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Apart from the additions described in the previous section, some adjustments were made. They fall mainly in one of two groups:

1. Some countries stated the c.i.f. value of their imports, and correctly increased their receipts from transportation by adding the freight on imports earned by their own ships. While this is the correct method for all c.i.f. reporting countries with ships bringing in part of their imports, only a few countries used it—Sweden, Colombia, Chile, Finland, and Yugoslavia. For the five countries, therefore, converting the value of imports from c.i.f. to f.o.b. required that the receipts from transportation be reduced by subtracting the freight on imports earned by their own carriers.

2. Other countries with sizable fleets reported only the net amounts of foreign exchange earned by their ships—India, Belgium, Greece, the Netherlands, and Argentina being the important ones. The net amounts had to be converted into gross freight earnings and disbursements abroad on the basis of information supplied by some of them (the Netherlands, for instance) or in the way described in the previous section for Greece.

There were also some minor increases and decreases for omissions or double counting. An example of the latter is the reporting by Egypt of freight paid to foreign carriers in its transportation debits, and at the same time its imports valued c.i.f.

To suggest the additions and subtractions made for each of the four years under study, a full account for 1951, the base year, is given in Table 20, starting with the figures shown in Table 3.

Comparing the new 1951 transportation figures with those of Tables 3 and 4, we see that the additions and subtractions resulted in widening the gap between receipts and payments from \$312 million to \$1,041 million, or by \$729 million. Thus, we can conclude that the understate-

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TABLE 20
ADJUSTMENTS IN TRANSPORTATION FIGURES, 1951
(millions of U.S. dollars)

RECEIPTS			
Original total ^a			5,437
Freight on imports earned by own carriers ^b		-118	
U.K. tanker fleet ^c	377		
Pan. Hon. Lib. fleet ^d	526		
Greek fleet, extra ^e	130	1,033	
Fuel from bunkers ^f	611		
Port dues, etc. ^g	144	755	
Other corrections		302	1,972
New total ^h			7,409
PAYMENTS			
Original total ⁱ			5,749
Freight on imports ^j		1,838	
U.K. tanker fleet ^c	317		
Pan. Hon. Lib. fleet ^d	304		
Greek fleet ^k	107	728	
Other corrections		135	2,701
New total ^h			8,450

^a Table 3.

^b Table A-1, 1951, indicated by *.

^c Table A-3, 1951.

^d Table A-4, 1951.

^e Section 2, The Greek fleet.

^f Table A-6, 1951.

^g Table A-7, 1951.

^h Table A-8, 1951.

ⁱ Table 4.

^j Table A-1, 1951.

^k Table A-5, 1951.

ment of receipts as well as payments, previously mentioned, obscured seriously the real deficiencies in the world transportation account.

The new totals for all transportation transactions in the four years of the study and their allocation are shown in Table A-8. The comparisons afforded by that table show, in all years, big surpluses of payments over receipts for all transportation items. The totals and differences are given below, in millions of dollars.

	1950	1951	1952	1953
Payments	5,656	8,450	8,713	7,555
Receipts	5,166	7,409	8,005	7,120
Difference	490	1,041	708	435

The differences must be considered in the light of the following:

1. Attempts to correct the balances of payments were limited to removal of some of the biggest gaps, and all the inaccuracies with which the

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figures submitted by the countries are afflicted are reflected in the differences.

2. The receipts and payments of Soviet bloc countries, which are not members of the International Monetary Fund, are not included in the figures. However, both payments and receipts between IMF member countries and Soviet bloc countries for transportation are included. It can hardly be assumed that the receipts of the Soviet bloc countries for transportation exceeded their payments, even if the sale of coal out of bunkers by a country such as Poland is taken into account. Rather, it is far more likely that they paid more for transportation to the free world countries than they received, which would mean that the discrepancy is still larger than the figures indicate. A way to eliminate this gap would be to conform the receipts and payments of the Soviet bloc countries to the payments and receipts of their partners. This could be done, however, only if the partner countries clearly indicated the amounts paid to and received from the Soviet bloc countries. This type of information secured in the future from the IMF member countries would be a valuable means of amplifying the records.

3. The likelihood of inconsistencies in the reporting, discussed at the beginning of the first section, injects another source of differences between payments and receipts for transportation. Since the submitted figures were not corrected, the inconsistencies are still there.

