

Katz: A Japanese reporter said of the current frictions, "These always happen when one country is going up and another going down. But I don't understand why the U.S. doesn't have an industrial policy."

Olmer: We don't have an industrial policy because it's not in our nature to applaud government central planning. There are things government directly does or doesn't do that ought to facilitate industrial planning on its own. We made a conscious decision to support space. That had tremendous spinoffs for commercial aviation, for consumer electronics, at which the Japanese have done so well at our expense. We don't believe in going about it the way they have done.

Katz: One aspect of the system is providing low-interest credit to productivity-enhancing new industries or industrial techniques.

Olmer: We don't favor that.

Katz: We might be able to promote a general increase in industrial technology and productivity by the Japanese structure of business-government cooperation that you want to dismantle.

Olmer: I don't know. I think there are a lot of different answers to that question.

Katz: In 1981, world trade fell by an estimated 3 percent and will likely fall again in 1982, the first back-to-back fall since the depression. This will lead to greater trade frictions as nations fight over a shrinking pie. Do you think it is administration responsibility not simply to fight for a fair share of trade for American firms, but also to take positive action to increase world trade? If so, what?

Olmer: That's a good question. The quick response would be the relationship between a strong domestic economy and an increase in world trade. As the U.S. comes out of the recession, then others will. I don't see world trade picking up independent of strong domestic economies in at least the significant industrial economies.

Katz: Will the U.S. bring any proposal on expanding world trade to the Versailles summit in June?

Olmer: No, not that I know of.

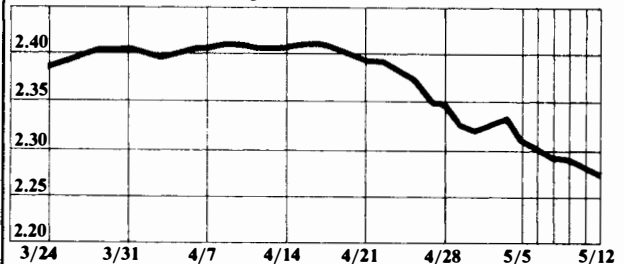
Katz: What about restoring Export-Import Bank cuts to help our own exporters?

Olmer: I don't have a happy answer. The answer is that we don't believe in subsidies. We have been working with our OECD partners to elevate the interest rates toward market rates. I support the actions to limit the Export-Import Bank budget, though I sympathize with the problems of American corporations competing with business from other countries that are given government-backed credit.

Currency Rates

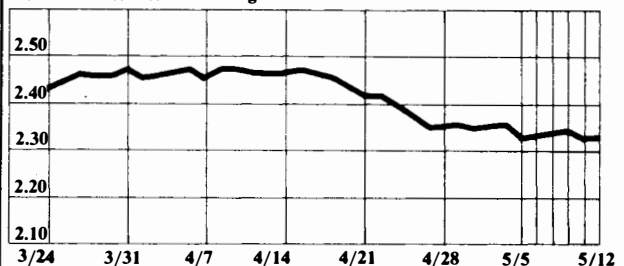
The dollar in deutschemarks

New York late afternoon fixing



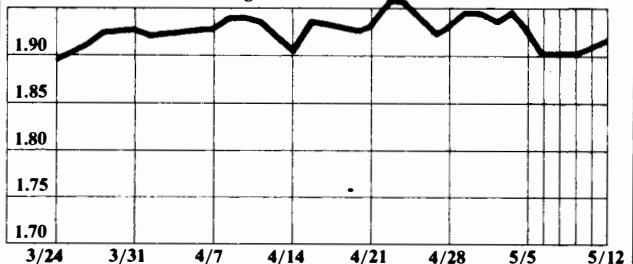
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

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