nearly 5% during 1983 and 1984. Then, during 1986, we collapsed the physical-goods producing sector of our economy about 15%, much worse than 1982: but the President wishfully insists that this is a "wonderful economic recovery," even after the voters massively rejected his "recovery" in the November 1986 elections.

The Reagan administration is reacting as the Hoover administration reacted to the crises of 1929 and 1931. The administration has been difting, over the past six months, toward a repetition of the same sort of trade war policies which set off the Great Depression of the 1930s, the infamous Smoot-Hawley tariff legislation. That is precisely what the trade war with Europe represents, a revival of the lunacy of Smoot-Hawley.

There is no solution, unless we face the cruel fact that the U.S. economy has been in a roller-coaster series of ups and downs, mostly down, over the entire period of the Reagan administration so far. Once Washington faces that fact, the solution is in sight. What we need, what Western Europe needs, and what our developing-sector markets need, is a genuine, old-fashioned sort of general economic recovery.

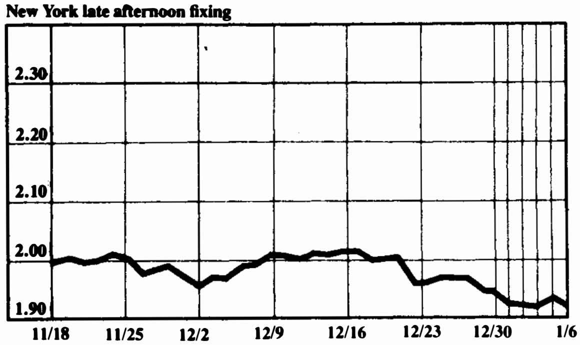
True, the GNP figures insist that a recovery has been in progress, although every major branch of the physical economy, basic economic infrastructure, national defense procurement, agriculture, manufacturing, and energy-production, has been collapsing over the past ten years. The GNP figures are partly faked, for political reasons, as most administrations of the past 20 years have faked their GNP and inflation-trend reports. Yet, faked figures are not the whole reason the government has been describing a slide into a depression as an "economic recovery." The level of purchases of the U.S. has been kept up significantly, by using more and more borrowing to buy goods and services way above our national income. That is how we were turned from the world's major creditor, into the world's biggest debtor. Subtract the increase of combined public and private debt from the GNP figures, and the result is a figure with some resemblance to the fact of collapsing infrastructure, agriculture, and manufacturing.

Very simply, we must earn more. On this point, Speaker Jim Wright is on the correct track in his thinking. We need an investment-boom in basic economic infrastructure, agriculture, and manufacturing, especially in high-technology capital-goods of competitive export-quality. We must study the success of Peru's economy under President Alan García, and recognize that similar reforms throughout Central and South America, for example, will reopen the precious export markets upon which we used to depend so much. Instead of squabbling with Japan and Western Europe, over shares of the world's worsening poverty, we ought to be negotiating fair shares of a world whose markets are expanding.

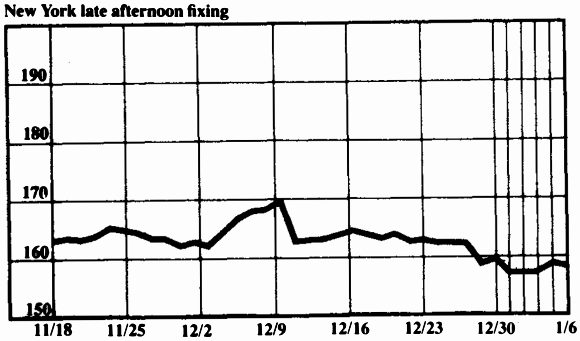
I find it not surprising that Cargill and the Trilaterals who are the softest on Moscow, should be leading in organizing trade wars which can help no one but Moscow.

Currency Rates

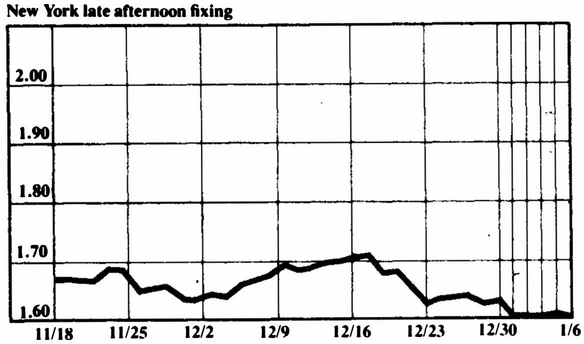
The dollar in deutschemarks
New York late afternoon fixing



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