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THE UNITED STATES INTERNATIONAL ASSET AND LIABILITY POSITION: A COMPARISON OF FLOW OF FUNDS AND COMMERCE DEPARTMENT PRESENTATIONS

by

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Abstract

This paper presents a detailed description of how the Flow of Funds' foreign sector asset and liability account is derived. The statistics found in the Flow of Funds' (FOF) foreign sector are related to the Commerce Department's U.S. International Investment Position (IIP) tabulation; a survey of information sources for the foreign sector shows how these data are largely reconcilable with the Commerce Department's IIP. A second section of the paper, based on these statistics, offers some observations about recent developments in the United States' net international investment position.

The U.S. International Asset and Liability Position
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Guido E. van der Ven and John F. Wilson*/

The Commerce Department's Bureau of Economic Analysis reported in June 1986 that, as of year-end 1985, the United States' net international investment position was a negative $107 billion. This was the first time the United States had reported a negative investment position with the rest-of-the-world since these statistics were first systematically compiled beginning in 1919. The swing of this balance into a negative position came as no surprise, given the rapid expansion of the U.S. current account deficit, from near zero in 1981/82 to $118 billion in 1985, but the magnitude of the resulting position at end-1985 was larger than some observers had anticipated. On current trends, these negative results likely will rise to much larger values in the next few years, and the role of the United States as an "international debtor" is now drawing media and political attention.

The official tabulation of the U.S. International Investment Position (IIP) is published once a year in the Survey of Current Business 1/ and, along with the quarterly Balance of Payments (BOP) statistics, has served as the main data source on this topic. Users of the Federal Reserve's Flow of Funds (FOF) statistics watch fundamentally the same data as are embedded in the Commerce accounts.

Experience has shown that many users of the Flow of Funds are unaware that the foreign sector data in these accounts are largely reconcilable with the Commerce Balance of Payments statistics, even though individual line items may be different. To clarify the links between the two flow accounts, a recent paper by one of us, "The Foreign Sector in the Flow of Funds Accounts," gave a full statement of the data sources and calculation methods for the FOF foreign sector as they relate to the Balance of Payments statistics.2/ The more recent concern with the U.S.

International Investment Position provides a convenient opportunity to expand the earlier effort into the realm of outstandings. The initial portion of this paper, therefore, will display and discuss an expanded version of the foreign sector as it appears in the Flow of Funds annual publication, Financial Assets and Liabilities 3/ and its relation to the IIP data. Because the topic of debt is in active discussion, the second part of the paper offers some observations about the meaning of the United States being an "international debtor," based on these same statistics.

FOF and its Relation to IIP Data

Table 1 presents the FOF foreign sector balance sheet as it appears in the Flow of Funds Accounts: Financial Assets and Liabilities tables. The FOF levels presentation is related to the IIP statistics in much the same way as the FOF flow data are related to the BOP. Although the FOF and IIP are related, some conceptual differences in presenting individual line items have resulted in differing net investment positions for the United States being shown or implied by the two sources. While there is no single line labelled U.S. "net investment position" in the FOF presentation, such a position could be obtained by subtracting line 1 from line 16 of Table 1 and reversing the sign.4/ The actual IIP can be found on line 1 of Table 2, which is the Commerce presentation.5/ As can be seen, the net investment position of the United States already was negative in 1984 on the FOF basis.

U.S. Net Investment Position 6/
$ Billions

	1980	1981	1982	1983	1984
FOF	13.8	49.3	54.6	8.6	-73.5
IIP	106.0	140.7	147.0	106.2	28.2

Although these two lines seem to indicate very different positions of U.S. foreign investment, a look at changes in the net investment position shows how the two sources move in virtual lock-step with each other.7/ To be able to reconcile the FOF and IIP statistics we need to dissect the FOF foreign sector and to show the data sources and underlying arithmetic.

Change in U.S. Net Investment Position
$ Billions

	1981	1982	1983	1984
FOF	35.5	5.3	-46.0	-82.1
IIP	34.7	6.3	-40.8	-78.0

An expanded version of the published FOF foreign sector table can be found at the end of this note along with a line-by-line listing of all the data sources--both published and unpublished--that are used in constructing the account. Most line items found in the published version of the foreign sector are outputs of intermediate calculations, the result of data inputs being combined. The expanded version of the account allows one to see how each line in the published form of the accounts is calculated, and the source listing lets the truly inquisitive track down all the original inputs. In addition, FOF data codes are listed for each line item for readers who may be FOF data tape users.8/

Prior to 1981, the major difference between the FOF and IIP presentations was the way FOF incorporated banking and gold data in the accounts, the former coming from banking rather than BOP sources. With the introduction of International Banking Facilities (IBFs) in December, 1981, a new wedge was put between the Commerce and FOF presentations. Adjustments made to FOF data to exclude asset and liability positions of IBFs have since then contributed to sharply diverging measures of assets and liabilities

TABLE 1

PERIOD END LEVELS IN $BILLIONS

		FOF Codes	1980	1981	1982	1983	1984	1985
			Foreign Sector					
1	Total financial assets	264090005	463.8	493.4	493.1	573.9	670.6	808.3
2	Gold and SDR's	263011005	58.3	60.7	59.5	59.8	59.2	57.5
3	U.S. demand deposits	263020001	23.5	19.7	16.0	17.5	19.5	21.1
4	U.S. time deposits	263035000	25.8	28.1	34.9	35.4	40.0	43.3
5	Net interbank claims	764116005	-8.9	-15.9	-68.8	-48.8	-28.8	-16.2
6	U.S. corporate equities	263064000	64.6	64.6	76.8	97.3	95.9	125.2
7	Credit market instruments	264004005	186.4	202.6	225.4	252.5	298.4	371.2
8	U.S. Government securities	263061005	129.7	136.6	149.4	166.3	192.8	214.6
9	U.S. corporate bonds (1)	263063005	22.0	30.4	41.0	45.8	62.2	103.6
10	Acceptances	263069601	34.7	35.5	35.0	40.4	43.4	53.0
11	Security credit	263067003	-	-	-	-	-	-
12	Trade credit	263070005	24.0	24.0	24.1	23.0	23.7	24.8
13	Miscellaneous assets	263090005	90.2	109.6	125.1	137.2	162.6	181.3
14	Direct investment in U.S.	103192003	83.0	108.7	124.7	137.1	159.6	179.5
15	Other	263093000	7.1	.9	.4	.1	3.1	1.8
16	Total liabilities	264190005	477.6	542.7	547.7	582.5	597.1	621.0
	U.S. official fgn. exchange							
17	+ net IMF position	263111005	13.0	14.8	17.6	17.6	18.2	24.8
18	U.S. private deposits	263191005	20.8	33.3	35.7	38.7	34.0	29.6
19	Credit market instruments	264102005	209.6	236.9	226.3	245.2	247.3	246.8
20	Corporate bonds	263163003	47.8	53.3	59.9	63.7	67.7	72.7
21	Bank loans n.e.c.	263168005	60.2	64.1	29.4	34.3	26.5	19.6
22	To foreign official	263168603	11.9	12.6	5.4	8.5	7.6	6.4
23	To foreign banks	263168701	26.3	21.8	15.1	14.2	11.0	9.2
24	To other foreign	263168801	22.0	29.6	8.9	11.7	7.9	4.1
25	Open-market paper	263169175	48.0	61.9	74.9	80.9	83.4	82.3
26	U.S. Government loans	263169205	53.6	57.7	62.1	66.3	69.7	72.1
27	Security debt	263167003	-	-	-	-	-	-
28	Trade debt	263170003	16.0	16.2	13.5	13.7	13.2	12.8
29	Miscellaneous liabilities	263190005	218.3	241.4	254.6	267.3	284.3	307.0
30	U.S.eq.in World Bank, etc.	313092203	8.3	9.3	10.6	11.3	13.0	14.4
31	U.S. Government deposits	313091003	1.7	1.4	1.7	1.7	2.0	1.8
32	U.S. dir. inv. abroad (1)	103092000	208.5	224.8	227.4	236.5	246.2	260.2
33	Other	263193001	-.1	5.8	14.9	17.8	23.2	30.7

