plunging ahead with the Stockman budget. If the Reagan administration had launched the economy on the path of mammoth exports, capital investment, and counterinflationary remonetization of gold, the budget deficits would be wholly manageable and soon reverse themselves. Under present circumstances, they are indeed a time-bomb.

Because the budget deficits require large financing at the same time that state and local governments, industry, farms, consumers, and others are in desperate straits and competing for funds, two consequences will follow:

The weaker forces contending for a severely limited volume of credit will be crowded out of the market into bankruptcy, intensifying the rate of economic collapse.

The intense competition for funds will force the price of the limited resource of funds upward, meaning interest rates will go higher.

Wall Street will not need a second invitation to use the bloated budget deficit to begin a run on the markets, with masses of bankruptcies the result.

Monte Gordon, the chief of research for the Wall Street firm Louis Dreyfus and Company, predicted Feb. 9, "I see the economy not pulling very much out of the current recession, and then because of the high deficit caused increase in interest rates, I see the economy going into a collapse in 1983 and again in 1984."

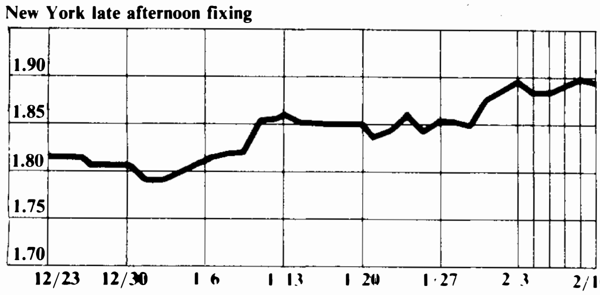
Moreover, the Reagan budget has cut to the bone many basic programs. The Farm Home Administration loans to farmers will be cut in half from 1981 levels. Highway construction will be cut by 21 percent from 1982 levels. The job-creating Export Import Bank will be cut by 18 percent. One billion dollars in new fees, including an 8 percent travel tax, will be imposed for users of the nation's airports; and $448 million in fees will have to be paid by the ships that want to use America's barges and waterways. Education will be cut by $5 billion, job training by $2.2 billion, and federal employee pensions cut severely.

Thus, while Volcker hammers what remains of productive industry, the prerequisite for a modern economy is being dismantled. Not only are the "users' fees" a peculiar expression of "free enterprise"; U.S. productivity itself is at stake. The transportation system is equivalent to a conveyor belt for industrial producers, considered as one large factory. When it is gutted, the producers are disabled. Even more obvious should be the consequences of reversing the already degraded American tradition of broad-based higher education and first-rate scentific R&D, consequences for both the civilian economy and the military base. Mr. Reagan has recklessly jeopardized his own political fortunes; the question is now whether Congress will allow him to lock the United States itself into the Second Great Depression.

Currency Rates

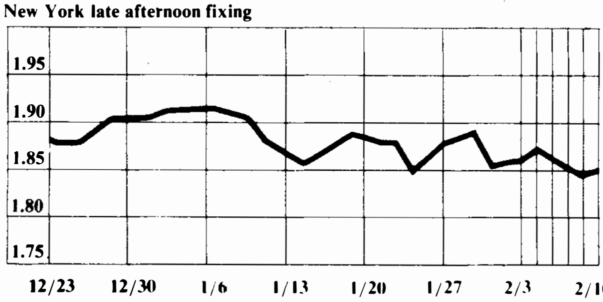
The dollar in Swiss francs

New York late afternoon fixing



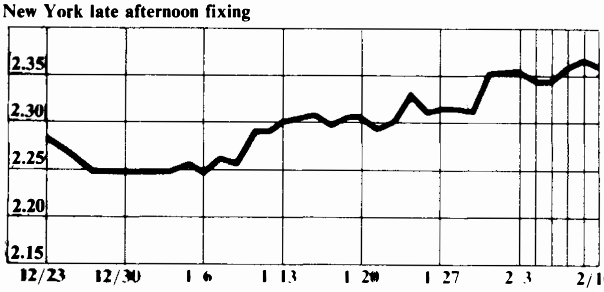
The British pound in dollars

New York late afternoon fixing



The dollar in deutschemarks

New York late afternoon fixing



The dollar in yen

New York late afternoon fixing