

the largest government revenue shortfalls in history. This ballooning of government debt and decline in private savings caused a catastrophic decline in U.S. domestic capital formation. Rather than change policy after the consequences were manifest in early 1981, Washington compounded the insanity.

Promiscuous corporate "free market" practices since 1981 in the United States have focused industry on maximizing short-term financial results, even to the absurdity of a three-month corporate profits time frame. In a February 1990 report to the Congress, "Competing in Manufacturing: Making Things Better," the congressional Office of Technology Assessment admits, "America's financial environment is generally unfavorable to long-term investments in technology development and diffusion, and government actions that mitigate the effects of this unfavorable environment have lacked commitment. . . . Rather than moving toward an environment more conducive to long-term investment in the development and use of outstanding technology, the U.S. system raised the hurdles."

### Trade deficit absurdities

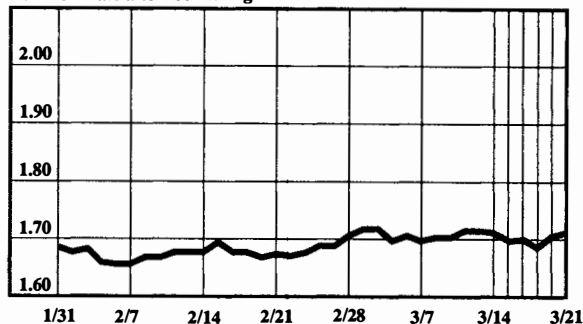
When Washington pressured Japan in the early 1980s to reduce its trade surplus with the U.S., Japan's Ministry of International Trade and Industry (MITI) pushed Japanese firms to build production inside the United States, and limit export growth from Japan. In 1981 MITI imposed a "voluntary restraint" on automobile exports to the United States. In 1982, Honda Motors opened the first Japanese auto production plant in the U.S., in Ohio. By 1989, Japanese auto manufacturers were building 1 million cars in their U.S. production plants, so-called "transplants" accounting for one-third of all Japanese car sales in the U.S. last year. Japan exported 2 million cars to America that same year. These 3 million Japanese cars constituted fully 30% of all U.S. cars purchased in 1989. Japanese businessmen react with biting irony to the fact that in 1980, American United Auto Workers union president Doug Fraser came to Tokyo to threaten that unless Japanese auto makers began building production inside the U.S., his union would threaten a U.S. boycott of Japanese cars.

Last December, the ultimate absurdity developed in the U.S.-Japan trade domain. Responding to increasing Washington pressures, MITI announced that Japan would open its markets to a huge increase in imports. That month MITI issued an "administrative guidance"—something no company in the Japanese system ignores—urging companies to boost imports from the United States in order to reduce trade frictions with Washington. Within weeks, Japanese companies began to send MITI their plans. Toyota plans to import \$200 billion worth of products, mostly cars and parts, by fiscal 1992, an increase of 150% from 1988. Nissan Motors will double imports, as will Honda and Mazda. Much of the imports will be from Japanese "transplant" production in the U.S.!

## Currency Rates

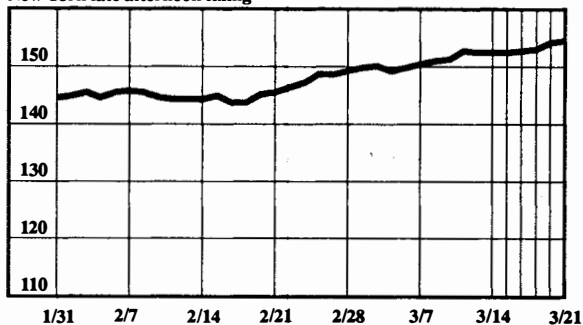
### The dollar in deutschemarks

New York late afternoon fixing



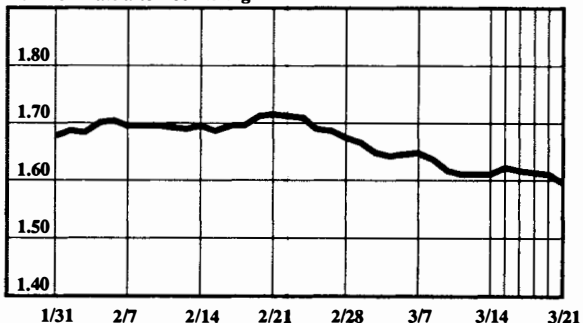
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

