

**A:** Yes. . . . The banks will want to be sure that each of the debtor nations have a strategy for dealing with these problems before extending them any further credits.

**Q:** What are the problems?

**A:** They are numerous and immense, and they will involve extensive sacrifice in a troubled world.

First of all, as a result of excess foreign borrowing, the public sectors of Latin American nations have grown rapidly at the expense of the private sectors. The public sectors have been getting preferential treatment. . . .

Second, excess foreign borrowing has caused a general collapse of Western Hemisphere trade. Each country, to meet the debt payments, is being forced to cut its imports and expand exports. . . .

Third, excess debt is causing more antagonism between Latin American countries. . . . Argentina and Chile could easily go to war, more because of their domestic economic troubles caused by the debt crisis than for any real foreign policy reason. Venezuela and Colombia have a similar dispute which could flare up.

**Q:** What about labor and wages?

**A:** Yes, we have the problem of labor unions and wages. . . . The days of high income, due to large foreign borrowings, are now over. So wage structures may have to become more flexible. . . . There will be a more antagonistic relation between labor unions and governments. . . .

Many of these countries have borrowed to import food and not spent money on domestic agriculture. The agricultural labor force as a result migrated in major part to the cities . . . a mass army of unemployed. They will have to move back to the countryside, and this is very destabilizing.

The cities have first of all become too big. . . . Now these workers will have to move back out of the city into the countryside, where there is nothing for them to do.

Then you have the even worse problem of inter-country flow. There have been very large flows of Colombians into Venezuela . . . and now it's over. These people could soon be under pressure to return home, especially the illegal immigrants. . . . There was also a large flow during the heyday into Mexico from Guatemala and El Salvador. Now that may have to be reversed.

**Q:** What about the countries' domestic budgets?

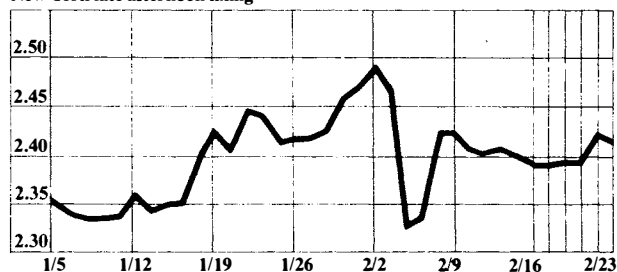
**A:** This is the worst problem. They must be cut, and cut drastically, they can no longer spend beyond their means. But the question is, is this domestically manageable by these countries? Or will it give rise to totalitarian regimes?

The worst subsidy of all, which must be cut first, as I said, is these public-sector companies. . . . Now if you shut parts of this down, and some of this will have to be done, they are going to have mass layoffs and production shutdowns. . . .

## Currency Rates

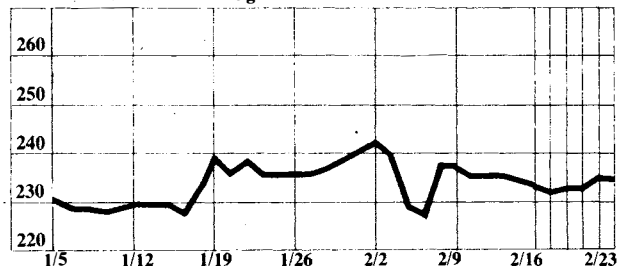
### The dollar in deutschemarks

New York late afternoon fixing



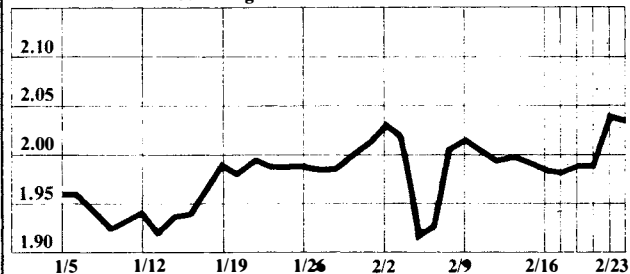
### The dollar in yen

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

