Eye on Washington by Nicholas F. Benton

Urgency to defuse debt bomb

The Twentieth Century Fund cynically admits purpose of debt relief is to keep the status quo.

Amid rumors that the Bush administration is preparing a plan to deal comprehensively with the Third World debt crisis, the Twentieth Century Fund held a press conference here March 7 to present its ideas for a "debt-recycling fund" aimed at pouring part of debt payments back into debtor nations as a way of defusing political ferment.

The technical differences among the various proposals for dealing with the crisis are barely worth noting. What is interesting is that none aims at actually improving conditions in the debtor countries. They are various schemes for keeping the lid on the explosive consequences of these Third World nations paying out so much of their assets to the big banks of the advanced sector at the expense of their own people.

After the recent bloodbath in Venezuela (see *Feature*), the fear of political upheavals spreading throughout Ibero-America, in particular, is very great. The debt burden is enormous in many of these countries. Brazil owes $120 billion; Mexico, $107 billion; Argentina, $59.6 billion; Venezuela, $35 billion; Chile, $20.8 billion; Peru, $19 billion; Colombia, $17.2 billion; and Bolivia, $5.7 billion.

While Mexico may be the next flash point for instability after the rise of major political opposition for the first time during the 1988 elections, elections in Argentina and Brazil this year could also turn into referenda against debt repayment.

Therefore, the need for action is being felt throughout the corridors of power. As Henry Kissinger said during a recent speech here, "There are 50 different ways" to approach the Third World debt problem, "once a decision is made to do something." Of course, all the 50 ways he referred to would have the common aim of upholding the present usurious relations between the advanced and developing sector. It was the willingness to admit this blatantly that made Twentieth Century Fund's briefing interesting.

Copies of the fund's new pamphlet, "The Road to Economic Recovery: Report of the Twentieth Century Fund Task Force on International Debt," drafted by Rudiger Dornbusch, were distributed, but reporters had no chance to read it before asking questions. Dornbusch is the Ford International Professor of Economics at the Massachusetts Institute of Technology, and was on the Task Force with chairman John Gaines Heimman, the vice chairman of Merrill Lynch Capital Markets. Both were at the press conference.

Others on the Task Force were Richard Cooper of Harvard, Sen. Slade Gordon of Washington, Jesús Silva Herzog, former Secretary of Finance in Mexico, Albert O. Hirschman of Princeton, Anatole Kalesky of the *Financial Times,* R.T. McNamar of Conover and McNamar, Frank Morris, former chairman of the Federal Reserve Bank of Boston, Rep. Bruce Morrison of Connecticut, Rupert Pennant-Rea, editor of the London *Economist,* Kurt Schiltknecht, chairman of the Bank Leu in Zurich, James Tobin of Yale, and David Apgar, assistant to Sen. Bill Bradley of New Jersey.

Dornbusch was not bashful about going to the heart of the matter. "Our aim," he said, "is to give the governments in these countries a good excuse to become reasonable. . . . We must make it easier for them to be reasonable." "We must," he said wryly, "alter the system to permit the burden to become a tolerable one." He added, "We must ask what is the ability of a country to pay, and be receptive to its needs." Too much austerity suffered by the people of these countries is bad, he said, because it could lead to adverse political consequences.

The Twentieth Century Fund wants to see an institution formed to recycle some of the Third World debt payments back into the countries in an effort "to raise the standards of living there by improving the productivity of labor."

But when I asked him if there was any thought put into directing the investment back into these countries in a way that would raise the productivity of labor, he was adamant: "No. We discourage even hinting at the way in which the investment should be spent."

Needless to say, there is nothing to prevent such undirected money from financing the burgeoning, and profitable, narcotics business. Some of the creditors to the nations in question would find no problem with this, as they have made clear.

When I asked Dornbusch if his task force's debt relief plan included any call for agreements on raw materials pricing, since it is the below-production-cost prices of many raw materials which sharpens the economic crises in these Third World countries, he was emphatic again. "Promoters of such measures and those who would be willing to accept debt relief are totally different constituencies," he said. "If you tried to put the two together, both would be dead on arrival."

Even though it is a combination of the two which the debtor nations really need? How curious.