

cannot be made by a handful of people from the top down and in which no country is immune from the forces without.

The old system failed before. That is why you are in the present period of transition. If you attempted to reimpose it, it would fail you again. Let me make it clear that I do not suggest that markets solve all problems. They clearly do not solve all of society's problems. And indeed, they create some problems for every society, problems which must be frankly and forthrightly addressed by people who propose to have a strong community of common interest and common concern within their nation. Yet it is clear that the surest way to prosperity in the world in which we live is the ability of people to produce and to sell high-quality goods and services both within and beyond their borders. There is no other clear path to prosperity.

Russia clearly has the capacity to do well in this kind of economy. You have enormous technological prowess, a highly educated citizenry that is known and respected around the world. You have immensely valuable natural resources. It is clear that you have the capacity to do well. You have a rapidly growing private sector. Already your nation has privatized nearly one-third of its industry. About 600 businesses a month are privatizing. Tens of millions of your people now own private property and are gaining daily experience in market economies. But there remain serious problems, the most profound, of course, is high rates of inflation.

Inflation at high rates destroys wages. It makes people feel that they can't keep up and that no matter how hard they work, they will not be rewarded for their labor. It hurts the ordinary working people, the very people that are the backbone of any society, who have to believe that the future can be better than the present. It undermines that very belief and makes it so difficult to develop and maintain a majority for the changes and the short-term sacrifices that have to be made. So inflation must be tamed. And as everyone knows, that also has its price, for inflation can only be tamed if the government is willing to print less money and therefore to spend less.

The next problem you have, it seems to me as an outside observer, is that even though you have a lot of privatization of companies, the systems on which every private economy depends are not as well-developed as they ought to be. There are not enough laws which clarify

and protect contracts, which make tax systems clear, which provide, in other words, the framework within which all different kinds of transactions can occur. But that can be rather easily corrected.

There are other problems. I might just mention one other that President Yeltsin has talked about quite a lot lately and that has received a lot of attention all around the world since the last election here in Russia, and that is that your country must develop some sort of social safety net as all other successful market economies have to deal with the fact that some people are always going to have difficulties in a rapidly changing economy. Most people can be restored to participation in the economy in times of prosperity, but in any market economy there will always be people who are dislocated. So you have to have training systems, retraining systems, systems to make sure that new businesses can always be started when old businesses are stopping, and systems to deal with people who simply are not competitive in difficult times.

Now, you must determine how to do this. No one can determine how to do it for you or even whether to do it. But as your partner, I can tell you that the United States will do what we can to help to ease your hardships as you move forward on this path and do what we can to help you make the decisions that you are prepared to make.

Let me say that I think this has been, in some ways, the most difficult period of all for you because you have taken a lot of risks, you have made a lot of changes already, and yet the changes have not been felt tangibly in the lives of most ordinary citizens in the country. And that is very difficult. But I can say that just as an outside observer, it seems to me that it is likely that you will begin to see those changes.

Let me just give you a couple of examples. I asked Vice President Gore and Prime Minister Chernomyrdin to work on a program of economic cooperation in the fields of energy, the environment, and space. You have massive energy resources. If we can just get a few more things worked out, it will lead to big flows of money and investment, prosperity, and jobs into this nation.

We have reached an agreement, an unprecedented agreement, for cooperation in space. Next month, Russian cosmonauts will serve on our space shuttle. We will share our resources,