Is Japan the 'Export Faction's' Weak Flank?

With sources saying that the Japanese yen may go as high as 200 to the dollar by the end of April, Japanese firms are understandably fearful that U.S. factions supporting trade and the dollar are presently unable to prevent U.S. Secretary Blumenthal from continuing his dollar-wrecking activities. (For the catastrophic effects of Blumenthal's "soft-dollar" policy on Japan, see this issue's *Economic Survey.*)

Indeed, last week Blumenthal's allies went on a new anti-Japan rampage. Federal Reserve Chairman William Miller not only refused to allow the U.S. to intervene to keep the yen stable, but denounced the Bank of Japan for doing so March 27. Two days later C. Fred Bergsten, Undersecretary of the Treasury, and formerly of the Brookings Institution, told a meeting of the Japan Society of New York that the U.S. would intervene to stabilize the deutschemark but not the yen.

Significantly, Bergsten also called for increasing U.S. exports — by having Japan import more, while demanding that Japan cease its export dependence. Two weeks ago Goldman Sachs partner Henry Fowler had called for increasing U.S. exports by increasing this country's share *relative* to Japan and West Germany.

Clearly, what Fowler, Bergsten, and the rest of the Blumenthal group are attempting is to derail their opponents' efforts to greatly expand exports and save the dollar by shunting it away from *international* economic development and into their own scenario for trade war. That the "export faction" is vulnerable to this ploy is evident from the ranting anti-Japan, pro-protectionist statement last week by former Treasury Secretary John Connally, himself a spokesman for a strong dollar backed by increased exports.

Recently, a top-level delegation of Japanese businessmen indicated to NSIPS that they could recognize and identify those individuals in the U.S. both for or against the dollar, and expanded trade. For example, they were told by officials in the Commerce Department that supporters of the dollar could be identified by the fact that they were trying to achieve significant expansion of the U.S. Eximbank. Recent Japanese newspaper articles have supported such expansion.

But, the Japanese businessmen reported, the Commerce Department officials also added that they did not think that it would be possible to push such expansion proposals through the Administration at this time.

by the day-to-day activities of Blumenthal and his protégé G.W. Miller shows up in the current course of the dollar. An unrelenting British attack against the dollar is in progress on the Tokyo foreign exchange markets. Every day, the dollar is marking a new record low against the yen, today dropping to 220.7.

"There will be no support operations" for the dollar, Miller told the press today, "until economic fundamentals," such as reductions in U.S. oil imports "have been implemented."

Simultaneously, Miller has also escalated a psychological warfare operation within the White House with a series of public statements insisting that, unless drastic action is taken, the U.S. economy will burst under the impact of massive inflation. In line with Callaghan's attempt to direct U.S. policy implementation out of London, Miller is threatening to unilaterally raise interest rates to cut back on the "threatening" increase of the money supply.

Dismiss "Inflation" Panic-mongers

Responsible officials of the U.S. Commerce Department brushed off Miller's panic warnings of the inflationary effects of money supply growth as "incompetent" in an interview March 28. However, Miller's threats to hike interest rates are merely one part of a package which he and Treasury Secretary W. Michael Blumenthal have presented to Carter in an attempt to use the phony inflation menace to force the President to implement a reduction in industrial output. Other features of the package, which is also being backed by Council of Economic Advisors chairman Charles Schultze, include: voluntary wage-price controls; a $6 billion oil import tariff; and promotion of the U.S. share in international exports at the expense of the West Germans and Japanese.

The inflation panic warnings received backup on March 26 from a *New York Times* feature on an imminent explosion in international commodity trading prices, allegedly similar to the famous commodities price takeoff of 1972. An official of the U.S. Agricultural Department discounted the likelihood of such a development in an interview March 28, on the basis of a detailed explanation of the collapse in Third World commodity demand, and U.S. agricultural goods distribution which contrasts strongly with the 1972 developments.

Henry Owen's Aide: We Hammered It Out With Callaghan

Q: What is the U.S. negotiating position for the Bonn economic summit?

A: We have a five point program. The coordination of growth strategy, currencies, North-South relations including long-term capital exports, energy conservation, and trade.

Q: Could you run down the substance? "Coordination of growth" I assume refers to the OECD's Coordinated