Interview: Perry B. Clark

'The Root of the Problem Is the Dollar'

Rep. Perry B. Clark is a Kentucky State Representative, serving the people of the 37th District, Louisville. He was interviewed on Aug. 29 by Paul Gallagher.

EIR: On Aug. 26, at a time of extreme uncertainty with the dollar, the real estate bubble in the United States, the soaring price of oil, and interest rates, you raised, in a Friday morning government meeting in Louisville, the issue of Lyndon LaRouche's policy for a fixed-exchange-rate monetary system. Tell us how that happened, and how it went.

Clark: Yes. We had a regular—we have monthly meetings, unless we're [the Kentucky Legislature] in session—meeting of the Capital Planning Advisory Board. It's the oversight committee of, basically, all the capital projects of the state on a long-term basis. And we fell into a discussion of long-term IT projects, court projects, maintenance and upkeep projects; and then healthcare costs, retirement benefits for state employees, Medicaid; these being big drivers, and taking huge cuts into our accounting.

While revenue in our state has actually increased, we cannot keep up with the rate of inflation for all of these projects. The IT; materials costs are going up for everything we're trying to build; obviously, everybody knows the inflation rates on healthcare costs, what they do, which has its ramifications for Medicaid.

We were talking about fixing these problems, so I just cut to the chase. These problems cannot be fixed—you cannot adequately be prepared, you cannot adequately plan, or forecast, any of these problems that we have right now, unless we return to the Roosevelt principle of fixed exchange rates on our dollar.

The dollar is our problem. It's not all these other things. These all have problems, but the root of the matter is the dollar.

EIR: The people you were speaking to, or speaking with—they represented the legislature, the executive, or both?

Clark: It's all three branches of government. The group itself, I believe, is one of the only ones set up in any state in the nation, that does long-term forecasting of the needs for any kind of capital projects, across the board capital projects—IT, courts, school-building projects, maintenance needs of the universities—just about everything that is a capital project. It's all three branches of government—executive, legislative, and judicial—plus citizen members.

EIR: And what was the serious problem that they were having, that you were intervening into?

Clark: We've got billions of dollars worth of capital investments in the state; and there are no maintenance dollars. And you can't get maintenance dollars now. It's the same as the problem we were talking about, that's indicative of the entire infrastructure of the United States right now.

You have a declining infrastructure of the United States. I think you have, pretty much, a runaway inflation. It's a hidden number. And you can't adequately prepare, and you can't set aside funds to take care of your infrastructure. And you can take that to just about anything . . . whether it's the electrical grid, whether it's the oil-refining capabilities, whether it's our nuclear power plants, whether it's the water systems in our cities. We have a big problem; and it's an increasing problem. Unless you can project the value, a fixed value, of the dollar, it's going to be hard to ever address these.

People now have difficulty planning a home budget, with the price of gas going up, the price of natural gas, the price of healthcare going up—how do you predict, and lay out a foundation for a liveable budget?

EIR: So they were unable to forecast or to plan infrastructure investments for the state?

Clark: Yes, that's exactly what happened. It went deeper than just the infrastructure, because we had our fixed retirement benefits; we got into our Medicaid problems. We talked about a lot of these things.

EIR: How far out into the future were you discussing?

Clark: Well, for the Medicaid problem, we were discussing the next budget; the next two years. We'll probably have something like a $675 million shortfall. In the long term, we were talking—already our bonded debt of our state is pushing $6 billion mark; we have $5.75 billion right now. So, we have that commitment to make, plus the inflation rate, plus take care of maintenance and everything. So we were shooting a good six years out.

EIR: And what was the reaction to your intervention?

Clark: Well, actually, it was a kind of stunned silence. People really don't know what to think about it, because people have become accustomed to trimming the branches on the tree. Someone needs to strike the root.

I was sitting there listening to these discussions, and I said, "We can trim on this tree all day, and we won't get rid of it. If we want to really get rid of it, we need to strike the root of the problem. And I think that root is the dollar, and going to a fixed rate of exchange." There was actually a stunned silence, except for one Senator, who happened to be sitting next to me; and he said, "You're absolutely right."

But no one else conjectured any other thinking on that point. There was a stunned silence for a moment, and then we went on with the meeting.

EIR: Were you able to discuss it further, later on?
Clark: I had, with some of the individuals there—one of them is a very good economist, I believe—and he believed that what I had said was probably true, also. But he was cautious to say that.

We had a very interesting point in there, too. We had two of the state's chief economists, speaking to us. And they were talking about our bonded debt, and how the bond-rating agencies set your—give you a grade for your bond debt capabilities. And we had a fairly high bond rating in the state based on several of the categories. But one of the categories they judge you on is your actual manufacturing base, as a percent of your [tax revenue] income in your state.

EIR: And how to they judge that?
Clark: They judge you negatively for having a good manufacturing base! They judged it against us, for having "too many eggs in a basket," which was our manufacturing base!

What I told them, was that this was absurd and wrongheaded; I can't even imagine that.

EIR: Has there been a downgrading of the debt of the state?
Clark: Not at this time. They won't tell you up front—that if we choose certain economic policies—none of the rating agencies will tell you up front, whether that will be beneficial or detrimental to you. They won't tell you until after you have made the move. It's an interesting game in itself.

EIR: And Medicaid was one of the subjects under discussion, what to do about the shortfall?
Clark: Yes, it always comes up. . . . Because some people want to build court buildings, while others want to make sure the elderly are taken care of by Medicaid. It's a balancing we have to do.

But it's an impossible balance, without having an inflation-free dollar on a fixed exchange rate. And that was my point.