TABLE 2 *

Table 2.—International Investment Position of the United States at Yearend, 1970–84

[Millions of dollars]

Line	Type of investment	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 r	1981 r	1982 r	1983 r	1984 p
1	**Net international investment position of the United States (line 2 less line 20).**	58,473	45,511	37,036	47,894	58,731	74,240	83,578	72,741	76,115	94,457	106,035	140,700	146,987	106,215	28,245
2	**U.S. assets abroad**	165,385	179,004	198,694	222,430	255,719	295,100	347,160	379,105	447,847	510,563	606,865	719,683	838,962	893,826	914,693
3	U.S. official reserve assets [1]	14,487	12,167	13,151	14,378	15,883	16,226	18,747	19,314	18,650	18,956	26,756	30,075	33,957	33,748	34,933
4	Gold [1]	11,072	10,206	10,487	11,652	11,652	11,599	11,598	11,719	11,671	11,172	11,160	11,151	11,148	11,121	11,096
5	Special drawing rights [1]	851	1,100	1,958	2,166	2,374	2,335	2,395	2,629	1,558	2,724	2,610	4,096	5,250	5,025	5,641
6	Reserve position in the International Monetary Fund [1].	1,935	585	465	552	1,852	2,212	4,434	4,946	1,047	1,253	2,852	5,054	7,348	11,312	11,541
7	Foreign currencies [1]	629	276	241	8	5	80	321	20	4,374	3,807	10,134	9,774	10,212	6,289	6,656
8	U.S. Government assets, other than official reserve assets.	32,143	34,161	36,116	38,807	38,331	41,804	45,994	49,544	54,200	58,423	63,544	68,447	74,329	79,246	84,635
9	U.S. loans and other long-term assets [2].	29,691	31,768	34,118	36,187	36,268	39,809	44,124	47,749	52,252	56,477	61,828	67,002	72,660	77,561	82,661
10	Repayable in dollars	23,509	25,582	28,418	30,617	33,030	36,815	41,309	45,154	49,817	54,085	59,604	64,722	70,675	75,691	80,844
11	Other [3]	6,182	6,185	5,699	5,570	3,238	2,994	2,815	2,595	2,435	2,392	2,224	2,280	1,985	1,871	1,818
12	U.S. foreign currency holdings and U.S. short-term assets.	2,452	2,393	1,998	2,620	2,063	1,995	1,870	1,795	1,948	1,946	1,715	1,445	1,669	1,684	1,974
13	U.S. private assets	118,755	132,676	149,427	169,245	201,505	237,070	282,418	310,247	374,997	433,184	516,566	621,161	730,676	780,833	795,125
14	Direct investment abroad [4]	75,480	82,760	89,878	101,313	110,078	124,050	136,809	145,990	162,727	187,858	215,375	228,348	221,843	226,962	233,412
15	Foreign securities	20,892	23,360	27,383	27,446	28,203	34,913	44,157	49,439	53,384	56,800	62,653	63,452	75,672	84,270	89,875
16	Bonds	14,319	15,719	16,846	17,420	19,192	25,328	34,704	39,329	42,148	41,966	43,487	45,791	56,698	57,719	61,973
17	Corporate stocks	6,573	7,641	10,537	10,026	9,011	9,585	9,453	10,110	11,236	14,834	19,166	17,661	18,974	26,551	27,902
18	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns [5].	8,546	9,637	11,427	13,767	16,989	18,340	20,317	22,256	28,070	31,497	34,672	35,853	28,583	35,096	28,829
19	U.S. claims reported by U.S. banks, not included elsewhere [6].	13,837	16,919	20,739	26,719	46,235	59,767	81,135	92,562	130,816	157,029	203,866	293,508	404,578	434,505	443,009
20	**Foreign assets in the United States**	106,912	133,493	161,658	174,536	196,988	220,860	263,582	306,364	371,730	416,106	500,830	578,983	691,975	787,611	886,448
21	Foreign official assets in the United States.	26,151	52,485	62,998	69,266	79,865	86,910	104,445	140,867	173,057	159,852	176,062	180,425	189,188	194,505	199,021
22	U.S. Government securities	17,709	44,402	52,906	53,777	58,072	63,553	72,572	105,386	128,511	106,640	118,189	125,130	132,587	136,987	142,909
23	U.S. Treasury securities [7]	17,662	44,364	52,607	52,903	56,504	61,107	70,555	101,092	123,991	101,748	111,336	117,004	124,929	129,716	135,359
24	Other [7]	47	38	299	874	1,568	2,446	2,017	4,294	4,520	4,892	6,853	8,126	7,658	7,271	7,550
25	Other U.S. Government liabilities [8]	1,763	1,252	1,435	2,388	2,726	4,215	8,860	10,260	12,749	12,749	13,367	13,029	13,718	14,269	14,721
26	U.S. liabilities reported by U.S. banks, not included elsewhere.	6,679	6,831	8,469	12,595	18,420	16,262	17,231	18,004	23,327	30,540	30,381	26,737	24,989	25,534	26,197
27	Other foreign official assets [7]			188	506	647	2,880	5,782	7,217	8,470	9,923	14,125	15,529	17,894	17,716	15,194
28	Other foreign assets in the United States.	80,761	81,008	96,660	105,270	117,123	133,950	159,137	165,497	198,673	256,254	324,768	398,558	502,787	593,106	687,427
29	Direct investment in the United States [9].	13,270	13,914	14,868	20,556	25,144	27,662	30,770	34,595	42,471	54,462	83,046	108,714	124,677	137,061	159,571
30	U.S. Treasury securities [7]	1,194	1,194	1,159	958	1,655	4,245	7,028	7,562	8,910	14,210	16,113	18,524	25,802	33,922	56,870
31	U.S. securities other than U.S. Treasury securities [7].	34,786	40,209	50,693	46,116	34,892	45,663	54,913	51,235	53,554	58,587	74,114	75,353	93,567	114,710	128,201
32	Corporate and other bonds [7]	7,577	9,398	11,634	12,600	10,671	10,025	11,964	11,456	11,457	10,269	9,545	10,727	16,805	17,454	32,290
33	Corporate stocks [7]	27,209	30,811	39,059	33,516	24,221	35,638	42,949	39,779	42,097	48,318	64,569	64,626	76,762	97,256	95,911
34	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns [5].	8,831	9,238	10,714	11,712	13,586	13,905	12,961	11,921	16,019	18,669	30,426	30,606	27,459	26,790	30,488
35	U.S. liabilities reported by U.S. banks, not included elsewhere [6].	22,680	16,454	21,226	25,928	41,846	42,475	53,465	60,184	77,719	110,326	121,069	165,361	231,282	280,623	312,297

