

leaves little doubt as to why the British have been so successful and the Administration so impotent in defending the dollar and the U.S. economy against British warfare.

Admittedly, while many key figures high in parties, government, banking and trade unions are de facto traitors to the United States in this war, these traitors are not the full measure of the internal problem inside the influential USA circles. In addition to traitors there are honest leading citizens who despair of the possibility of forcing the Administration and Congress to take effective action to defend the United States. Typical is the statement of Henry Wallich to European financial leaders at the recent Basel conference: Wallich emphasized the impossibility of shifting the U.S. Administration to a position of defense of the dollar at this time.

We cannot hope to win Mondale, Blumenthal, Schlesinger and other hard-core representatives of British ideology to a defense of the United States in this war. We can hope that a vigorous kick to the Steatopygian regions of the anatomy of honest leading citizens will accomplish some good. We challenge these honest leading citizens to rise from their hind quarters now. "Will you squat, mewling in despair and self-pity, and watch the most powerful economy in the world, the

United States, plunge into deep depression, its currency ruined, and the nation in effect conquered by the ruler of that miserable, bankrupt, nation, England?"

The Chicago Daily News has, happily, made the relevant practical point of attack on foolish old Fabian Meany's protectionist babbling at the San Francisco AFL-CIO conference. Meany, of long life but apparently very short memory, does not recall how the same policies he now proposes, supported by the AFL during 1926 through 1932, resulted in the same near-obliteration of organized labor, and the same mass depression which Meany and his co-thinkers are proposing, in de facto British interests at this time. A comparison of Meany's policies with the rantings of British Ambassador Peter Jay on the eve of the AFL-CIO convention, shows that Meany's policies are not American, but British — as might be expected of an old Fabian in this juncture.

The Daily News is emphatically correct in reminding befuddled George Meany of the consequences of the Smoot-Hawley Act, the same sort of nonsense which Meany demands now. Meany proposes to save a few tens of thousands of jobs. The policies he recommends will wipe out tens of millions of jobs! Is any trade unionist so desirous to join the unemployed in begging for minimum wage WPA jobs that he will tolerate Meany's policies at this time?

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## The Traitors....

*Mr. Peter Peterson, chairman of Lehman Brothers (soon to merge with Kuhn-Loeb), speech before Georgia Chamber of Commerce Conference on Exports.*

Everyone is talking about the dollar, but that is not good. The less said about the dollar the better. People talk about benign neglect but they don't understand the intricacies of the situation. A Secretary of this or that can't do anything about the dollar.

The U.S. has a vulgar, if not obscene use of foreign oil. Carter's program is thus timid even if it's politically bold.

The problem is the domestic economy, the need to speed up growth in the U.S. economy and the rest of the world. Japan and Germany should upvalue their currencies.

*Peterson then read excerpts from George Meany's speech at the AFL-CIO convention calling for protectionist measures and criticized this level of thinking of labor leaders.*

Business knows better. It is up to business to straighten out the misconceptions of labor.

*New York Times editorial, "Soft Dollars and Hard Economies," Dec. 13:*

*The fall of the dollar — or rather, the factors leading to its depreciation with respect to a few other currencies — has been a blessing, not a curse. When Germany and Japan choose to reverse the dollar's decline, they may do so by stimulating their own economies and thereby stimulating imports from the United States. Such moves would be welcome, increasing employment and output in those countries and elsewhere. Should Germany and Japan prefer to go their own way, however, it would be foolish to follow their example simply to defend some romantic notion about the honor of the dollar.*

*Robert Solomon, senior fellow at Brookings Institution, "Open Letter to Helmut Schmidt," published in Journal of Commerce, Dec. 15:*

You have had serious non-economic problems to deal with in recent months and we all greatly admire the way in which you have handled them. But your statements from Brussels on economic matters are rather disturbing. You have been quoted and apparently misquoted in the press concerning the so-called "weakness of the dollar." Meanwhile, other stories have come from private sources in your country implying that some sort of conspiracy exists in the United States to drive down the dollar in order to achieve a competitive advantage for American exports....

The way to stop both the upward pressure on your

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.

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## 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