As a first step in the process of reducing the surpluses of payments over receipts, a breakdown of receipts was made. Gross freights, the most volatile element in transportation accounts, particularly in those disturbed years, were separated from other items—charter hire, port receipts and expenditures, passage fares, and so on. This was feasible, since at the request of IMF most countries report their gross freight receipts and payments, often also showing an allocation of them. Exceptions were the cases where the freight on imports had to be calculated and allocated to receiving countries by flag of carrier. In some cases, however, the allocation of gross freights had to be figured out on the basis of regional information on payments or receipts for all transportation transactions, or with the aid of other information on transportation supplied by the country itself, or both. There was, however, one notable exception, besides the Pan. Hon. Lib. and Greek fleets—the United Kingdom, which does not report gross freights received from or paid to foreign countries. But as observed in Table A-8, there is a rather good correspondence between the figures stated by the U.K. for receipts from all transportation items and those stated by the partner countries for total payments to the U.K. There is an equally good correspondence between payments of the U.K. and the partners' total receipts from the U.K. The comparison is summarized in Table 21.

TABLE 21

COMPARISON OF TOTAL RECEIPTS AND TOTAL PAYMENTS OF UNITED KINGDOM WITH TOTAL PAYMENTS AND TOTAL RECEIPTS
OF PARTNER AREAS
(millions of U.S. dollars)

PARTNER AREA	U.K. RECEIPTS AND PARTNER PAYMENTS							
	1950		1951		1952		1953	
	Receipts of U.K.	Payments of Partners	Receipts of U.K.	Payments of Partners	Receipts of U.K.	Payments of Partners	Receipts of U.K.	Payments of Partners
Rest of £ area	583	486	735	686	807	650	615	513
Non-£ EPU	321	386	459	547	499	600	407	550
U.S. and Canada	129 ^a	164	183 ^a	198	175 ^a	248	128 ^a	222
L.A. ^a	72	88	114	157	105	145	80	107
Other areas	80	100	165	151	162	157	145	170
All areas	1,185	1,224	1,656	1,739	1,748	1,800	1,375	1,562

PARTNER AREA	U.K. PAYMENTS AND PARTNER RECEIPTS							
	1950		1951		1952		1953	
	Payments of U.K.	Receipts of Partners	Payments of U.K.	Receipts of Partners	Payments of U.K.	Receipts of Partners	Payments of U.K.	Receipts of Partners
Rest of £ area	183	199	249	231	254	244	194	221
Non-£ EPU	351	334	543	505	664	567	504	540
U.S. and Canada	151 ^a	145	207 ^a	216	209 ^a	224	153 ^a	181
L.A. ^a	51	62	100	110	93	116	76	105
Other areas	52	93	94	108	106	110	71	110
All areas	788	833	1,193	1,170	1,326	1,261	998	1,157

^a The United Kingdom reports receipts and payments from the dollar area, which includes also some countries of Latin America. The estimated receipts and payments from the latter were transferred to the next line. Hence, Latin America stands here for all countries of that area, including also the fleets of Panama, Honduras, and Liberia.

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Though the correspondence is far from perfect, the differences between the figures of the United Kingdom and those of its partners range between 2 and 6 per cent. For 1953, the differences are around 15 per cent; one should, however, keep in mind that the figures reported just after the close of a year are very unstable and liable to be greatly changed later.

On the basis of this generally good comparison, it has been assumed that the gross freight receipts and payments of the United Kingdom are equal to payments and receipts reported by the partner countries. By virtue of this assumption it was possible to set up complete matrixes for receipts and payments for gross freights, shown in Table A-9. The figures for other items, by definition the difference between all transportation items and gross freights, are shown in Table A-10. The receipts and payments of all the reporting countries are summarized in Table 22.

TABLE 22
COMPARISON BETWEEN PAYMENTS AND RECEIPTS
OF ALL REPORTING COUNTRIES, 1950-1953
(millions of U.S. dollars)

		Payments	Receipts	Differences
1950	All transportation	5,656	5,166	490
	Gross freight	3,305	2,726	579
	Other items	2,351	2,440	-89
1951	All transportation	8,450	7,409	1,041
	Gross freight	5,475	4,416	1,059
	Other items	2,975	2,993	-18
1952	All transportation	8,713	8,005	708
	Gross freight	5,297	4,440	857
	Other items	3,416	3,565	-149
1953	All transportation	7,555	7,120	435
	Gross freight	4,528	3,796	732
	Other items	3,027	3,324	-297

SOURCE: For the appropriate years, the following Appendix tables: all transportation, A-8; gross freight, A-9; other items, A-10.