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1. Total reserve assets include increases from changes in the par value of the dollar: on May 8, 1972, the increase totaled $1,016 million, consisting of $828 million gold stock, $155 million special drawing rights (SDR), and $33 million U.S. reserve position in the International Monetary Fund (IMF); on October 18, 1973, the increase totaled $1,436 million, consisting of $1,165 million gold stock, $217 million SDR, and $54 million reserve position in the IMF. The gold stock is valued at $35 per fine troy ounce until May 8, 1972; thereafter, at $38 per fine troy ounce until October 18, 1973, pursuant to the Par Value Modification Act (P.L. 92-268); and, thereafter, at $42% per fine troy ounce pursuant to an amendment (in P.L. 93-110) to the Par Value Modification Act. Beginning in 1974, the value of the SDR, in which the U.S. holdings of SDR and the reserve position in the IMF are denominated, fluctuates based on the weighted average of exchange rates for the currencies of principal IMF members. Foreign currency reserves are valued at exchange rates at time of purchase through 1973 and at current exchange rates thereafter.

2. Also includes paid-in capital subscription to international financial institutions and outstanding amounts of miscellaneous claims that have been settled through international agreements to be payable to the U.S. Government over periods in excess of 1 year. Excludes World War I debts that are not being serviced.

3. Includes indebtedness that the borrower may contractually, or at its option, repay with its currency, with a third country's currency, or by delivery of materials or transfer of services.

4. Estimates are linked, for 1977 forward, to the U.S. Department of Commerce 1977 benchmark survey and, for 1966–76, to the Commerce 1966 benchmark survey.

5. Breaks in the series reflect: in 1971, 1972, and 1978, expanded reporting coverage; in 1982, an increase in reporters' exemption levels.

6. Breaks in the series reflect: in 1971 and 1972, expanded reporting coverage; in 1978, expanded coverage of bank holding companies and of brokers' and security dealers' reporting of liabilities; in 1981, expanded coverage of brokers' and security dealers' reporting of claims; and in 1977 and 1982, an increase in reporters' exemption levels.

7. Estimates include results of 1974 and 1978 portfolio benchmark surveys conducted by the U.S. Department of the Treasury. Beginning with the 1978 benchmark, marketable Treasury bonds are valued at market price; previously, they were valued at acquisition price.

8. Primarily includes U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.

9. Estimates are linked, for 1980 forward, to the U.S. Department of Commerce 1980 benchmark survey; for 1973–79, to the Commerce 1974 benchmark survey; and through 1972 to the Commerce 1959 benchmark survey.

NOTE.—Revised area tables for 1970–84 are available upon request from the Balance of Payments Division (BE-58), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

* From the June 1985 Survey of Current Business.

considered separately.9/ Additionally, FOF data are gathered from diverse sources (e.g., bank call reports and nongovernmental sources), which contributes to different statistics being presented for line items in the FOF and IIP tables that appear to be definitionally the same (e.g., line 20 Table 1, Corporate bonds and line 32 Table 2, Corporate and other bonds). But even given these departures from the IIP, the FOF treatment has built into it a check system that enforces some consistency with the IIP. The following discussions on banking data, gold, IBFs, and the scheme FOF uses to impose consistency with the IIP statistics should make the reconciliation of the two sources a bit more transparent.

Banking data

Banking data are exclusively derived from the call reports, which give somewhat more detail on banks' international positions than can be found in the IIP statistics.10/ Using the bank call data, FOF departs from the clear asset/liability split found in the IIP by presenting as a "net" figure the net claims (line 5 of Table 1) derived from due-tos and due-froms of both domestically-chartered and foreign-related banks with their foreign affiliates and deposit positions with unrelated foreign banks.11/ This is made clear in lines 10-17 of the expanded table. The negative balance in line 5 of Table 1 indicates that domestic claims on foreign branches and foreign banks have exceeded affiliates' claims on domestic offices.

Gold

The treatment of gold as an international financial asset differs between the IIP and FOF Accounts, and each is to some extent arbitrary. Both IIP and FOF have traditionally shown official gold under "U.S. Assets Abroad", as if gold were a bona-fide claim on foreigners, which it is not. In addition

FOF shows gold reserve holdings of foreigners as an asset, which the Commerce figures do not, because they are not actually a "foreign asset in the United States." The FOF treatment of foreign gold--while debatable--is at least symmetric with the treatment of domestic gold, so that any (these days almost none) dealings in reserve gold offsets in foreign and domestic accounts, which would not occur in the Commerce version. This inclusion accounts for the major portion of the value difference in asset outstandings up through 1980, prior to the IBF startup.

In both cases gold illustrates the judgmental element in putting such accounts together. Gold reserves included in the IIP and FOF accounts are no more an "international" asset than U.S. government holdings of silver, titanium, paper weights or box cars, because they represent no claim on a specific foreign country. Gold is in because of its (past) monetary role. It remains, somehow, "internationally acceptable" in such accounts. But perhaps on the hypothetical day when accounts are settled, gold may be out of fashion. If the United States is, then, an "international debtor", perhaps it may be asked to settle up in soybeans.

IBFs

Since December 1981, domestic and foreign-related banks have been permitted to establish international banking facilities. Flow of Funds treats IBFs in its accounts as part of the rest-of-the-world, whereas IIP statistics treat IBFs as domestic. To maintain consistency throughout the FOF accounts, foreign claims on IBFs and IBF claims on foreigners must be omitted from both the asset and liability side of the FOF foreign sector balance sheet. For example, in 1983 total IBF liabilities to foreigners were nearly $120 billion. This is netted out of line 38 of the expanded table (Foreign assets in the U.S., which comes from the IIP) and is thus carried through and reflected in line 1 being $120 billion lower than it would otherwise be if IBFs were treated similarly to the IIP method. This explains a large portion of the difference between line 1 of Table 1 and line 20 of Table 2.

