

currency and the downward movement of your economy is to stimulate domestic demand....

It is absurd to blame the appreciation of the three currencies on what may have been ill-chosen words uttered by Secretary Blumenthal. And it is impossible to identify an American "conspiracy" in any actions taken by the United States....

And Their Orders....

Times of London, *editorial "Should the Dollar Sink?"* Dec. 14:

...A growing protectionist lobby is putting pressure on the Administration to stop the incursion into the domestic market of foreign imports. The government believes that the way to solve this is for the surplus countries - Germany and Japan in particular - to boost their domestic

growth.... However, American exhortations have been unheeded and so the trade gap has yawned wider. The resulting fall in the dollar is proving a far more effective weapon than mere words....

One major risk in the present United States policy is its potential effect on the oil price.... The other risk is that the oil funds which now flow into the United States covering the current deficit, will begin to go elsewhere. The disruption this would cause to the international financial system would dwarf the present upheavals.

While the American Government continues to judge the balance of risks to be in favour of "benign neglect" there is little that the rest of the industrialized world can do to change their minds. Their best policy is probably to bow to the inevitable and boost their own growth as far as they can, while hoping that the usually generous Americans will help them once they have made their intentions clear.

Europe Worried...

Robert Dhom, Chairman of The Board of Commerzbank, in a television interview Dec. 14:

"The United States cannot avoid responsibility for the fall of the dollar. The dollar is the pivot of world trade. 70 percent of world trade is still conducted in dollars. No one should imagine that this will not hurt the United States. The oil producers will not tolerate such a reduction in their revenues, and raise their prices. The fall of the dollar is endangering the integration of the European Community, because it affects member countries to a different extent. There should be convened a meeting of finance ministers of the industrial countries to deal with this problem."

Wilfrid Guth, member of the Board of Directors of the Deutsche Bank, in a press conference Dec. 14:

"The United States government must join other central banks in substantial joint support for the dollar. The fall of the dollar is the most serious problem facing the world economy. We are in a crisis situation. Failure of the United States to act could lead to an extremely serious crisis."

The Chairman of a major Swiss bank, Dec. 13:

"Those damned, bankrupt British have pulled off a coup against the rest of the world (at the Dec. 11 Bank for International Settlements meeting). Some American bankers, like ----, the chairman of ----, have been trying to do something. They had better do better. U.S. bankers really better move."

U.S. Bankers Equivocate

A senior vice-president at a major New York commercial bank, Dec. 14:

"I was originally sympathetic to the decline of the

dollar but now this has gone too far. I hate to use the word panic, but I think we are on the verge of one...I don't see what we can do if the government doesn't want to act."

Head of the foreign exchange trading department at a Wall Street bank, Dec. 13:

"This administration is saying to the Europeans 'to hell with you.' There's no use fighting it. That's the way it will be. Before Europe goes for gold, there will be an international panic. The big banks are hurting in a big way from all the exchange shifts. There will be more collapse of banks, like Herstatt (1931 - ed.), and the whole Euromarket could shut down. I don't care what anyone says - there's no way to conduct trade with this level of exchange fluctuations. There's no way to do what they're doing now without a big crisis panic."

Journal of Commerce editorial, "A Time for Compromise," Dec. 15:

"The negotiations now in progress between Israel and Egypt are indeed momentous. So are those between the United States and Japan on trade matters...A false step in either series of negotiations is something the world at large cannot afford. There have been too many of these in modern times, whether our memories extend back to events in the Balkans in the early summer of 1914, to the London Economic Conference in the early 1930s, or to the events in Europe from 1938 on.

"So we don't think anyone should take too seriously the statement of Robert S. Strauss, the president's chief trade representative, to the effect that the Japanese concessions...failed to meet what Washington considers to be the 'minimum goals' it set for itself in the course of these rather crucial negotiations...

