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Nobel Prize-winner Economist Solow: No Reason For Latin American Nations To Be Crucified With Debt Burden

by John Neagle

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In a recent interview in Boston, Robert Solow, winner of the Nobel Prize in economics for 1987, said there is no reason for Latin American nations to crucify themselves in attempts to make payments on foreign loans that were contracted in under entirely different world and regional economic conditions. Nor is there a reason, said Solow, for oil-producing countries like Venezuela and Mexico to destroy their economies paying loans that were contracted with the understanding that oil export revenues would be used for repayment. While oil prices have changed, he said, loan payment conditions (variable interest rates, for example) have remained the same. Solow said there is a growing awareness among US government officials and bankers that credit policies in the past were not exactly intelligent. It is now understood, he added, that losses must be accepted, and conditions created to resume credit flows to the region. (Basic data from AFP, 11/20/87)

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