The original documents are located in Box C5, folder "Presidential Handwriting, 10/30/1974" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Central Files

THE PRESIDENT HAS SEEN

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20506

October 30, 1974

MEMORANDUM FOR THE PRESIDENT

SUBJECT: The U.S. Foreign Trade Balance in September, and in the First Three Quarters of 1974

The U.S. trade deficit was reduced in September to $233 million (seasonally adjusted) from $1.1 billion in August as a result of declines in imports of oil, steel and autos. Monthly figures are highly erratic; the reduction in the deficit in September should not be viewed as significant.

In the third quarter, the deficit was $2.6 billion (seasonally adjusted) on a balance-of-payments basis. For the first nine months of 1974 the deficit has been at an annual rate of $5.7 billion. This compares to a $.5 billion surplus in the third quarter of 1973, and a surplus of $471 million for 1973 as a whole.

The swing from a surplus in 1973 to a deficit in 1974 largely reflects the higher price of oil, and is typical for oil importing countries, given the limited capacity of oil exporters to absorb goods in the amount of their revenues. A deficit such as one experienced by the United States in the third quarter of this year should be expected to continue and possibly increase in 1975, with capital inflows (i.e., borrowing from abroad) financing it. Efforts to reduce the deficit by increasing our exports, or reducing our imports of commodities other than oil would reduce availability of goods to U.S. residents and thereby further exacerbate our current inflationary problems.

Gary L. Seevers

Gary L. Seevers
Member

Alan Greenspan
Chairman

AMERICAN REVOLUTION BICENTENNIAL 1776-1976