Broadly, then, the world payment as it looks today is something like this: The LDC's, as we would expect of a group of countries that are by nature capital importers, are in deficit. That's to be expected. Continental Europe is in surplus, which in a sense maybe is not to be expected, but there it is. The United States is in deficit because we have been providing capital to the LDC's on a more lavish scale, or at least a larger scale, than has Europe, and we have been investing abroad very generally all around the world.

Now, the balance of payments problem of the United States, which is built out of those ingredients, is of concern both to the United States, obviously--because it's our problem and it's our currency that's involved--and to the rest of the world because the United States dollar is the great reserve currency and because this overall net deficit position of the United States has for the last 10 years been the surest provider of net liquidity to the world through the International Monetary System.

The essence of our balance of payments problem can be put simply enough. It is: How can we generate a big enough surplus on current accounts--that is goods, services, and private transfers--to cover the capital outflow which is made up of private investment abroad and public loans and grants, the latter comprising one of the big elements in our national economic policy, but the private investments themselves also being for us, as a great industrial power, a legitimate and a highly desirable part of our total United States investment at home and abroad