banks. For liquidity, OECD governments would have to contribute capital to the global MAC to help buy out the debt. In practice, much of the 50 percent loss on the new MAC bonds—$150 billion—would have to be borne by the taxpayers of the industrial nations.

This plan would protect the North from being "hostage" to a debtors cartel, Rohatyn has said. Once the debt were stabilized under the MAC agency, and gotten off the books of the private banks, the LDCs could not use debt as a weapon to force the North to grant new development credits.

The IMF would keep the role of imposing conditionalities upon the borrowers, playing the enforcement role that the EFCB did in New York, and maintaining a cosmetic separation between the MAC agency and the IMF proper. The IMF would institute credit controls for debtors, maintaining "oversight" on all new borrowings. There would be a limited amount of new credit, but never enough for industrialization.

The global MAC would also, as in New York City, sequester revenue from Third World nations' incomes; it would "establish a revenue stream," Rohatyn explains, of LDC export revenues, to "service their long-term bonds in an orderly and credible manner." Lawyers have suggested that multinational banks who finance Third World countries' exports might sequester the countries' earnings before the cash ever reaches home.

Regarding national currencies, Rohatyn has also proposed a version of the Zijlstra plan, calling for European currencies, the dollar, and the yen to be fixed within "ranges" by central banks. The central banks would be given supranational "surveillance" control over members' economic policy, for example, to coordinate nations' monetary policies. (It is worth noting here that Rohatyn's wife is the daughter of Clarence Streit, who in 1939 proposed "Union Now," a policy of returning the United States to the British Empire. By 1941, Streit was active in the International Fabian League.)

Rohatyn's scheme would, in short, return the world to the colonial era when creditors collected debts by seizing their victims' customs stations and impounding the revenues.

Big MAC plans on the left and the right

More than a dozen plans similar to Rohatyn's have been floated, many presented as liberal, pro-Third World schemes. They include:

• **The British Commonwealth Study Group.** Speaking in the name of the Third World, at the Aug. 30-31, 1982 London meeting of Commonwealth finance ministers, Shridath Ramphal, Commonwealth Secretary General, and New Zealand Finance Minister Robert Muldoon called for a "new Bretton Woods global monetary conference."

The Commonwealth, whose Study Group on International Monetary Affairs is headed by Lloyd's Bank Chairman Sir Jeremy Morse, basically supports the Rohatyn plan. They propose to set up a "new institution," separate but "sister" to the IMF, London sources told *EIR*. It would conduct a "global reorganization of debt," sources said, with an "exchange" of short term debts for long term paper of the new body. The liquidity to buy out the debt would have to be paid in by OECD governments.

The Commonwealth is also debating the form of a new currency system. They believe "all currencies are overvalued and that they therefore must be devalued in a coordinated way," sources said. Some say this could be done within the dollar system; others are considering dumping the dollar and using the IMF's Special Drawing Right as a key reserve.

The Commonwealth proposes that the Soviets be included in the new system, regardless of U.S. desires, the source said. Since all currencies will be pegged to gold, the Soviets would contribute gold reserves to the new institution.

Commonwealth Secretary Ramphal insists that large debtor countries be allowed heavy representation in the new system; "they must be given the illusion that they are getting a piece of the pie, otherwise they might get suspicious," one source said.

• The avowedly Third Worldist **UN Conference on Trade and Development (UNCTAD)** on Jan. 26, 1983 published its "Policy Paper 11 on International Financial and Monetary Issues" for the June 1983 UNCTAD VI conference in Belgrade. This conference, to be attended by both North and South, will be the scene of a major effort by the British Commonwealth in particular.

In order to keep the LDCs locked into negotiations, rather than in establishing a debtors' cartel, the paper calls for a Rohatyn-type stretch-out now, not on bank debt, but on the much smaller official debt owed by LDCs to OECD governments. It suggests "postponement" or moratoria on official loans and/or a stretch-out to "consolidate" official debt so that the annual payment due is a "fixed proportion" of debtors' export earnings.

In the "long term," UNCTAD calls for "the creation of an International Central Bank with powers of credit creation," and "arrangements" to exchange "short- and long-term finance."

Former World Bank official and now Pakistani Minister of Planning **Mahbub ul-Haq** proposed at the New Delhi Non-Aligned nations' summit March 9 that the IMF establish a "special rescheduling facility," a sister fund within the IMF as proposed by Rohatyn. The IMF special facility would both conduct an exchange of short term official debt and "coordinate" private bank debt, ul-Haq told the press. The banks would gain "greater IMF surveillance over the Third World," he said.

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Ul-Haq proposed that the new facility be given liquidity to fund debt relief by IMF sales of gold stocks and a new issue of SDRs.