It appears from the table that other items did not contribute at all to the surplus of total payments over total receipts. On the contrary, for those items receipts are in all years higher than payments, and the excess of total payments over total receipts would even be greater without them. It is clear, therefore, that efforts to reduce the difference between

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payments and receipts for transportation should be concentrated upon gross freights.

The actual situation, as far as gross freights are concerned, is even worse than appears from Table 22. While the amounts paid by Soviet bloc countries for all transportation items have probably been larger than the amounts received, the payments of those countries for gross freights have almost certainly been higher than their receipts. Moreover, an assumption accounts for the perfect correspondence between the gross freights paid and received by the United Kingdom on one side and by its partners on the other side. Almost all other countries show, however, an excess of payments over partners' receipts for gross freights and a deficit of receipts over partners' payments, as shown later. If this relationship applied also to the United Kingdom, the difference between total gross freight payments and receipts would be still greater.

The excess of gross freight payments over receipts is open to several explanations. First, the countries that estimated the freight on their imports might have overstated it. (This could also be true of the c.i.f.-f.o.b. adjustments in Table 6, though these are on the whole more carefully made.) It is hard to say whether there is an upward bias in the reported payments for gross freights. Second, some important seafaring countries might have understated the gross freight earnings of their carriers, whether they are transoceanic ships, coasters, barges, trains, trucks, or airplanes. In most cases the gross freight receipts of ships will greatly exceed those of other carriers (see Sections 5 and 6 for discussion of methods for improvement of gross freight payments and receipts). Third, it is possible also, that, in estimating the earnings of the Pan. Hon. Lib. and Greek fleets, the assumptions erred in favor of too much tonnage operated on time charter and too little on voyage charter. This would mean that not enough has been added to gross freights, for there is quite a difference in the average gross earnings and still more in the average net earnings of ships operated on time charter compared with earnings on voyage charter (see Section 2, Table 10). However, since the freight earnings of the Pan. Hon. Lib. fleet calculated here exceeded the freight payments of its partners in every year except 1950 (see Table 23 below), such a maladjustment between tonnages on time and on voyage charter is not very likely.

After the comparison of total payments and receipts for all transportation items, for gross freight, and for the other items, the next step is to look at their allocation. For this purpose the area grouping of partners was made uniform. The United Kingdom, for instance, lumps all dollar transactions together, whether they refer to the United States and Canada or to countries in Latin America. In the new grouping the gross freights

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of dollar L.A. countries were estimated and transferred to the Latin American group. The regrouping resulted in eight areas instead of the previous six. The nonsterling EPU area was divided into metropolitan countries and their overseas territories, to correspond with the sterling area. A special area for the fleets (not the countries) of Panama, Honduras, and Liberia was introduced to enable a comparison between receipts and payments of those fleets. The allocation of receipts was indicated in the appropriate part of Section 2; that of payments was based on the flag distribution of the partner countries.

The comparison made is between the receipts of each area, as they are reported by that area, and the payments to that area as they are reported by its partners. Table 23 shows the comparison for the four years under study for all transportation items, for gross freights, and for all other items. Some interesting features emerge from the table.

1. *United Kingdom.* The difference between payments and receipts is rather small except in the last year, a discrepancy perhaps attributable to the instability all first reported figures seem to have.

2. *Rest of sterling area.* A big surplus of receipts over payments in the other items is here the outstanding feature.

3. *Nonsterling EPU metropolises.* These countries account on the average for about 75 per cent of the difference in all transportation items, and the same can be said of the difference in the gross freights! This can no longer be attributed to the reporting of net instead of gross freight earnings by some of the countries in that group because of the adjustments made. Hence, there appears to be a persistent understatement, at least by some countries, of gross freight receipts of the area. The difference in the other items is in the other direction and relatively small, except in 1953 for reasons given above.

4. *Nonsterling EPU overseas territories.* Here we notice an excess of receipts over payments, mainly on account of the other items (see 2).

5. *United States and Canada.* The almost constant excess of receipts over payments for other items is in contrast to the figures for gross freights, which show a rather good correspondence in 1950 and 1953, but big surpluses of payments over receipts for the years between. More detailed discussion of this subject will be found in the last section.

