

What happened was that we had already stretched our financial capability, our capital formation, our capital pool. We had already stretched those resources too much when the energy crisis hit, and what most governments did in the past nine years since the crisis began was to buy political stability by increasing debt. Rather than face the problem and deal with it, we tried to buy time, and to postpone having to do the tough things.

The administration felt, and I think feels today, that a continuation of that pattern could only result in a collapse of the free world. We had come to the point where we could simply not afford to borrow in excess of our capacity to repay. We had to put constraints upon the growth of government, and to restore incentive, and the prospect of capital formation through savings and investment.

We have taken some very difficult steps. It may be that we are not precisely perfect in the definition of those steps, but at least we have taken them. If we fail in this regard, it will not be for doing the right thing, it will be because not enough others have been willing to exercise the same kind of political courage. There are shifts of a tactical nature that could be made that might make the situation better. We are certainly not perfect, but we are doing in a fundamental sense the things that have to be done to restore our basic opportunity for economic growth.

If we lose this battle, and if inflation does in fact return, then there is a matter of time, and a very limited amount of time, before our system simply cannot sustain itself. We will see a depression, and one that will be in greater magnitude than any we have experienced before, because we have built a larger house of cards.

I personally am extremely sensitive to what we do and its impact on our trading partners and the possibility of division. By the same token, if we don't lead the effort to correct that which we have not adequately dealt with heretofore, then nobody will.

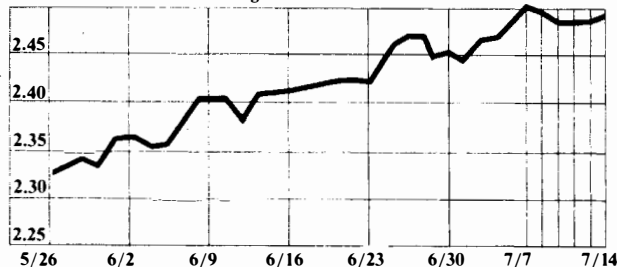
The same applies to our quest for keeping our markets open. We've done some very tough things. We are still doing some very tough things. We are fighting the protectionism that is rampant, at least in the Congress, but if we collapse in the face of that political diversity, the world system will collapse. Nobody else can lead the world in the cause of free trade. We have to do what we have to do. And we have to expect our trading partners to understand that, and to try to share some of that burden.

The full text of the June 29 interview with William Brock is included as an appendix to a new 95-page EIR Special Report, "Outlook for U.S.-Japan Economic Relations." Contact Special Services Director Peter Ennis at (212) 247-8820 for further information.

Currency Rates

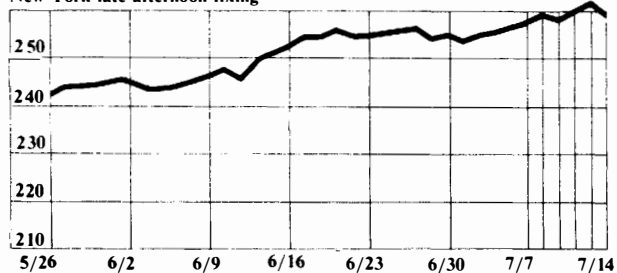
The dollar in deutschemarks

New York late afternoon fixing



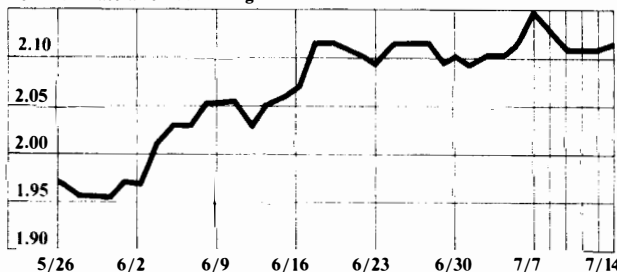
The dollar in yen

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