So negative has reaction to ul-Haq's plan been that at a press conference at the IMF in Washington April 29, Pakistani Finance Minister Ishaq Khan denied that either ul-Haq or his government had made the proposal.

•From the "liberal Republican" center, former U.S. Secretary of State **Henry Kissinger** in November 1982 held a conference at Georgetown University on "International Banking" to discuss the debt exchange. Penelope Hartlund-Thunberg, in a private paper commissioned by Kissinger for the conference, called for the "Federal Reserve and the central banks to buy out a portion of the bad debts of the banks, to inject liquidity."

In a Jan. 24 *Newsweek* feature titled "Saving the World Economy," Kissinger warned that the debt must be reorganzied so that "the debtors should be deprived of the weapon of default."

Kissinger also called for an "overhaul of the international monetary system" in which "central banks should agree on the range for exchange rates." The BIS-controlled central banks must have surveillance powers to "coordinate fiscal and monetary policies," he specified. On May 17, 1983, Kissinger was the featured speaker at a Washington conference sponsored by Rep. Jack Kemp (R-N.Y.) to demand a "new Bretton Woods" conference to establish fixed exchange rates under the aegis of the BIS.

•On the "free market" conservative side, U.S. National Security Council chief international economist **Norman Bailey** has proposed a scheme to exchange the debt on a direct debtor-to-creditor basis. His proposals appeared in *Business Week* of Jan. 10, 1983 and in a longer piece in the March issue of the Georgetown Center for Strategic and International Studies magazine.

Bailey proposed first that the banks establish a new "financial instrument," the "Exchange Participation Note (EPN)," which the central banks of debtor nations would issue directly to private banks and government creditors alike in exchange for retiring their debt obligations.

Lacking a collection institution, Bailey's scheme has no formal enforcement powers vis-á-vis debtors. However, the EPN might be paid by revenues, upon which EPN holding creditors would have first lien, from the export and other foreign-exchange earnings of the debtor nation. The amount of revenue paid each year is to be reduced to a "prudent level" of the debtor's earnings as a form of debt relief. From the debtors' standpoint, this resembles the "cotton bonds" the British Empire issued when it made Egypt a colony in the 19th century.

There is no direct conditionality role for the IMF or any other agency. No new credit is provided under the plan. Nor would a new international institution be involved; but this is unworkable from the creditors' side. If there is substantial debt relief, the EPNs must be worth much less than the debt they replace, and the scheme provides no fund to prevent banks from huge losses. If the EPNs are not worth less, the debtors will not be able to pay them.

•Also from the free-market side, **Princeton University Professor Peter Kenen**, member of the Group of 30 and the Morgan Bank's Institute for International Economics, published a variant of the Rohatyn plan in the *New York Times* on March 6, 1983.

Kenen calls for the establishment of a new "International Debt Discount Corporation" by the OECD governments, who would pay in capital. The IDDC would issue its long-term bonds to private banks, exchanging them for the banks' short-term Third World debts. It would agree to buy only the debts of those LDCs which submit to IMF conditionalities; they are to be allowed to borrow a certain amount of new credit, under IMF supervision.

Kenen, unlike Rohatyn, specifies that the bonds would be worth 90 cents on the dollar to the banks, who would therefore take a minimal 10 percent loss on $300 billion short-term LDC debt, a $30 billion loss to be spread among over 12 major banks and hundreds of small banks.

Kenan claims this is plan has a more "free market" character than that of Rohatyn. However, he is asking the LDC debtors to pay as much as they are already due to pay—and have already shown they cannot.

•Speaking for the banks in London, **William Mackworth-Young**, chairman of Morgan Grenfell investment bank, went on record in favor of an extended Kenan facility in the March 15 *Financial Times*. "The basic thrust of all these plans," he elucidated, "is to strip assets out of the banking system which shouldn't have been there in the first place."

He proposed to create a new agency, "supported by the IMF or central banks," which would purchase LDC debt from the banks "at face value" (thus granting no debt relief to debtors on principal), and issue non-interest bearing bonds. The banks could discount the bonds at central banks for more cash, and could be converted into negotiable bonds for trading on a new secondary market. Because the bonds would be guaranteed by the central banks, any investor would buy, he said.

•Barclays' Bank chairman **Timothy Bevan** and Barclays International General Manager **Peter Leslie** favor a more limited version of the Kenan scheme. Barclays called for the BIS central banks to establish a new "rediscounting facility" which would "purchase portions of rescheduled loans from banks, at a discount" to provide liquidity for banks with "locked-up debt," much as the Federal Reserve now does within limits.

Banks would have to agree to lend the equivalent in new money, and the risk transfer would be only temporary; if the discounted loan "turns sour," Leslie said, "it will revert to the bank, which will have to write it off."