Unless any time bought in this way is used to address the fundamentals, delay will only make matters worse. The meeting will be really useful if it rejects the Micawberish approach of buying time. . . .

The trouble is that the fundamental problems are pregnant with acute discomfort for everyone concerned. The commercial lenders, for example, have to face the question whether it would not be better to sell some of their claims at a loss and so regain commercial freedom. They naturally prefer to hope for an official Fairy Godmother.

For governments the questions are still more painful because they are political. The U.S. could help immeasurably by substituting some fiscal for monetary restraint; but higher taxes are unpopular. All developed countries could help debtors (and consumers) by a more open market for developing-country exports; but it is protection which wins votes. The banks may have some reason for their obstinate hope that in the end some form of subsidy will be less politically painful.

The debtor countries also have some questions to face—not so much on adjustment policies but on economic nationalism. Foreign equity investment would not leave a debt problem behind. And the monetary authorities have yet to display any imagination in seeking ways to consolidate debt in forms which would insulate debtors from the short-term twists of U.S. monetary policy, using not only bonds but equity, and perhaps commodity indexation. We hope that some at least of these topics will be put on the agenda in New York; in three days we can hardly hope for more.

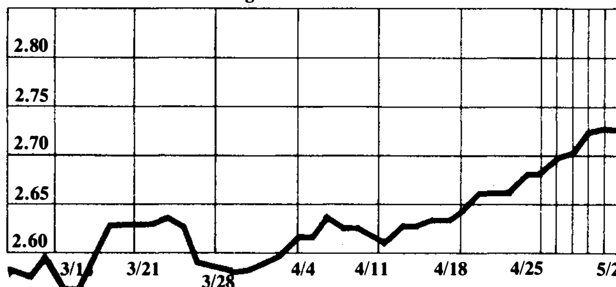
The New York Times, *May 4, column by Leonard Silk, "The Dangers in Debt Crisis":*

Robert V. Roosa, a former Undersecretary of the Treasury for Monetary Affairs who is now a managing director of Brown Brothers Harriman . . . sees a growing need for the United States and other countries to help raise a great deal of money—$100 billion for openers—to convert short-term debt into long-term debt and ease the burdens of the debtor countries. . . . Peter Kenen, professor of economics at Princeton University, has proposed that private banks trade in their risky loans to developing countries for 10- to 15-year bonds to be issued by a new international organization. . . .

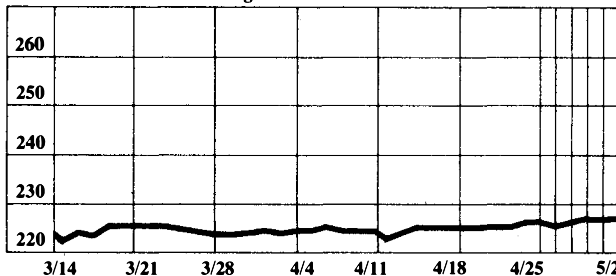
At the New York conference next week, Henry C. Wallich, a governor at the Federal Reserve Board who is its top international expert, will suggest splitting the interest that developing countries pay into real and inflationary components, with the latter being added to the principal of the debt outstanding . . . thereby scaling down their payments without wiping out the debt. Mr. Wallich will also discuss a plan for insuring private bank loans to the debtor countries. . . . [T]he insurance plan or rescue operation will have to be done by governments operating through international agencies and central banks. . . .

Currency Rates

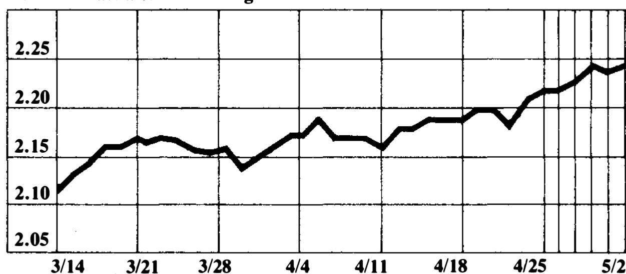
The dollar in deutschemarks
New York late afternoon fixing



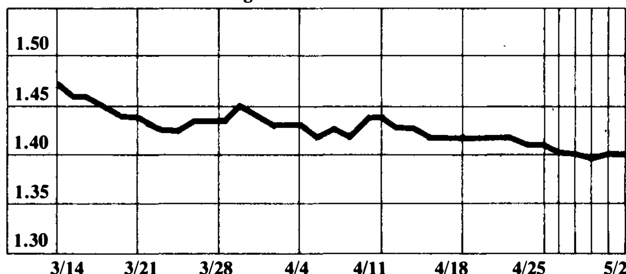
The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



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