Consistency with IIP

The general scheme in the FOF Accounts is to present the foreign sector in a framework consistent with sectorization elsewhere in the accounts, but, at the same time, remain oriented toward the Commerce Department IIP statistics. This is effected by using FOF data sources and presenting the data in a way that is consistent with FOF methods while, at the same time, using the "other" category (lines 15 and 33 of Table 1) as a residual to capture any IIP effects that might have been missed by using other than Commerce Department sources. Both other assets and other liabilities are residuals with the "starter" (lines 38 and 90 of the expanded table) being derived directly from the IIP (Table 2 lines 20 and 13 respectively). For example, lines 38 and 90 are obtained as follows:

	$ Billions 1983
Foreign assets in the U.S. (IIP line 20)	787.6
- Total IBF liabilities abroad	119.7
= Foreign assets in the U.S. (FOF line 38)	667.9

	$ Billions 1983
U.S. private assets abroad (IIP line 13)	780.8
- Corporate stocks (IIP line 17)	28.6
- Total IBF assets	119.8
= U.S. private assets abroad (FOF line 90)	634.6

Although FOF does show foreign holdings of U.S. equities as a foreign asset, it excludes U.S. holdings of foreign equities (other than direct investments) because they are not a foreign liability. Since IIP statistics show equities on both sides, FOF must subtract line 17 (IIP) to obtain line 90 (FOF), U.S. private assets abroad. In addition, bonds sold by Netherlands Antilles affiliates of U.S. corporations (line 29 FOF) are included as foreign bond holdings in the FOF presentation, whereas in the Commerce treatment the intercompany debt associated with such bonds is netted against the U.S. foreign direct investment position. U.S. direct investment positions abroad in the FOF treatment thus are somewhat higher than will be shown in the IIP statistics. Clearly some of the treatment of data has its arbitrary elements and is a matter of judgment. The following example summarizes the reconciliation between FOF foreign asset holdings (FOF line 1) and IIP foreign assets in the U.S. (IIP line 20).

	$ Billions 1983
Foreign assets in the U.S. (line 20 IIP)	787.6
- Total IBF liabilities abroad	119.7
- Interbank claims on fgn. (lines 12, 13, 15, 16 FOF expanded)	164.5
+ Corporate bond adjustment (line 27 less 42 FOF expanded)	10.6
+ Gold (line 2 FOF expanded)	59.8
= Total financial assets (line 1 FOF)	573.8

Movements in Investment Positions

As shown earlier, annual changes in the net international investment position on both the FOF and IIP basis closely parallel each other. Movements through time in an international investment position can be strongly influenced by valuations of the assets and liabilities included in the accounting. As shown in Table 1 of the June 1986 Survey report on the U.S. IIP, both price and exchange rate changes contributed importantly to the 1985 results. Commerce "revalues" U.S. private assets in the accounts for both factors; U.S. official assets are adjusted for exchange rate changes; and all foreign assets in the United States are revalued for price movements.

The FOF treatment follows Commerce, and uses Commerce data, both in revaluing equities and in not revaluing gold or direct investment. Unlike Commerce, however, FOF does not estimate market values of bonds, government securities or other assets. This treatment is in line with usage elsewhere in the FOF accounts, but since it differs somewhat from Commerce, it contributes to discrepancies between the two sets of numbers. This was the primary factor that contributed to the differences between the FOF and IIP changes in net U.S. investment positions presented earlier.

The large net capital inflow associated with the $118 billion current account deficit in 1985 was the dominant factor in turning the United States, statistically, into a "net debtor." The associated recorded capital inflow to the United States was $95 billion. In addition, a negative net valuation adjustment of $17 billion accounted for the rest of the $112 billion swing to net debtor status. The $17 billion valuation adjustment comprised a $39 billion increase in foreign asset valuation, largely due to a rise in the price of U.S. securities held by foreigners, partly offset by a $22 billion increase in the value of U.S. assets abroad, which consisted of price and exchange rate-related appreciation of foreign securities.

Composition of 1985 Change in U.S. Net Investment Position
$Billions

	Position 1984	Capital flows (a)	Price changes (b)	Exchange rate and other changes (c)	Total (a+b+c)	Position 1985
1. Net position or change (line 2 less line 3)	4	-95	-24	7	-112	-107
2. U.S. assets abroad	898	32	12	11	55	952
3. Foreign assets in the U.S.	894	127	36	3	166	1060

Source: SCB, June 1986, Table 1, p. 27.

United States as a Net Debtor

As indicated above, the emergence of the United States as a net "international debtor" was widely anticipated in 1985. Indeed, a special note by Jack Bame to the June 1985 SCB article on the investment position already noted that "sometime during the first half of 1985, the United States became a net debtor for the first time since 1914." As this forecast turned into statistical fact, there has subsequently been some comment and publicity about this development. Judging from the press, it is not clear all readers made it through to the last line of the special note. There, referring to the large and positive cumulative statistical discrepancy from 1979 to 1984, Bame adds that "foreign assets in the United States [may] have been understated by that amount, and the United States actually may have shifted to net debtor position earlier than this year."

While this paper is directed mainly at showing two presentations of the U.S. international position, it may yet be appropriate to include some comments on this "international debtor" question. The problem of the United States as an international debtor has been treated with evident alarm in public discussions, complete with allusions to impoverished LDCs, worried foreign investors and future generations of Americans struggling to pay it all back. From the viewpoint of the professional economist the situation should not be evaluated in exaggerated and emotional terms. Becoming an international "debtor" in 1985 (or 1983 or 1984?) does not absolutely mean the sky is falling. The following comments highlight the purely statistical facets of these kinds of data, which most economists likely would agree are an appropriate background to any policy discussion on the U.S. "debtor" position.

An important point is that "international debtor" often is used synonymously (even by Commerce) with "negative net international investment position." The terms are not synonyms. Among statisticians this usage may seem harmless, but when reiterated in the press the important distinction between international assets which are someone's debts and those which are not debts often is lost in the analysis.

It is also useful to note that the deterioration in the net U.S. international investment position is not due to a decline in U.S. claims abroad (line 2, IIP) as is sometimes thought by casual observers. U.S. claims on foreigners in fact have risen at a 14 percent annual rate throughout the 1980s. The deterioration in the net position has resulted from the acceleration of foreign assets in the U.S. (line 20, IIP). This has outpaced the growth of U.S. claims by about 11 percent annually over the period 1980-1985. Some observers have erroneously confused a declining net investment position with an absolute drop in U.S. foreign assets, which definitely has not occurred.

A perusal of the time series in Commerce's Table 2, for instance, shows statements of U.S. Assets Abroad and Foreign Assets in the United States, and a balance which is the IIP. This balance is the measure most often referred to as heading toward the "net debtor" reading. But it is clear that substantial parts of these accounts are not debt at all. On the U.S. side, gold surely is no-one's debt. IMF-related assets probably should not be considered debt and, of course, direct investment and corporate stock are not debts in the usual sense.12/ Similar comments apply to Foreign Assets in the United States (noting again that gold does not appear). Thus, "international debtor" is a phrase with a large semantic component. As shown below, excluding the non-debt components of international assets results in the United States becoming a net debtor already in 1984.

U.S. Net Asset Position (excluding items listed above, $ Billions)

		1981	1982	1983	1984	1985
	U.S. Assets:	453.3	574.4	612.9	629.1	648.7
-	Foreign Assets:	405.7	487.2	551.2	633.4	750.9
=	net position	47.6	87.2	61.7	-4.3	-102.2

Thus, only portions of the Commerce statement deal with debtor positions *per se*. The statement as a whole, most economists would agree, just provides a rough measure of the scale of U.S. international engagement and, some would argue, a measure of the amount of assets which could be mobilized in a real panic. Some pundits cite figures like these to warn that "a lot of dollars can be sold at once."13/

In current circumstances, with a large current account deficit and a falling dollar, it seems plausible that rises and falls in the U.S. investment position have some predictable connection to the exchange market's treatment of the dollar. But historically it is not at all clear that these two phenomena are well connected. As the table below illustrates, during the past 15 years the dollar has sometimes fallen over periods during which the U.S. international position was "improving," and, conversely, several of the dollar's strongest years were accompanied by sharp "deteriorations" in this position. While this observation does not preclude episodes of exchange-market pressure directly associated with the evolution of the U.S. net external asset position, the latter certainly cannot be viewed as the only factor involved.

