities except manufactured foods contributed to the large total. Tremendous increases of finished manufactures (\$2,169 million), semimanufactures (\$412 million), coal (\$153 million), corn (\$110 million), wheat flour (\$185 million), and unmanufactured cotton (\$57 million) were offset in small part by declines in meat products (\$169 million), dairy products (\$66 million), wheat (\$59 million), and unmanufactured tobacco (\$26 million).

Imports were at a disappointing level in 1947. Gains in some commodities were offset by large declines in others as compared with a year ago. In the crude materials group, imports of crude rubber, oilseeds, and crude petroleum increased by \$115 million, \$61 million, and \$30 million respectively, but declines were recorded for undressed furs (\$64 million), raw silk (\$50 million), and unmanufactured wool (\$33 million). Imports of semimanufactured goods increased by \$178 million during 1947. Imports of expressed oils, up \$62 million, woodpulp, \$44 million, copper, \$23 million, and gas and fuel oil, \$17 million, more than offset the decrease in diamonds, cut but not set, of \$49 million. Coffee and cocoa registered gains of \$70 million and \$47 million respectively, in terms of value, although quantity imports of both commodities declined. Newsprint was up by \$54 million from the first half of 1946, and cane sugar increased by \$107 million. The following table shows U.S. trade figures by commodity groups for the first six months of 1946 and 1947, and the relative importance of each group to the total trade.

Table III
U.S. Trade - January through June
 (In millions of dollars
 and per cent of total)

	Exports of Domestic Merchandise				Imports for Consumption			
	1947		1946		1947		1946	
	Value	%	Value	%	Value	%	Value	%
Crude materials	850.6	11.4	639.8	13.8	919.5	32.8	808.1	36.1
Crude foodstuffs	428.3	5.7	353.2	7.7	515.0	18.3	400.6	17.9
Manufactured foodstuffs	816.5	11.0	860.7	18.6	314.6	11.2	232.7	10.4
Semimanufactures	853.1	11.5	440.9	9.5	591.4	21.1	413.3	18.5
Finished manufactures	4,501.2	60.4	2,332.7	50.4	466.7	16.6	382.7	17.1
Total	7,449.7	100.0	4,627.3	100.0	2,807.2	100.0	2,237.4	100.0

Higher prices for both export and import commodities have contributed greatly to the larger trade values in 1947. The index of unit values of exports, as reported by the Department of Commerce, rose 22 per cent between January-May, 1946, and the same period in 1947. The classes of export commodities showed increases as follows: 29 per cent for crude materials, 11 per cent for crude foodstuffs, 32 per cent for manufactured foodstuffs, 27 per cent for semimanufactures, and 18 per cent for finished manufactures. The index for imports rose 26 per cent between the same periods. The breakdown by class of imports shows increases of 13 per cent for crude materials, 52 per cent for crude foodstuffs, 27 per cent for manufactured foodstuffs, 30 per cent for semimanufactures, and 28 per cent for finished manufactures. Weakening prices of some crude industrial materials imported by the United States during the past year, notably prices of rubber and copra, held down the price rise of crude materials. The 52 per cent increase in crude foodstuff prices placed imported commodities of this class at fabulous prices. Cocoa averaged 22 cents per pound during the first half of 1947, compared with the average of 8 cents per pound for 1946. Similarly, coffee sold at 24 cents per pound in 1947, compared to 15 cents last year, and sugar sold at \$4.94 per hundredweight in 1947, compared with \$3.60 during 1946.

Table IV
 U.S. Trade - January through June
 (In millions of dollars)

