liquidity thus issued: it took $7.5 billion—officially—to save Conti Illinois alone! Bank stocks will collapse since the condition for the bailout will be that they pay no dividend at all for some while. Some banks will go belly up, though not many. The effect, overall, will be badly recessive.

Q: What of the debtors?
A: The first and last at this moment is that the debtors' cartel is a functioning entity, whether we like it or not, and believe me, a lot of us don't like it at all. But it's there.

What can happen to Latin America? Under moratorium or semi-moratorium conditions, some measure of growth will restart, with limiting factors: recession in the rest of the world, the depth of the Western recession which will now increasingly appear, especially in the U.S., in 1985, and little bank lending if any to the LDCs. They will need international institutional money and export credit from Western governments. Some internally-generated growth will still be there. But they'll have an export problem with growing protectionism.

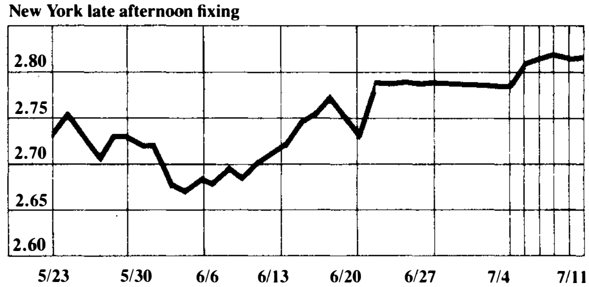
Overall, Cartagena has to be accepted, including the final declaration. But if there is some thought of doing that in some central banks, count on them to hush it up completely until they move.

Q: Are other "solutions" being envisioned? I read a piece in the *Financial Times* on the possibility of seizing the assets of debtor nations?
A: No, no, you can't do that. All the work has been done on this, believe me, it cannot be done, not seriously. The myth has been exploded. Most of the time, the debtor is a legally independent entity rather than a government. Debtors could deposit assets with the BIS, where they would be untouchable. Or with Swiss banks, which won't seize deposits in numbered accounts! Can you imagine a big Swiss bank seizing the personal account of Delfim Neto? And you can't go to a Brazilian court, for instance, and get a judgment against a Brazilian debtor, and get enforcement. Forget it.

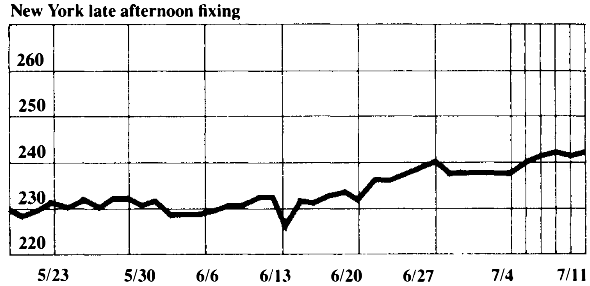
Q: What about the Kissinger-Leutwiler scheme of debt for equity?
A: Forget it, too. The [World Bank affiliated] International Financial Corporation has been talking to various countries on how to stimulate foreign equity investment there, including converting loans into equity. But first, you would have to offer a yield on equity higher than on debt, and second, to be able to repatriate the proceeds, have a hard-currency cash-return, and that is not a given at all. And it would be inflationary for the countries concerned. And then, which country really has a market in assets that would be big enough to cover part of the debt? Mexico, Brazil. You'll get shot at with rifles if you try. Forget it.

Currency Rates

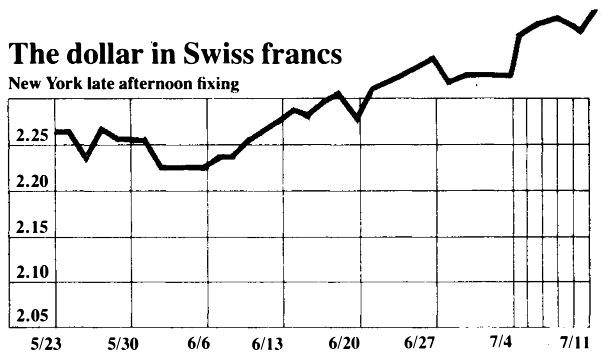
The dollar in deutschemarks
New York late afternoon fixing



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