Change in U.S. Net Investment Position
vs. Change in the Dollar14/

	Investment Position ($ billions)	Dollar (Percent)
1970-1974 avg.	-8.5	-4.1
1975-1979 avg.	7.1	-2.5
1980	11.6	5.4
1981	34.7	15.6
1982	-4.5	13.3
1983	-47.7	11.4
1984	-84.1	12.3
1985	-111.8	-15.7

Valuation

Expressions of concern about either ongoing (flow) balance of payments developments or the associated movements in the U.S. investment position sometimes rest implicitly on the premise that some day of reckoning will arrive, on which all U.S. and foreign players will cash in their chips and settle accounts all around. This is not a likely occurrence. At all events, as noted above, the value of each side's position is a highly uncertain and variable thing, subject to particular accounting conventions. Some items are revalued periodically, but other important ones are not. U.S. gold, for instance, has long been carried at a price which currently is about 1/8 of the market value. At the end of 1985 the published U.S. direct investment position abroad was $233 billion and the foreign position here was $183 billion. These figures are at book values; what would they be at market values? Surely both would be much higher. All of this touches only on the items conventionally included on the IIP statement. One could easily add, e.g., the U.S. silver stock and many other salable assets as well. The point here is simply that nothing in the IIP is very helpful or relevant in forming judgments about possible exchange-market crises or the resources at hand to deal with them.

It may also be noted that the IIP and FOF presentations are both global statements of the U.S. position relative to the rest-of-world. Many observers may be unaware that there are--and have long been--significant imbalances in the U.S. net position against individual countries and regions. For some period of time the United States already has been a net debtor vis-a-vis other developed countries while maintaining a net asset position with Canada and Latin America, with no evident expressions of alarm. There are also imbalances in the "liquidity" aspects of the U.S. positions; typically it has been a net creditor on long-term investments and a net debtor on short-term positions.

Movement of the IIP toward net negative balances also arouses fears, in part, because continued U.S. current account deficits are considered to be unsustainable. That may be true but so are the corresponding rest-of-world surpluses (many economic developments are unsustainable but do not arouse undue alarm).15/ Concern has also been expressed that such deficits are the result of a persistent American tendency toward saving too little relative to investment, which pushes downward on the current transactions balance and "sucks in" foreign capital. The common view of the balance of payments is still that the capital account "accommodates" movements in the current account, and that the plunge in the IIP is a worrisome result of a deteriorating U.S. current account. But there is an alternative view which should at least be mentioned; the recent fall in the IIP may, to some extent, have been an expression of world confidence in the U.S. economy, manifested in large capital inflows (i.e., purchases of dollars) which dragged down the current account position.16/ The simple statistics, unfortunately, give little clue whether the decline in the IIP is a good or bad thing and, in itself, the IIP is no barometer of confidence in the dollar or the U.S. economy.

Balance of payments analysis rests largely on one simple equation, which says that the capital flow (measured and "unmeasured" flows together) is identically the same magnitude and opposite in sign to the current account flow. Such an identity gives no insight into the causality relations between current and capital accounts. Whatever factors, including dollar appreciation, lie behind the "deterioration" of the U.S. current account since 1982, they are the same which account for most of the measured "worsening" of the IIP. Whatever corrective (e.g., the dollar depreciation of 1985/86) the market may apply, if either or both the current and investment accounts are perceived to be out of line with collective desires, it will likewise affect both. In fact, a sharp dollar decline, perhaps suggesting a desire of both U.S. and foreign investors to adjust portfolios, that may be instrumental in changing both capital and current transactions, can potentially have a large valuation impact on U.S. foreign assets even <u>before</u> these transactions begin to adjust.

As Commerce itself has noted, even if the United States has become an international "debtor", such a position is not comparable to those of LDCs who have contracted international obligations in non-domestic currencies.17/ The situation faced by such countries can, if severe, result in a foreign exchange crisis. The situation faced by the United States over the next few years--during which time the IIP probably will reach very substantial negative figures--is much more a diversion of (net) income flows to foreign asset owners and away from residents.18/ Such a diversion would also reduce the funds to pay for net imports of goods and services (other than net investment income) even if net capital inflows remain as large as they have been recently. Even under such relatively favorable conditions, domestic spending would have to decline relative to domestic income, and domestic investment would have to decline relative to domestic saving. Whether the outcome, on balance, is favorable or not depends on many things. Certainly a negative turn in the IIP is not incontrovertibly a bad thing in all circumstances.

The above comments are intended to touch only briefly on the analytic issues raised by recent balance of payments developments which account for most of the movement in the IIP in either the Commerce or FOF presentations. No effort has been made to pursue any of these issues in depth, other than to mention some of the dangers attaching to incautious use of an important set of international statistics. Potential problems inferred from statistics are sometimes much in the mind of the beholder, and while sometimes they arise in the real world, sometimes also they do not. Whether the emerging "role" of the United States as an international debtor raises any genuine issues of concern depends on careful understandings of both the available data and the national income and balance of payments accounting which define possible real-world responses. We have not taken a position in this paper that no problems will accompany the drift of the United States into a net debtor position, but it seems to us that popular concern needs to be dispassionately analyzed.

What is not considered here is the use of the funds that have been borrowed abroad. In principle, if funds are borrowed to finance investments that yield more than the costs of the borrowed funds, the net income of the

the borrower (i.e., the national income of the borrowing country) is raised, and borrowing is good and sustainable. Although in such circumstances the net international investment position of the borrowing country may well become negative, the total net wealth of the country nonetheless becomes larger. It is the latter measure which gives a more valid perspective than the international investment position, which does not include all assets, from which to form judgments about the desirability of particular external balances.

FOOTNOTES

*Economist and Chief, respectively, Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System. All material in this paper represents the personal views of the authors and should not be construed as those of the Federal Reserve System. The authors wish to express their appreciation to Walther Lederer for his helpful comments on this manuscript.

1. As can be seen from June issues of the SCB, major movements in the IIP are determined by balance of payments developments. Price and exchange-rate movements are factored in, as are discontinuities where they can be identified. Periodic benchmark surveys--most of them rather old now--have provided additional information.

2. John F. Wilson, "The Foreign Sector in the U.S. Flow of Funds Accounts," International Finance Discussion Papers, Number 239, (April 1984).

3. Prior to October 1985 this publication was entitled Assets and Liabilities Outstanding.

4. The FOF Foreign Sector balance sheet is presented from the standpoint of the foreign investor. Note that foreign gold is included as if it were a claim on U.S. residents.

5. Found in the June Survey of Current Business.

6. Data used in the text to reconcile the FOF presentation of the foreign sector with the IIP are based on data found in the June 1985 Survey of Current Business. The 1982-84 data given in the June 1986 SCB are revised downwards from those in this table. Flow of funds data had not yet been updated to incorporate the 1985 U.S. international investment position statistics when this paper was written.

7. The level differences are mainly attributable to the inclusion of foreign gold holdings in the foreign assets in the FOF presentation. Movements are mostly unaffected because changes in physical gold are small and gold holdings are not revalued.