Continent and country	Exports		Imports		Excess of exports or imports(-):	
	1947	1946	1947	1946	1947	1946
<u>Europe</u>	<u>2,819.8</u>	<u>2,209.3</u>	<u>382.7</u>	<u>374.9</u>	<u>2,437.1</u>	<u>1,834.4</u>
*United Kingdom	620.2	422.2	101.0	75.3	519.2	346.9
*France	459.9	441.8	26.5	21.8	433.4	420.0
*Italy	287.5	210.5	21.5	28.4	266.0	182.1
*Belgium and Luxembourg	237.1	149.3	27.1	34.6	210.0	114.7
*Sweden	224.5	89.0	34.6	23.5	189.9	65.5
*Netherlands	193.2	84.5	9.7	6.3	183.5	78.2
*Greece	89.1	80.7	10.2	11.4	78.9	69.3
*Germany	80.9	21.9	2.1	2.3	78.8	19.6
*Norway	81.7	35.4	9.7	5.3	72.0	30.1
Poland and Danzig	66.8	123.0	.8	.1	66.0	122.9
U.S.S.R.	91.2	223.3	35.6	57.2	55.6	166.1
*Switzerland	92.7	48.4	41.9	50.4	50.8	-2.0
*Denmark	46.9	15.4	3.0	1.7	43.9	13.7
*Eire	40.1	11.9	1.2	.8	38.9	11.1
*Portugal	48.6	29.6	10.9	11.6	37.7	18.0
Yugoslavia	26.1	93.7	.5	.5	25.6	93.2
Czechoslovakia	36.2	62.3	12.3	7.2	23.9	55.1
*Austria	22.6	19.7	1.5	.6	21.1	19.1
<u>North America</u>	<u>1,930.3</u>	<u>1,085.0</u>	<u>1,063.4</u>	<u>761.8</u>	<u>866.9</u>	<u>323.2</u>
Canada	1,045.4	590.0	510.3	392.2	535.1	197.8
Mexico	324.7	216.9	131.1	117.4	193.6	99.5
*Iceland	8.9	6.0	2.0	3.0	6.9	3.0
Cuba	245.0	127.5	261.1	155.4	-16.1	-27.9
<u>South America</u>	<u>1,219.7</u>	<u>510.7</u>	<u>599.9</u>	<u>528.9</u>	<u>619.8</u>	<u>-18.2</u>
Argentina	313.5	66.3	89.5	91.7	224.0	-25.4
Brazil	354.2	158.0	204.7	199.7	149.5	-41.7
Venezuela	214.8	100.5	84.6	55.2	130.2	45.3
Colombia	118.2	70.7	102.7	66.5	15.5	4.2
<u>Asia</u>	<u>1,035.1</u>	<u>634.1</u>	<u>574.7</u>	<u>394.4</u>	<u>460.4</u>	<u>239.7</u>
China	236.1	249.4	70.7	41.0	165.4	208.4
Republic of the Philippines	220.4	147.9	85.7	7.4	134.7	140.5
India	232.1	73.5	124.9	128.3	107.2	-54.8
*Turkey	47.3	17.8	35.7	39.6	11.6	-21.8
British Malaya	27.8	7.1	179.6	37.8	-151.8	-30.7
<u>Africa</u>	<u>413.0</u>	<u>269.1</u>	<u>143.5</u>	<u>149.2</u>	<u>269.5</u>	<u>119.9</u>
Union of South Africa	209.9	108.0	37.5	72.4	172.4	35.6
<u>Australia and Oceania</u>	<u>137.6</u>	<u>60.9</u>	<u>99.2</u>	<u>77.0</u>	<u>38.4</u>	<u>-16.1</u>
Australia	103.6	43.3	82.6	62.6	21.0	-19.3
Total	<u>7,555.5</u>	<u>4,769.1</u>	<u>2,863.4</u>	<u>2,286.2</u>	<u>4,692.1</u>	<u>2,482.9</u>

* Marshall Plan nations.

Table V
U.S. Trade - January through June
(In millions of dollars)

Exports of domestic merchandise	1947	Increase or decrease(-) from 1946	Imports for consumption	1947	Increase or decrease(-) from 1946
<u>Total</u>	<u>7,450</u>	<u>2,822</u>	<u>Total</u>	<u>2,807</u>	<u>570</u>
<u>Finished Manufactures</u>	<u>4,501</u>	<u>2,169</u>	<u>Semimanufactures</u>	<u>591</u>	<u>178</u>
Merchant vessels	396	379	"All other" semimfrs. ^{1/}	178	67
"All other" finished mfrs. ^{1/}	927	362	Expressed oils, inedible	69	62
Industrial mach.	669	254	Wood pulp	106	44
Cotton mfrs.	394	227	Copper	57	23
Electrical mach. & apparatus	279	150	Gas & fuel oil	42	17
Passenger cars	166	138	Sawed boards	44	15
Motor trucks & busses	232	135	Diamonds, cut but not set	19	-49
Rayon, nylon & other synthetics	159	99	<u>Crude Foodstuffs</u>	<u>515</u>	<u>114</u>
Agricultural mach. & implements	151	83	Coffee	298	70
Steel mill mfrs.	185	81	Cocoa	78	47
Iron & steel advanced mfrs.	132	60	Cattle, except for breeding	3	-12
Rubber mfrs.	112	50	<u>Crude Materials</u>	<u>920</u>	<u>111</u>
Lubricating oil	99	43	Crude rubber	208	115
<u>Semimanufactures</u>	<u>853</u>	<u>412</u>	Oilseeds	80	61
"All other" semimfrs. ^{1/}	301	160	Crude petroleum	77	30
Iron & steel semimfrs.	216	108	"Other" vegetable fibers ^{1/}	30	17
<u>Crude Materials</u>	<u>851</u>	<u>211</u>	"All other" crude materials ^{1/}	121	16
Coal	260	153	Nonferrous ores	44	14
Cotton, unufrd.	306	57	Hides & skins	41	14
Tobacco, unufrd.	146	-26	Diamonds, rough, uncut	9	-16
<u>Crude Foodstuffs</u>	<u>428</u>	<u>75</u>	Wool, unufrd.	123	-33
Corn	128	110	Raw silk	10	-50
Wheat	159	-59	Undressed furs	54	-64
<u>Manufactured Foodstuffs</u>	<u>817</u>	<u>-44</u>	<u>Finished Manufactures</u>	<u>467</u>	<u>84</u>
Wheat flour	283	185	Newsprint	157	54
Dairy products	109	-66	Non-commercial imports	26	14
Meat products	75	-169	Machinery & vehicles	34	14
			<u>Manufactured Foodstuffs</u>	<u>315</u>	<u>82</u>
			Cane sugar	208	107
			"All other" mfrd. foodstuffs ^{1/}	50	-10

^{1/} "All other" refers to the unspecified residual in the source material supplied by the Department of Commerce; in the abbreviated tables presented here, it does not refer to the entire residual for the class.