Editorial

The debt crisis and the heruspicators

"Unless we do something bold and statesmanlike, the entire international community is heading for a major cataclysm, a catastrophe without parallel." The words are those of Farooq Sobhan, Ambassador from Bangladesh to the U.N., addressing the foreign ministers' meeting at the Non-Aligned conference March 3, in his capacity as chairman of the Group of 77 developing nations that belong to the International Monetary Fund. In a letter addressed to the heads of state of the Non-Aligned, Bolivian President Siles Zuazo said, "Joint renegotiation of the foreign debt is a question of life and death for countries of the Third World."

Only the dupes of those willful liars who are spreading "recovery" euphoria in the U.S. capital and other superstitious quarters now deny the reality of which these statements spoke. By reliable calculations, some $90 billion in debt comes due at the end of the first quarter of 1983—by April 1—and the London and Swiss bankers, rabid enemies of the *scientific* solution to this crisis advocated by Siles Zuazo, have stopped pretending to have any formula at all. Most of their recent statements reveal an outbreak of the art of haruspication so beloved of the Futurist movement—the reading of the future in the entrails of birds.

Here follows a sampling of the economic views of the international bankers, eyeing each other like cannibals:

- In a speech at a secret conference in Saint-Paul-de-Vence (France) on Jan. 24, Fritz Leutwiler, governor of the Bank for International Settlements and head of the Swiss National Bank: ". . . The most obvious solution would be to do nothing at all. That would be the zero option, the Hayek option. Without going to such extremes, many bankers and central bankers would not be wholly unhappy to let a few debtors or a major bank go bankrupt, a sharp, brutal shock. . . ."
- In *Die Welt* newspaper March 3, Sir Walter Salomon, the head of the merchant bank Rea Brothers in London: "The present crisis is often compared with the events of 1929, when people jumped out of their windows because they could no longer pay their debts. But that crisis was nothing compared to the one we are headed for now." Sir Walter specified his proposal in an interview: "a private central bank. . . ." "We must force the hands of politicians, we must impose a loss of power of the politicians." But Switzerland's Leutwiler would not be included in this small gang: "He's tarnished with the brush of no return."
- A senior spokesman of the Swiss Bank Corporation: "Nobody has a solution and no one knows whether it will work. The end of the quarter is going to be explosive. No one knows. You have to learn the lessons of Poland and apply them to Latin America: come the end of the month and there is not going to be an agreement with Poland. Nothing, and then the way is free for some banks to declare a default on Poland, or all these other countries. But that need not be the ultimate catastrophe. The strong banks will call a default, the weaker ones won't activate the cross-default clauses—they do not want their own loans to be declared irrecoverable."
- The assistant to Sir Jeremy Morse of Lloyds Bank: "Why, everybody is looking at such contingencies, of course," when asked to comment on reports that Deutsche Bank and the Swiss banks have broadly provisioned their dubious assets, while (especially) American banks, and also British banks would be hit by large loan-losses.
- A French-speaking director of Swiss National Bank: "Between us and the British, the difference is not underlying ideas, rather a matter of style."

But there is a different underlying idea. Some, like French Finance Minister Jacques Delors, apparently do not look forward to a Darwinian nightmare this spring. The day the Non-Aligned meeting opened—March 3—Delors said publicly in a meeting in Paris, "When there will be a debtors' cartel, I will support it." Any leader of the industrialized sector who wants his nation to survive must (at minimum) say the same—soon.