8. Forms of calculation in the Flow of Funds Accounts change periodically; the presentation given here displays the calculation used through 1984. Certain minor changes (e.g., in interbank claims) are being introduced for 1985 onwards. In addition, foreign gold holdings likely will be removed from the foreign international asset total.

9. Since IBFs are required to have almost all their assets and liabilities with foreigners, this factor has no major influence on the net investment position.

10. IIP banking data are derived from the Treasury International Capital Reports (TICs), where the meaning of "banks" includes, inter alia, bank holding companies, brokers and dealers, and thrift institutions.

11. "Foreign-related" banks consist of U.S. branches and agencies of foreign banks, Edge Act corporations and New York Investment Companies. Foreign deposits (of both banks and nonbanks) with U.S. banks are shown separately in lines 3 and 4 of Table 1.

12. In balance of payments statistics loans to affiliates are treated as direct investment, so direct investment includes a debt component, but this is often substitutable for--or can be converted to--equity in these affiliates.

13. This kind of scenario, hinging on a view that everyone would try to sell (or buy) dollars in unison, is implausible. At all events, the IIP statement is not necessarily a good measure even of potential pressure that can be applied (for or against) a currency, because it does not encompass futures and forward markets or potential decisions by holders of domestic assets to switch to foreign assets.

14. Dollar exchange rate changes are calculated from the Federal Reserve's trade-weighted index, which is based on exchange rates of a basket of 10 currencies belonging to the U.S.'s major trading partners. Percent changes are calculated on a December-average over December-average basis.

15. Surpluses of individual countries, which reflect an excess of savings over domestic investment, may be more sustainable insofar as they do not have to be invested in the United States.

16. The near-impossibility of identifying either the current or capital account balance as "autonomous" or "accommodating" is a major theme in Ralph C. Bryant, "Dollar Balances and the U.S. Balance of Payments: A Conceptual Review," doctoral dissertation, Yale University, 1966.

17. For an explanation of the U.S. as a net debtor nation during its developing years see, "The United States as a Debtor in the 19th Century," by Robert Solomon, Brookings Discussion Papers in International Economics #28 (May 1985).

18. The fact that any perceived U.S. international debt "problems" will not be intrinsically a foreign exchange problem does not mean that exchange-markets would be unaffected by worries about the U.S. current account or investment position. Ex post, current account adjustments (and their mirror image, capital account adjustments) are widely believed to be sticky and slow. No such constraint binds the ex ante desires of portfolio holders and market participants. Disparities between desires and feasible short-term adjustments are likely to be reflected by changes in the exchange rate, which can be swift and violent on occasion.

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Expanded FOF Foreign Sector Table

PERIOD END LEVELS IN $BILLIONS

		FOF Codes	1980	1981	1982	1983	1984	1985
			Foreign Sector					
1	Total financial assets	264090005	463.8	493.4	493.1	573.9	670.6	808.3
2	Gold and SDR's	263011005	58.3	60.7	59.5	59.8	59.2	57.5
3	World gold reserves	893011203	49.3	49.3	49.3	49.3	49.3	49.3
4	-US gold reserves	883011203	11.2	11.2	11.1	11.1	11.1	11.1
5	World SDR holdings	893011303	22.9	26.7	26.7	26.7	26.7	26.7
6	-U.S. SDR holdings	313011303	2.6	4.1	5.3	5.0	5.6	7.3
7	U.S. demand deposits	263020001	23.5	19.7	16.0	17.5	19.5	21.1
8	TIC data	263020000	23.5	19.7	16.0	17.5	19.5	21.1
9	U.S. time deposits	263035000	25.8	28.1	34.9	35.4	40.0	43.3
10	Net interbank claims (1)	764116005	-8.9	-15.9	-68.8	-48.8	-28.8	-16.2
11	Dom cbs: Due to fgn brs	723192000	20.2	25.5	24.7	34.2	7.7	9.3
12	-Dom cbs: Due frm fgn brs	723092000	43.3	60.3	74.1	77.9	52.4	45.9
13	-Dom cbs: Bal in fgn bank	723022703	7.3	10.7	20.5	19.3	14.6	13.4
14	Fgn cbs: Due to fgn affil	753192000	60.4	71.5	58.5	63.3	18.6	27.3
15	-Fgn cbs: Due frm fgn affl	753092000	37.7	50.0	70.0	64.9	15.2	19.1
16	-Fgn cbs: Bal in fgn bks	753022703	5.4	5.0	3.0	2.4	4.1	3.3
17	Fgn branch loans to U.S. U.S. nonbanks	263068003	4.2	13.1	15.6	18.3	31.3	29.0
18	U.S. corporate equities	263064000	64.6	64.6	76.8	97.3	95.9	125.2
19	Credit market instruments	264004005	186.4	202.6	225.4	252.5	298.4	371.2
20	U.S. Government securities	263061005	129.7	136.6	149.4	166.3	192.8	214.6
21	Mrktable t-bills & certs	263061210	54.4	52.0	51.1	65.0	72.0	64.2
22	T-bills and certs	263061260	57.6	55.3	55.6	68.7	75.8	68.8
23	-Nonmrkt t-bills & cert	263061270	3.2	3.4	4.5	3.6	3.8	4.5
24	Notes, bonds and nonmrktable	263061330	75.3	84.7	98.3	101.3	120.8	150.4
25	Fgn hld of gov't debt	263061090	129.7	136.6	149.4	166.3	192.8	214.6
26	-Mrktbl T-bills and cer	263061210	54.4	52.0	51.1	65.0	72.0	64.2
27	U.S. corporate bonds (2)	263063005	22.0	30.4	41.0	45.8	62.2	103.6
28	U.S. corp bonds	263063003	28.9	33.9	35.4	36.3	49.4	93.5
29	U.S. corp bonds sold by Netherlands Antilles affiliates	263063103	-6.9	-3.5	5.6	9.5	12.8	10.1
30	Acceptances	263069601	34.7	35.5	35.0	40.4	43.4	53.0
31	Security credit	263067003	-	-	-	-	-	-
32	Trade credit	263070005	24.0	24.0	24.1	23.0	23.7	24.8
33	Commercial claims	263070003	15.3	15.4	14.8	12.9	13.0	13.9
34	U.S. gov't liabs	263070313	8.7	8.6	9.3	10.1	10.8	10.9
35	Miscellaneous assets	263090005	90.2	109.6	125.1	137.2	162.6	181.3

