

1985. The high value of the dollar was reduced and the yen became higher. In the field of electronics, this caused the Japanese electronic products imported into the United States to rise in price by 5 to over 12%. The complaint voiced over the several past years by Americans that the yen was too low had thus been greatly resolved, and the price differential between Japanese and American products was greatly reduced. American products had now been placed at an advantage, and a breathing spell was provided which the American industry had wanted and which should have allowed the renewal of equipment or the reorganization that the industry needed. However, with the rise in price of Japanese electronic products, the American products also rose in price, almost as though the Americans were sliding their prices along with the Japanese. The result of this trend is clear: In spite of the determined efforts of the Japanese government and the central bank to attain a high yen currency exchange rate, American products seem to have merely ridden on the Japanese price escalator, so that the price differential was not much different from the time before the yen exchange rate changed. The advantage American products could have had was forfeited by the Americans themselves.

The profits accruing from the increased price of these American products could be used to improve quality and implement other production reforms. But if this is not done and the profits are merely distributed as dividends, then all the sacrifice made by Japan to achieve a high yen value would only result in raising prices for the American consumer, and the trade gap between the United States and Japan would not be affected. . . .

There is another matter that would cause serious damage to the world economy if it is mismanaged. That is the cumulative debts of the developing nations that has risen to \$850 billion by the end of 1984. The fact is that the problem is merely being postponed by delaying loan payments and providing additional loans.

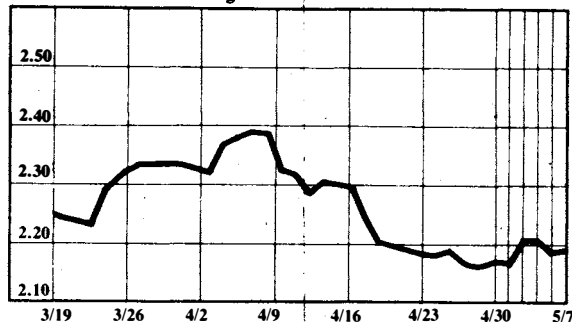
An objective view of the problem shows that the principal has hardly been paid, and the major portion of the interest is being paid in formality only through additional loans from the creditor nations. There seems to be no clear outlook for relief, let alone discovering a basic solution. Because this huge cumulative debt of the developing nations remains on the books, the debtor nations cannot carry out drastic economic reconstruction policies, the creditor nations on the other hand cannot extend long-term loans to the debtor nations for economic reconstruction, and a constant threat of impending instability hangs over the international financial system. . . .

No one can deny that the world economy cannot grow adequately without the growth of the developing nations. Has not the time come for us to consider some drastic policies that can shelve the present book values of loans, notwithstanding past history, and make the developing nations implement new and sound economic policies and help expand the world economy?

Currency Rates

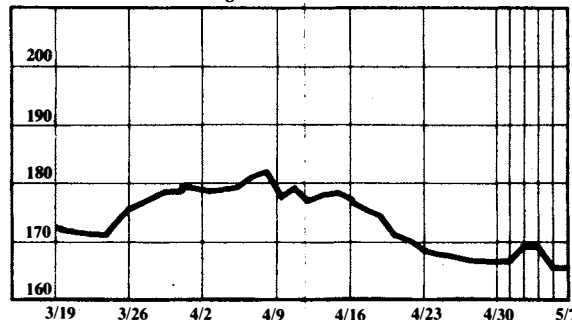
The dollar in deutschemarks

New York late afternoon fixing



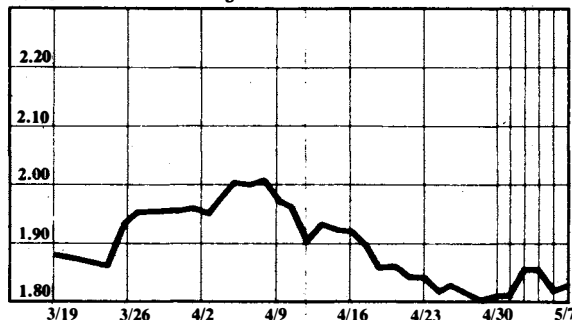
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

