cy usually come home to cause suffering inside the U.S.

A "zero-economic-growth mafia" inside the IMF and World Bank bureaucracies, acting with U.S. government support, has been collapsing the internal economies and world trade of both developing and Western industrialized nations, while piling up the financial obligations of both developing and industrialized nations. We have been increasing nations' obligations to pay debt, while destroying their means for paying that debt.

Inside the United States itself, one of the mechanisms which has been used to prop up apparent consumer purchases, has been a process of increasing average consumer debt, while average consumer income fell. This has been the leading basis for President Reagan's wishful belief in an economic recovery—consumers going deeper into debt to maintain ordinary levels of consumer spending, while average, after-inflation levels of household income have been falling. Now, the growth of consumer debt has reached approximately a saturation-level.

Meanwhile, the prices on the world's stock exchanges have zoomed into the financial stratosphere. Present stock prices are way, way above anything justified by the price-earnings ratio. The bond markets have been sliding down for weeks. About 1,500 U.S. banks are in bad trouble, and more than 200 in immediately serious trouble. Any significant rise in interest rates could sink as much as half of the savings institutions, and could blow out the banking system generally. If this inflated financial structure collapses significantly in any one sector, all sectors could blow. Any collapse would reveal quickly, that most of the values of financial paper depend upon mere "hot air," such as so-called "junk bonds" or similarly dubious bookkeeping accounts.

When the system blows, more than half of the more than $13 trillion of hard-core debt obligations could blow, more than half of this inside the United States.

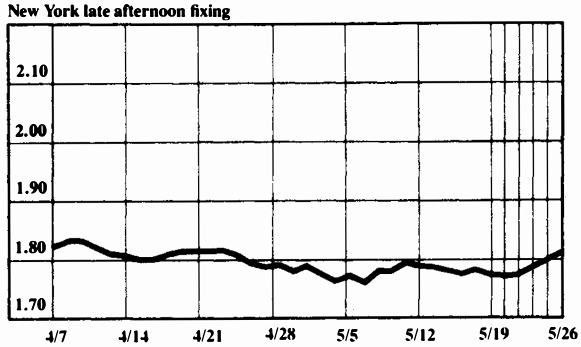
The problem is approximately 20 years of bad monetary and economic policies by all Western industrialized nations, excepting Japan. (We sometimes complain that Japan is being "unfair," because it refuses to be as stupid as the governments of other industrialized nations.)

Now, during recent weeks, many of the world's leading bankers have awakened to the seriousness of the situation. Except for the governments of Japan and of France's Prime Minister Jacques Chirac, the governments, and political party leaderships of the other Western industrialized nations are still as much in dreamland on the economic situation as they are on the subject of the AIDS pandemic.

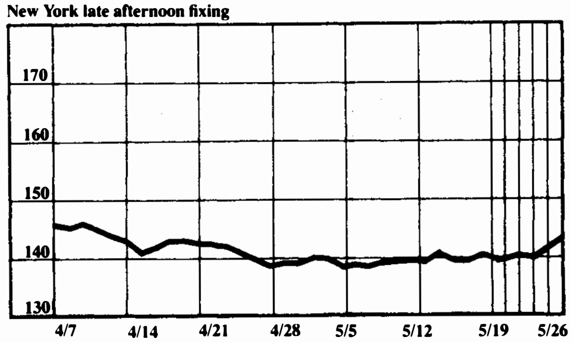
Technically, on any day that the U.S. government came to its senses, this crisis could be brought under control. The crash of 1987 is not inevitable. However, unless the governments come to their senses, it is inevitable. During the Venice monetary "summit," and during the weeks following that, we shall see whether the crash occurs as leading European bankers now suspect it will.

Currency Rates

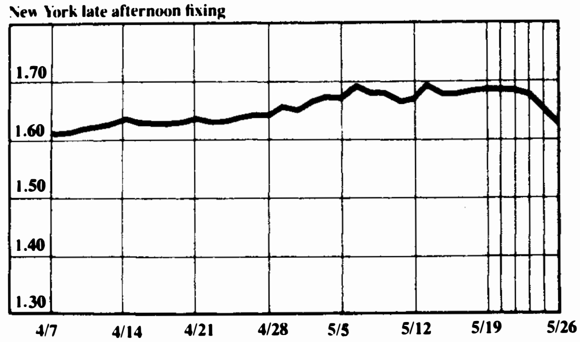
The dollar in deutschemarks
New York late afternoon fixing



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