PERIOD END LEVELS IN $BILLIONS

		FOF Codes	1980	1981	1982	1983	1984	1985
36	Direct investment in U.S.	103192003	83.0	108.7	124.7	137.1	159.6	179.5
37	Other	263093000	7.1	.9	.4	.1	3.1	1.8
38	Fgn assets in U.S.	264090003	500.8	554.6	594.9	667.9	683.0	820.5
39	-Demand deposits TIC	263020000	23.5	19.7	16.0	17.5	19.5	21.1
40	-U.S. time deposits	263035000	25.8	28.1	34.9	35.4	40.0	43.3
41	-U.S. gov't securities	263061005	129.7	136.6	149.4	166.3	192.8	214.6
42	-U.S. corp bonds	263063263	23.7	26.3	34.7	35.2	47.5	91.5
43	-U.S. gov't liab	263070313	8.7	8.6	9.3	10.1	10.8	10.9
44	-Commercial claims	263070003	15.3	15.4	14.8	12.9	13.0	13.9
45	-U.S. corp equities	263064000	64.6	64.6	76.8	97.3	95.9	125.2
46	-Security credit	263067003	-	-	-	-	-	-
47	-Acceptances	263069600	34.7	35.5	35.0	40.4	43.4	53.0
48	-Direct invest in U.S.	103192003	83.0	108.7	124.7	137.1	159.6	179.5
49	-Dom cbs: Due to fgn brs	723192000	20.2	25.5	24.7	34.2	7.7	9.3
50	-Fgn cbs: due to fgn affi	753192000	60.4	71.5	58.5	63.3	18.6	27.3
51	-Fgn branch loans to U.S. nonbanks	263068003	4.2	13.1	15.6	18.3	31.3	29.0
52	Total liabilities	264190005	477.6	542.7	547.7	582.5	597.1	621.0
53	U.S. off fgn. exchange + net IMF position	263111005	13.0	14.8	17.6	17.6	18.2	24.8
54	Res position in IMF	263111403	2.9	5.1	7.3	11.3	11.5	12.0
55	Fgn currencies	263111503	10.1	9.8	10.2	6.3	6.7	12.9
56	U.S. private deposits	263191005	20.8	33.3	35.7	38.7	34.0	29.6
57	Nonfin business	103091003	14.0	14.5	12.0	16.8	12.7	10.5
58	MMMF Euro$ CD's	633091003	6.8	18.8	23.8	21.9	21.2	19.0
59	Credit market instruments	264102005	209.6	236.9	226.3	245.2	247.3	246.8
60	Corporate bonds	263163003	47.8	53.3	59.9	63.7	67.7	72.7
61	Bank loans n.e.c.	263168005	60.2	64.1	29.4	34.3	26.5	19.6
62	To foreign official	263168603	11.9	12.6	5.4	8.5	7.6	6.4
63	Dom cbs: loans	723068263	2.8	3.0	2.9	4.6	4.5	3.8
64	Fgn cbs: loans	753068263	9.1	9.6	2.5	3.9	3.1	2.6
65	To foreign banks	263168701	26.3	21.8	15.1	14.2	11.0	9.2
66	Dom cbs: loans	723068273	10.3	7.7	8.0	8.6	6.6	4.7
67	Fgn cbs: loans	753068273	16.0	14.1	7.0	5.6	4.4	4.5
68	Federal Res Banks	713068103	-	-	-	-	-	-
69	To other foreign	263168801	22.0	29.6	8.9	11.7	7.9	4.1
70	Dom cbs: C+I loans	723068283	8.3	10.1	5.6	7.9	7.5	3.8
71	Fgn cbs: C+I loans	753068283	18.3	23.3	7.7	6.9	4.7	5.3
72	-Dom cbs: Acceptances	723069640	4.6	3.7	4.4	3.1	4.3	5.0
73	Open-market paper	263169175	48.0	61.9	74.9	80.9	83.4	82.3

PERIOD END LEVELS IN $BILLIONS

		FOF Codes	1980	1981	1982	1983	1984	1985
74	Acceptances	263169603	41.0	51.0	59.9	59.4	55.6	48.4
75	Dlr-placed financial commercial paper	263169103	1.1	4.3	9.5	15.9	21.2	26.0
76	Nonfin comrcl paper	263169703	5.9	6.5	5.5	5.6	6.5	8.0
77	U.S. Government loans	263169205	53.6	57.7	62.1	66.3	69.7	72.1
78	U.S. gov't assets other	264191003	63.5	68.4	74.3	79.2	84.6	88.3
79	-U.S. gov't fgn currency and sht-term claims	313091003	1.7	1.4	1.7	1.7	2.0	1.8
80	-Capital in intl organ	313092203	8.3	9.3	10.6	11.3	13.0	14.4
81	Security debt	263167003	-	-	-	-	-	-
82	Trade debt	263170003	16.0	16.2	13.5	13.7	13.2	12.8
83	Miscellaneous liabilities	263190005	218.3	241.4	254.6	267.3	284.3	307.0
84	U.S.eq.in World Bank, etc.	313092203	8.3	9.3	10.6	11.3	13.0	14.4
85	U.S. Government deposits	313091003	1.7	1.4	1.7	1.7	2.0	1.8
86	U.S. dir. inv. abroad (2)	103092000	208.5	224.8	227.4	236.5	246.2	260.2
87	Dir. investment (IIP)	103092003	215.4	228.3	221.8	227.0	233.4	250.1
88	-Net issues sold abr	263063103	-6.9	-3.5	5.6	9.5	12.8	10.1
89	Other	263193001	-.1	5.8	14.9	17.8	23.2	30.7
90	U.S. pvt assets abroad	264192003	497.4	581.5	614.6	634.6	562.0	573.8
91	-Dir. investment (IIP)	103092003	215.4	228.3	221.8	227.0	233.4	250.1
92	-Bank loans n.e.c.	263168005	60.2	64.1	29.4	34.3	26.5	19.6
93	-Trade debt	263170003	16.0	16.2	13.5	13.7	13.2	12.8
94	-Corporate bonds	263163263	43.5	45.8	56.7	57.7	62.0	66.9
95	-MMMF Euro$ CD's	633091003	6.8	18.8	23.8	21.9	21.2	19.0
96	-Security debt	263167003	-	-	-	-	-	-
97	-Nonfin bus deposits	103091003	14.0	14.5	12.0	16.8	12.7	10.5
98	-Acceptances	263169603	41.0	51.0	59.9	59.4	55.6	48.4
99	-Dlr-placed fin com paper	263169103	1.1	4.3	9.5	15.9	21.2	26.0
100	-Nonfin comrcl paper	263169703	5.9	6.5	5.5	5.6	6.5	8.0
101	-Dom cbs: Bal in fgn bank	723022703	7.3	10.7	20.5	19.3	14.6	13.4
102	-Fgn cbs: Bal in fgn bank	753022703	5.4	5.0	3.0	2.4	4.1	3.3
103	-Dom cbs: Due frm fgn brs	723092000	43.3	60.3	74.1	77.9	52.4	45.9
104	-Fgn cbs: Due frm fgn aff	753092000	37.7	50.0	70.0	64.9	15.2	19.1

1) "Dom cbs" = domestically chartered commercial banks, and "Fgn cbs" = foreign-related commercial banks.
2) Corporate bonds include net issues by Netherlands Antilles subsidiaries, and U.S. foreign direct investment is before subtracting reflows of capital from Netherlands Antilles subsidiaries' foreign financing.