"The Japanese have tightened their belts, worked hard and displayed an extraordinary degree of inventiveness. These are qualities that don't ordinarily detonate penalties in the world of commerce. At any rate, they shouldn't. We recognize that the Japanese surplus has

created sharp problems, but we don't feel at this point that they will ever be solved by a wholesale crackdown on Japanese imports. To us that sounds all too much like the philosophy of the early 1930s. That brought the world straight to disaster.

Journal of Commerce *editorial*, "What Is To Be Done," Dec. 16:

"Treasury Secretary W. Michael Blumenthal has succeeded far too well in talking down the dollar...Virtually everyone agrees that there is nothing to be gained for the U.S. to have an even weaker dollar.

"It is recognized, moreover, that the appreciation of European currencies and even the yen can be very detrimental to confidence in Europe and Japan and will be counterproductive in any effort to increase industrial activity...

"The administration is convinced that confidence — and confidence is the answer — will only be restored when it becomes clear to the world that the U.S. is following sensible policies...

"These sensible policies include the willingness to control domestic monetary growth, the passage of a strong energy policy, meaningful tax proposals and progress towards agreement with the Japanese on increasing imports and limiting exports...

"But while we wait for the sensible policies to emerge, if emerge they will, there are pronounced dangers in appearing to follow a policy of 'benign,' if not outright 'malign,' neglect...

"It is essential that the U.S. be seen to be acting in concert and sympathy with its major trading partner..."

U.S. Leaders View Exim Bank Expansion As Way To Halt \$\$ Crash

The dollar's plunge to record lows over the last few weeks has excited intense concern about the fate of the American economy among industrialists and politicians. With the Carter Administration on the record as wanting to collapse the U.S. currency, significant numbers of top-level business and banking leaders are looking elsewhere for an alternative policy.

What is increasingly attracting their attention is the U.S. Labor Party's proposal for using the U.S. Export-Import Bank as a vehicle for diverting "hot" dollars from Europe into funding a massive step-up in U.S. high-technology exports. Since its issuance last month, the Labor Party proposal has been debated at the board meetings of top corporations and trade associations: several papers, including the Chicago Daily News, have requested editorial page commentary on it, and it is circulating widely in Congress — where the Eximbank charter comes up for renewal next year. What follows is a sample of responses to the Labor Party's Eximbank recommendations.

Industry

A research director for an Illinois statewide trade and industry association:

"Illinois is a leading export state....This proposal is right up our alley."

The Chairman of the board of a large Georgia-based manufacturing company:

"We've got to increase Exim ten times over....I'll help you with your proposal in any way I can."

Business

A representative of the U.S. Chamber of Commerce:

"Are you sure this proposal is legal? It sounds so simple...Your Eximbank proposal and criticisms of George Meany are precisely what we've been looking for. Let's get down to specifics as to how to make the plan work..."

A senior officer of a major agribusiness company:

"The way the government has handled the Mexican pipeline is tragic. It started off great guns, and now it sits there, despite our energy needs. This is typical of the way the government is handling U.S. trade. Your Export-Import bank proposal seems a good way to get those exports moving. Send me copies so I can examine the proposal."

The chief foreign trade officer at a huge Texas-based off-shore oil drilling and pipeline construction company:

"There's some things in your proposal which are pipe-dreams, but overall I'd have to say we're moving in the same direction. Getting these exports moving is critical. Tell me some things about your organization...how large are you, where have you run campaigns, who do you work with in Washington?"

A senior banker in Cleveland:

"The current energy program is a disaster. We're losing nuclear energy deals to the Japanese and Germans worth billions of dollars, because of our nuclear policy. It's pathetic...I don't know that I agree with what you say about the dollar, but your Eximbank proposal would get things going."

An officer at one of the nation's top three electrical companies:

"On first hearing, your proposal sounds very good. It has the essentials to do necessary things."

Congress

A Democratic Senator on the Banking Committee:

"I hadn't realized until I read this proposal that Exim had the power to act as an institution of deposit. This is an intriguing suggestion and I will study it seriously. You may be sure I share your concerns about the dollar."

An aide to a Republican leader in the Senate:

"I know that a lot of people have a great concern about