

There's more to the story. The policy worked out in early 1983 to compel Ibero-American debtor nations to continue to service their debts, nominally involved their receiving a minimal amount of continued loan money from the banks. However, this was not forthcoming in any way resembling "loan assistance."

According to the report's summary of what the 1983 policy was: "(1) Debtor nations would generate a large portion of the dollars they needed to pay interest by increasing their exports and cutting their imports; (2) Debtor nations would be given more time—in some cases, as much as 14 additional years—in which to repay their maturing loans; (3) Commercial banks would make new loans so that debtor nations could avoid falling behind on their interest payments to the banks; and (4) The IMF, in addition to lending modest amounts of its own funds, would ensure that the debtors were implementing essential economic reforms."

In practice, the banks hardly lent any more money, and they increased their profit margins on the loans. In 1980, the banks' spreads (the difference between the interest rate they charge on loans and the interest rate they pay for loanable funds) averaged 86 basis points on syndicated Eurodollar loans to developing countries. Some were as low as 66 basis points. By 1983, however, the spreads had grown three times over. While the IMF and the U.S. government were making emergency loans to the most hard-pressed debtor nations, the commercial banks raised their own spreads to 225 basis points. Since 1983, the spreads have been reduced to about 125 points, but that is still nearly 50% of the pre-1982 "debt crisis" level.

The Baker plan option today, in the evaluation of the JEC study, will merely attempt to continue the usurious debt policies of the past four years. "As this analysis indicates, in deciding how to evaluate the Baker Plan, U.S. businesses, workers, and farmers must decide whether this most recent administration initiative is in their best interests. Will more loans whose primary purpose seems to be ensuring that debtor nations continue paying interest to commercial banks help U.S. farmers and U.S. exporters? Or will they merely continue to preserve bank profits at the expense of U.S. farmers and U.S. exporters?"

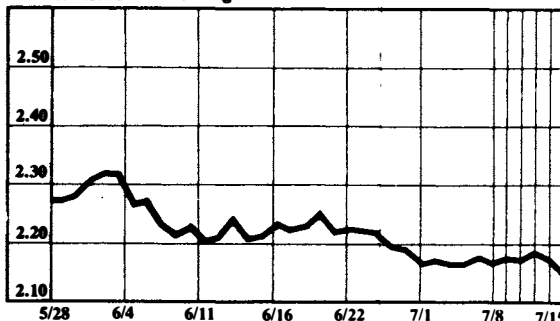
One of the two alternatives to the Baker plan offered by the report is the proposal to limit interest payments to a set percentage (for example, 25%) of each debtor nation's export earnings, and to specify that banks must write down the value of their outstanding loans by a certain amount for "each year in which Latin American debtor nations hit this revised interest payment target." As the report goes on to say, the example shown by Peruvian President Alan García may be adopted by other Ibero-American nations, whose governments might "conclude that this sort of solution is the only way to restore growth and improve standards of living."

It is because of what the study calls the "severe" impact this policy would have on the money-center banks, that the JEC report has been temporarily buried.

## Currency Rates

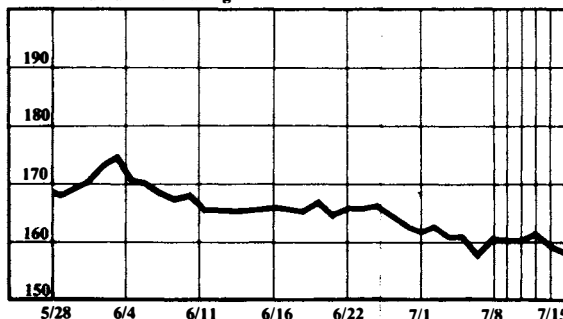
### The dollar in deutschemarks

New York late afternoon fixing



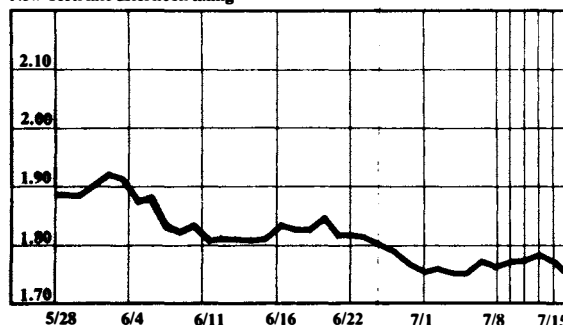
### The dollar in yen

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