Appendix

Line	Description and Source
1	Sum of lines 2, 7, 9, 10, 18, 19, 31, 32, 35, 36, and 37.
2	Sum of lines 3 and 5, less 4 and 6.
3	FRB: Table 4, Gold Reserves of Central Banks and Governments-estimated total world gold; not shown after 1976, carried forward at March 1977 level.
4	FRB: Table 3.12, U.S. Reserve Assets, line 2: Gold stock, including exchange stabilization fund.
5	Original level from IMF, levels increased by periodic allocations.
6	FRB: Table 3.12, U.S. Reserve Assets, line 3: Special drawing rights.
7	FRB: Table 3.17, Liabilities to Foreigners Reported by Banks in the United States, line 3: Demand deposits.
8	Same as line 7 based upon TIC data.
9	FRB: Table 3.17, Liabilities to Foreigners Reported by Banks in the United States, line 4: Time deposits, plus line 49: Negotiable time certificates, less Time deposits at IBFs: Unpublished TIC worksheet data.
10	Sum of lines 11 less 12 and 13, plus 14, less 15 and 16, plus 17.
11	Domestic Bank Call Reports: Net due to foreign branches and IBFs.
12	Domestic Bank Call Reports: Due from foreign branches and IBFs.
13	Domestic Bank Call Reports: Cash due from foreign banks.
14	Foreign-Related Bank Call Reports: Net due affiliates less IBFs due to foreign affiliates, net.
15	Foreign-Related Bank Call Reports: Gross funds due from foreign affiliates less IBFs net due from foreign affiliates.
16	Foreign-Related Bank Call Reports: Balance due from foreign banks and foreign central banks less IBF balances abroad.

Line	Description and Sources
17	Foreign Branch Call Report: Foreign branch loans to U.S. nonbanks. (These data occasionally have been adjusted for special factors.)
18	SCB: IIP Table 2, line 33: Corporate stocks.
19	Sum of lines 20, 27, and 30.
20	Sum of lines 21 and 24.
21	Sum of lines 22 less 23.
22	FRB: Table 3.17, Liabilities to Foreigners Reported by Banks in the United States, line 8: Treasury bills and certificates (TIC data).
23	Monthly Statement of the Public Debt Outstanding: Table III, Detail of public debt outstanding, nonmarketable foreign series, plus Treasury deposit funds bills and certificates of indebtedness.
24	Sum of lines 25 less 26.
25	Treasury Bulletin: Table OFS-2, Estimated ownership of public debt securities by private investors-foreign and international (TIC data).
26	Same as line 21.
27	Sum of lines 28 and 29.
28	SCB: BOP table 6: Securities Transactions, line B10, corporate and other bonds, and memo line 3, U.S. corporate and other bonds. Level is incremented by flow.
29	SCB: BOP text table D: Netherlands Antilles Transactions, line 1, capital. Level is incremented by flow.
30	FOF estimate.
31	No longer shown separate from trade credit: Assumed = 0.
32	Sum of lines 33 and 34.
33	FRB: Table 3.22, Liabilities to Unaffiliated Foreigners, line 7: Commercial liabilities.
34	SCB: BOP Table 4, line C.1: Liabilities other than securities.
35	Sum of lines 36 and 37.

Line	Description and Sources
36	SCB: IIP Table 2, line 29: Direct investment in the United States.
37	Sum of lines 38 less lines 39 through 51.
38	SCB: IIP Table 2, line 20: Foreign assets in the United States (less total IBF liabilities abroad).
39	Same as line 8.
40	Same as line 9.
41	Same as line 20.
42	SCB: IIP Table 2, line 27: Other foreign official assets, plus line 32: Corporate and other bonds.
43	Same as line 34.
44	Same as line 33.
45	Same as line 18.
46	Same as line 31.
47	Same as line 30.
48	Same as line 36.
49	Same as line 11.
50	Same as line 14.
51	Same as line 17.
52	Sum of lines 53, 56, 59, 81, 82, and 83.
53	Sum of lines 54 and 55.
54	FRB: Table 3.12, U.S. Reserve Assets, line 4: Reserve position in IMF.
55	FRB: Table 3.12, U.S. Reserve Assets, line 5: Foreign currencies.
56	Sum of lines 57 and 58.
57	FRB: Table 3.23, Claims on Unaffiliated Foreigners, line 6: Deposits, payable in dollars.

Line	Description and Sources
58	Investment Company Institute: Money Market Funds: Eurodollar CDs.
59	Sum of lines 60, 61, 73, and 77.
60	SCB: BOP Table 6, Foreign Securities: Bonds, Treasury basis Line A12: Level is incremented by the flow (TIC data).
61	Sum of lines 62, 65, and 69.
62	Sum of lines 63 and 64.
63	Domestic Bank Call Reports: Loans to foreign official institutions.
64	Foreign-Related Bank Call Reports: Loans to foreign official (current report form excludes IBF loans).
65	Sum of lines 66, 67, and 68.
66	Domestic Bank Call Reports: Loans to foreign banks.
67	Foreign-Related Bank Call Reports: Loans to foreign banks (current report form excludes IBF loans).
68	FRB: Table 1.18, Federal Reserve Banks, Line 5: Loans to other.
69	Sum of lines 70, and 71, less 72.
70	Domestic Bank Call Reports: C&I loans to foreigners.
71	Foreign-Related Bank Call Reports: C&I loans to foreigners (current report form excludes IBF loans).
72	Foreign Acceptances Held by Domestic Banks: Calculated as (total foreign accept liabilities (263169603)/total accept. liabilities (893169600)) x total domestic bank holdings of accept (763069603 - 753096603).
73	Sum of lines 74, 75, and 76.
74	FRBNY: Bankers' Acceptances release: Sum of exports and goods stored in or shipped between foreign countries.
75	FRBNY: Commercial Paper release: Commercial paper issued by financial companies, dealer-placed, foreign.
76	FRBNY: Commercial Paper release: Commercial paper issued by nonfinancial companies, foreign.

Line	Description and Sources
77	Sum of lines 78, less 79, and 80.
78	SCB: IIP Table 2, line 8: U.S. government assets, other than official reserve assets.
79	SCB: IIP Table 2, line 12: U.S. foreign currency holdings + short term claims.
80	Treasury Bulletin: Footnote to non-defense table on agency loans etc., capital subscriptions to IBRD, IFC, IADB, IDA, African Development Bank, and Asian Development Bank.
81	No longer shown separate from trade debt, assumed = 0.
82	FRB: Table 3.23, Claims on Unaffiliated Foreigners, line 11: Commercial claims.
83	Sum of lines 84, 85, 86, and 89.
84	Same as line 80.
85	Same as line 79.
86	Sum of lines 87 less 88.
87	SCB: IIP Table 2, line 14: Direct investment abroad.
88	Same as line 29.
89	Sum of lines 90, less 91 through 04.
90	SCB: IIP Table 2, line 13: U.S. private assets, less line 17: Corporate stock, less IBF liabilities abroad.
91	Same as line 87.
92	Same as line 61.
93	Same as line 82.
94	SCB: IIP Table 2, line 16: Bonds.
95	Same as line 58.
96	Same as line 81.
97	Same as line 57.
98	Same as line 74.

Line	Description and Sources
99	Same as line 75.
00	Same as line 76.
01	Same as line 13.
02	Same as line 16.
03	Same as line 12.
04	Same as line 15.

Appendix Abbreviations

FRB = Federal Reserve Bulletin
SCB = Survey of Current Business, either International Investment Position (IIP) tables published annually, in June, or quarterly Balance of Payments (BOP) material.
FRBNY = Federal Reserve Bank of New York releases
TIC = Treasury International Capital reports

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