6. *Fleets of Panama, Honduras, and Liberia.* Virtually all the difference is centered in the gross freights which show a deficit of receipts over payments in 1950 and a surplus in 1952 and 1953. Whereas the figures for payments are in general more reliable than for receipts, in this group both payments and receipts were estimated, and equally subject to error.

7. *Latin America.* The excess of payments over receipts seems to fall

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TABLE 23

COMPARISON OF PAYMENTS REPORTED BY PARTNER AREAS
WITH RECEIPTS REPORTED BY THE AREA, 1950-1953
(millions of U.S. dollars)

Area	1950			1951		
	Partner Payments	Area Receipts	Differ- ence	Partner Payments	Area Receipts	Differ- ence
ALL TRANSPORTATION ITEMS						
U.K.	1,224	1,185	39	1,739	1,656	83
Rest of £ area	323	411	-88	458	477	-19
Non-£ EPU metropolises	1,938	1,482	456	2,886	2,283	603
Non-£ EPU OT's	83	153	-70	129	146	-17
U.S. and Canada	1,101	1,164	-63	1,785	1,708	77
Pan. Hon. Lib.	333	289	44	521	526	-5
L.A.	252	145	107	344	191	153
Other areas	402	337	65	588	422	166
All areas	5,656	5,166	490	8,450	7,409	1,041
GROSS FREIGHT						
U.K.	865	865	-	1,311	1,311	-
Rest of £ area	45	57	-12	79	72	7
Non-£ EPU metropolises	1,263	868	395	2,062	1,368	694
Non-£ EPU OT's	5	-	5	6	-	6
U.S. and Canada	641	622	19	1,216	1,058	158
Pan. Hon. Lib.	273	219	54	437	425	12
L.A.	63	37	26	98	62	36
Other areas	150	58	92	266	120	146
All areas	3,305	2,726	579	5,475	4,416	1,059
OTHER ITEMS						
U.K.	359	320	39	428	345	83
Rest of £ area	278	354	-76	379	405	-26
Non-£ EPU metropolises	675	614	61	824	915	-91
Non-£ EPU OT's	78	153	-75	123	146	-23
U.S. and Canada	460	542	-82	569	650	-81
Pan. Hon. Lib.	60	70	-10	84	101	-17
L.A.	189	108	81	246	129	117
Other areas	252	279	-27	322	302	20
All areas	2,351	2,440	-89	2,975	2,993	-18

(continued)

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TABLE 23 (concluded)

Area	1952			1953		
	Partner Payments	Area Re- ceipts	Differ- ence	Partner Payments	Area Re- ceipts	Differ- ence
ALL TRANSPORTATION ITEMS						
U.K.	1,800	1,748	52	1,562	1,375	187
Rest of £ area	480	527	-47	382	489	-107
Non-£ EPU metropolises	3,137	2,604	533	2,845	2,494	351
Non-£ EPU OT's	91	155	-64	82	161	-79
U.S. and Canada	1,689	1,673	16	1,286	1,386	-100
Pan. Hon. Lib.	499	595	-96	467	530	-63
L.A.	334	202	132	279	213	66
Other areas	683	501	182	652	472	180
All areas	8,713	8,005	708	7,555	7,120	435
GROSS FREIGHT						
U.K.	1,290	1,290	-	1,076	1,076	-
Rest of £ area	97	45	52	68	54	14
Non-£ EPU metropolises	2,093	1,536	557	2,025	1,420	605
Non-£ EPU OT's	7	-	7	10	5	5
U.S. and Canada	1,023	920	103	650	669	-19
Pan. Hon. Lib.	392	458	-66	353	385	-32
L.A.	91	54	37	69	69	-
Other areas	304	137	167	277	118	159
All areas	5,297	4,440	857	4,528	3,796	732
OTHER ITEMS						
U.K.	510	458	52	486	299	187
Rest of £ area	383	482	-99	314	435	-121
Non-£ EPU metropolises	1,044	1,068	-24	820	1,074	-254
Non-£ EPU OT's	84	155	-71	72	156	-84
U.S. and Canada	666	753	-87	636	717	-81
Pan. Hon. Lib.	107	137	-30	114	145	-31
L.A.	243	148	95	210	144	66
Other areas	379	364	15	375	354	21
All areas	3,416	3,565	-149	3,027	3,324	-297

mainly in the category of other items; an improvement over the years can, however, be observed.

8. *Other areas.* Here gross freights count for most of the excess of payments over receipts. Other items show a rather good correspondence after addition to receipts of amounts for the sale of fuel from bunkers and for other port activities.