

# ANALYSIS AND INFORMATION

RESEARCH INSTITUTE  
**FRIEDRICH  
EBERT**   
STIFTUNG

Commercial Loans to Developing Countries


## Must we ride the Tiger?

By  
Michael Dauderstädt

Results of a meeting of experts arranged by the  
Friedrich-Ebert-Stiftung in Bonn on 14 October 1980

# ANALYSIS AND INFORMATION

---

RESEARCH INSTITUTE  
**FRIEDRICH  
EBERT**   
**STIFTUNG**

Commercial Loans to Developing Countries

## **Must we ride the Tiger?**

By  
Michael Dauderstädt

Results of a meeting of experts arranged by the  
Friedrich-Ebert-Stiftung in Bonn on 14 October 1980

## Preface

The year 1980 was marked by the impact of oil-price increases together with the concomitant aggravation of the problems of recycling and debt repayment. In the light of this situation, the Friedrich-Ebert-Stiftung invited representatives of a number of banks, monetary institutions, enterprises and research organizations to analyze these issues and to discuss possible solutions in a meeting held in Bonn on 14 October 1980. Three experts in this field – Messrs Holthus, Schäfer and Schröder – submitted exposés and drafted a partial account on the conference findings.

My original task had been to prepare a full and comprehensive report. A number of circumstances led to a postponement of this project so that, when I was actually writing the report in the Summer of 1981, it seemed more expedient to incorporate the latest data and interpretations instead of simply setting out the details of this admittedly important event – now a year old – in the annals of the political and academic debate on these topics. With this in mind, the following essay should be seen as an individual contribution to the dialogue, reflecting as it does the opinions of the author rather than those of the actual participants. I am fully aware of how much my essay has benefited from the colloquium and from those who attended. May I therefore take this opportunity of reiterating my thanks for their willingness to take part in talks.

But let me return to the subject under discussion. No-one knows for how long the commercial banks will ride the tiger of granting loans to high-debt developing countries. How much strain can recycling via the international banking system withstand and – equally crucial – what risks attach to the borrowing limits and the capacity of developing countries to repay their debts? Getting off the tiger (i.e. stopping the expansion of loans and debts) might even prove to be the greater risk. Finally, for how long can the industrialized countries refrain from assuming large-scale debts and deficits without plunging the developing countries and the international financial system into a dangerous crisis?

All this involves questions as to the capacity of this pipeline consisting particularly of the international banks – and ranging from the well-stocked accounts of the oil producers to the empty coffers of Third World finance ministries. Although the present essay does not answer these questions, its method of formulating them may help to initiate a fresh debate and fresh solutions.

Michael Dauderstädt

# Contents

Preface . . . . .	3
1. From the oil crisis . . . . .	7
2. . . . to financial catastrophe . . . . .	9
3. The dilemma of a world currency policy . . . . .	11
4. Will the house of cards hold up? . . . . .	13
5. Greasing the loan machine . . . . .	15
6. The saviours of the world economy: the International Monetary Fund and the World Bank . . . . .	18
7. A realistic adjustment? . . . . .	21
8. Waiting beneath the sword of Damocles for better times to come . . . . .	23

## Democracy and Social Change

This series of publications on „Democracy and Social Change” is intended to support the advisory and educational activities of the Friedrich-Ebert-Stiftung in the field of social development in the Third World. They will present basic information on problems of economic and social policy as well as rural development. They will focus not only on North-South but also on South-South inter-relationships. The general aim is to facilitate the reader’s critical reflection on possible solutions to development problems.

Editors: Michael Domitra, Werner Puschra

Any correspondence should be mailed to the Forschungsinstitut der Friedrich-Ebert-Stiftung, Abteilung Entwicklungsländerforschung, Godesberger Allee 149, 5300 Bonn 2, Federal Republic of Germany. Titles will appear at irregular intervals and copies can be obtained directly from the above address.

Democracy and  
Social Change

**FRIEDRICH  
EBERT   
STIFTUNG**

